

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

### In Summary:

- The West Midlands Business Activity Index decreased from 52.6 in June 2023 to 51.3 in July 2023, although remained above the 50-growth mark for the sixth month in a row. Growth was due to the launch of new products and services along with demand resilience. Restricting business activity was linked to signs of an economic slowdown, client destocking and unfavourable conditions.
- The East Midlands Business Activity Index increased from 49.4 in June 2023 to 50.1 in July 2023. Although improving from the contraction seen in in the previous month, firms still reported weaker demand conditions with subdued output reflecting lower new order inflows.
- The UK Business Activity Index decreased from 52.8 in June 2023 to 50.8 in July 2023.
- Out of the 12 UK regions, the West Midlands was the fourth highest and the East Midlands was the sixth highest for business activity in July 2023.
- The West Midlands Future Business Activity Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in West Midlands firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.
- The East Midlands Future Activity Index decreased from 73.6 in June 2023 to 68.4 in July 2023, the lowest levels seen since February 2021. However, firms still reported optimism for the upcoming year due to investment in sales and marketing, along with hopes of stronger demand conditions. Optimism was restricted due to the ongoing impact of high interest rates and the rising cost of living.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth highest for the Future Business Activity Index in July 2023.

### In Detail:

#### Business Activity Index

- The West Midlands Business Activity Index decreased from 52.6 in June 2023 to 51.3 in July 2023, although remained above the 50-growth mark for the sixth month in a row. Growth was due to the launch of new products and services along with demand resilience. Restricting business activity was linked to signs of an economic slowdown, client destocking and unfavourable conditions.
- The East Midlands Business Activity Index increased from 49.4 in June 2023 to 50.1 in July 2023. Although improving from the contraction seen in in the previous month, firms still reported weaker demand conditions with subdued output reflecting lower new order inflows.

#### The following chart shows the West Midlands Business Activity Index trends up to July 2023:

West Midlands Business Activity Index  
sa, >50 = growth since previous month



Source: NatWest PMI, August 2023

<sup>1</sup> Source: NatWest UK regional PMI report for July 2023, released August 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 chart shows the East Midlands Business Activity Index trends up to July 2023:**

East Midlands Business Activity Index  
sa, >50 = growth since previous month

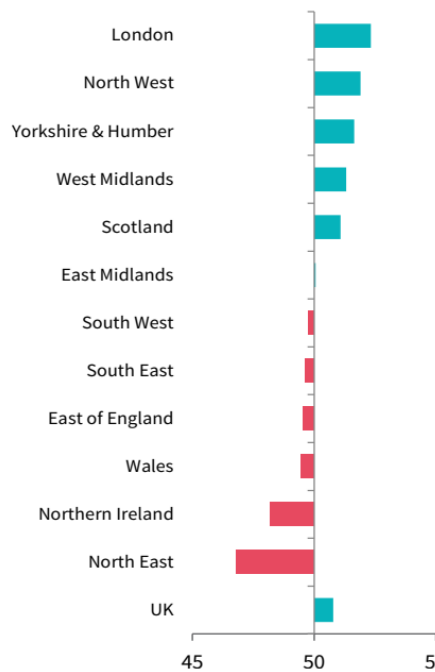


Source: NatWest PMI, August 2023

- Out of the 12 UK regions, the West Midlands was the fourth highest and East Midlands was sixth highest for business activity in July 2023. London was the highest with 52.3 and the North East was the lowest at 46.8.

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

Business Activity Index  
sa, >50 = growth since previous month, Jul '23



Source: NatWest PMI, August 2023

**Demand**

- The West Midlands New Business Index decreased from 53.0 in June 2023 to 50.6 in July 2023. Despite the decline, this is the sixth consecutive month for rises in new business intakes. The rise in new work was linked to the offering of new services, demand resilience and greater client bases. Growth was reportedly restricted by destocking efforts at customers, signs of an economic slowdown, elevated borrowing costs and unfavourable conditions.
- The East Midlands New Business Index decreased from 52.6 in June 2023 to 49.1 in July 2023, a return to contraction territory. The marginal decline was linked to weak client demand and a slowdown in customer activity. Notably, the downturn was due to manufacturing firms who experienced a fall in new orders. Service providers, however, recorded an increase in new business.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index decreased from 51.2 in June 2023 to 50.4 in July 2023, which still indicates a marginal improvement in export conditions for West Midlands firms. The latest reading was the lowest for six months and moved closer to the no-change mark of 50.0.
- The East Midlands Export Climate Index decreased from 51.4 in June 2023 to 50.3 in July 2023, which still indicates a marginal improvement in export conditions for East Midlands firms. The latest increase was the weakest since January 2023.

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

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Jul' 23
1	USA	24.3%	52.0
2	Germany	11.9%	48.5
3	China	8.5%	51.9
4	France	7.7%	46.6
5	Ireland	7.2%	50.0

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jul' 23
1	USA	12.5%	52.0
2	Germany	9.9%	48.5
3	France	9.0%	46.6
4	Singapore	7.5%	54.0
5	Hong Kong	7.1%	49.6

Source: NatWest PMI, August 2023

## Business Capacity

- The West Midlands Employment Index decreased from 50.2 in June 2023 to 50.0 in July 2023. Some West Midlands firms hired extra staff, owing to anticipated improvements in sales and the replacement of workers who had resigned in late-2022. While other firms in the West Midlands reported to reducing payroll numbers due to automation, wage cost pressures and efforts to improve cashflows.
- The East Midlands Employment Index decreased from 50.7 in June 2023 to 49.1 in July 2023, a renewed decrease in employment (the first decline in workforce numbers in four months). The decline in workforce numbers were due to redundancies and the non-replacement of voluntary leavers.
- The West Midlands Outstanding Business Index increased from 45.0 in June 2023 to 45.7 in July 2023, the eighth consecutive month under the 50-mark threshold. Despite softening from the previous month, the rate of backlog depletion was historically marked. West Midlands Firms reported that subdued sales growth facilitated the reduction in unfinished business.
- The East Midlands Outstanding Business Index decreased from 47.8 in June 2023 to 46.1 in July 2023. This is the tenth month of contraction and the rate of decline was the fastest seen since February 2023. The fall in incomplete business was linked to lower new orders and sufficient capacity to process incoming work.

## Prices

- The West Midlands Input Prices Index increased from 61.4 in June 2023 to 62.1 in July 2023, this follows seven months of easing. Although sharp, the latest increase in expenses was considerably less pronounced than those seen over the past two-and-a-half years. West Midlands firms reported greater pressure from salaries and wages, but lower prices for freight, raw materials, and utilities.
- The East Midlands Input Prices Index increased from 64.9 in June 2023 to 65.4 in July 2023, a further significant increase. Although accelerating (primarily linked to greater wage, fuel and energy costs), the rate of inflation was the second-slowest since January 2021. Notably, service providers drove the increase, recording a marked rise in costs while manufacturers, reported the first decrease in input prices since June 2020.

<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 West Midlands Prices Charged Index decreased from 57.6 in June 2023 to 56.0 in July 2023, still indicating a notable increase. The rate of inflation remains historically high but has eased to the weakest level seen since February 2021. There were some West Midlands firms that reportedly hiked their fees due to ongoing cost rises and the passing on of previously absorbed hikes to energy prices, while other firms lowered their charges due to subdued demand conditions and savings made from reduced raw material prices.
- The East Midlands Prices Charged Index decreased from 58.0 in June 2023 to 55.6 in July 2023. This still signifies a notable increase but with the pace slowing for the third month in a row and the weakest seen since February 2021. Higher selling prices were often linked to the pass-through of greater costs to customers. However, some firms reported that lower raw material prices were reflected in slower charge inflation.

**Outlook**

- The West Midlands Future Business Activity Index increased from 74.4 in June 2023 to 76.8 in July 2023. Optimism in West Midlands firms was linked to planned investment in staff and systems, expected gains in market shares and hopes that inflation would retreat.
- The East Midlands Future Activity Index decreased from 73.6 in June 2023 to 68.4 in July 2023, the lowest levels seen since February 2021. However, firms still reported optimism for the upcoming year due to investment in sales and marketing, along with hopes of stronger demand conditions. Optimism was restricted due to the ongoing impact of high interest rates and the rising cost of living.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth highest for the Future Business Activity Index in July 2023. South East was the second highest at 75.2 and Scotland was the lowest at 59.1.

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

**Future Activity Index**

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



Source: NatWest PMI, August 2023