

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

In Summary:

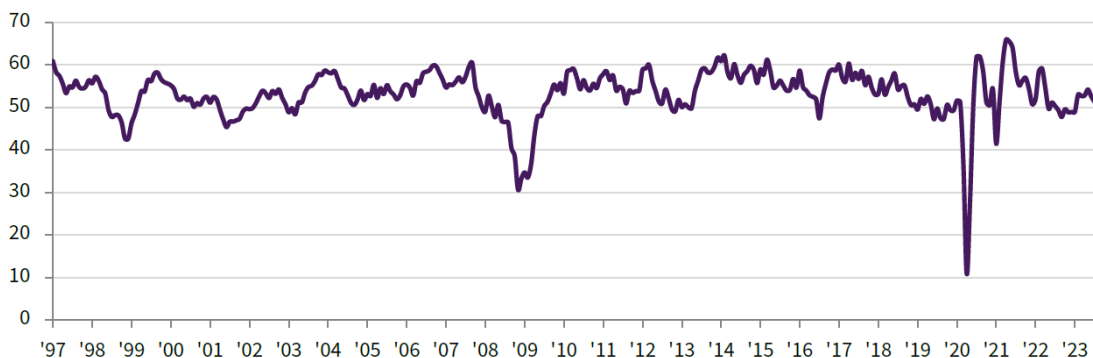
- The West Midlands Business Activity Index decreased from 50.0 in August 2023 to 49.3 in September 2023. The decline in business activity was linked to reduced customer orders.
- The East Midlands Business Activity Index decreased from 47.1 in August 2023 to 46.8 in September 2023, the fastest fall seen so far in 2023. Firms reported weaker demand conditions, the cost-of-living crisis and economic uncertainty caused lower business activity.
- The UK Business Activity Index decreased from 48.6 in August 2023 to 48.5 in September 2023.
- Out of the 12 UK regions, the West Midlands was the third highest and East Midlands was fifth lowest for business activity in September 2023.
- The West Midlands Future Business Activity Index decreased slightly from 78.5 in August 2023 to 78.4 in September 2023, but was still among the highest levels seen since January 2022. Optimism in firms was linked to expectations of new business gains, demand would strengthen, planned investment (people and systems) and efficiency gains.
- Service providers saw business confidence slip slightly, whereas manufacturers recorded stronger sentiment.
- 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 September 2023. The South East was the second highest at 75.3 and the North East was the lowest at 57.6.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index decreased from 50.0 in August 2023 to 49.3 in September 2023. The decline in business activity was linked to reduced customer orders.
- The East Midlands Business Activity Index decreased from 47.1 in August 2023 to 46.8 in September 2023, the fastest fall seen so far in 2023. Firms reported weaker demand conditions, the cost-of-living crisis and economic uncertainty caused lower business activity.

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



Source: NatWest PMI, October 2023

¹ Source: NatWest UK regional PMI report for September 2023, released October 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 September 2023:

East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest PMI, October 2023

- Out of the 12 UK regions, the West Midlands was the third highest and East Midlands was fifth lowest for business activity in September 2023. London was the highest with 52.4 and the North East was the lowest at 43.7.

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

Business Activity Index

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



Source: NatWest PMI, October 2023

Demand

- The latest West Midlands New Business Index shows broadly stagnant levels of new business (decreasing from 50.3 in August 2023 to 50.1 in September 2023). Where growth was reported, this was linked to successful marketing efforts. On the other hand, firms reported restrictions in demand due to tight client budgets and hesitancy to commit to new projects.

- The East Midlands New Business Index decreased slightly from 46.8 in August 2023 to 46.7 in September 2023, the third consecutive month of contraction. Firms reported the contraction in new business was due to weak client demand due to economic uncertainty and reduced purchasing power as cost-of-living issues impacted sales.

Exports²

- The West Midlands Export Climate Index decreased further from 49.5 in August 2023 to 49.3 in September 2023.
- The East Midlands Export Climate Index decreased further from 49.6 in August 2023 to 49.4 in September 2023.

Business Capacity

- The West Midlands Employment Index remained at 49.4 in September 2023, indicating a second month of decline in jobs. Where a decline was reported, this was linked to subdued demand conditions, high staff costs and staff turnover.
- The East Midlands Employment Index decreased from 48.6 in August 2023 to 44.8 in September 2023, the third consecutive month of contraction. The rate of decline was the sharpest seen since August 2020 and was non-replacement of leavers along with reduced new orders and higher wage costs.
- The West Midlands Outstanding Business Index increased from 43.0 in August 2023 to 44.9 in September 2023, remaining under the 50-mark threshold since December 2022 and despite easing from the previous month, the rate of contraction was the second quickest since June 2020. Firms reported that supply chain improvements helped to clear the pending workloads along with lack of new business and staff working overtime.
- The East Midlands Outstanding Business Index increased from 42.8 in August 2023 to 44.1 in September 2023, this is the twelfth month of contraction. the decrease in outstanding business was due to lower new orders and sufficient capacity to process incoming work. Notably, manufacturers in the region leading the drop in incomplete work.

Prices

- The West Midlands Input Prices Index decreased from 59.6 in August 2023 to 55.4 in September 2023. Despite the fall, firms still report an increase in expenses, although the rate of inflation eased to the weakest seen in three years. Firms reported higher transport, wage, insurance and fuel costs but offset from the easing of energy, food and metals costs.
- The East Midlands Input Prices Index decreased from 65.9 in August 2023 to 64.9 in September 2023, this is still a notable increase in expenses reported. Firms mainly reported that the increase was linked to higher material, energy, transport and wage costs.
- The West Midlands Prices Charged Index decreased from 54.9 in August 2023 to 54.6 in September 2023, still indicating a notable increase. The rate of inflation remains historically high but has eased to the weakest level seen since in two-and-a-half years. There were some firms that reportedly hiked their fees to protect margins, while other firms lowered their charges due to cost savings and competitive conditions.
- The East Midlands Prices Charged Index increased from 55.0 in August 2023 to 56.7 in September 2023, the rate of charge inflation was the quickest for three months. Hikes in charges was linked to the pass-through of higher costs to customers (including the increased burden of servicing loans).

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.

Outlook

- The West Midlands Future Business Activity Index decreased slightly from 78.5 in August 2023 to 78.4 in September 2023, but was still among the highest levels seen since January 2022. Optimism in firms was linked to expectations of new business gains, demand would strengthen, planned investment (people and systems) and efficiency gains.
- The East Midlands Future Activity Index decreased slightly from 69.6 in August 2023 to 69.4 in September 2023, although, firms still remain positive for the next 12 months. Service firms saw business confidence fall slightly, whereas manufacturers recorded stronger sentiment.
- 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 September 2023. The South East was the second highest at 75.3 and the North East was the lowest at 57.6.

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

Future Activity Index

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

