

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

In Summary:

- The West Midlands Business Activity Index rose from 49.0 in January 2023 to 53.0 in February 2023. The latest reading is above the 50-growth mark for first time in seven months and also at its highest level since April 2022. The boost in business activity was linked to better underlying demand and expanded clientele.
- The East Midlands Business Activity Index increased from 47.3 in January 2023 to 51.1 in February 2023. The first increase in business activity seen since May 2022. The rise in output was due to increased new orders and more stable supply chains.
- The UK Business Activity Index increased from 48.5 in January 2023 to 53.1 in February 2023.
- Of the 12 UK regions, the West Midlands region was the third highest and the East Midlands was fourth lowest for the Business Activity Index in February 2023.
- The West Midlands Future Business Activity Index increased from 76.5 in January 2023 to 78.4 in February 2023, the latest reading shows that the overall degree of optimism improved to its best since the start of 2022. Optimism in West Midlands firms for the upcoming 12 months was linked to new market opportunities, retreating pressure on energy markets, new product launches and more favourable demand conditions.
- The East Midlands Future Activity Index increased from 64.8 in January 2023 to 65.8 in February 2023, which is the highest level seen since April 2022. East Midlands firms were optimistic for the next 12 months due to investment in new products and services, along with the acquisition of new clients. Notably, manufacturers and service providers reported stronger positive outlook.
- 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 February 2022.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index rose from 49.0 in January 2023 to 53.0 in February 2023. The latest reading is above the 50-growth mark for first time in seven months and also at its highest level since April 2022. The boost in business activity was linked to better underlying demand and expanded clientele.
- The East Midlands Business Activity Index increased from 47.3 in January 2023 to 51.1 in February 2023. The first increase in business activity seen since May 2022. The rise in output was due to increased new orders and more stable supply chains.

¹ Source: NatWest UK regional PMI report for February 2023, released March 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 February 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 PMI, March 2023

Of the 12 UK regions, the West Midlands region was the third highest and the East Midlands was fourth lowest for the Business Activity Index in February 2023. London was the highest with 56.0 and the North East was the lowest at 50.0.

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

Business Activity Index

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



Source: NatWest PMI, March 2023

Demand

- The West Midlands New Business Index increased from 49.8 in January 2023 to 53.2 in February 2023, indicating a renewed increase in new work intakes and ending an eight-month sequence of decline. The rise in new work was linked to an increase in demand and clients seeking to rebuild inventories, along with successful advertising and new customer acquisitions.
- The East Midlands New Business Index increased from 46.2 in January 2023 to 50.4 in February 2023. The latest reading highlights a renewed increase in new business, ending a nine-month sequence of decline. The reported growth was linked to stronger client demand.

Exports²

- The West Midlands Export Climate Index increased from 49.7 in January 2023 to 51.8 in February 2023. The latest reading shows improvement in trade prospects for the first time in seven months.
- The East Midlands Export Climate Index increased from 50.2 in January 2023 to 52.1 in February 2023, this is one of the strongest readings since June 2022.

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

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Feb' 23
1	USA	24.3%	50.1
2	Germany	11.9%	50.7
3	China	8.5%	54.2
4	France	7.7%	51.7
5	Ireland	7.2%	54.5

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Feb '23
1	USA	12.5%	50.1
2	Germany	9.9%	50.7
3	France	9.0%	51.7
4	Singapore	7.5%	50.6
5	Hong Kong	7.1%	57.6

Source: NatWest PMI, March 2023

Business Capacity

- The West Midlands Employment Index increased from 52.2 in January 2023 to 53.2 in February. Increases were related to rising workloads, acquisitions and replacing staff.
- The East Midlands Employment Index decreased slightly from 50.4 in January 2023 to 50.3 in February 2023. The latest reading still shows for the second successive month an increase in employment. The increase in employment was linked to greater output requirements.
- The West Midlands Outstanding Business Index increased from 46.6 in January 2023 to 48.9 in February 2023, the third consecutive month under the 50-mark threshold. The decrease in outstanding business volumes can be linked to improved capacity, efficiency gains and outsourced support.
- The East Midlands Outstanding Business Index increased from 47.3 in January 2023 to 47.7 in February 2023. Despite the increase this was the fifth consecutive month with the Index under 50. East Midlands firms reported the lower levels of outstanding business were due to sufficient capacity to process incoming new work.

Prices

- The West Midlands Input Prices Index decreased from 70.8 in January 2023 to 69.4 in February 2023, the latest figures still show sharp input costs but the rate of inflation has eased for the third month in a row. West Midlands firms reported that exchange rate movements, energy price volatility and higher wage bills were the main cost pressures but the increase was restricted due to competition for new work among suppliers, lower shipping costs and improved availability of some raw materials.

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.

- The East Midlands Input Prices Index decreased from 73.7 in January 2023 to 70.7 in February 2023. East Midlands still reported higher supplier and material prices along with higher costs for wages. The rate of inflation has softened for the third consecutive month and slowest seen since March 2021.
- In line with softer increase in input costs, the West Midlands Prices Charged Index decreased from 62.9 in January 2023 to 62.7 in February 2023, although the latest reading continues the current sequence of inflation to 33 months. The rate of output price inflation remains substantial but has eased to the lowest levels seen since August 2021.
- The East Midlands Prices Charged Index decreased from 62.3 in January 2023 to 61.3 in February 2023, the rate of increase was the slowest seen since May 2021, although the rate is still substantial. 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 76.5 in January 2023 to 78.4 in February 2023, the latest reading shows that the overall degree of optimism improved to its best since the start of 2022. Optimism in West Midlands firms for the upcoming 12 months was linked to new market opportunities, retreating pressure on energy markets, new product launches and more favourable demand conditions.
- The East Midlands Future Activity Index increased from 64.8 in January 2023 to 65.8 in February 2023, which is the highest level seen since April 2022. East Midlands firms were optimistic for the next 12 months due to investment in new products and services, along with the acquisition of new clients. Notably, manufacturers and service providers reported stronger positive outlook.
- 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 February 2022. North West was the second highest with 74.6 and the North East was the lowest at 54.7.

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

Future Activity Index

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



Source: NatWest PMI, March 2023