

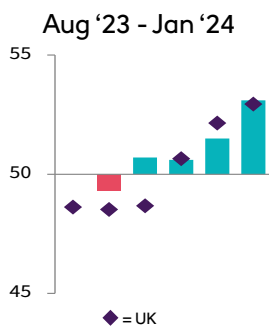


NatWest

NatWest West Midlands PMI[®]

West Midlands see strongest upturn in business activity in eight months

West Midlands Business Activity Index



Key findings

Output expands markedly as new business increases further

Rates of input price and selling charge inflation quicken

Cost considerations restrict recruitment

The first release of PMI[®] data for 2024 showed sustained growth of new business placed with West Midlands firms, and the strongest upturn in output for eight months. Job levels were stable, however, as cost considerations dampened recruitment. Not only did input prices and selling charges increase further, but also to the greatest extents since mid-2023.

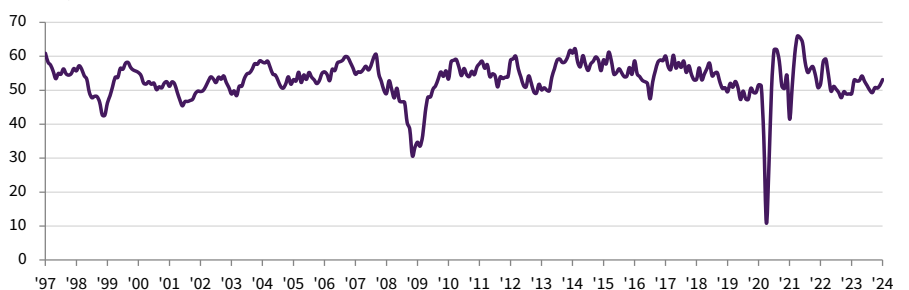
The headline NatWest West Midlands PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – was up from 51.5 in December to 53.1 in January. The latest reading signalled a solid rate of expansion, and one that was the fastest since May 2023. Growth was reportedly fuelled by rising intakes of new orders and demand resilience. Out of the 12 regions and nations monitored by the survey, only London noted a sharper upturn than that seen locally.

Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"There were good and somewhat worrying trends in the latest batch of PMI data for the West Midlands. New business expanded further as marketing efforts continued to bear fruit whilst demand for local goods and services remained resilient. While the uptick in sales spurred output growth, it failed to generate jobs locally as most businesses kept a lid on costs. Both price indices rose further in January, signalling the strongest rates of inflation since mid-2023 and raising some concerns surrounding the path for wider inflation in the coming months."

West Midlands Business Activity Index

sa, >50 = growth since previous month



Contents

- About the report
- Demand and outlook
- Exports
- Business capacity
- Prices
- UK Sector PMI
- UK Regional PMI
- Data summary
- Contact

About the West Midlands PMI[®] report

The NatWest West Midlands PMI[®] 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

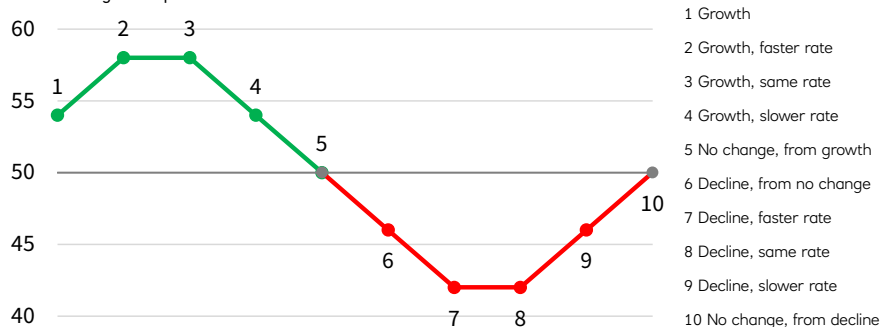
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'West Midlands PMI', but is not comparable with the headline UK Manufacturing PMI figure.

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.

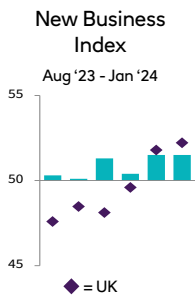
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



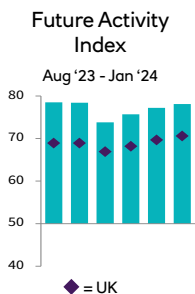
Demand and outlook



Moderate increase in new work intakes sustained

January data highlighted a further uptick in new business placed with West Midlands companies, taking the current run of growth to one year. Although moderate, the pace of expansion was the joint-quickest in seven months (equal to December). Marketing initiatives, networking events and demand resilience fuelled sales, according to panellists.

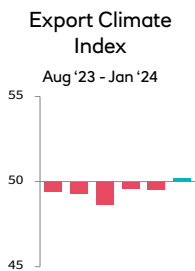
The local trend for new orders was the third-best of the 12 monitored UK regions and nations.



Business confidence strengthens

Private sector firms based in the West Midlands became more upbeat towards the outlook for output. The overall level of positive sentiment rose to a four-month high and was above its long-run average. Underpinning optimism were forecasts of demand growth, new project onboarding and publicity.

The West Midlands topped the regional rankings for business confidence.

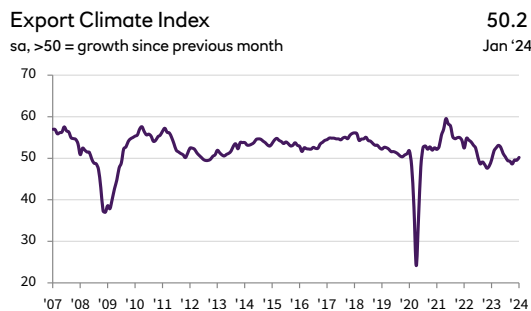
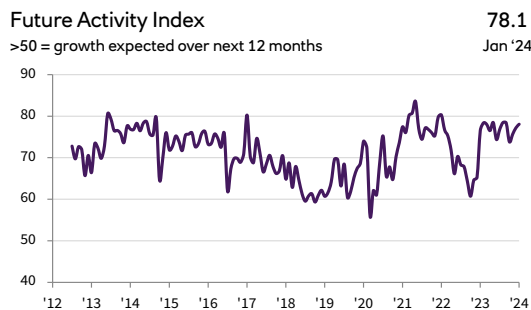
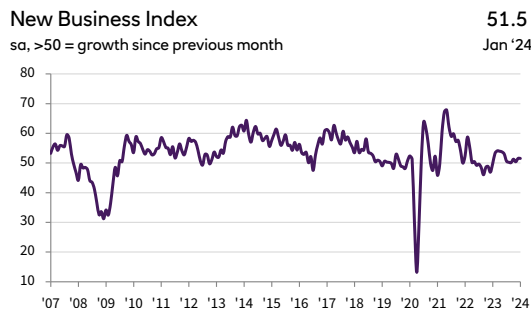


First improvement in export conditions for six months

The West Midlands Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of West Midlands. This produces an indicator for the economic health of the region's export markets.

After posting beneath the neutral level of 50.0 for five successive months, the ECI recovered to 50.2 in January. This pointed to the first improvement in trade conditions since mid-2023, albeit one that was fractional.

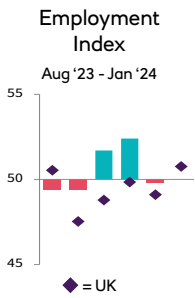
China, Ireland and the US were some of the top export markets for the West Midlands to register economic growth at the start of the year. France and Germany, meanwhile, posted quicker contractions.



Top export markets, West Midlands

Rank	Market	Weight	Output Index, Jan '24
1	USA	24.3%	52.0
2	Germany	11.9%	47.0
3	China	8.5%	52.5
4	France	7.7%	44.6
5	Ireland	7.2%	50.7

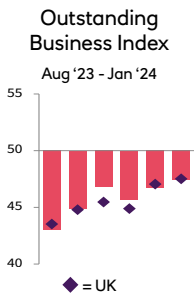
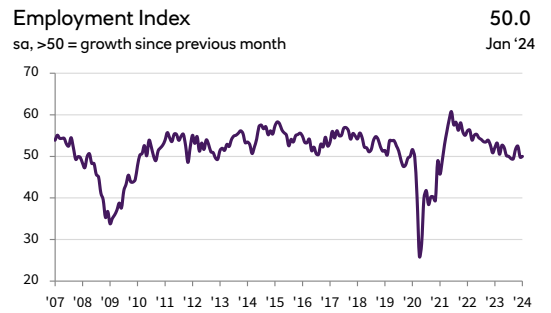
Business capacity



Staff levels stabilise at the start of 2024

The seasonally adjusted Employment Index posted at the 50.0 threshold in January, thereby signalling stable job numbers across the West Midlands following a brief decline in December. Firms that took on additional workers mentioned new business growth. Those that reported a reduction cited long-term sickness absence, retirement and cost considerations.

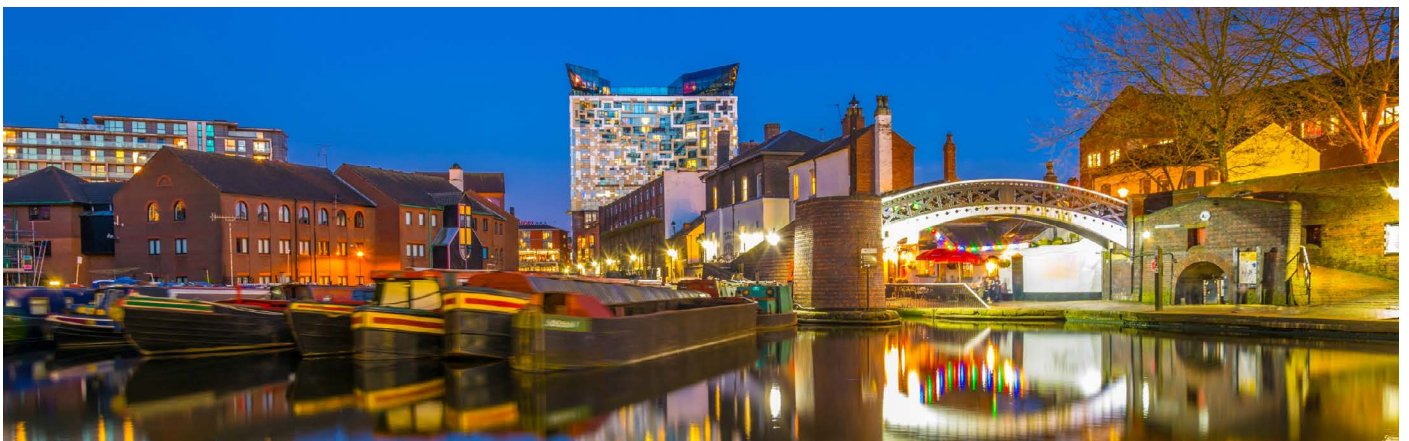
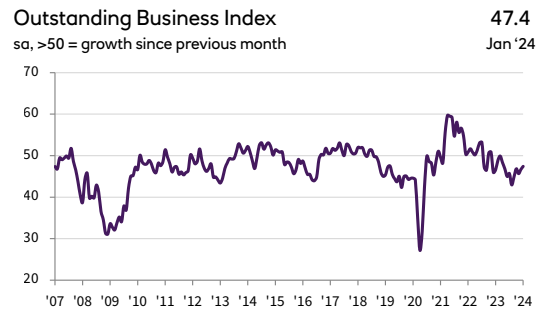
The local trend for jobs compared with expansion at the national level.



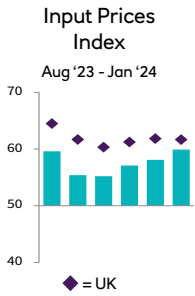
Softer decline in outstanding business volumes

For the fourteenth straight month, private sector companies in the West Midlands signalled a fall in pending workloads during January. According to survey members, productivity enhancements and only modest expansions in new business volumes supported the clearing of backlogs. The overall rate of depletion was modest, however, and the slowest since April 2023.

The West Midlands was one of 11 UK areas to record a reduction in unfinished business, with London the sole exception.



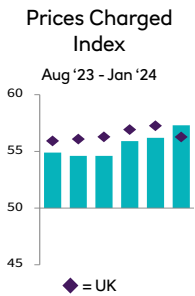
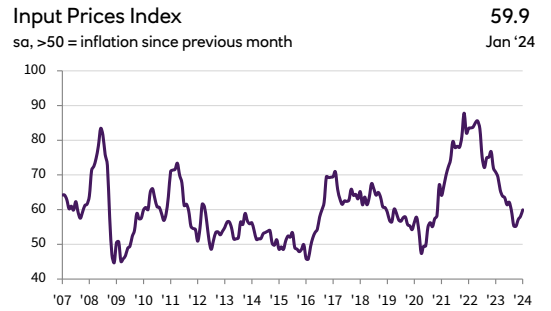
Prices



Input cost pressures quicken for third month running

January data pointed to another increase in the expenses of companies operating in the West Midlands. Moreover, having quickened to a six-month high, the rate of inflation was sharp. The respective seasonally adjusted index was above its long-run average, but remained below the readings seen from December 2020 and July 2023. Panellists indicated that unfavourable exchange rate movements, labour, transportation and input shortages were the key sources of cost pressures.

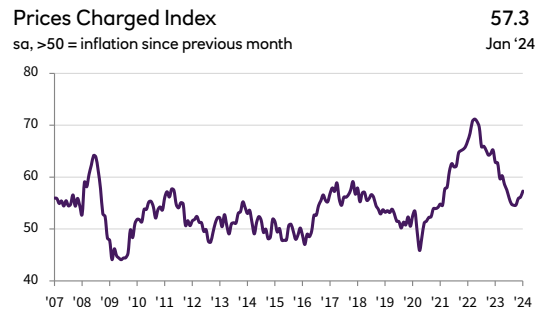
The national rate of input cost inflation was above that registered in the West Midlands.



Charge inflation hits seven-month high

Amid reports of the pass-through of rising input, labour and transportation costs to clients, prices charges for West Midlands goods and services increased further at the start of the year. The rate of inflation was sharp and the strongest in seven months, but remained below those seen between early-2021 and mid-2023.

Only Scotland and London registered faster increases in selling prices than that noted locally.



UK Sector PMI

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, Jan '24
1	Transport	2.09	55
2	Basic Metals	1.58	48
3	Mechanical Engineering	1.20	50
4	Other Manufacturing	0.94	45
5	Timber & Paper	0.77	48
6	Electrical & Optical	0.63	48
7	Textiles & Clothing	0.58	50
8	Food & Drink	0.57	50
9	Chemicals & Plastics	0.48	48

West Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '24
1	Transport & Communication	1.26	52
2	Personal & Community Services	1.16	48
3	Hotels, Restaurants & Catering	1.14	55
4	Computing & IT Services	1.04	55
5	Business-to-business Services	0.96	50
6	Financial Intermediation	0.68	52

UK sector focus

Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

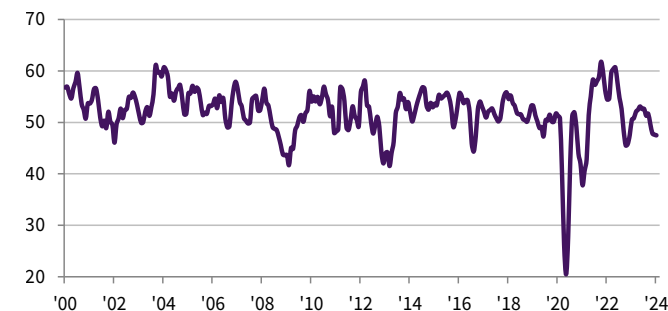
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

Employment

January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

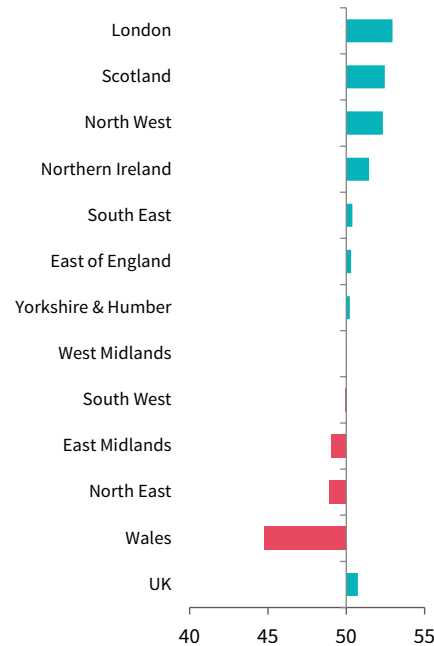
Business Activity Index

sa, >50 = growth since previous month, Jan '24



Employment Index

sa, >50 = growth since previous month, Jan '24

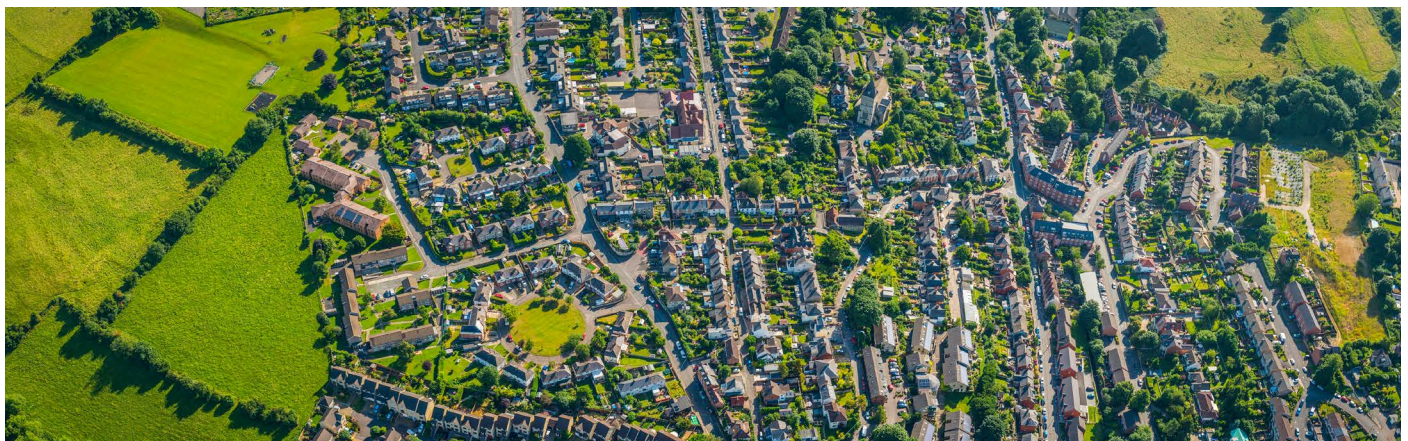


Future Activity Index

>50 = growth expected over next 12 months, Jan '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
Aug '23	50.0	50.3	49.4	78.5	49.4	43.0	59.6	54.9
Sep '23	49.3	50.1	49.3	78.4	49.4	44.9	55.4	54.6
Oct '23	50.7	51.3	48.6	73.8	51.7	46.8	55.2	54.6
Nov '23	50.6	50.4	49.6	75.7	52.4	45.7	57.1	55.9
Dec '23	51.5	51.5	49.5	77.2	49.8	46.7	58.1	56.2
Jan '24	53.1	51.5	50.2	78.1	50.0	47.4	59.9	57.3

Contact

Vonnie Sandlan
Regional Campaign Manager
NatWest
+44 (0) 7401 278 778
yvonne.sandlan@natwest.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
+44 149 146 1075
pollyanna.delima@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
sabrina.mayeen@spglobal.com

About NatWest

NatWest serves customers in England and West Midlands, 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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global 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

About PMI

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

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.