

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

In Summary:

- The West Midlands Business Activity Index increased from 52.8 in April 2023 to 54.2 in May 2023, the strongest increase seen since April 2022. Business activity growth was linked to better sales, capacity growth, favourable demand environment and publicity.
- The East Midlands Business Activity Index decreased from 51.5 in April 2023 to 50.8 in May 2023, the fourth consecutive month to increase but was the weakest increase in this sequence of growth. East Midlands firms still reported greater business activity from a sustained increase in new orders.
- The UK Business Activity Index decreased from 54.9 in April 2023 to 54.0 in May 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 May 2023.
- The West Midlands Future Business Activity Index increased from 76.5 in April 2023 to 78.5 in May 2023. The latest reading is at a 16-month high. Optimism in West Midlands firms for the upcoming 12 months was linked to poor competitor performance, new clients, advertising, expanded capacities and investment in technology.
- The East Midlands Future Activity Index decreased from 72.9 in April 2023 to 71.1 in May 2023. East Midlands firms remain optimistic, but confidence dropped to a three-month low. East Midlands firms were optimistic for the next 12 months due to hopes of greater client demand and planned investment in new products and machinery.
- 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 May 2023.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index increased from 52.8 in April 2023 to 54.2 in May 2023, the strongest increase seen since April 2022. Business activity growth was linked to better sales, capacity growth, favourable demand environment and publicity.
- The East Midlands Business Activity Index decreased from 51.5 in April 2023 to 50.8 in May 2023, the fourth consecutive month to increase but was the weakest increase in this sequence of growth. East Midlands firms still reported greater business activity from a sustained increase in new orders.

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 May 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, June 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 May 2023. London was the highest with 58.5 and Wales was the lowest at 49.4.

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

Business Activity Index

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



Source: NatWest PMI, June 2023

Demand

- The West Midlands New Business Index decreased from 54.0 in April 2023 to 53.8 in May 2023. Despite the decline this is the fourth consecutive month for rises in new business intakes. The rise in new work was linked to improved demand trends, new clients and better business conditions.
- The East Midlands New Business Index increased from 50.8 in April 2023 to 51.2 in May 2023, the fourth consecutive month to increase and the second fastest growth since March 2022. The rise in new work was linked to greater demand and increased customer referrals.

Exports²

- The West Midlands Export Climate Index decreased from 53.1 in April 2023 to 52.6 in May 2023. Despite the fall, the latest reading signals the second fastest rate of expansion in a year.
- The East Midlands Export Climate Index decreased from 53.3 in April 2023 to 52.5 in May 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 May 2023:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, May' 23
1	USA	24.3%	54.3
2	Germany	11.9%	53.9
3	China	8.5%	55.6
4	France	7.7%	51.2
5	Ireland	7.2%	51.9

Top export markets, East Midlands

Rank	Market	Weight	Output Index, May '23
1	USA	12.5%	54.3
2	Germany	9.9%	53.9
3	France	9.0%	51.2
4	Singapore	7.5%	55.8
5	Hong Kong	7.1%	52.0

Source: NatWest PMI, June 2023

Business Capacity

- The West Midlands Employment Index decreased from 52.6 in April 2023 to 52.1 in May 2023. Among reports of acquisitions, client growth and a healthy demand environment, West Midlands companies lifted payroll numbers again in May.
- The East Midlands Employment Index decreased from 52.0 in April 2023 to 51.4 in May 2023, a marginal rise in staffing numbers. Higher workforce numbers were linked to new business growth.
- The West Midlands Outstanding Business Index decreased from 48.3 to April 2023 to 46.8 in May 2023, the sixth consecutive month under the 50-mark threshold and also to the greatest extent since January. West Midlands firms reported efficiency gains and the offering of overtime facilitated the clearing of pending workloads.
- The East Midlands Outstanding Business Index increased from 45.9 in April 2023 to 48.2 in May 2023, the eighth consecutive month with the Index under 50 but the rate of contraction slowed to the weakest since November 2022. East Midlands firms reported that lower backlogs of work were due to sufficient capacity and muted growth of new orders.

Prices

- The West Midlands Input Prices Index decreased from 63.9 in April 2023 to 63.5 in May 2023. However, firms still reported substantial increases in input costs in the latest month due to higher prices for key inputs and wage pressures, but also reported lower fees for items such as packaging and plastics. 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 increased from 66.7 in April 2023 to 66.9 in May 2023. East Midlands still reported hikes in input costs in raw material (such as timber and concrete) and wage bills. The rate of inflation has softened for the sixth consecutive month and slowest seen since February 2021.
- The West Midlands Prices Charged Index decreased from 60.3 in April 2023 to 58.6 in May 2023. With cost pressures subsiding, there was a softer increase in prices charged for goods and services across the West Midlands. However, the rate of charge inflation is still historically heightened and but has eased to the slowest in over two years.
- The East Midlands Prices Charged Index decreased from 60.6 in April 2023 to 58.9 in May 2023. East Midlands firms reported the pass-through of increased costs to clients as driving the rise in selling prices.

Outlook

- The West Midlands Future Business Activity Index increased from 76.5 in April 2023 to 78.5 in May 2023. The latest reading is at a 16-month high. Optimism in West Midlands firms for the upcoming 12 months was linked to poor competitor performance, new clients, advertising, expanded capacities and investment in technology.
- The East Midlands Future Activity Index decreased from 72.9 in April 2023 to 71.1 in May 2023. East Midlands firms remain optimistic, but confidence dropped to a three-month low. East Midlands firms were optimistic for the next 12 months due to hopes of greater client demand and planned investment in new products and machinery.
- 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 May 2023. East of England was the second highest with 74.8 and Northern Ireland was the lowest at 59.4.

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

Future Activity Index

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



Source: NatWest PMI, June 2023