

NatWest Purchasing Manager Index (PMI) Survey¹, Released July 2022: Midlands Regions

In Summary:

- The West Midlands Business Activity Index increased from 49.7 in May 2022 to 51.1 in June 2022, indicating a renewed rise in output. The overall rate of expansion was only slight - linked to improved demand from a few clients. However, business activity continued to be impacted from price pressures, higher energy costs and subdued demand for a wide range of products.
- The East Midlands Business Activity Index decreased from 51.8 in May 2022 to 49.4 in June 2022, the first decrease in business activity in sixteen months. The main cause of lower business activity was linked to a lack of new orders. East Midlands was one of the three regions to decrease in output (East of England and Northern Ireland).
- The UK Business Activity Index increased from 53.1 in May 2022 to 53.7 in June 2022.
- Of the 12 UK regions the West Midlands region was the fifth lowest and the East Midlands was third lowest for the Business Activity Index in June 2022.
- The West Midlands Future Business Activity Index increased from 66.1 in May 2022 to 70.3 in June 2022. Optimism was linked to predictions of a pick-up in demand, improved tourism, new product releases, expanded capacities and quotations pending approval.
- The East Midlands Future Activity Index decreased from 65.0 in May 2022 to 60.0 in June 2022. Optimism has decreased for the fifth consecutive month and was the lowest since the first wave of the Covid-19 pandemic. Optimism decreased due to concerns around a slowdown in the wider economy and the impact of cost-of-living increases on demand. Firms that projected an increase in output over the coming year hoped for demand improvements.
- Out of the twelve UK regions, the West Midlands was second highest and the East Midlands was fifth lowest for the Future Business Activity Index in June 2022.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index increased from 49.7 in May 2022 to 51.1 in June 2022, indicating a renewed rise in output. The overall rate of expansion was only slight - linked to improved demand from a few clients. However, business activity continued to be impacted from price pressures, higher energy costs and subdued demand for a wide range of products.
- The East Midlands Business Activity Index decreased from 51.8 in May 2022 to 49.4 in June 2022, the first decrease in business activity in sixteen months. The main cause of lower business activity was linked to a lack of new orders. East Midlands was one of the three regions to decrease in output (East of England and Northern Ireland).

¹ Source: NatWest PMI, July 2022. 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 graphs show the West Midlands and East Midlands Business Activity Index trends up to June 2022:

West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest, July 2022

- Of the 12 UK regions the West Midlands region was the fifth lowest and the East Midlands was third lowest for the Business Activity Index. London was the highest with 60.3 and Northern Ireland was the lowest at 42.9 in June 2022.

The following chart shows the Business Activity Index across all UK regions in June 2022:

Business Activity Index

sa, >50 = growth since previous month, Jun '22



Source: NatWest, July 2022

Demand

- The West Midlands New Business Index decreased from 50.5 in May 2022 to 49.2 in June 2022, ending the five-month sequence of growth. The rate of reduction was only minimal as there was growth in the service sector (manufacturing decreased). The decline in new business can be linked to rising interest rates, acute price pressures and future uncertainty.
- The East Midlands New Business Index decreased further from 49.4 in May 2022 to 47.1 in June 2022. The decrease in new business was linked to a lack of confidence among customers and rapid price increases.

Exports²

- The West Midlands Export Climate Index decreased from 52.8 in May 2022 to 52.3 in June 2022, leading to a 19-month low. However, the index remains above the 50.0 growth threshold meaning that export conditions are improving. The downward movement in the index is due to slower economic growth in four of the five top export markets. Although, China has started to recover after three months of declines.
- The East Midlands Export Climate Index decreased from 55.1 in May 2022 to 53.4 in June 2022, which can be linked to a slowdown three of the top five export markets; USA, Germany and France. While Hong Kong continues to see output recover and there was a sharp rise in Singapore.

The following tables shows the top export markets for the West Midlands and East Midlands in June 2022:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Jun '22
1	USA	21.2%	52.3
2	Germany	11.1%	51.3
3	China	8.7%	55.3
4	France	6.1%	52.5
5	Ireland	6.2%	52.8

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jun '22
1	USA	12.8%	52.3
2	Germany	10.7%	51.3
3	Hong Kong	7.9%	52.6
4	Singapore	7.4%	60.3
5	France	7.1%	52.5

Source: NatWest, July 2022

Business Capacity

- The West Midlands Employment Index decreased from 55.3 in May 2022 to 54.4 in June 2022, easing to a three-month low. However, firms in the West Midlands reported to ongoing hiring reflected staff adjustments following the end of pandemic restrictions, expectations of better demand conditions, capacity expansions and the opening of new units.
- The East Midlands Employment Index increased from 55.1 in May 2022 to 56.0 in June 2022. Despite business activity and new orders decreasing in June, firms in the East Midlands continued to increase staffing levels and was the fastest increase since March 2022. The increase was linked to firms trying to rebuild workforces and fill vacant positions following the pandemic.
- The West Midlands Outstanding Business Index increased from 51.3 in May 2022 to 53.1 in June 2022, the fastest rate of growth since November 2021. Staff and material shortages reportedly caused the increase in unfinished business volumes.
- The East Midlands Outstanding Business Index decreased from 51.8 in May 2022 to 50.8 in June 2022. Backlogs of work continue to increase and the latest rise was due to material shortages.

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.

Prices

- The West Midlands Input Prices Index decreased from 85.6 in May 2022 to 83.3 in June 2022, easing to a six-month low - but still was among the highest rates for the series. Higher energy, food, infrastructure, material and staff costs were the main drivers of price pressures alongside Brexit, material shortages and the war in Ukraine.
- The East Midlands Input Prices Index decreased from 84.7 in May 2022 to 83.7 in June 2022, which is still a steep increase in input costs. Firms in the East Midlands reported higher costs for fuel, raw material and labour.
- The West Midlands Prices Charged Index decreased from 70.7 in May 2022 to 69.6 in June 2022, easing to a four-month low - but is still among the highest rate for the series. Among the 35% of companies that lifted their fees, there were mentions of the pass-through of rising costs burdens to clients.
- The East Midlands Prices Charged Index decreased from 70.3 in May 2022 to 68.5 in June 2022. Despite easing from May 2022, the index remains elevated as higher charges often reflected the passing on of increased input costs to customers.

Outlook

- The West Midlands Future Business Activity Index increased from 66.1 in May 2022 to 70.3 in June 2022. Optimism was linked to predictions of a pick-up in demand, improved tourism, new product releases, expanded capacities and quotations pending approval.
- The East Midlands Future Activity Index decreased from 65.0 in May 2022 to 60.0 in June 2022. Optimism has decreased for the fifth consecutive month and was the lowest since the first wave of the Covid-19 pandemic. Optimism decreased due to concerns around a slowdown in the wider economy and the impact of cost-of-living increases on demand. Firms that projected an increase in output over the coming year hoped for demand improvements.
- Out of the twelve UK regions, the West Midlands was second highest and the East Midlands was fifth lowest for the Future Business Activity Index. Yorkshire and The Humber was the highest with 74.3 and the Northern Ireland was the lowest at 44.9 in June 2022.

The following chart shows the Future Activity Index across all UK regions in June 2022:

Future Activity Index

>50 = growth expected over next 12 months, Jun '22



Source: NatWest, July 2022