

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released October 2022: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index decreased from 49.3 in August 2022 to 47.8 in September 2022, the second month in a row to register a decline. Output has fallen at its quickest pace since January 2021.
- The East Midlands Business Activity Index increased from 45.0 in August 2022 to 46.8 in September 2022, although it still remains below the 50-growth mark as this was the second-fastest contraction since the start of 2021. Firms indicated that the decrease in business activity was linked to the impact of inflation and hikes in energy costs on customer spending.
- The UK Business Activity Index decreased from 49.6 in August 2022 to 49.1 in September 2022.
- Of the 12 UK regions the West Midlands region was the sixth highest and the East Midlands was third lowest for the Business Activity Index in September 2022.
- The West Midlands Future Business Activity Index decreased from 67.8 in August 2022 to 64.4 in September 2022, meaning the degree of optimism towards business growth is at its lowest level since May 2020. The decline in optimism can potentially be linked to recession worries, acute inflationary pressures, competitive conditions, subdued demand and spending fears among households.
- The East Midlands Future Activity Index increased from 59.6 in August 2022 to 61.9 in September 2022, the degree of optimism for the year ahead is at the strongest level since May 2022. Firms were optimistic due to planned investment in new product lines and marketing. However, firms also reported confidence was stemmed due to ongoing concerns regarding inflation and pressure on customer disposable incomes.
- Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was sixth lowest for the Future Business Activity Index in September 2022.

### In Detail:

#### Business Activity Index

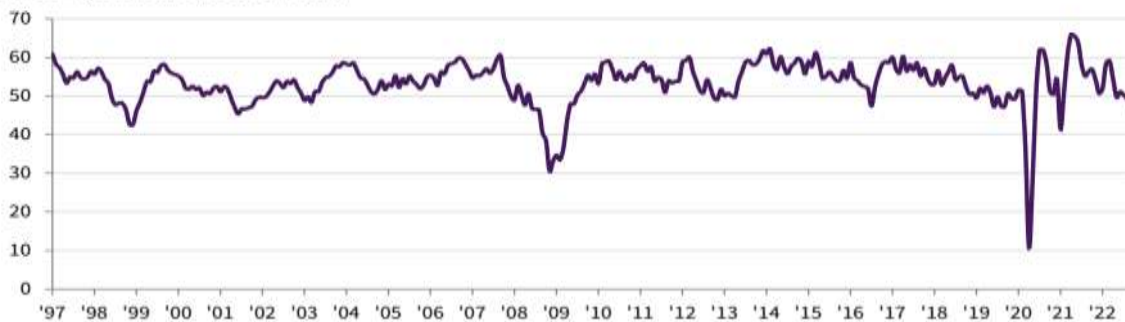
- The West Midlands Business Activity Index decreased from 49.3 in August 2022 to 47.8 in September 2022, the second month in a row to register a decline (below the 50-growth mark). Output has fallen at its quickest pace since January 2021.
- The East Midlands Business Activity Index increased from 45.0 in August 2022 to 46.8 in September 2022, although it still remains below the 50-growth mark as this was the second-fastest contraction since the start of 2021. Firms indicated that the decrease in business activity was linked to the impact of inflation and hikes in energy costs on customer spending.

<sup>1</sup> Source: NatWest regional PMI report for September 2022, released October 2022. Please note, the seasonally adjusted 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 following graphs show the West Midlands and East Midlands Business Activity Index trends up to September 2022:

West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



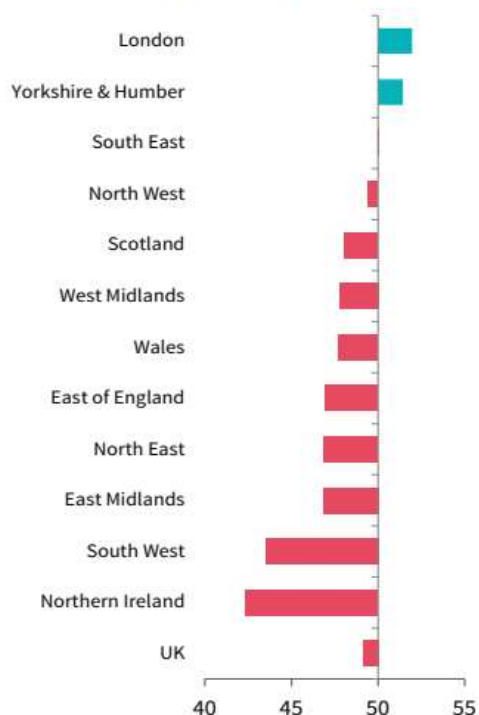
Source: NatWest PMI, October 2022

Of the 12 UK regions the West Midlands region was the sixth highest and the East Midlands was third lowest for the Business Activity Index. London was the highest with 52.0 and the Northern Ireland was the lowest at 42.3 in September 2022.

The following chart shows the Business Activity Index across all UK regions in September 2022:

Business Activity Index

sa, >50 = growth since previous month, Sep '22



Source: NatWest PMI, October 2022

## Demand

- The West Midlands New Business Index decreased from 48.5 in August 2022 to 46.0 in September 2022, the fourth consecutive month for a decline in new work intakes (50 and above indicates growth). Also, the latest figures shows that the rate of contraction was the fastest seen in 20 months. The decline in new business was linked to rising energy costs, acute price pressures and troubles in financial markets.
- The East Midlands New Business Index increased from 43.5 in August 2022 to 45.1 in September 2022 – the Index remains below the 50-growth mark and also the rate of decline is the fastest seen since May 2020. The decrease in new business was linked to the impact of the cost-of-living crisis on customer spending and relatively weak client confidence.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index increased from 48.5 in August 2022 to 49.0 in September 2022. Despite the slight increase, figures remain below the 50-growth mark, meaning this was the second successive month for deterioration in trade conditions.
- The East Midlands Export Climate Index increased from 50.0 in August 2022 to 50.2 in September 2022, indicating stagnation in the export climate.

The following tables shows the top export markets for the West Midlands and East Midlands in September 2022:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Sep '22
1	USA	21.2%	49.3*
2	Germany	11.1%	45.7
3	China	8.7%	53.0**
4	France	6.1%	51.2
5	Ireland	6.2%	52.2

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Sep '22
1	USA	12.8%	49.5
2	Germany	10.7%	45.7
3	Hong Kong	7.9%	47.3
4	Singapore	7.4%	60.8
5	France	7.1%	51.2

\*September 'flash' data.

\*\* August PMI data. Due to a later release date, September data for China were not available for inclusion in the ECI.

Source: NatWest PMI, October 2022

## Business Capacity

- The West Midlands Employment Index decreased from 53.5 in August 2022 to 53.4 in September 2022 – but still a 19 month increase for job creation. Where staff numbers increased, firms reported the replacement of voluntary leavers and the expansion in certain departments. While other firms reported that employment growth was restricted due to a lack of capacity pressure, subdued demand, skills shortages and staff leaving for new careers.
- The East Midlands Employment Index increased from 54.9 in August 2022 to 55.2 in September 2022. Firms in the East Midlands continued to increase staffing levels at the end of quarter three – with service providers increasing at a faster rate than the manufacturing counterparts.
- The West Midlands Outstanding Business Index decreased from 47.3 in August 2022 to 46.5 in September 2022. The latest clearing of unfinished workloads was linked to improved efficiency, job creation and lower sales.
- The East Midlands Outstanding Business Index increased from 49.0 in August 2022 to 51.0 in September 2022, a renewed increase in backlogs of work. The higher levels of work-in-hand were due to material shortages.

<sup>2</sup> The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the region. This produces an indicator for the economic health of the region's export markets.

## Prices

- The West Midlands Input Prices Index increased from 72.1 in August 2022 to 74.9 in September 2022, after three months of the index easing, the latest figures show input cost inflation accelerated in September. The increase was among the weakest seen over the past 18 months as firms cited inflationary pressures on raw material scarcity, the conflict in Ukraine, sterling weakness, energy price volatility along with reports of higher food, fuel and labour costs.
- The East Midlands Input Prices Index increased from 76.8 in August 2022 to 77.8 in September 2022, a further substantial steep increase in input costs. Firms in the East Midlands reported the hikes in input prices was linked to greater energy and supplier costs along with the weak pound exacerbating imported inflationary pressures.
- The West Midlands Prices Charged Index decreased from 66.0 in August 2022 to 65.2 in September 2022. There has been a substantial increase in prices charged for goods and services in the West Midlands in quarter three – although softening to the slowest since October 2021 as firms that had lifted selling prices had passed through costs increases to clients.
- The East Midlands Prices Charged Index decreased from 65.5 in August 2022 to 63.9 in September 2022. Firms reported that higher selling prices were due to the pass-through of greater costs to clients. The rate of charge inflation eased and the slowest seen since August 2021.

## Outlook

- The West Midlands Future Business Activity Index decreased from 67.8 in August 2022 to 64.4 in September 2022, meaning the degree of optimism towards business growth is at its lowest level since May 2020. The decline in optimism can potentially be linked to recession worries, acute inflationary pressures, competitive conditions, subdued demand and spending fears among households.
- The East Midlands Future Activity Index increased from 59.6 in August 2022 to 61.9 in September 2022, the degree of optimism for the year ahead is at the strongest level since May 2022. Firms were optimistic due to planned investment in new product lines and marketing. However, firms also reported confidence was stemmed due to ongoing concerns regarding inflation and pressure on customer disposable incomes.
- Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was sixth lowest for the Future Business Activity Index. Yorkshire and The Humber was the highest with 67.7 and the Northern Ireland was the lowest at 44.9 in September 2022.

The following chart shows the Future Activity Index across all UK regions in September 2022:

Future Activity Index

>50 = growth expected over next 12 months, Sep '22



Source: NatWest PMI, October 2022