

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

In Summary:

- The West Midlands Business Activity Index rose marginally from 52.7 in March 2023 to 52.8 in April 2023. Early indications show that business activity growth was linked to greater client spending, successful marketing efforts, new business wins, improved consumer footfall and acquisitions.
- The East Midlands Business Activity Index increased from 51.2 in March 2023 to 51.5 in April 2023, the rise was the fastest seen since May 2022. The increase in output was due to new order inflows and further rises in client demand.
- The UK Business Activity Index increased from 52.2 in March 2023 to 54.9 in April 2023. Of the 12 UK regions, the West Midlands region was the fourth lowest and the East Midlands was second lowest for the Business Activity Index in April 2023.
- The West Midlands Future Business Activity Index decreased from 78.0 in March 2023 to 76.5 in April 2023. Despite falling to a three-month low, 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 sales opportunities, expanded capacities, product diversification and expectations of better global trading conditions.
- The East Midlands Future Activity Index increased from 71.5 in March 2023 to 72.9 in April 2023, which is the highest level seen since February 2022. East Midlands firms were optimistic for the next 12 months due to hopes of greater client demand, investment in marketing and new product development.
- 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 April 2023.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index rose marginally from 52.7 in March 2023 to 52.8 in April 2023. Early indications show that business activity growth was linked to greater client spending, successful marketing efforts, new business wins, improved consumer footfall and acquisitions.
- The East Midlands Business Activity Index increased from 51.2 in March 2023 to 51.5 in April 2023, the rise was the fastest seen since May 2022. The increase in output was due to new order inflows and further rises in client demand.

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

- Of the 12 UK regions, the West Midlands region was the fourth lowest and the East Midlands was second lowest for the Business Activity Index in April 2023. London was the highest with 59.0 and Wales was the lowest at 51.1.

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

Business Activity Index

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



Source: NatWest PMI, May 2023

Demand

- The West Midlands New Business Index decreased from 54.1 in March 2023 to 54.0 in April 2023, the third consecutive month for rises in new business intakes. The rise in new work was linked to improved demand and footfall.
- The East Midlands New Business Index decreased from 51.3 in March 2023 to 50.8 in April 2023, the third consecutive month to increase. The rise in new work was linked to greater demand from existing clients and the acquisition of new customers.

Exports²

- The West Midlands Export Climate Index increased from 52.5 in March 2023 to 53.1 in April 2023. The latest reading signals the most favourable export climate in close to a year. The East Midlands Export Climate Index increased from 53.0 in March 2023 to 53.3 in April 2023, this continues to show improvements in the export climate for East Midlands firms.

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

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Apr '23
1	USA	24.3%	53.4
2	Germany	11.9%	54.2
3	China	8.5%	53.6
4	France	7.7%	52.4
5	Ireland	7.2%	53.5

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Apr '23
1	USA	12.5%	53.4
2	Germany	9.9%	54.2
3	France	9.0%	52.4
4	Singapore	7.5%	56.5
5	Hong Kong	7.1%	53.4

Source: NatWest PMI, May 2023

Business Capacity

- The West Midlands Employment Index increased from 50.5 in March 2023 to 52.6 in April 2023, as West Midlands firms raised payroll number at the start of the second quarter. After a 25-month low seen in March 2023, the latest increase in job numbers was solid.
- The East Midlands Employment Index increased from 49.7 in March 2023 to 52.0 in April 2023, a renewed rise in employment (the increase was the third in the last four months). Higher workforce numbers were linked to greater business requirements from increased new orders.
- The West Midlands Outstanding Business Index decreased from 49.9 in March 2023 to 48.3 in April 2023, the fifth consecutive month under the 50-mark threshold. Where a decline was reported, West Midlands firms reported successful recruitment, overtime and efficiency gains.
- The East Midlands Outstanding Business Index decreased from 47.3 in March 2023 to 45.9 in April 2023, the seventh consecutive month with the Index under 50 and the decrease was the fastest seen in 2023 so far. East Midlands firms reported that sufficient capacity to process incoming new business allowed them to work through their backlogs successfully.

Prices

- The West Midlands Input Prices Index decreased from 65.7 in March 2023 to 63.9 in April 2023. However, firms still reported increases to expenses in the latest month due to higher beverage, food, freight, insurance, material and staff costs. The increase was also linked in part to unfavourable exchange rate movements and higher energy costs. The latest reading is still historically high, although, the rate of inflation has softened to its weakest point in nearly two-and-a half years mainly due to lower raw material prices.

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 68.4 in March 2023 to 66.7 in April 2023. East Midlands still reported greater raw material, supplier and wage bills. The rate of inflation has softened for the fifth consecutive month and slowest seen since February 2021.
- The West Midlands Prices Charged Index increased from 59.7 in March 2023 to 60.3 in April 2023. Ongoing cost rises, wage pressures and demand resilience caused a further increase in prices charged for goods and services across the West Midlands.
- The East Midlands Prices Charged Index increased from 58.1 in March 2023 to 60.6 in April 2023, a renewed rise in the rate of output charge inflation. 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 78.0 in March 2023 to 76.5 in April 2023. Despite falling to a three-month low, 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 sales opportunities, expanded capacities, product diversification and expectations of better global trading conditions.
- The East Midlands Future Activity Index increased from 71.5 in March 2023 to 72.9 in April 2023, which is the highest level seen since February 2022. East Midlands firms were optimistic for the next 12 months due to hopes of greater client demand, investment in marketing and new product development.
- 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 April 2023. Yorkshire & The Humber was the second highest with 75.8 and Northern Ireland was the lowest at 60.6.

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

Future Activity Index

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



Source: NatWest PMI, May 2023