

14 January 2025

NatWest West Midlands Growth Tracker

West Midlands output falls only modestly at
year-end



NatWest

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by S&P Global

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Key findings

December 2024

Sustained fall in new business curbs output volumes

Companies focus on clearing pending workloads

Outlook for business activity in 2025 remains positive

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 output falls only modestly at year-end

December data showed a second successive fall in business activity across the West Midlands, but the rate of contraction was only modest and firms foresee growth in 2025.

Firms that signalled a fall remarked on subdued client confidence and reduced intakes of new business. Indeed, sales decreased for the second month in a row, which allowed companies to complete pending workloads but also prompted another round of job shedding. Looking ahead, panel

members were confident of a rise in output over the course of 2025.

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 down from 49.9 in November to 48.9 in December, indicating a modest rate of reduction.

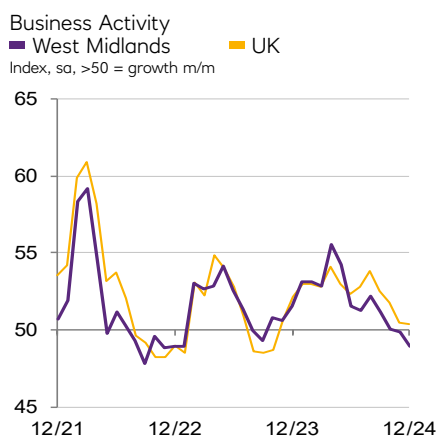
The fall in local business activity compared with growth at the UK level.

NatWest West Midlands Business Activity Index December 2024

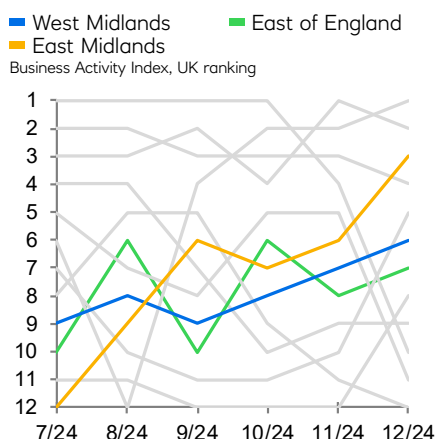
48.9

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 5-19 December



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Comment

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

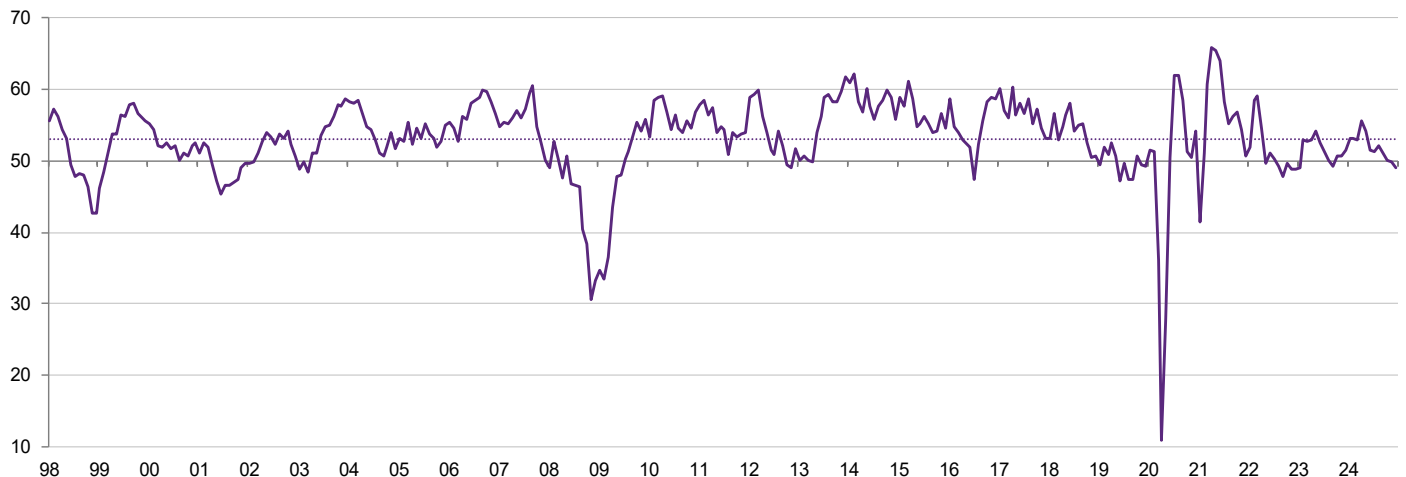
"As we closed out December, local firms faced a slight dip in demand, prompting them to make modest reductions in output volumes. This trend was accompanied by a more pronounced decline in employment, as businesses grappled with a fall in new orders and growing concerns over upcoming increases in employer National Insurance

Contributions and the minimum wage."

"However, there is hope for a turnaround. If firms can boost sales in the coming months, we may see a reversal of this trend. Encouragingly, the local landscape shows signs of improved competitiveness, with the rate of charge inflation remaining the lowest in the country. Also, firms expressed optimism that their investment and marketing strategies will pave the way for growth in 2025."

Business Activity

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



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Demand and outlook

Downturn in new orders gathers pace

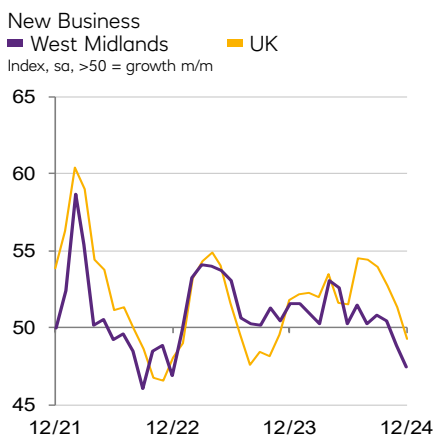
The latest survey results highlighted back-to-back contractions in new orders placed with companies in the West Midlands. December's fall was solid and the fastest in exactly two years. The rate of reduction was also quicker than the UK average.

Challenging economic conditions, subdued client confidence and the postponement of orders were identified by survey members as the main factors behind the drop in sales.

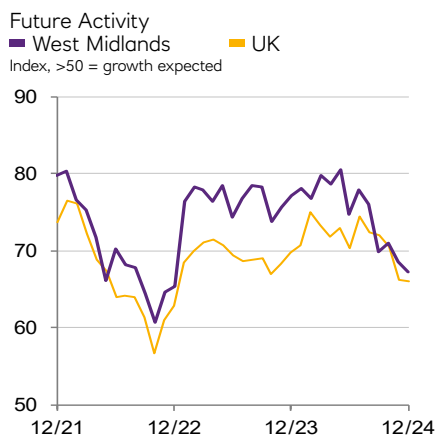
Monitored companies remained confident that output would be higher in 2025 relative to current volumes. Optimism was underpinned by advertising, investment and hopes of a recovery in client demand.

Still, with a numbers of panellists concerned that government policies and price pressures presented headwinds to growth prospects, the overall level of positive sentiment fell to a two-year low. The Future Output Index was nevertheless above the respective UK figure.

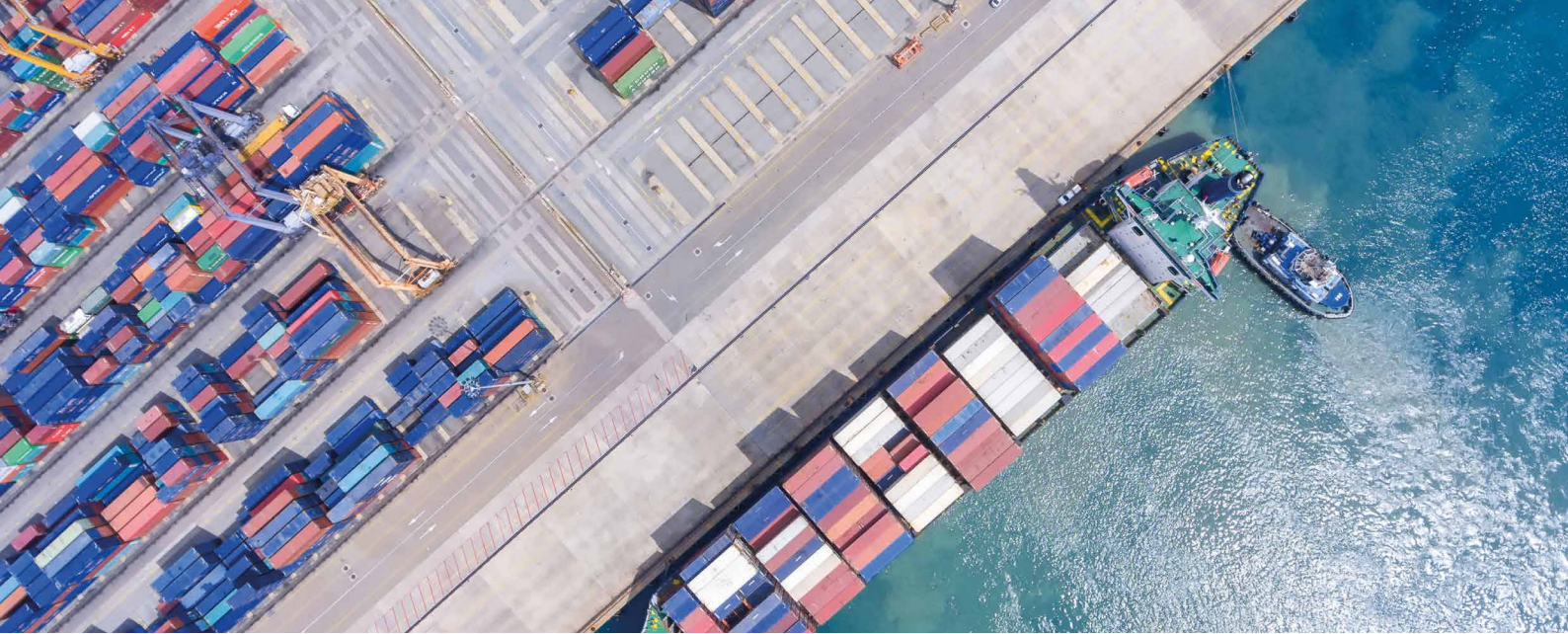
"As we closed out December, local firms faced a slight dip in demand"



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Export markets

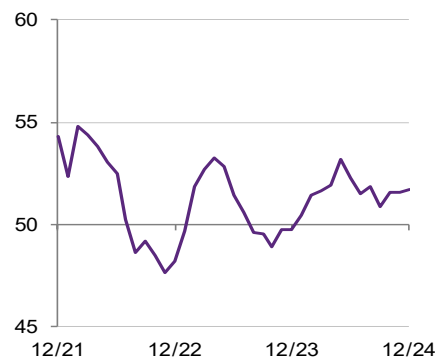
Export climate remains conducive to growth

At 51.7 in December, the West Midlands ECI was a tick higher than November's 51.6 and signalled the fastest improvement in trade opportunities since August 2024.

Considering the top five export markets for the West Midlands, the above-50.0 ECI reading stemmed from output growth in China and the US. The latter saw a stronger rate of increase, while a moderation was evidenced in China.

Reductions in France, Germany and the Netherlands all softened.

Export Conditions
Index, sa, >50 = growth m/m

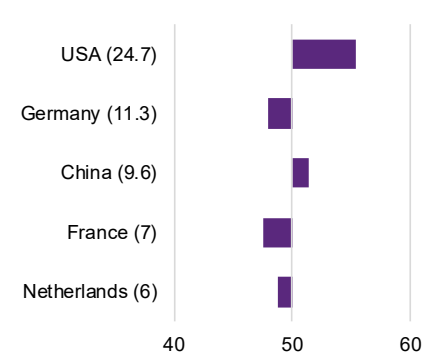


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

The West Midlands Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the West Midlands. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

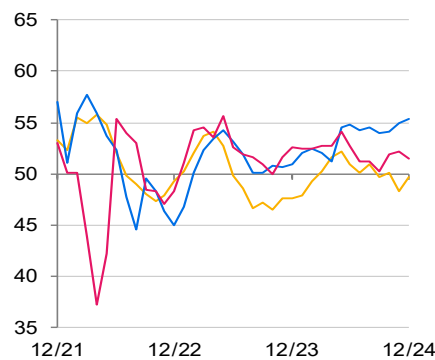
Top export markets, West Midlands

% share of exports shown in brackets
Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Jobs and capacity

Local firms allocate resources towards the completion of pending workloads

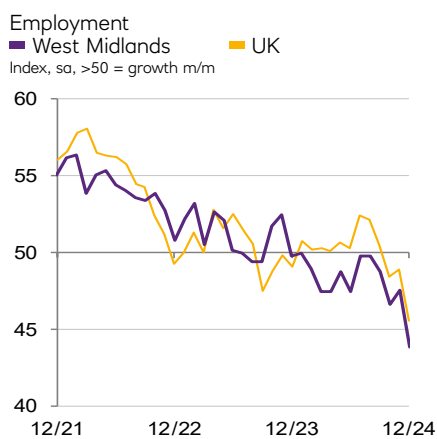
December data showed that West Midlands firms had ample resources to work through outstanding business at the end of the year. The latest decline in backlogs was sharp and the fastest since August 2023.

Among the 12 areas of the UK, the North West, Wales and Yorkshire & Humber saw quicker contractions in unfinished business than the West Midlands.

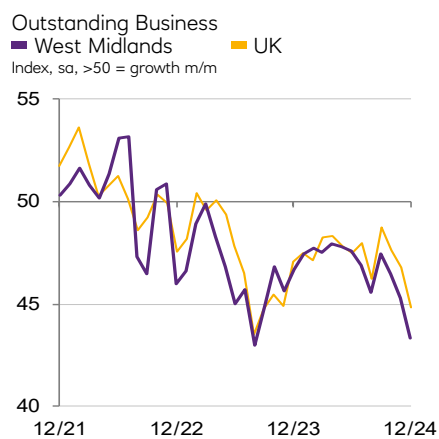
A lack of existing and new work, alongside the upcoming increase in employer National Insurance Contributions and minimum wages, prompted West Midlands companies to reduce headcounts at the end of the year. Moreover, the rate of job shedding was sharp and the quickest in over four years.

Out of the 12 monitored UK regions and nations, only Wales posted a steeper drop in employment than that registered locally.

"...this trend was accompanied by a more pronounced decline in employment..."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Inflation

Price gauges for the West Midlands post below UK-wide readings

The overall expenses of companies based in the West Midlands continued to increase at the end of the year. Little-changed from November, the rate of inflation was historically sharp and the quickest for eight months.

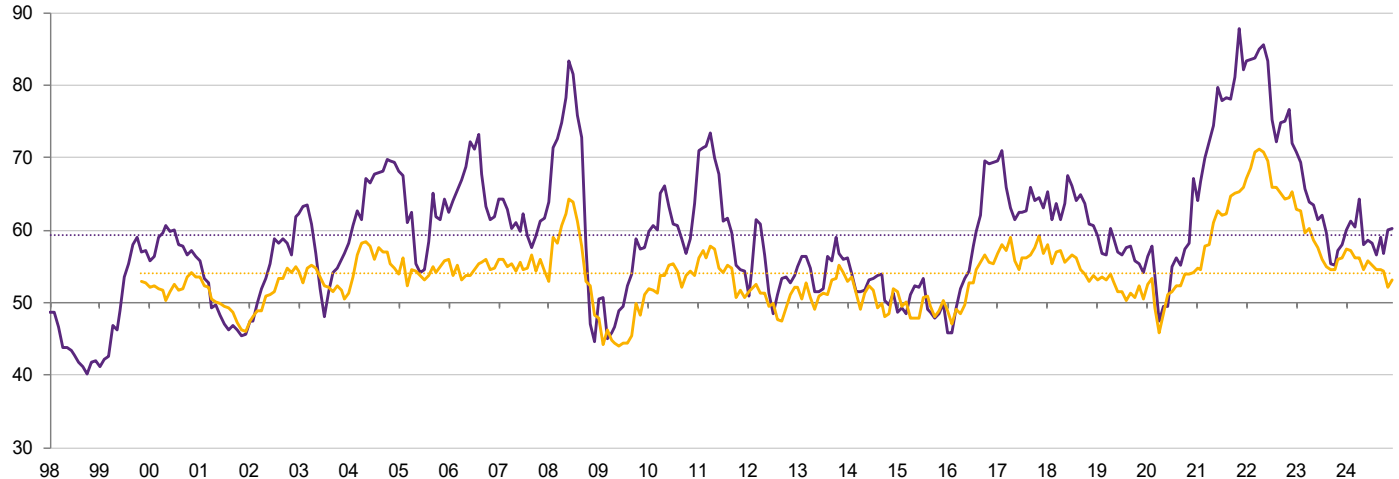
Panel members reported having paid more for chemicals, foodstuff, insurance premiums, metals,

minerals, rubber, transportation and zinc. Yet, the rate of cost inflation was among the lowest of the 12 areas of the UK.

Amid reports of the pass-through of rising business expenses to clients, West Midlands companies lifted their selling prices again in December. Although faster than in November, the rate of inflation was below both its long-run and the UK-wide averages.

"Encouragingly, the local landscape shows signs of improved competitiveness, with the rate of charge inflation remaining the lowest in the country."

■ Input Prices ■ Output Prices
 Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

UK Regional Growth Tracker

Business Activity

The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

Future Activity

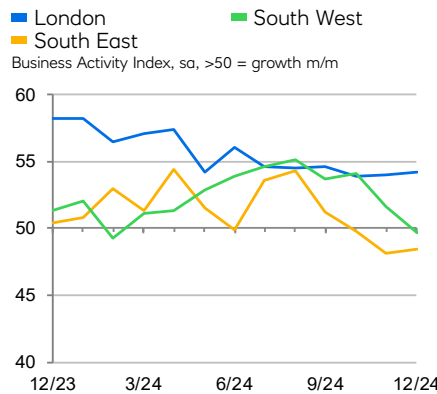
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



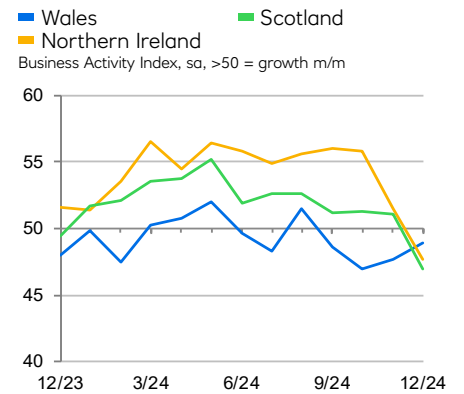
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



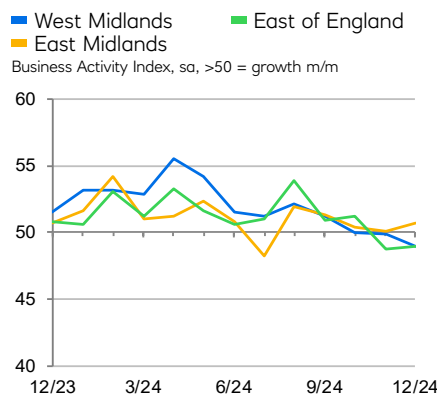
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



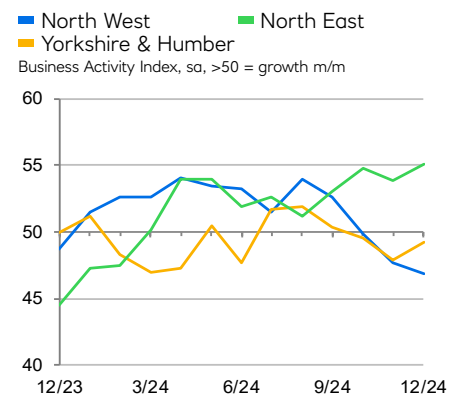
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Growth Tracker heat map

December 2024

Darker colour = higher business growth

West Midlands

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

48.9



46.9 47.7 48.4 48.9 49.2 49.7 50.7 54.2 55.1

Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

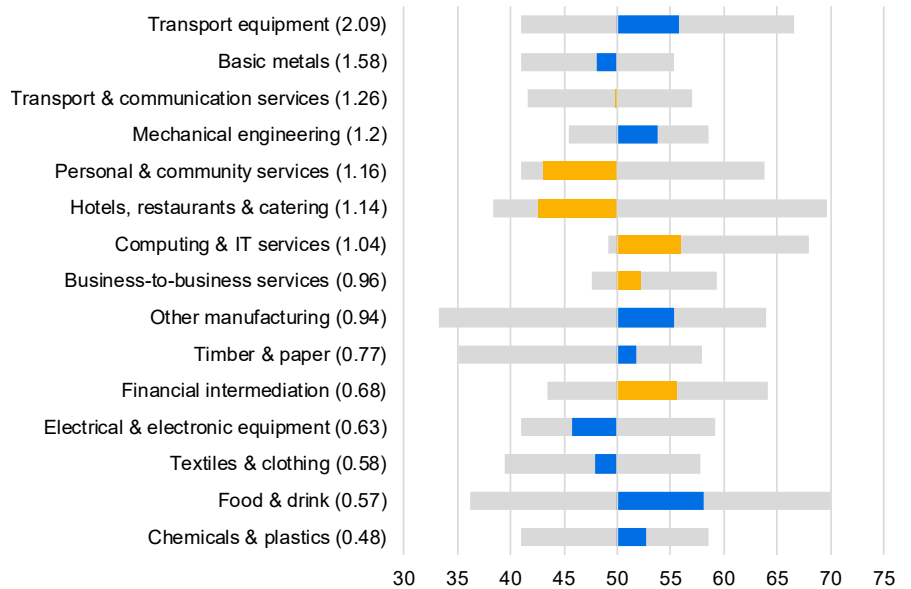
UK sectors

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 Dec '24



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
 Location quotients for the West Midlands are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

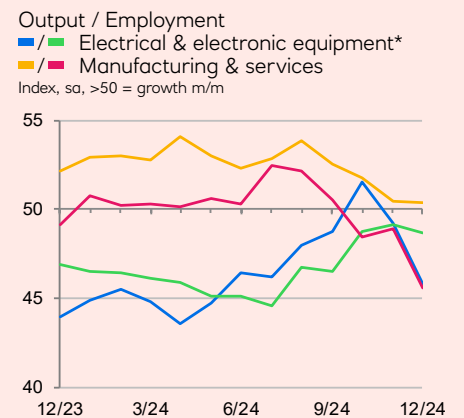
Sector in focus: Electrical & electronic equipment

Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.



Sources: NatWest, S&P Global PMI. ©2025 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

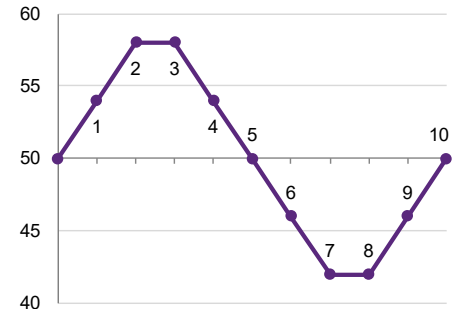
overall decrease. The indices are then seasonally adjusted.

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. ©2025 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
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	51.6	47.5	45.3	68.6	60.1	52.1
12/24	48.9	47.4	51.7	43.9	43.3	67.2	60.2	53.2

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