

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

An interactive version can be found [here](#).

In Summary:

- The West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023. The renewed increase in output was linked to new product releases and demand resilience.
- The East Midlands Business Activity Index increased from 46.8 in September 2023 to 47.5 in October 2023, the third consecutive month where output was under the 50-growth mark. Firms reported weaker domestic and international client demand.
- The UK Business Activity Index increased from 48.5 in September 2023 to 48.7 in October 2023.
- Out of the twelve UK regions, the West Midlands was the second highest and East Midlands was fifth highest for business activity in October 2023.
- The West Midlands Future Business Activity Index decreased from 78.4 in September 2023 to 73.8 in October 2023, but was still the most optimistic region for the fourth consecutive month. Optimism remained in firms due to the expectations of demand conditions to improve and support business activity, along with expansion plans, new clients, product diversification and planned investment.
- The East Midlands Future Activity Index decreased from 69.4 in September 2023 to 65.6 in October 2023, although, firms still remain positive for the next 12 months. Optimism was linked to hopes of greater investment into marketing and the launch of new products driving business activity. Optimism was restricted due to the subdued demand conditions for both, domestic and international.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in October 2023.

In Detail:

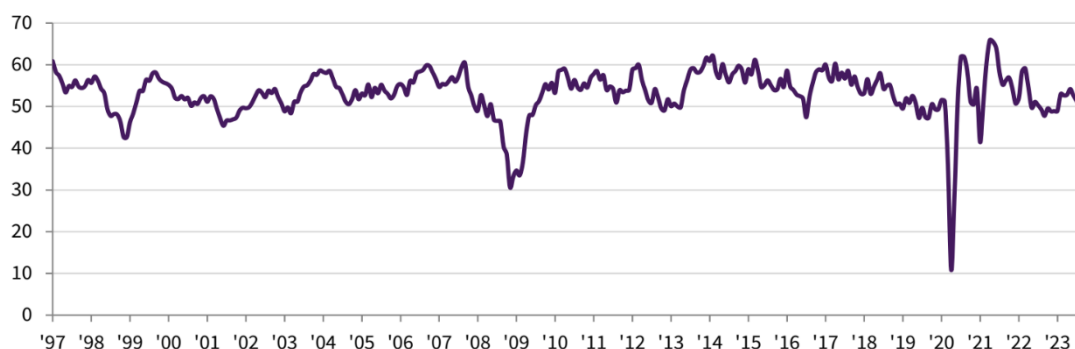
Business Activity Index

- The West Midlands Business Activity Index increased from 49.3 in September 2023 to 50.7 in October 2023. The renewed increase in output was linked to new product releases and demand resilience.
- The East Midlands Business Activity Index increased from 46.8 in September 2023 to 47.5 in October 2023, the third consecutive month where output was under the 50-growth mark. Firms reported weaker domestic and international client demand.

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

West Midlands Business Activity Index

sa, >50 = growth since previous month

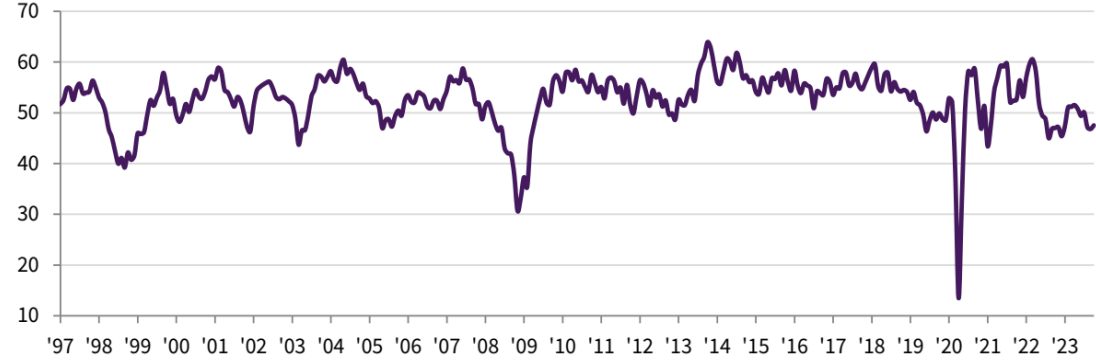


Source: NatWest
PMI, November
2023

¹ Source: NatWest UK regional PMI reports for October 2023, released November 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 October 2023:

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



Source: NatWest PMI, November 2023

- Out of the twelve UK regions, the West Midlands was the second highest and East Midlands was fifth highest for business activity in October 2023. London was the highest with 53.8 and the North East was the lowest at 43.5.

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

Business Activity Index

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



Source: NatWest PMI, November 2023

Demand

- The West Midlands New Business Index increased from 50.1 in September 2023 to 51.3 in October 2023. Where growth was reported, this was linked to new clients and improved demand conditions. On the other hand, firms still reported restrictions from high interest rates and reduced market confidence.
- The East Midlands New Business Index decreased from 46.7 in September 2023 to 44.1 in October 2023, a steep decrease and the sharpest fall seen in 2023 so far. The fourth consecutive month with a contraction as firms reported a drop in new orders due to weak client demand and the impact of high interest rates on customer spending.

Exports²

- The West Midlands Export Climate Index decreased further from 49.3 in September 2023 to 48.6 in October, the lowest figures recorded so far in 2023 and indicates a deterioration in export prospects. When looking at the top five export market for the West Midlands, the USA was the only one with economic growth (50.7%) with a stagnant China (50.0) and reductions in Germany (45.9), France (44.6) and Ireland (49.7).
- The East Midlands Export Climate Index decreased further from 49.4 in September 2023 to 48.8 in October 2023, the sharpest fall seen since December 2022, and this was the third consecutive month under the 50-growth mark. When looking at the top five export market for the East Midlands, the USA (50.7) and Singapore (55.1) reported economic growth (50.7%) but there were reductions in Germany (45.9), France (44.6) and Hong Kong (48.7).

Business Capacity

- The West Midlands Employment Index increased from 49.4 in September 2023 to 51.7 in October 2023, a renewed increase in jobs. There were also reports of firms taking on apprentices.
- The East Midlands Employment Index increased from 44.8 in September 2023 to 46.2 in October 2023, the fourth consecutive month of contraction. The fall in employment was linked to the end of temporary contracts and the non-replacement leavers in a bid to save costs.
- The West Midlands Outstanding Business Index increased from 44.9 in September 2023 to 46.8 in October 2023, remaining under the 50-mark threshold since December 2022. Firms reported weak gains in new business and a concerted effort to push more orders out.
- The East Midlands Outstanding Business Index increased from 44.1 in September 2023 to 45.8 in October 2023, this is the thirteenth month of contraction. The decrease in outstanding business was due to lower new orders and sufficient capacity to process incoming work.

Prices

- The West Midlands Input Prices Index decreased from 55.4 in September 2023 to 55.2 in October 2023. Despite the fall, firms still report an increase in expenses, although the rate of inflation eased to the weakest seen since September 2020. Firms reported high interest rates, higher transport, wage and material costs but was offset from subdued input demand and lower energy costs.
- The East Midlands Input Prices Index decreased from 64.9 in September 2023 to 59.3 in October 2023, this is still a notable increase in expenses reported. Firms mainly reported that the increase was linked to higher raw material and wage costs but was offset due to some component costs and lower energy prices.
- The West Midlands Prices Charged Index remained at 54.6 in October 2023, still indicating a notable increase over the month. The rate of inflation remains historically high. Hikes in charges was linked to the pass-through of higher costs to customers.

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 Prices Charged Index increased from 56.7 in September 2023 to 57.0 in October 2023, the rate of charge inflation was the quickest since June 2023. Hikes in charges was linked to the pass-through of higher costs to customers.

Outlook

- The West Midlands Future Business Activity Index decreased from 78.4 in September 2023 to 73.8 in October 2023, but was still the most optimistic region for the fourth consecutive month. Optimism remained in firms due to the expectations of demand conditions to improve and support business activity, along with expansion plans, new clients, product diversification and planned investment.
- The East Midlands Future Activity Index decreased from 69.4 in September 2023 to 65.6 in October 2023, although, falling to a nine-month low, firms still remain positive for the next 12 months. Optimism was linked to hopes of greater investment into marketing and the launch of new products driving business activity. Optimism was restricted due to the subdued demand conditions for both, domestic and international.
- Out of the twelve UK regions, the West Midlands was the highest and the East Midlands was fifth lowest for the Future Business Activity Index in October 2023. The South East was the second highest at 71.9 and the Northern Ireland was the lowest at 55.3.

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

Future Activity Index

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



Source: NatWest PMI, November 2023