

11 March 2025

NatWest West Midlands Growth Tracker

West Midlands firms more confident than
any other part of the UK



NatWest

PMI[®]

by S&P Global

11 March 2025

NatWest West Midlands Growth Tracker

Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



NatWest

PMI[®]

by **S&P Global**

Key findings

February 2025

Business confidence hits six-month high

Activity falls at softer and only modest pace

Charge inflation little-changed, cost pressures intensify

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 more confident than any other part of the UK

For the second month in a row, there was an improvement in year-ahead expectations for business activity across the West Midlands. The NatWest Regional Growth Tracker showed the highest level of confidence since last August.

Although private sector output continued to fall, February's contraction was modest and eased since the start 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 – rose from 47.2 to 48.7. Some companies linked a decline in activity to price pressures and the loss of existing clients, but other firms pointed to an expected recovery in new contract wins, which helped lift the headline index markedly on the month.

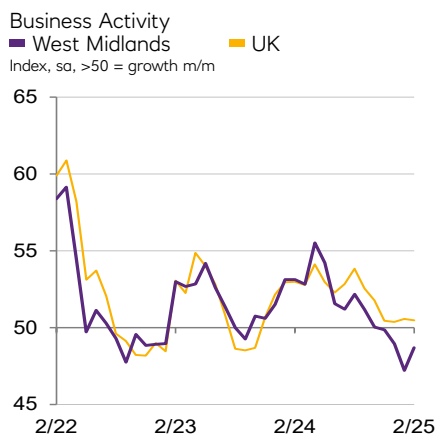
West Midlands panellists forecast output growth in the year ahead, with advertising, diversification, investment and tourism boosting optimism.

NatWest West Midlands Business Activity Index February 2025

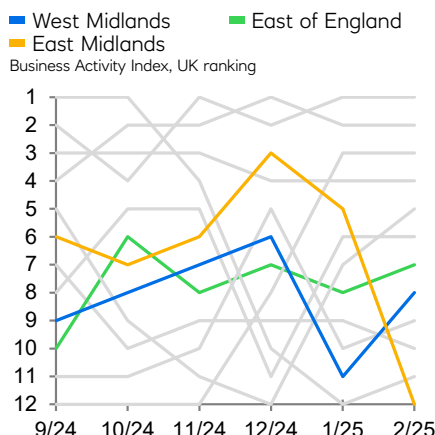
48.7

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 10-26 February



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

"West Midlands firms became even more optimistic about future business activity in February, as highlighted by our latest Regional Growth Tracker data. Advertising, investment, tourism and the planned launch of new products were seen as key growth opportunities.

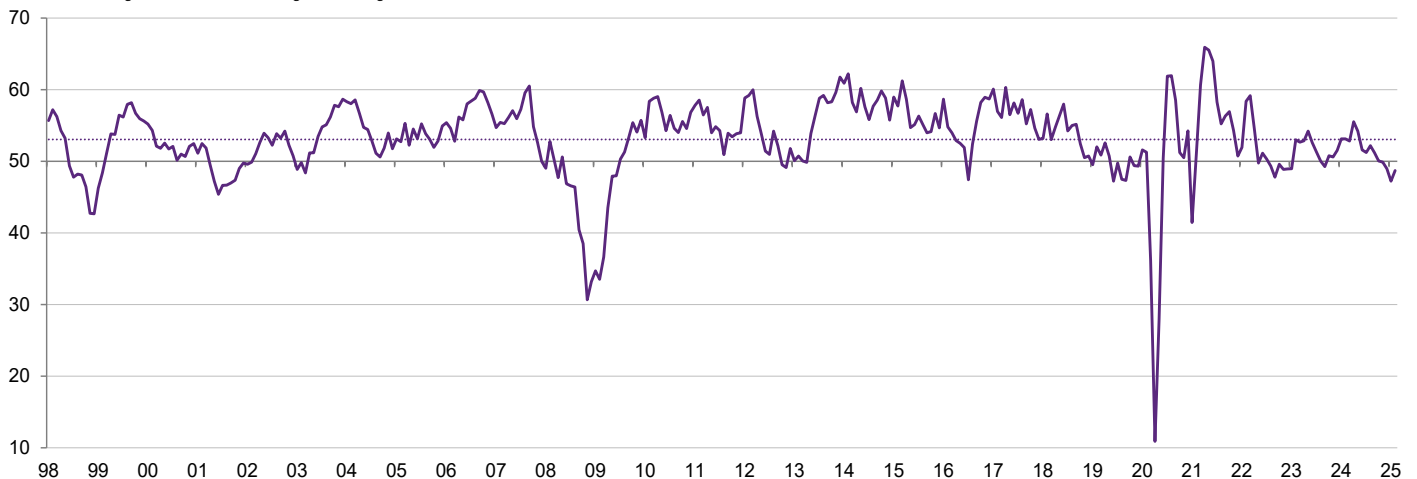
"While customers remained cautious about ordering behaviour,

local companies only trimmed output volumes to a modest extent, highlighting resilience and a commitment to navigating the current landscape.

"Even with cost inflation accelerating as suppliers pass on increases in labour costs, local firms raised their own selling prices to broadly the same extent as in January as they focused on securing new business. Attempts to keep a lid on expenses resulted in job shedding, however."

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

New orders continue to fall in February, but firms forecast a recovery in the coming 12 months

Private sector sales in the West Midlands decreased for the fourth straight month midway through the first quarter. The rate of contraction was marked and the quickest in close to two-and-a-half years.

Where a reduction in new business was reported, monitored companies indicated that clients were reluctant to commit to new contracts amid economic uncertainty and budgetary challenges.

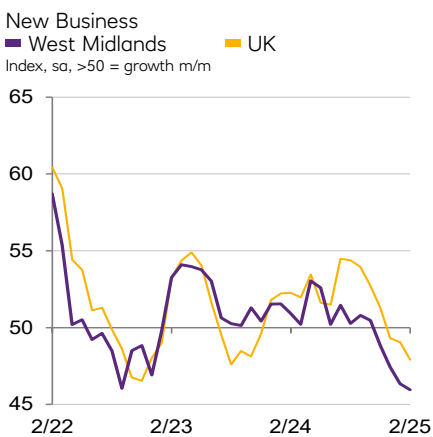
The local fall in sales was quicker than the UK average.

The Future Activity Index remained well above the 50.0 neutral mark in February and rose by nearly five points, indicating that West Midlands firms were at their most upbeat toward output prospects since August 2024.

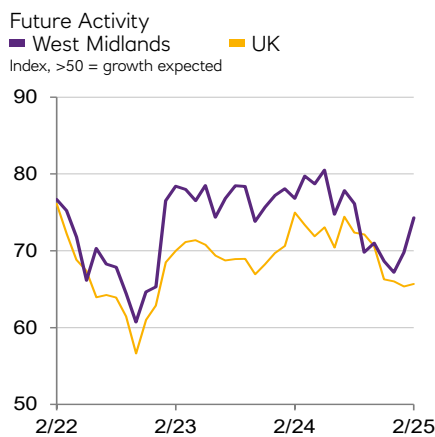
Among the main tailwinds to the outlook, panellists cited advertising, investment, tourism and the planned launch of new products.

Out of the 12 monitored UK regions and nations, the West Midlands posted the highest level of positive sentiment.

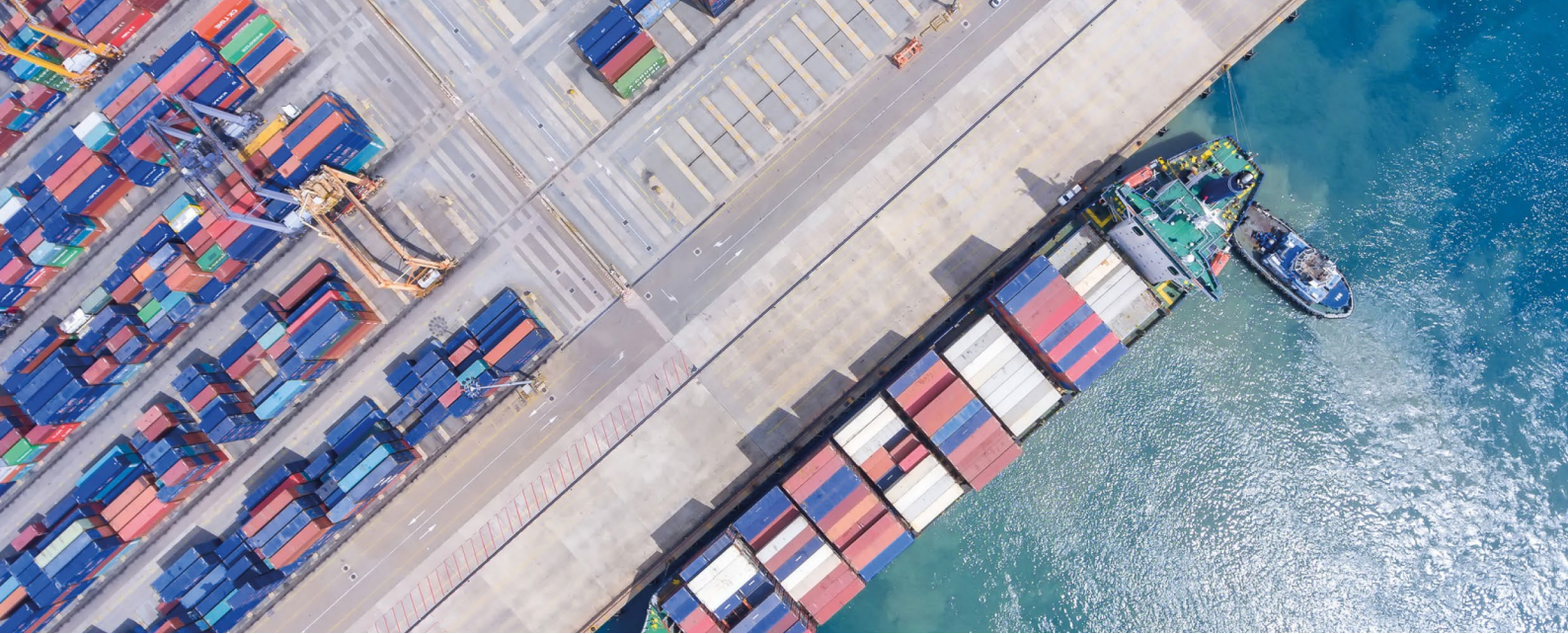
"West Midlands firms became even more optimistic about future business activity in February"



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



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



Export markets

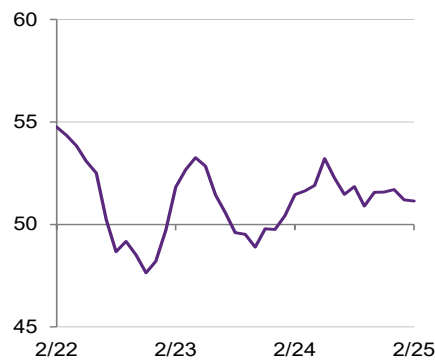
Export climate continues to improve

West Midlands companies indicated another improvement in trade conditions halfway through the first quarter, thereby stretching the current sequence of expansion to 14 months.

The ECI posted 51.1 in February, broadly in line with January's 51.2 and indicative of a slight pace of expansion that was below the historical series average.

Continued growth of output in China, Germany and the US compared with further reductions in France and the Netherlands.

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

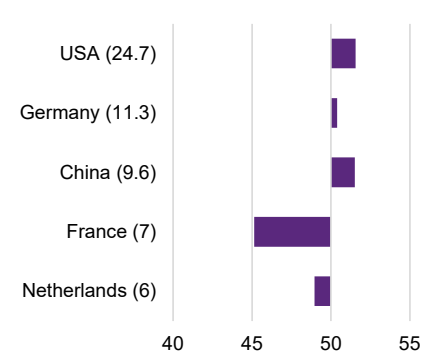


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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.

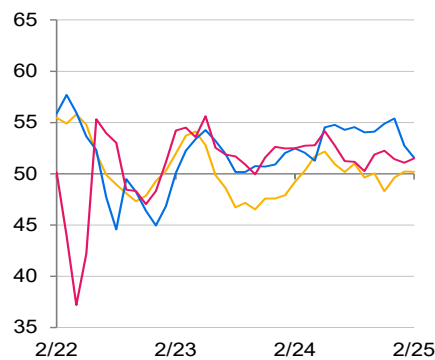
Top export markets, West Midlands

% 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

Employment falls further amid spare capacity

As has been the case on a monthly basis since December 2022, West Midlands companies signalled a fall in outstanding business volumes during February. The rate of depletion was sharp and the quickest in close to five years.

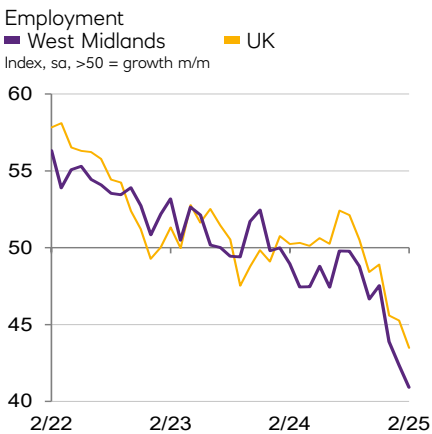
Shortages of new work were identified by panellist as the main determinants of lower backlogs.

Only the East Midlands and the North West registered quicker reductions in unfinished business than the West Midlands.

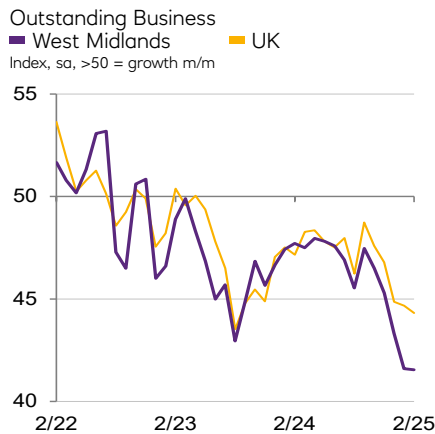
In tandem with growing spare capacity, there was another decline in local employment. Jobs were shed at the fastest pace in nearly four-and-a-half years. Survey participants indicated that some staff left in search of higher pay elsewhere, while others reported cutbacks due to the upcoming increase in employer payroll expenses and associated attempts to control costs.

All 12 UK regions and nations recorded job shedding, with the West Midlands noting the second-quickest drop.

"Attempts to keep a lid on expenses resulted in job shedding"



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



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



Inflation

Cost pressures approach two-year high

Businesses in the West Midlands observed a further increase in operating expenses during February, with the overall rate of inflation climbing to its highest since March 2023. Local firms reported greater outlays on energy, food, fuel, labour, freight and insurance premiums.

February data showed that private sector firms in the West Midlands continued to share part of their additional cost burdens with clients,

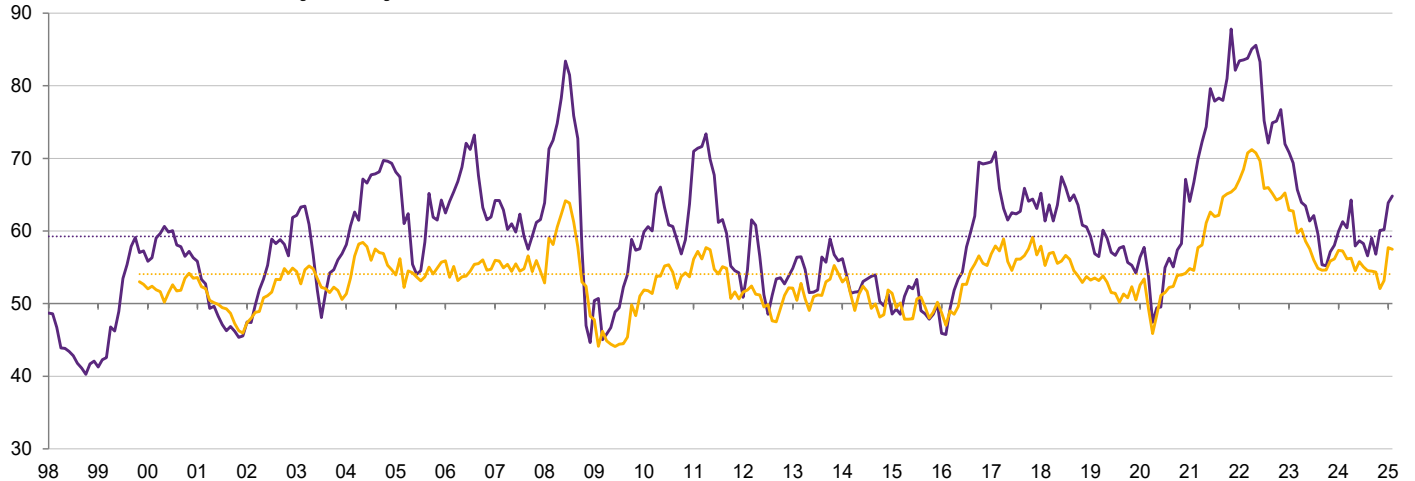
as selling prices rose further. Little changed from January, the rate of charge inflation was the second-strongest in 20 months.

In some instances, panellists indicated that output prices rose in response to announced changes in the minimum wage and national insurance contributions.

Rates of increase in input costs and output charges were close or equal to the UK averages.

"Even with cost inflation accelerating as suppliers pass on increases in labour costs, local firms raised their own selling prices to broadly the same extent as in January as they focused on securing new business"

■ 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

London topped the rankings for business activity growth in February, having enjoyed another robust expansion, ahead of the North East, Wales and South West, respectively. Lower output was seen in several nations and regions, however. The steepest falls were registered in the East Midlands and Northern Ireland*.

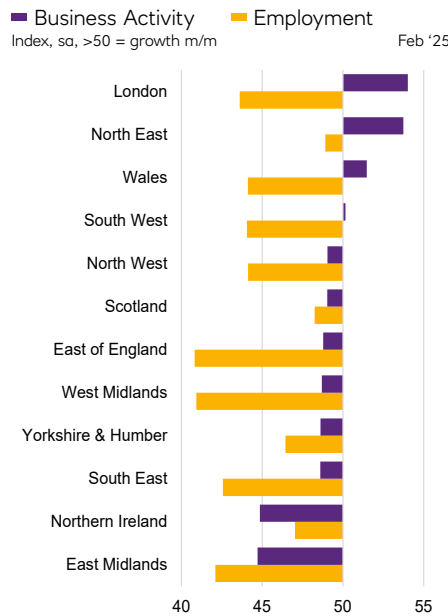
Employment

Workforces numbers were streamlined across each of the 12 UK nations and regions monitored by the survey in February, the first time this has happened for a little over four years. Employment fell only slightly in the likes of the North East and Scotland, however. The most marked decreases were seen in the East of England and West Midlands.

Future Activity

Year-ahead growth expectations improved in the majority of areas in February. Firms in the West Midlands were the most optimistic about future activity, while those in the North East reported the greatest upswing in confidence since January. At the other end of the scale, Northern Ireland recorded the weakest business sentiment, although it did pick up somewhat from the low seen at the start of the year.

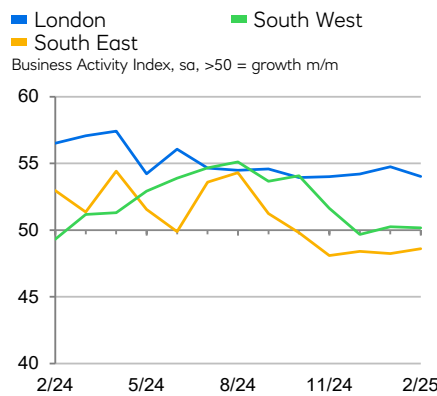
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



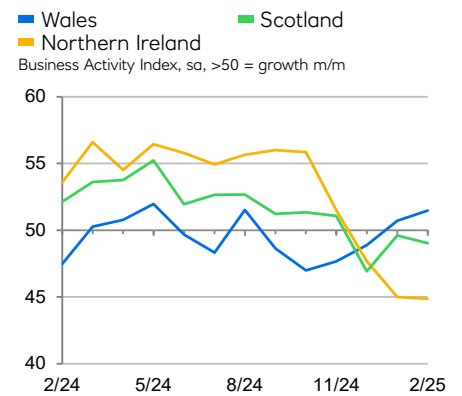
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



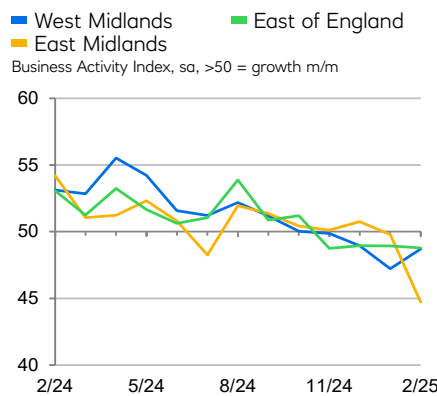
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



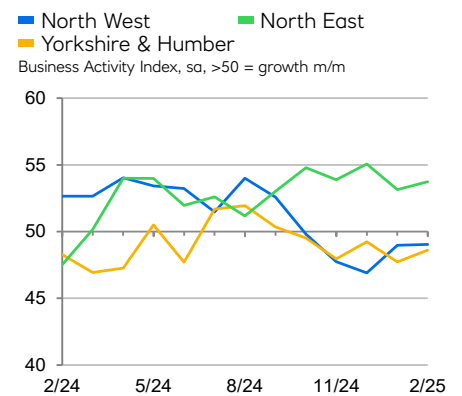
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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.

Growth Tracker heat map

February 2025

Darker colour = higher business growth

West Midlands

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

48.7



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



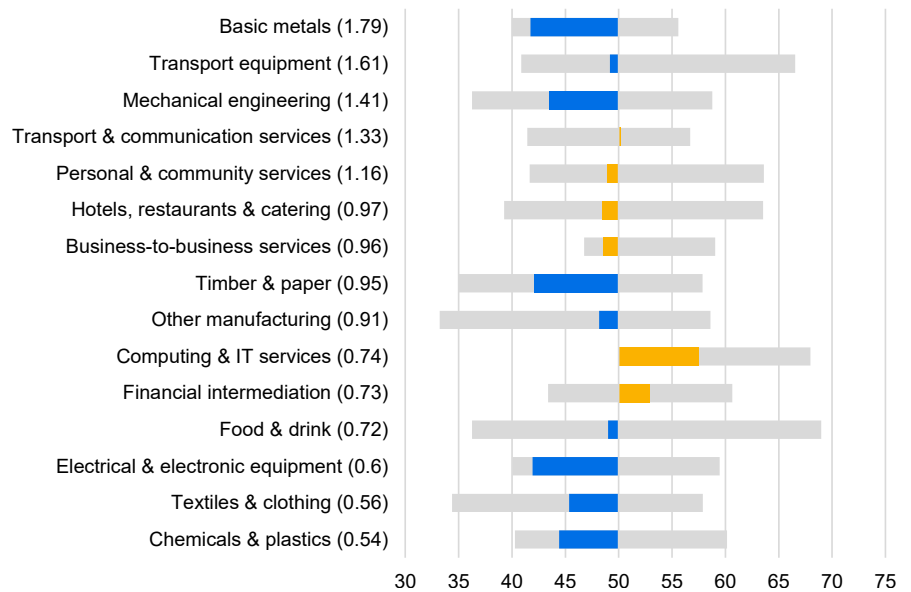
UK sectors

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 Feb '25



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: Mechanical engineering

Output in the UK's mechanical engineering sector contracted in the three months to February, according to underlying PMI data. The decline was steep and followed growth throughout most of 2024. A lack of new orders, particularly from abroad, was the defining factor behind the sector's recent downturn.

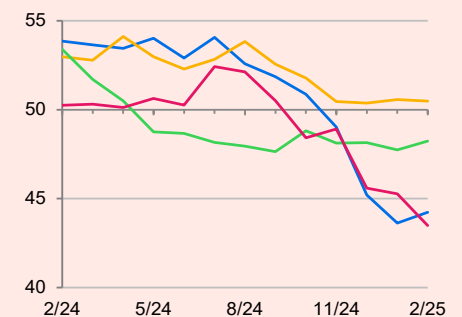
Shrinking backlogs of work at mechanical engineering companies led to further job losses. This extended the current sequence of job shedding seen since spring last year. Inventories were also scaled

back, especially stocks of inputs.

Prices paid for purchases rose at a steady rate that was below the long-run series average. Firms managed to pass on a sizeable proportion of the cost increases they faced, with the pace of output price inflation ticking up to its highest for almost a year and running above its historic trend level.

Looking ahead, firms in the sector were optimistic about growth prospects in the coming year, though less so than at almost any time since the pandemic.

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



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.

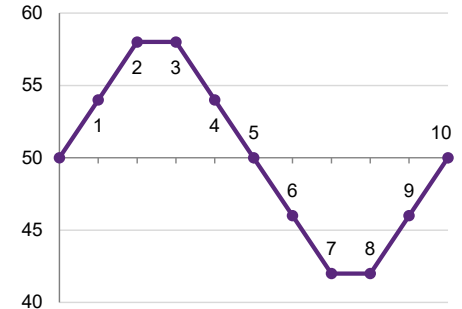
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is 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
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
1/25	47.2	46.3	51.2	42.4	41.6	69.8	63.9	57.7
2/25	48.7	46.0	51.1	40.9	41.5	74.3	64.8	57.5

Further information

NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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.

www.natwest.com/business/insights/economics

www.linkedin.com/company/natwest-business/

PMI by S&P Global

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

www.spglobal.com/marketintelligence/en/mi/products/pmi

S&P Global

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com

Contact

Kate Visser
Regional Media & Campaigns
Manager
+44 (0) 7970 947694
kate.visser@natwest.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
+44 1491 461 075
pollyanna.delima@spglobal.com

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.



NatWest

PMI®

by **S&P Global**