

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

In Summary:

- The West Midlands Business Activity Index rose from a 20-month low of 47.8 in September 2022 to 49.6 in October 2022 – although, remained below the 50-growth mark as West Midlands firms struggled to secure new business. West Midlands firms reported clients reducing spending linked to recession fears and financial difficulties.
- The East Midlands Business Activity Index increased from 46.8 in September 2022 to 47.0 in October 2022, although it still remains below the 50-growth mark and has been for the last five consecutive months. East Midlands firms indicated falling demand due to the deteriorating economic conditions was behind the latest decline.
- Of the 12 UK regions the West Midlands region was the second highest and the East Midlands was fifth lowest for the Business Activity Index in October 2022.
- The West Midlands Future Business Activity Index decreased from 64.4 in September 2022 to 60.7 in October 2022. West Midlands firms remained confident in the rise of output in the next 12 month but the degree of optimism towards business growth was at its lowest level since the first Covid-19 lockdown in early 2020. The decline in optimism was linked to concerns over the economic outlook and customer spending.
- The East Midlands Future Activity Index decreased from 61.9 in September 2022 to 57.6 in October 2022. The Index has fallen to the lowest seen since the first wave of the Covid-19 pandemic, excluding March and April 2020, confidence was the lowest seen since the series began in July 2012. Optimism for the upcoming 12 months was restricted due to concerns around the impact of a wider economic downturn and inflationary pressures. However, firms that remained optimistic reported hopes of more stable economic conditions and new product launches.
- Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was fifth highest for the Future Business Activity Index in October 2022.

In Detail:

Business Activity Index

- The West Midlands Business Activity Index rose from a 20-month low of 47.8 in September 2022 to 49.6 in October 2022 – although, remained below the 50-growth mark as West Midlands firms struggled to secure new business. West Midlands firms reported clients reducing spending linked to recession fears and financial difficulties.
- The East Midlands Business Activity Index increased from 46.8 in September 2022 to 47.0 in October 2022, although it still remains below the 50-growth mark and has been for the last five consecutive months. East Midlands firms indicated falling demand due to the deteriorating economic conditions was behind the latest decline.

¹ Source: NatWest regional PMI report for October 2022, released September 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 October 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 PMI, November 2022

Of the 12 UK regions the West Midlands region was the second highest and the East Midlands was fifth lowest for the Business Activity Index. London was the highest with 49.7 and the South West was the lowest at 42.3 in October 2022.

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

Business Activity Index

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



Source: NatWest PMI, November 2022

Demand

- The West Midlands New Business Index decreased from 46.0 in September 2022 to 48.5 in October 2022, meaning this was the fifth consecutive month for a decline in new work intakes (50 and above indicates growth). The decline in new business was linked to the cost of living crises, price pressures and recession fears. Notably, across all regions, the West Midlands had the second slowest contraction, only faster than London.
- The East Midlands New Business Index decreased from 45.1 in September 2022 to 44.9 in October 2022 – the Index remains below the 50-growth mark for the sixth consecutive month. The decrease in new business was linked to a lack of confidence in the economy.

Exports²

- The West Midlands Export Climate Index decreased from 49.0 in September 2022 to 48.2 in October 2022. Figures remain below the 50-growth mark for the third successive month and was the quickest deterioration in export opportunities since mid-2020.
- The East Midlands Export Climate Index decreased from 50.2 in September 2022 to 49.9 in October 2022, indicating stagnation in the export climate.

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

Top export markets, West Midlands				Top export markets, East Midlands			
Rank	Market	Weight	Output Index, Oct '22	Rank	Market	Weight	Output Index, Oct '22
1	USA	21.2%	48.2	1	USA	12.8%	48.2
2	Germany	11.1%	45.1	2	Germany	10.7%	45.1
3	China	8.7%	48.3	3	Hong Kong	7.9%	49.7
4	France	6.1%	50.2	4	Singapore	7.4%	61.9
5	Ireland	6.2%	52.1	5	France	7.1%	50.2

Source: NatWest PMI, November 2022

Business Capacity

- The West Midlands Employment Index increased from 53.4 in September 2022 to 53.9 in October 2022, despite the declines in new business West Midlands firms continued to hire staff in October. Where staff numbers increased, firms reported that vacant positions had been filled and voluntary leavers replaced.
- The East Midlands Employment Index decreased from 55.2 in September 2022 to 52.4 in October 2022. Firms in the East Midlands continued to increase staffing levels but at a slower rate seen in the last year and a half. East Midlands firms continued to rebuild workforces following the pandemic but cost reduction strategies and difficulties recruiting staff restricted the pace of jobs growth.
- The West Midlands Outstanding Business Index increased from 46.5 in September 2022 to 50.6 in October 2022 – a renewed upturn in unfinished business volumes. Where a rise was reported, West Midlands firms reported input delivery delays, labour shortages and constrained capacity.
- The East Midlands Outstanding Business Index decreased from 51.0 in September 2022 to 49.8 in October 2022, the second decline seen in three months. East Midlands firms reported weak demand led to operating below capacity and therefore able to work through outstanding business.

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 increased from 74.9 in September 2022 to 75.1 in October 2022. West Midlands firms reported sterling weakness, wage pressures, energy price volatility, input shortages and a generally inflated market.
- The East Midlands Input Prices Index increased from 77.8 in September 2022 to 79.0 in October 2022. Higher costs for energy, raw materials and staff caused the sharp increase in input costs along with currency weaknesses exacerbating inflationary pressures. Notably, across all regions, the East Midlands had the second-highest rise in input costs, only behind Northern Ireland.
- The West Midlands Prices Charged Index decreased from 65.2 in September 2022 to 64.3 in October 2022. There has still been a substantial increase in prices charged for goods and services at the start of the fourth quarter – although softening to the slowest since August 2021. West Midlands firms that hiked prices reported the pass of rising expenses to clients.
- The East Midlands Prices Charged Index remained at 63.9 in October 2022. Firms reported that higher selling prices were due to the pass-through of greater costs to clients.

Outlook

- The West Midlands Future Business Activity Index decreased from 64.4 in September 2022 to 60.7 in October 2022. West Midlands firms remained confident in the rise of output in the next 12 month but the degree of optimism towards business growth was at its lowest level since the first Covid-19 lockdown in early 2020. The decline in optimism was linked to concerns over the economic outlook and customer spending.
- The East Midlands Future Activity Index decreased from 61.9 in September 2022 to 57.6 in October 2022. The Index has fallen to the lowest seen since the first wave of the Covid-19 pandemic, excluding March and April 2020, confidence was the lowest seen since the series began in July 2012. Optimism for the upcoming 12 months was restricted due to concerns around the impact of a wider economic downturn and inflationary pressures. However, firms that remained optimistic reported hopes of more stable economic conditions and new product launches.
- Out of the twelve UK regions, the West Midlands was third highest and the East Midlands was fifth highest for the Future Business Activity Index. Yorkshire and The Humber was the highest with 63.4 and the Northern Ireland was the lowest at 43.2 in October 2022.

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

Future Activity Index

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



Source: NatWest PMI, November 2022