

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

In Summary:

- The West Midlands Business Activity Index fell from 53.0 in February 2023 to 52.7 in March 2023, although remains above the 50-growth mark for the second consecutive month. Business activity growth was linked to creation of new work, greater client spending, higher consumer footfall and overall better demand conditions.
- The East Midlands Business Activity Index increased from 51.1 in February 2023 to 51.2 in March 2023, the rise was the fastest seen in ten months. The increase in output was due to stronger client demand and a faster rise in new business.
- The UK Business Activity Index decreased from 53.1 in February 2023 to 52.2 in March 2023.
- Of the 12 UK regions, the West Midlands region was the fourth highest and the East Midlands was sixth lowest for the Business Activity Index in March 2023.
- The West Midlands Future Business Activity Index decreased from 78.4 in February 2023 to 78.0 in March 2023, but the latest reading still shows a strong degree of optimism for the upcoming year. The latest reading is the second highest seen in 14 months. Optimism in West Midlands firms for the upcoming 12 months was linked to new clients, new product launches and the relocation of some firms away from London.
- The East Midlands Future Activity Index increased from 65.8 in February 2023 to 71.5 in March 2023, which is the highest level seen for over a year. East Midlands firms were optimistic for the next 12 months due to hopes of increased client demand, investment in new product development and diversification.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was sixth highest for the Future Business Activity Index in March 2023

In Detail:

Business Activity Index

- The West Midlands Business Activity Index fell from 53.0 in February 2023 to 52.7 in March 2023, although remains above the 50-growth mark for the second consecutive month. Business activity growth was linked to creation of new work, greater client spending, higher consumer footfall and overall better demand conditions.
- The East Midlands Business Activity Index increased from 51.1 in February 2023 to 51.2 in March 2023, the rise was the fastest seen in ten months. The increase in output was due to stronger client demand and a faster rise in new business.

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

Of the 12 UK regions, the West Midlands region was the fourth highest and the East Midlands was sixth lowest for the Business Activity Index in March 2023. London was the highest with 55.1 and the East of England was the lowest at 50.0.

The following chart shows the Business Activity Index across all UK regions in March 2023:

Business Activity Index

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



Source: NatWest PMI, April 2023

Demand

- The West Midlands New Business Index rose from 53.2 in February 2023 to 54.1 in March 2023, the second consecutive month to increase. The rise in new work was linked to improved demand conditions, advertising, approval of pending quotes and higher consumer footfall.
- The East Midlands New Business Index increased from 50.4 in February 2023 to 51.3 in March 2023, the second consecutive month to increase and the highest rate of growth seen for a year. The rise in new work was linked to stronger demand and greater client activity.

Exports²

- The West Midlands Export Climate Index increased from 51.8 in February 2023 to 52.5 in March 2023. The latest reading is a nine-month high, indicating favourable trade prospects for West Midlands firms.
- The East Midlands Export Climate Index increased from 52.1 in February 2023 to 53.0 in March 2023, this is one of the strongest readings since May 2022.

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

| Top export markets, West Midlands | | | | Top export markets, East Midlands | | | |
|-----------------------------------|---------|--------|-----------------------|-----------------------------------|-----------|--------|-----------------------|
| Rank | Market | Weight | Output Index, Mar' 23 | Rank | Market | Weight | Output Index, Mar' 23 |
| 1 | USA | 24.3% | 52.3 | 1 | USA | 12.5% | 52.3 |
| 2 | Germany | 11.9% | 52.6 | 2 | Germany | 9.9% | 52.6 |
| 3 | China | 8.5% | 54.5 | 3 | France | 9.0% | 52.7 |
| 4 | France | 7.7% | 52.7 | 4 | Singapore | 7.5% | 54.4 |
| 5 | Ireland | 7.2% | 52.8 | 5 | Hong Kong | 7.1% | 56.3 |

Source: NatWest PMI, April 2023

Business Capacity

- The West Midlands Employment Index decreased from 53.2 in February 2023 to 50.5 in March 2023, although remains above the 50-growth mark. The expansion in jobs was the weakest seen in the 25 months of consecutive growth. Firms still reported greater investment in resources to support the delivery of set targets. The increase was restricted due to recruitment challenges and redundancies at some firms.
- The East Midlands Employment Index decreased from 50.3 in February 2023 to 49.7 in March 2023, a renewed fall in employment after two months of expansion. The decline was linked to non-replacement of voluntary leavers and cost-cutting initiatives.
- The West Midlands Outstanding Business Index increased from 48.9 in February 2023 to 49.9 in March 2023, the fourth consecutive month under the 50-mark threshold. Firms reported that new contract wins and insufficient labour capacity caused higher backlogs.
- The East Midlands Outstanding Business Index decreased from 47.7 in February 2023 to 47.3 in March 2023, the sixth consecutive month with the Index under 50. East Midlands firms reported that subdued demand conditions in recent months meant firms had sufficient capacity to process incoming new work.

Prices

- The West Midlands Input Prices Index decreased from 69.4 in February 2023 to 65.7 in March 2023. The latest reading shows cost inflation easing to a 26-month low as recent improvements in input supply helped reduce price pressures. However, rises are still sharp by historical standards.
- The East Midlands Input Prices Index decreased from 70.7 in February 2023 to 68.4 in March 2023. East Midlands still reported greater material and utility costs, alongside increases wage costs. The rate of inflation has softened for the fourth consecutive month and slowest seen since February 2021.

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 West Midlands Prices Charged Index decreased from 62.7 in February 2023 to 59.7 in March 2023, this was the weakest rise seen since April 2021. The rate of output price inflation remains substantial as some firms increased selling prices due to ongoing increases in expenses this was offset by others passing some cost savings onto clients.
- The East Midlands Prices Charged Index decreased from 61.3 in February 2023 to 58.1 in March 2023, the rate of increase was the slowest seen February 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 decreased from 78.4 in February 2023 to 78.0 in March 2023, but the latest reading still shows a strong degree of optimism for the upcoming year. The latest reading is the second highest seen in 14 months. Optimism in West Midlands firms for the upcoming 12 months was linked to new clients, new product launches and the relocation of some firms away from London.
- The East Midlands Future Activity Index increased from 65.8 in February 2023 to 71.5 in March 2023, which is the highest level seen for over a year. East Midlands firms were optimistic for the next 12 months due to hopes of increased client demand, investment in new product development and diversification.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was sixth highest for the Future Business Activity Index in March 2023. Yorkshire & The Humber was the second highest with 75.6 and the North East was the lowest at 60.6.

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

Future Activity Index

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



Source: NatWest PMI, April 2023