

10 December 2024

NatWest West Midlands Growth Tracker

West Midlands firms among most upbeat
across the UK in November



NatWest

PMI[®]

by S&P Global

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Key findings

November 2024

Only London records stronger year-ahead expectations than local businesses

Selling price inflation curbed by competitive conditions

Business activity volumes stable

The NatWest West Midlands Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





West Midlands firms among most upbeat across the UK in November

West Midlands firms were among the most upbeat across the UK regarding the year-ahead outlook for business activity.

A marginal decline in new business curbed charge inflation, as some firms sought to encourage spending by either reducing or leaving their fees unchanged. After a sustained period of expansion, output volumes were held steady once again, while jobs were shed to a lesser extent.

The West Midlands 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 – was at 49.9, little-changed from 50.0 in October and therefore signalling a broadly stable level of output across the region. This compared with a UK-wide reading of 50.5, which showed marginal growth at the national level.

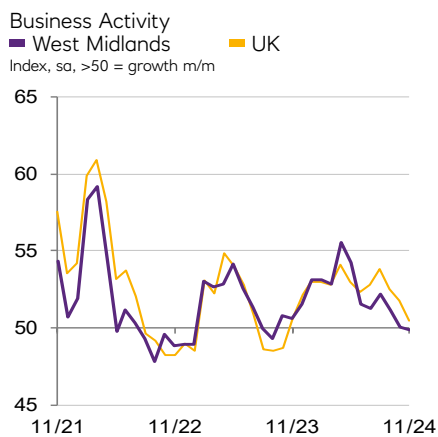
Where an increase in business activity was recorded, West Midlands panellists commented on sales growth. Firms that observed a fall remarked on subdued client demand and challenging economic conditions across Europe.

NatWest West Midlands Business Activity Index November 2024

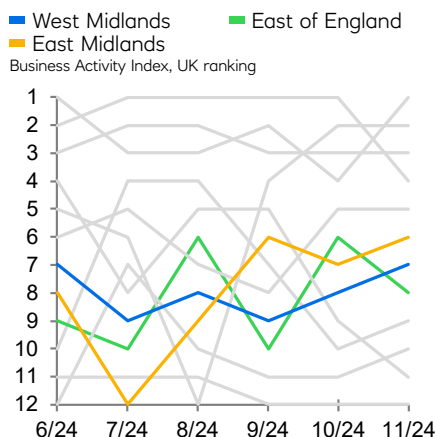
49.9

The Business Activity Index is a diffusion index calculated from companies’ responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 12-27 November



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Comment

Lisa Phillips, Regional Managing Director, Midlands and East, Commercial Mid Markets

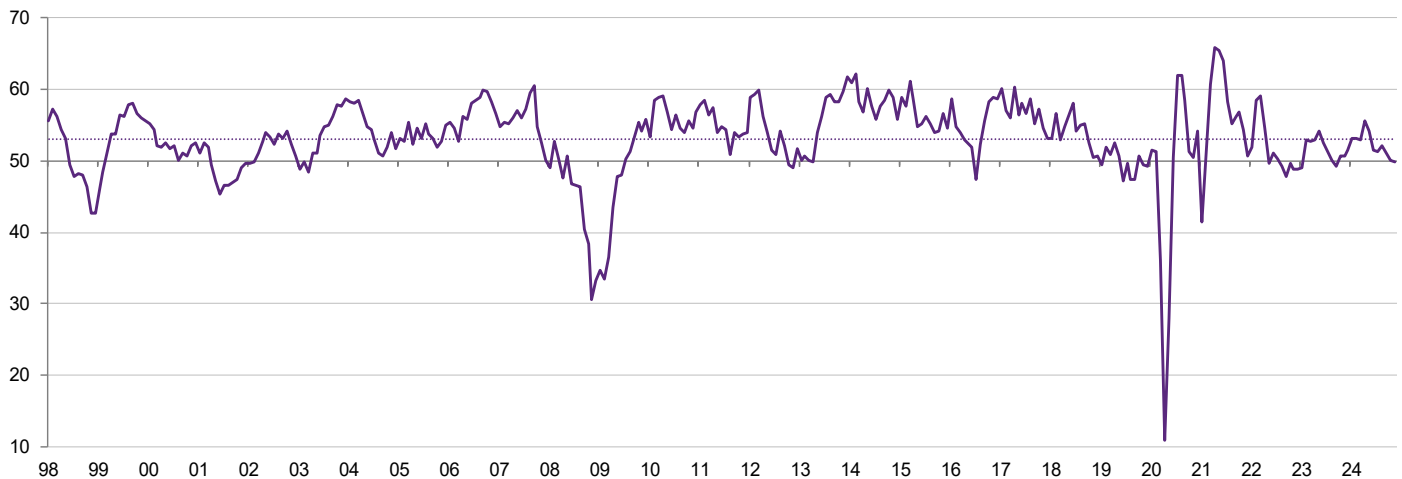
"Factors such as increased advertising efforts, inbound tourism, lower borrowing costs and the introduction of new products all contributed to a positive outlook for output growth in 2025. Notably, only London saw a higher level of business sentiment than the West Midlands.

"An encouraging aspect of the November results was the notable decline in selling price inflation, which receded to its lowest level in over four years. Competitive pricing across the West Midlands will be more supportive of sales in the coming months.

"While there was a slight dip in new business inflows during November, local companies remained optimistic about future demand conditions. Jobs continued to be shed, but they did so to a lesser extent."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Demand and outlook

Modest decline in new business inflows

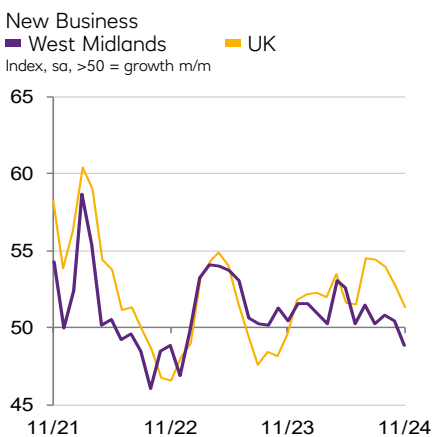
For the first time in nearly two years, new orders received by private sector firms in the West Midlands decreased during November. That said, the pace of contraction was modest overall. According to panel members, sales volumes were stymied by subdued client confidence, automotive sector weakness and challenging export conditions in Europe.

The fall in new business placed with local firms compared with sustained growth at the UK level.

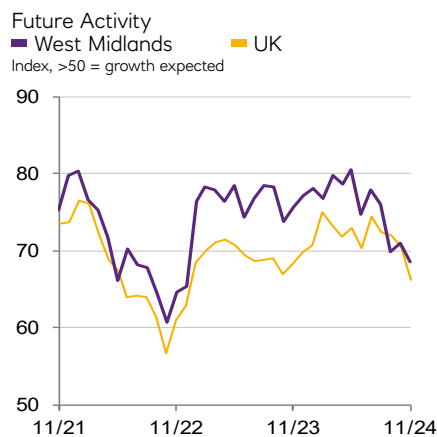
West Midlands companies remained upbeat towards the year-ahead outlook for output. Sentiment across the West Midlands was the second-highest of the 12 monitored UK regions and nations, behind London. In general, panellists expect advertising, inbound tourism, lower borrowing costs and new product releases to underpin growth in the year ahead.

That said, the overall level of positive sentiment in the region slipped to a 23-month low in November.

"While there was a slight dip in new business inflows during November, local companies remained optimistic about future demand conditions."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Jobs and capacity

Job shedding eases midway through final quarter

Private sector employment in the West Midlands decreased for the tenth consecutive month in November, though at a slower pace than in October.

Still, the West Midlands was near the bottom of the rankings for job trends, with only Wales noting a quicker reduction.

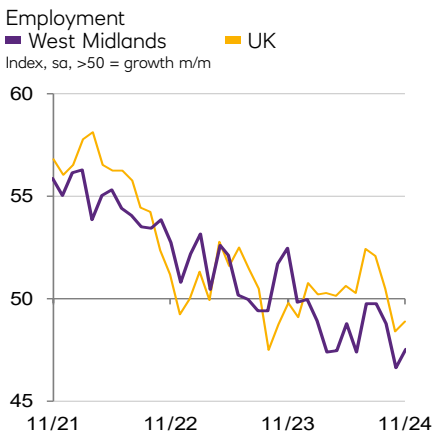
Local firms associated the latest round of payroll cuts with redundancies, unplanned resignations and a hike in National

Insurance contributions.

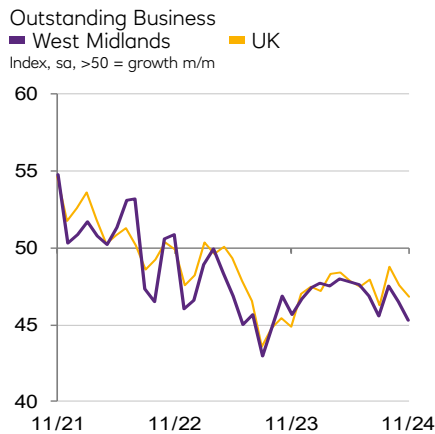
Another factor that led firms to trim headcounts was an absence of capacity pressures. The latest fall in outstanding business volumes was the sharpest since September 2023, and took the current sequence of depletion to two years.

Backlogs declined in nine of the 12 monitored UK regions and nations. Growth was only seen in the North East and the South West, with London posting no change from October.

"Jobs continued to be shed, but they did so to a lesser extent."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Inflation

Weakest rise in selling prices for over four years

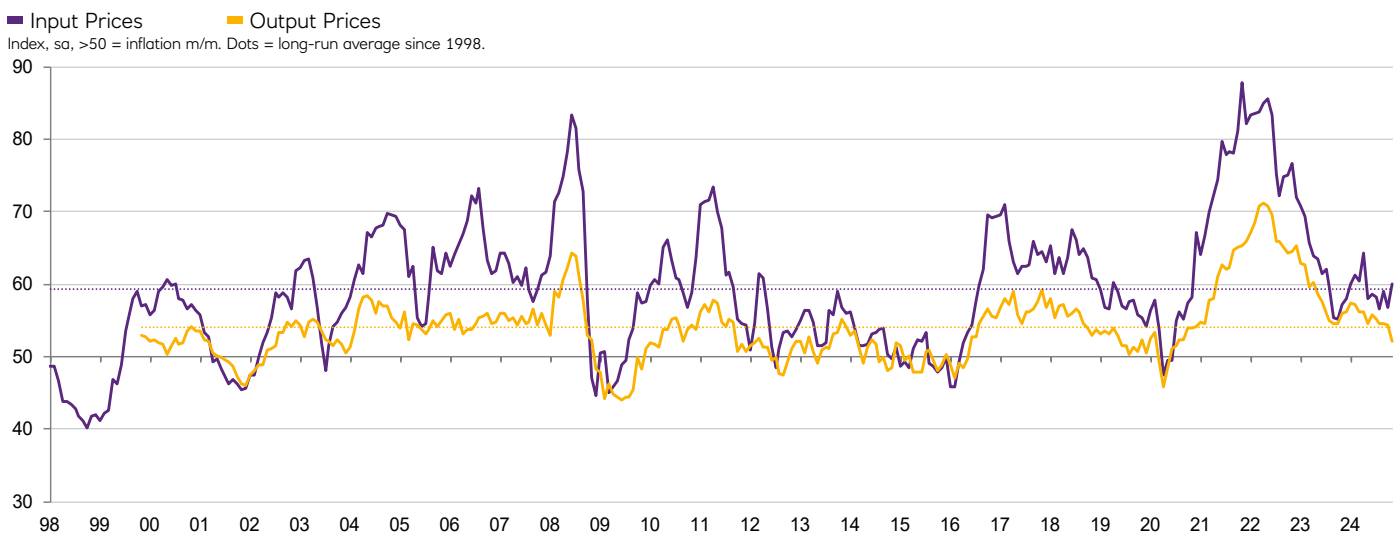
Amid reports of the passing on of rising expenses to clients, prices charged for West Midlands goods and services continued to increase in November. The rate of inflation was moderate, however, and the weakest seen since July 2020. Efforts to stimulate sales reportedly constrained the uptick.

The West Midlands posted the slowest increase in selling charges of the 12 broad areas of the UK.

In contrast to the trend for output prices, input costs rose to a greater extent midway through the final quarter. The rate of inflation was at a seven-month high and above its long-run average. Local companies reported greater freight, input, insurance and labour costs.

Input costs across the West Midlands rose to the same extent as that seen at the national level.

"Competitive pricing across the West Midlands will be more supportive of sales in the coming months."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

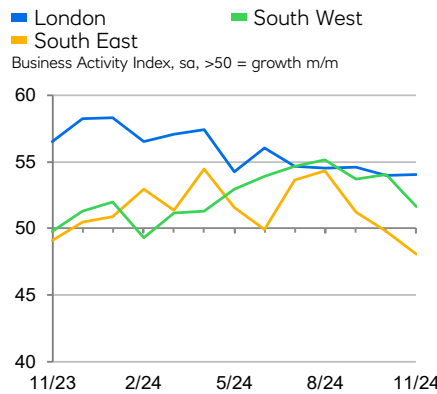
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



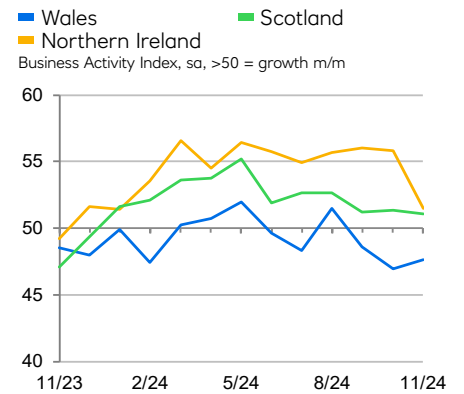
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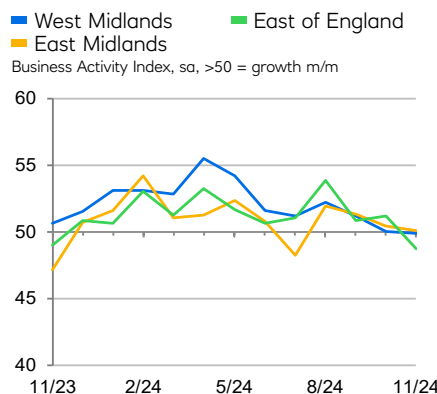
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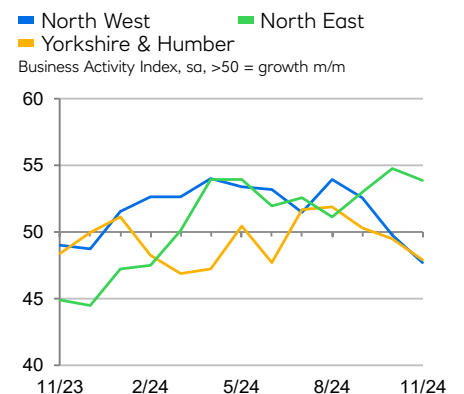
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Growth Tracker heat map

November 2024

Darker colour = higher business growth

West Midlands

Business Activity Index
sa, >50 = growth m/m

49.9



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



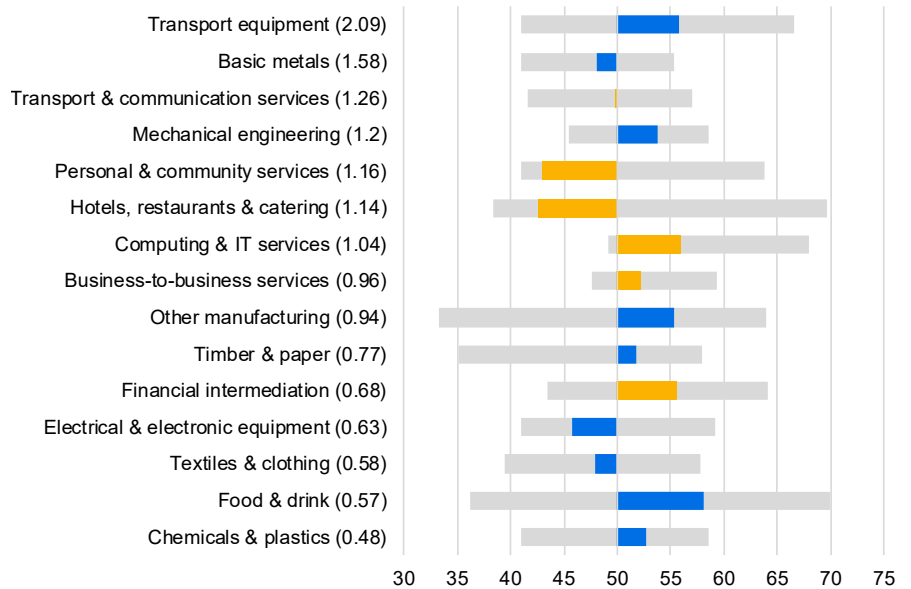
UK sectors

Sector specialisation: West Midlands

The chart shows UK output indices by sector, ranked by location quotients for the West Midlands. Location quotients (LQs) 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.

UK sectors ranked by importance to the West Midlands economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Nov '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 Location quotients for the West Midlands are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Computing & IT services

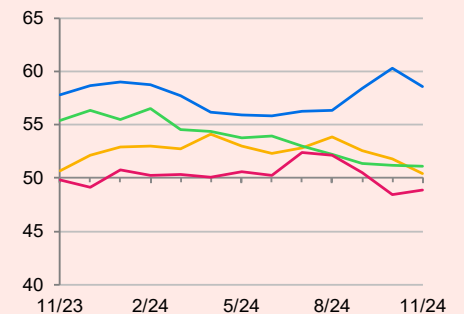
Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.

Output / Employment
 ■/■ Computing & IT services*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 *Data are smoothed as three-month moving average (3mma).

Methodology

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

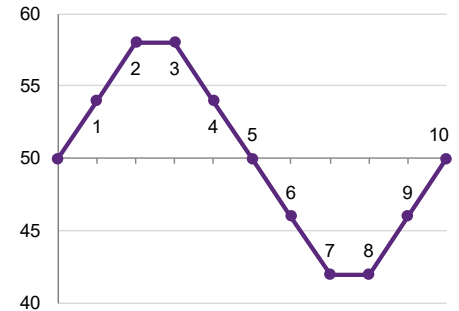
overall decrease. The indices are then seasonally adjusted.

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
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

Data

West Midlands manufacturing and services Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
6/24	51.6	50.2	52.3	47.4	47.6	74.8	58.6	55.8
7/24	51.2	51.5	51.5	49.8	46.9	77.9	58.3	55.1
8/24	52.2	50.3	51.8	49.8	45.5	76.1	56.6	54.5
9/24	51.2	50.8	50.9	48.8	47.5	69.8	59.0	54.5
10/24	50.0	50.5	51.6	46.7	46.5	71.0	56.8	54.4
11/24	49.9	48.8		47.5	45.3	68.6	60.1	52.1

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