

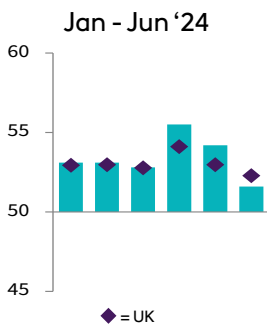


NatWest

NatWest West Midlands Growth Tracker

Slower expansions in new business and output

West Midlands Business Activity Index



Key findings

Softer rise in sales curbs activity growth

Employment contracts further

Quicker increases in input costs and selling charges

The NatWest West Midlands Growth Tracker showed a softer improvement in operating conditions locally, with a slower and only fractional increase in new business restricting output growth. Business confidence remained historically high, but job shedding intensified and price pressures gathered pace.

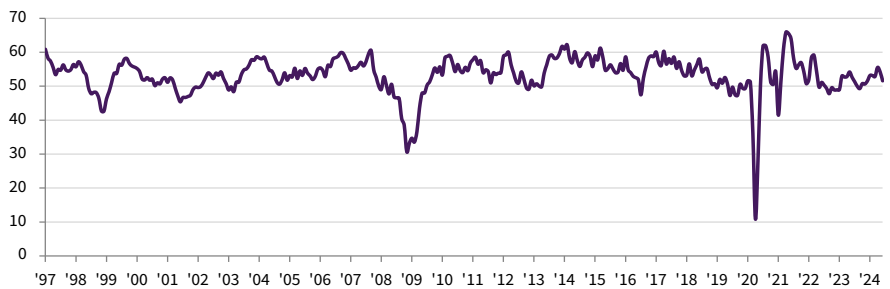
At 51.6 in June, the Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – highlighted growth for the ninth consecutive month. However, falling from 54.2 in May to its lowest in 2024 so far, the headline figure pointed to a softer and only modest rate of expansion. Panellists noted that delayed project starts, the loss of existing customers and slow business decisions dampened demand and subsequently output volumes.

Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board, commented:

"The latest Growth Tracker data for the West Midlands again showed rising levels of new business and output at local firms. Growth trailed behind the national average, however, as demand was reportedly constrained by public policy uncertainty. Still, expectations that interest rates will start to come down and that market conditions will improve after the general election continued to support business confidence. Inflationary pressures remained high, however, a key reason behind another round of job shedding as firms opted to not replace departing staff."

West Midlands Business Activity Index

sa, >50 = growth since previous month



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About the West Midlands Growth Tracker report

The NatWest West Midlands Growth Tracker is compiled by S&P Global from responses to questionnaires sent to West Midlands companies that participate in S&P Global's UK manufacturing and services PMI surveys.

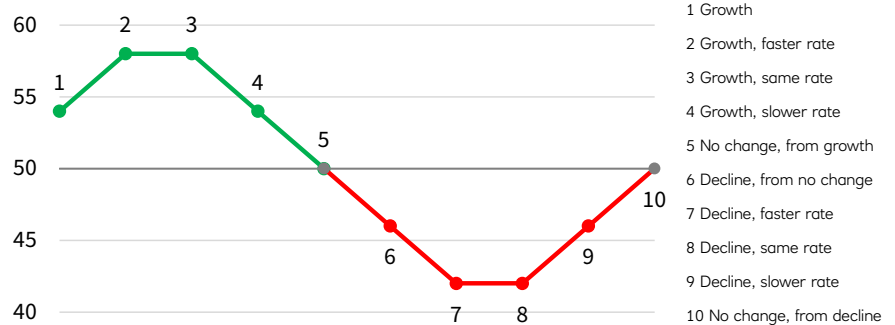
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the survey methodology, please contact economics@spglobal.com.

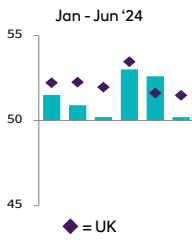
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

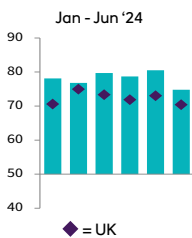


New business increases only fractionally in June

Although new orders placed with private sector companies in the West Midlands continued to increase in June, the pace of expansion softened to the weakest in three months and was fractional overall. Anecdotal evidence indicated that growth was constrained by political uncertainty and subdued demand conditions.

Six out of the 12 monitored UK regions and nations posted an increase in sales, with the West Midlands noting the softest rise.

Future Activity Index



Optimism weakens, but remains historically elevated

The Future Output Index slipped to an eight-month low in June, but remained above both the neutral mark of 50.0 and its long-run average. Hence, the latest figure was indicative of a strong degree of optimism among West Midlands firms regarding the year-ahead outlook for business activity. Product diversification, expectations of lower interest rates, differentiated marketing and high numbers of client enquiries underpinned positive sentiment.

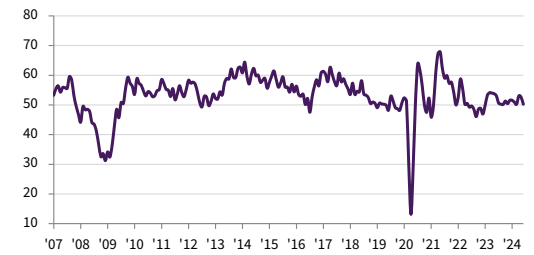
Only companies in the South East were more upbeat than local firms.

New Business Index

sa, >50 = growth since previous month

50.2

Jun '24

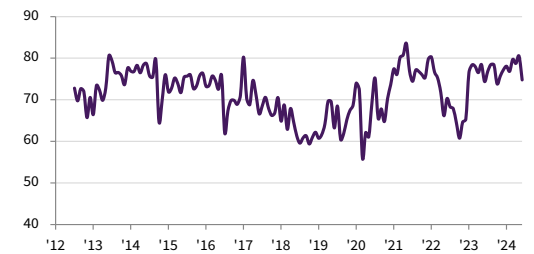


Future Activity Index

>50 = growth expected over next 12 months

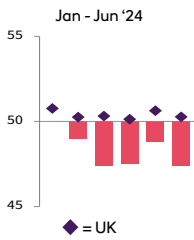
74.8

Jun '24



Business capacity

Employment Index



Employment falls for fifth straight month

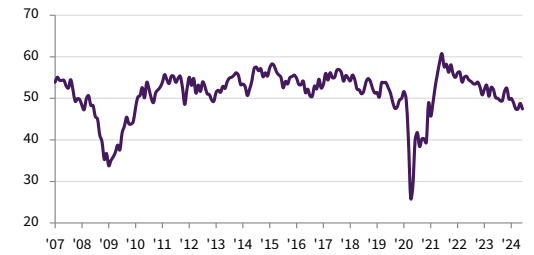
June data showed another decline in private sector jobs across the West Midlands, which extended the current sequence of contraction to five months. Moreover, the pace of reduction was solid and the joint-fastest over this period. According to monitored companies, shortages of new work and the loss of contracts put pressure on headcounts, with voluntary leavers not being replaced.

There were also mentions of cost considerations and staff leaving in search of higher pay elsewhere.

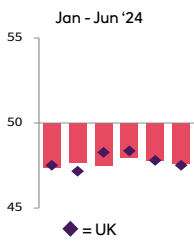
Employment Index

sa, >50 = growth since previous month

47.4
Jun '24



Outstanding Business Index



Outstanding business volumes decline further

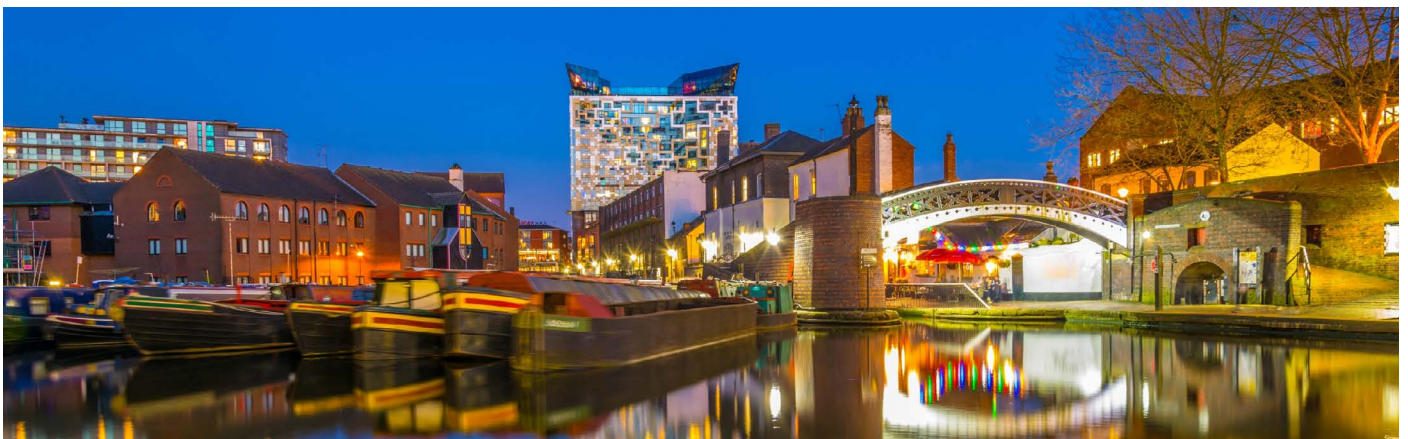
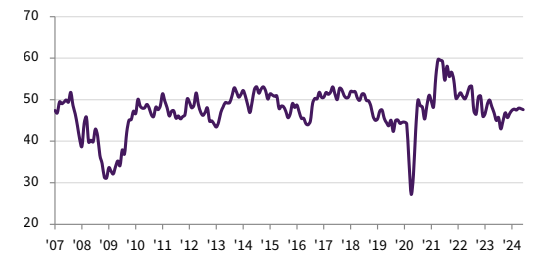
Amid reports of shortages of new orders and efficiency gains, West Midlands companies were able to make further inroads into their backlogs in June. Work pending completion decreased for the nineteenth successive month, and at a solid pace that was the most pronounced since March.

The reduction in outstanding business seen in the West Midlands was broadly in line with the national average.

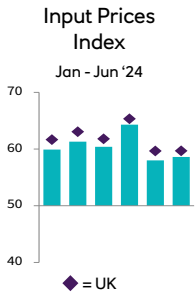
Outstanding Business Index

sa, >50 = growth since previous month

47.6
Jun '24



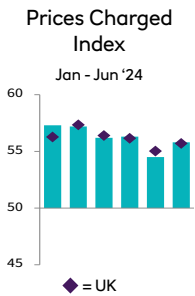
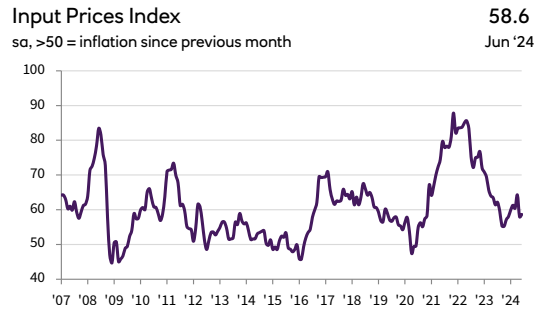
Prices



Input prices rise at quicker pace

West Midlands companies indicated a further increase in their operating expenses, which they associated with higher food, insurance, labour, material and shipping costs. The overall rate of inflation was sharp and quickened since May, but was broadly in line with its long-run average.

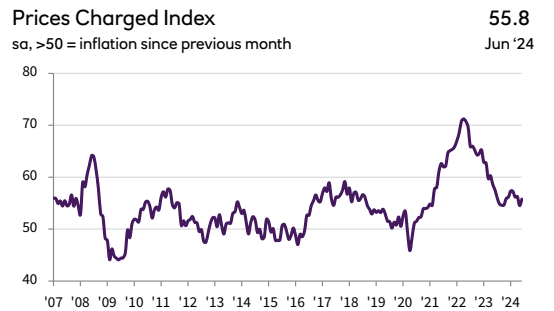
Cost pressures in the West Midlands were among the weakest of the 12 monitored UK regions and nations.



Charge inflation ticks higher at end of second quarter

In line with an intensification of cost pressures, there was a quicker increase in prices charged for West Midlands goods and services in June. The rate of inflation was sharp, faster than in May and above its long-run trend.

The local rate of charge inflation was broadly similar to the UK average.



UK Sector

Sector specialisation: West Midlands

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for the West Midlands, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

West Midlands specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Jun '24
1	Transport	2.09	
2	Basic Metals	1.58	
3	Mechanical Engineering	1.20	
4	Other Manufacturing	0.94	
5	Timber & Paper	0.77	
6	Electrical & Optical	0.63	
7	Textiles & Clothing	0.58	
8	Food & Drink	0.57	
9	Chemicals & Plastics	0.48	

West Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '24
1	Transport & Communication	1.26	
2	Personal & Community Services	1.16	
3	Hotels, Restaurants & Catering	1.14	
4	Computing & IT Services	1.04	
5	Business-to-business Services	0.96	
6	Financial Intermediation	0.68	

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

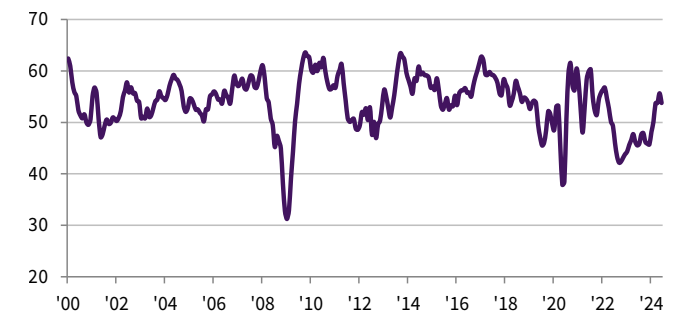
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

sa, >50 = growth since previous month (3mma)*



* 3-month moving average



UK Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

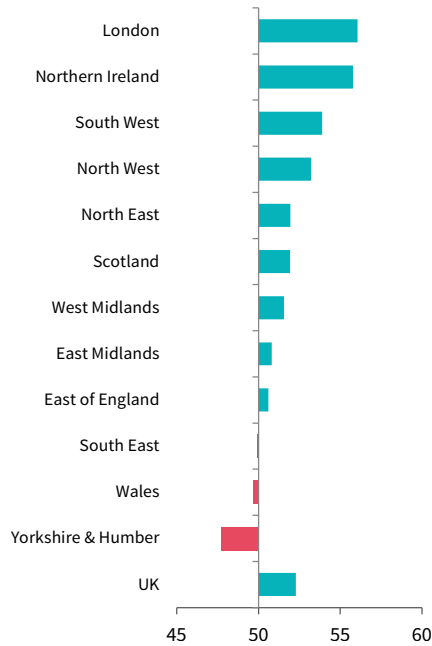
Employment

The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

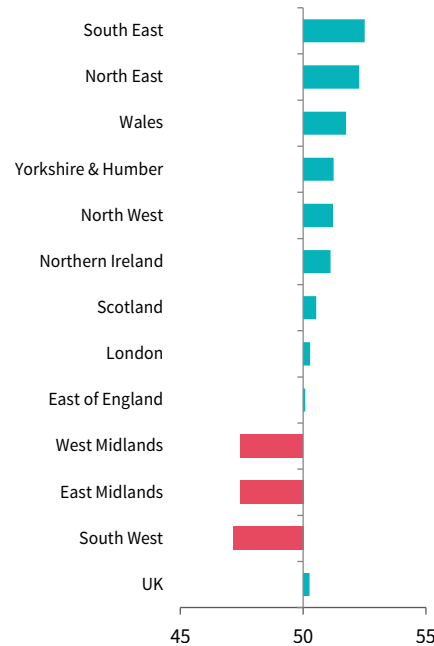
Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

Business Activity Index
sa, >50 = growth since previous month, Jun '24



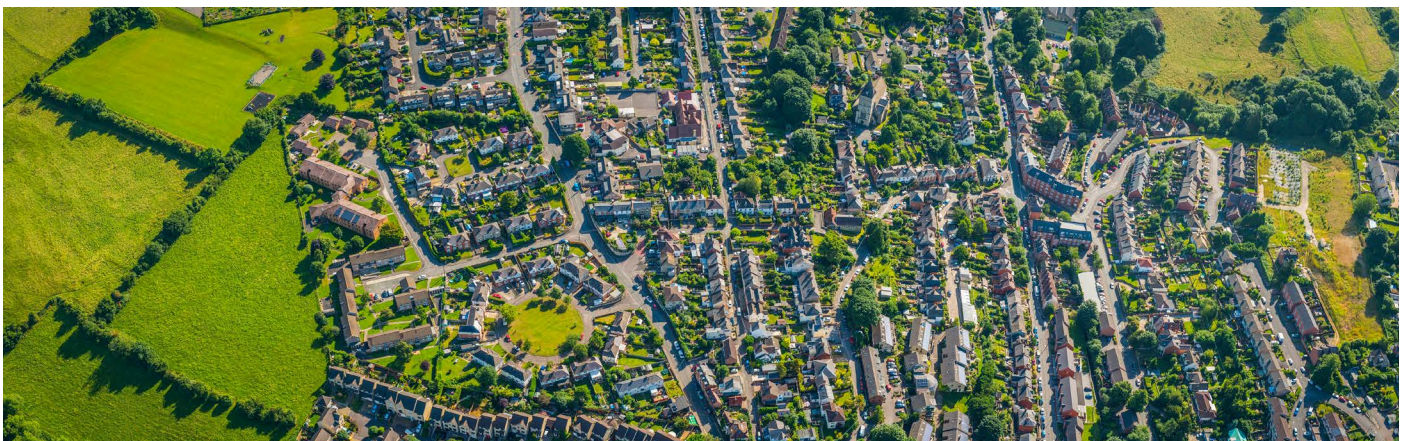
Employment Index
sa, >50 = growth since previous month, Jun '24



Future Activity Index
>50 = growth expected over next 12 months, Jun '24



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

West Midlands

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Jan '24	53.1	51.5	50.4	78.1	50.0	47.4	59.9	57.3
Feb '24	53.1	50.9	51.5	76.8	49.0	47.7	61.3	57.2
Mar '24	52.8	50.2	51.6	79.7	47.4	47.5	60.4	56.2
Apr '24	55.5	53.0	51.9	78.7	47.5	48.0	64.3	56.3
May '24	54.2	52.6	53.2	80.5	48.8	47.8	58.0	54.5
Jun '24	51.6	50.2	52.3	74.8	47.4	47.6	58.6	55.8

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Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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