

NatWest Purchasing Manager Index (PMI) Survey¹, Released February 2023: Midlands Regions

In Summary:

- The West Midlands Business Activity Index slightly rose from 48.9 in December 2022 to 49.0 in January 2023 – although, remained below the 50-growth mark for the sixth consecutive month. There was a mixed picture across the region as some firms lowered output due to reduced new business, while others reported growth with tentative signs of an improvement in demand and successful marketing efforts.
- The East Midlands Business Activity Index increased from 45.4 in December 2022 to 47.3 in January 2023. Despite the increase, the latest figures still show a strong fall in output and remains below the 50-growth mark and has been for the eighth consecutive month. East Midlands firms indicated that weak client demand and reduced customer spending along with strong inflationary pressures was behind the latest decline in activity.
- The UK Business Activity Index decreased from 49.0 in December 2022 to 48.5 in January 2023.
- Of the 12 UK regions, the West Midlands region was the third highest and the East Midlands was sixth lowest for the Business Activity Index in January 2023.
- The West Midlands Future Business Activity Index increased from 65.3 in December 2022 to 76.5 in January 2023. The West Midlands region had the greatest increase in confidence and also recorded the strongest overall optimism across all regions in January 2023. Optimism in West Midlands firms for the upcoming 12 months was linked to marketing efforts, investment, new product launches, contained inflation and an improvement in demand supporting business activity.
- The East Midlands Future Activity Index increased from 59.8 in December 2022 to 64.8 in January 2023, which is the highest level seen since May 2022. East Midlands firms were optimistic for the next 12 months due to planned investment and hopes of new customers and stronger client demand.
- Out of the twelve UK regions, the West Midlands was highest and the East Midlands was fourth lowest for the Future Business Activity Index in January 2023.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index slightly rose from 48.9 in December 2022 to 49.0 in January 2023 – although, remained below the 50-growth mark for the sixth consecutive month. There was a mixed picture across the region as some firms lowered output due to reduced new business, while others reported growth with tentative signs of an improvement in demand and successful marketing efforts.
- The East Midlands Business Activity Index increased from 45.4 in December 2022 to 47.3 in January 2023. Despite the increase, the latest figures still show a strong fall in output and remains below the 50-growth mark and has been for the eighth consecutive month. East Midlands firms indicated that weak client demand and reduced customer spending along with strong inflationary pressures was behind the latest decline in activity.

¹ Source: NatWest UK regional PMI report for January 2023, released February 2023. 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 charts show the West Midlands and East Midlands Business Activity Index trends up to January 2023:

West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest West Midlands PMI, February 2023

- Of the 12 UK regions, the West Midlands region was the third highest and the East Midlands was sixth lowest for the Business Activity Index in January 2023. London was the highest with 50.5 and Northern Ireland was the lowest at 45.3.

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

Business Activity Index

sa, >50 = growth since previous month, Jan '23



Source: NatWest West Midlands PMI, February 2023

Demand

- The West Midlands New Business Index increased from 46.9 in December 2022 to 49.8 in January 2023, meaning this was the eighth consecutive month for a decline in new work intakes. However, the latest figures are only slightly below the 50.0 neutral level as some firms reported falls in new work intakes due to challenging economic conditions and subdued demand, while others indicated that marketing efforts and new contract wins supported sales.
- The East Midlands New Business Index increased from 42.6 in December 2022 to 46.2 in January 2023, the Index remains below the 50-growth mark for the ninth consecutive month. The decrease in new business was linked to lower client demand due to economic uncertainty along with reduced customer spending and strong inflation.

Exports²

- The West Midlands Export Climate Index increased from 48.2 in December 2022 to 49.7 in January 2023. Figures remain below the 50-growth mark for the sixth successive month and the latest reading still indicates deterioration in trade prospects, however only at a marginal rate of contraction.
- The East Midlands Export Climate Index increased from 48.6 in December 2022 to 50.2 in January 2023, bringing an end to five consecutive months of decline.

The following tables shows the top export markets for the West Midlands and East Midlands in January 2023:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Jan '23
1	USA	24.3%	46.8
2	Germany	11.9%	49.9
3	China	8.5%	51.1
4	France	7.7%	49.1
5	Ireland	7.2%	52.0

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jan '23
1	USA	12.5%	46.8
2	Germany	9.9%	49.9
3	France	9.0%	49.1
4	Singapore	7.5%	51.6
5	Hong Kong	7.1%	52.7

Source: NatWest West Midlands PMI, February 2023

Business Capacity

- The West Midlands Employment Index increased from 50.8 in December 2022 to 52.2 in January 2023. Increases were related to the replacement of voluntary leavers and investments in the future capability of the firms.
- The East Midlands Employment Index increased from 48.8 in December 2022 to 50.4 in January 2023, which is a renewed increase in employment after two months of contraction. East Midlands firms reported efforts to expanding capacity caused the rise in employment.
- The West Midlands Outstanding Business Index increased from 46.0 in December 2022 to 46.6 in January 2023, the second consecutive month which was under the 50-growth mark. The decrease in outstanding business volumes can be linked to expanded capacities and lower intakes of new orders enabling the clearing of unfinished businesses.
- The East Midlands Outstanding Business Index increased from 42.6 in December 2022 to 47.3 in January 2023. Despite the increase this was the fourth consecutive month with the Index under 50. East Midlands firms reported the decrease in backlogs was linked to sufficient capacity to complete incoming business.

² 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 decreased from 72.0 in December 2022 to 70.8 in January 2023, the latest figures still show sharp input costs but the rate of inflation has eased. West Midlands firms reported beverages, food, labour, utility and raw material were the main cost pressures but increase was restricted due to easing in prices for fuel, metals and plastics. The increase was restricted due to contained fuel prices and fee reductions.
- The East Midlands Input Prices Index decreased from 74.8 in December 2022 to 73.7 in January 2023. East Midlands still reported higher cost burdens due to fuel, energy, wage and material bills. The East Midlands saw the highest increase in input costs of the 12 regions.
- In line with softer increase in input costs, the West Midlands Prices Charged Index decreased from 65.2 in December 2022 to 62.9 in January 2023. The rate of output price inflation was the slowest seen in close to a year-and-a half.
- The East Midlands Prices Charged Index decreased from 63.4 in December 2022 to 62.3 in January 2023, the rate of increase was the slowest seen since August 2021. East Midlands firms reported that higher selling prices were due to the pass-through of greater costs to clients.

Outlook

- The West Midlands Future Business Activity Index increased from 65.3 in December 2022 to 76.5 in January 2023. The West Midlands region had the greatest increase in confidence and also recorded the strongest overall optimism across all regions in January 2023. Optimism in West Midlands firms for the upcoming 12 months was linked to marketing efforts, investment, new product launches, contained inflation and an improvement in demand supporting business activity.
- The East Midlands Future Activity Index increased from 59.8 in December 2022 to 64.8 in January 2023, which is the highest level seen since May 2022. East Midlands firms were optimistic for the next 12 months due to planned investment and hopes of new customers and stronger client demand.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fourth lowest for the Future Business Activity Index in January 2023. Yorkshire & The Humber was the second highest with 75.4 and Northern Ireland was the lowest at 53.6.

The following chart shows the Future Activity Index across all UK regions in January 2023:

Future Activity Index

>50 = growth expected over next 12 months, Jan '23



Source: NatWest West Midlands PMI, February 2023