

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released July 2023: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index decreased from 54.2 in May 2023 to 52.6 in June 2023, although remained above the 50-growth mark for the fifth month in a row. The rise in business activity was linked to better-than-usual weather, the onboarding of new clients and demand resilience. The slowdown reflected signs of economic deceleration.
- The East Midlands Business Activity Index decreased from 50.8 in May 2023 to 49.4 in June 2023, a renewed decline in output for the first time in five months. East Midlands firms reported the decrease in activity was linked to sufficient capacity being available to work through new business.
- The UK Business Activity Index decreased from 54.0 in May 2023 to 52.8 in June 2023.
- Of the 12 UK regions, the West Midlands region was the fourth highest and the East Midlands was third lowest for the Business Activity Index in June 2023.
- The West Midlands Future Business Activity Index decreased from 78.5 in May 2023 to 74.4 in June 2023. Despite slipping to a six-month low, firms remained confident that output will increase over the year. Optimism in West Midlands firms was linked to predictions of demand conditions to remain favourable, hopes of geopolitical issues diminishing and the launch of new products and services.
- The East Midlands Future Activity Index increased from 71.1 in May 2023 to 73.6 in June 2023, the highest level seen since January 2022. East Midlands firms were optimistic for the next 12 months due to investment in new products and machinery and hopes of greater economic certainty.
- Out of the twelve UK regions, the West Midlands was the second highest and the East Midlands was third highest for the Future Business Activity Index in June 2023.

### In Detail:

#### Business Activity Index

- The West Midlands Business Activity Index decreased from 54.2 in May 2023 to 52.6 in June 2023, although remained above the 50-growth mark for the fifth month in a row. The rise in business activity was linked to better-than-usual weather, the onboarding of new clients and demand resilience. The slowdown reflected signs of economic deceleration.
- The East Midlands Business Activity Index decreased from 50.8 in May 2023 to 49.4 in June 2023, a renewed decline in output for the first time in five months. East Midlands firms reported the decrease in activity was linked to sufficient capacity being available to work through new business.

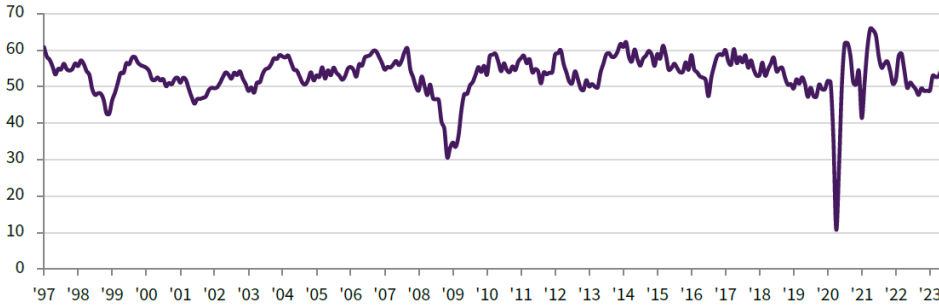
---

<sup>1</sup> Source: NatWest UK regional PMI report for June 2023, released July 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 June 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, July 2023

- Of the 12 UK regions, the West Midlands region was the fourth highest and the East Midlands was third lowest for the Business Activity Index in June 2023. London was the highest with 56.0 and Wales was the lowest at 46.7.

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

**Business Activity Index**

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



Source: NatWest PMI, July 2023

## Demand

- The West Midlands New Business Index decreased from 53.8 in May 2023 to 53.0 in June 2023. Despite the decline this is the fifth consecutive month for rises in new business intakes. The rise in new work was linked to sales from new customers and demand resilience. The ease in growth was due to the de-stocking initiative at some clients.
- The East Midlands New Business Index increased from 51.2 in May 2023 to 52.6 in June 2023, the fifth consecutive month to increase and the second fastest growth since March 2022. The rise in new work was linked to greater demand from new and existing customers.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index decreased from 52.6 in May 2023 to 51.2 in June 2023.
- The East Midlands Export Climate Index decreased from 52.5 in May 2023 to 51.4 in June 2023.
- Despite the fall, figures continue to show improvements in the export climate for firms across the Midlands.

## Business Capacity

- The West Midlands Employment Index decreased from 52.1 in May 2023 to 50.2 in June 2023. Despite the fall employment rose for the twenty-eighth successive month. Some firms linked job creation to expansions in departments (for example marketing) as well as efforts to fulfil greater demand needs. While some firms attributed lower payroll numbers to automation, the non-replacement of voluntary leavers, redundancies and recruitment freezes.
- The East Midlands Employment Index decreased from 51.4 in May 2023 to 50.7 in June 2023, although remaining above the 50-growth mark for the third month in a row. Higher workforce numbers were linked to new business growth.
- The West Midlands Outstanding Business Index decreased from 46.8 in May 2023 to 45.0 in June 2023, the seventh consecutive month under the 50-mark threshold. West Midlands firms reported the reduction was supported by a slowdown in new order growth, staff working overtime and the easing of supply-chain pressures.
- The East Midlands Outstanding Business Index decreased from 48.2 in May 2023 from 47.8 in June 2023, the ninth consecutive month with the Index under 50. 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 63.5 in May 2023 to 61.4 in June 2023. However, firms still reported substantial increases in input costs in the latest month due to greater workforce and utility bill outlays. The latest reading is still historically high, although, the rate of inflation is the least pronounced in nearly two-and-a half years mainly due to price negotiations with vendors, fierce competition among suppliers and a general improvement in raw material availability.
- The East Midlands Input Prices Index decreased from 66.9 in May 2023 to 64.9 in June 2023. East Midlands still reported hikes due to interest rates, greater supplier prices and rising wage bills. The rate of inflation has softened for the seventh consecutive month and slowest seen since start of 2021.
- The West Midlands Prices Charged Index decreased from 58.6 in May 2023 to 57.6 in June 2023. The rate of inflation remains historically high but has subsided to a 28-month low. However, some firms reportedly hiked their fees due to greater personnel expenses and previously absorbed cost increases, while others passed on to their clients savings made from lower input prices.

---

<sup>2</sup> 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 Prices Charged Index decreased from 58.9 in May 2023 to 58.0 in June 2023. East Midlands firms reported the pass-through of increased costs to clients as driving the rise in selling prices. The rate of increase has softened for the second consecutive month and slowest seen since February 2021.

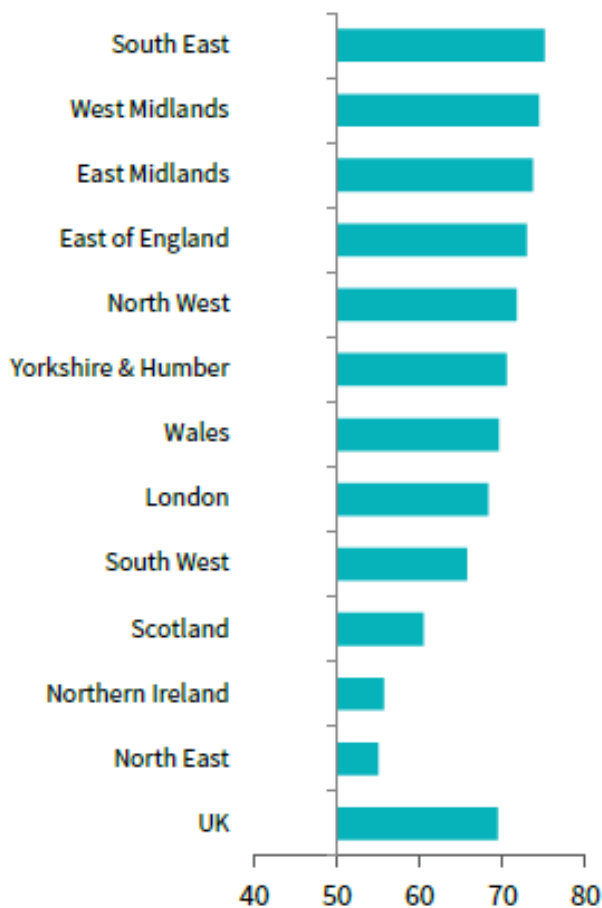
**Outlook**

- The West Midlands Future Business Activity Index decreased from 78.5 in May 2023 to 74.4 in June 2023. Despite slipping to a six-month low, firms remained confident that output will increase over the year. Optimism in West Midlands firms was linked to predictions of demand conditions to remain favourable, hopes of geopolitical issues diminishing and the launch of new products and services.
- The East Midlands Future Activity Index increased from 71.1 in May 2023 to 73.6 in June 2023, the highest level seen since January 2022. East Midlands firms were optimistic for the next 12 months due to investment in new products and machinery and hopes of greater economic certainty.
- Out of the twelve UK regions, the West Midlands was the second highest and the East Midlands was third highest for the Future Business Activity Index in June 2023. South East was the highest with 75.1 and North East was the lowest at 55.0.

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

**Future Activity Index**

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



Source: NatWest PMI, July 2023