

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

In Summary:

- The West Midlands Business Activity Index decreased from 49.6 in October 2022 to 48.8 in November 2022 – remaining below the 50-growth mark for the fourth consecutive month. The decline in business activity across the West Midlands was linked to lower sales, high stock levels and subdued market confidence.
- The East Midlands Business Activity Index slightly increased 47.0 in October 2022 to 47.1 in November 2022, although it still remains below the 50-growth mark and has been for the last six consecutive months. East Midlands firms indicated weak client demand and pressure on customer disposable incomes linked to the cost-of-living crisis was behind the latest decline.
- Of the 12 UK regions (all of which were below the 50-growth mark), the West Midlands region was the fourth highest and the East Midlands was fourth lowest for the Business Activity Index in November 2022.
- After the West Midlands Future Business Activity Index decreased to the lowest level seen in over two-and-a half years in October 2022 (60.7), the index rose to 64.7 in November 2022. West Midlands firms were optimistic for the next 12 months due to hopes of contained inflation, lower interest rates, better trade conditions, advertising and the launch of new products.
- The East Midlands Future Activity Index increased from 57.6 in October 2022 to 62.1 in November 2022, this is the highest level of business confidence seen since May 2022. However, optimism for the following 12 months was restricted due to the cost-of-living crisis and challenging economic conditions and the resulting impact on customer spending.
- Out of the twelve UK regions, the West Midlands was second highest and the East Midlands was fifth highest for the Future Business Activity Index in November 2022.

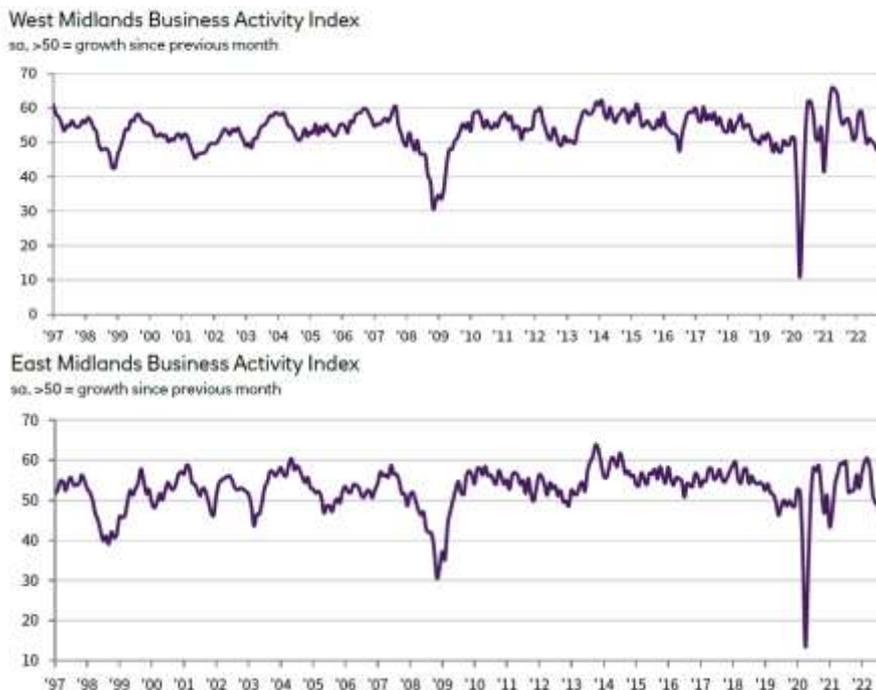
In Detail:

Business Activity Index

- The West Midlands Business Activity Index decreased from 49.6 in October 2022 to 48.8 in November 2022 – remaining below the 50-growth mark for the fourth consecutive month. The decline in business activity across the West Midlands was linked to lower sales, high stock levels at clients and subdued market confidence.
- The East Midlands Business Activity Index slightly increased 47.0 in October 2022 to 47.1 in November 2022, although it still remains below the 50-growth mark and has been for the last six consecutive months. East Midlands firms indicated weak client demand and pressure on customer disposable incomes linked to the cost-of-living crisis was behind the latest decline.

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



Source: NatWest PMI, December 2022

Of the 12 UK regions (all of which were below the 50-growth mark), the West Midlands region was the fourth highest and the East Midlands was fourth lowest for the Business Activity Index. Wales was the highest with 49.8 and the Scotland was the lowest at 43.9 in November 2022.

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



Source: NatWest PMI, December 2022

Demand

- The West Midlands New Business Index increased from 48.5 in October 2022 to 48.8 in November 2022, meaning this was the sixth consecutive month for a decline in new work intakes (50 and above indicates growth). The decline in new business was linked to subdued demand conditions, the cost-of-living crisis, future uncertainty and destocking among clients.
- The East Midlands New Business Index decreased from 44.9 in October 2022 to 43.1 in November 2022, the Index remains below the 50-growth mark for the seventh consecutive month and the latest figures show the sharpest fall in new business since May 2020. The decrease in new business was linked to the cost-of-living crisis and pressure on customer spending.

Exports²

- The West Midlands Export Climate Index decreased from 48.2 in October 2022 to 47.5 in November 2022. Figures remain below the 50-growth mark for the fourth successive month and the latest reading was the lowest level seen since May 2020, indicating further deterioration in trade prospects.
- The East Midlands Export Climate Index decreased from 49.9 in October 2022 to 48.8 in November 2022. Figures remain below the 50-growth mark for the second successive month and the latest reading was the lowest level seen since June 2020.

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

Top export markets, West Midlands

| Rank | Market | Weight | Output Index, Nov '22 |
|------|---------|--------|-----------------------|
| 1 | USA | 21.2% | 46.4 |
| 2 | Germany | 11.1% | 46.3 |
| 3 | China | 8.7% | 47.0 |
| 4 | France | 6.1% | 48.7 |
| 5 | Ireland | 6.2% | 48.8 |

Top export markets, East Midlands

| Rank | Market | Weight | Output Index, Nov '22 |
|------|-----------|--------|-----------------------|
| 1 | USA | 12.8% | 46.4 |
| 2 | Germany | 10.7% | 46.3 |
| 3 | Hong Kong | 7.9% | 48.8 |
| 4 | Singapore | 7.4% | 55.4 |
| 5 | France | 7.1% | 48.7 |

Source: NatWest PMI, December 2022

Business Capacity

- The West Midlands Employment Index decreased from 53.9 in October 2022 to 52.7 in November 2022, although, West Midlands firms continued to hire workers in November. Job creation was restricted due to staff leaving for higher pay elsewhere, retirements, redundancies and cost-cutting measures.
- The East Midlands Employment Index decreased from 52.4 in October 2022 to 49.5 in November 2022, below the 50-growth mark for the first time in 21 months of job creation. East Midlands firms reported the fall in employment was linked to redundancies and non-replacement of voluntary leavers due to cutting costs.
- The West Midlands Outstanding Business Index increased from 50.6 in October 2022 to 50.8 in November 2022. Where a rise was reported, West Midlands firms reported insufficient staff and a lack of key inputs.
- The East Midlands Outstanding Business Index decreased from 49.8 in October 2022 to 48.5 in November 2022, the third decline seen in four months. East Midlands firms reported lower new order inflows which in turn meant firms could work through incomplete 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 75.1 in October 2022 to 76.7 in November 2022, the strongest increase seen in five months. West Midlands firms reported higher energy, food, material, transportation, utility and wage costs.
- The East Midlands Input Prices Index increased from 79.0 in October 2022 to 79.7 in November 2022, highest increase since July 2022 and also amongst all regions. Higher operating expenses were linked to greater material, staff, energy, fuel and rent costs.
- The West Midlands Prices Charged Index increased from 64.3 in October 2022 to 64.6 in November 2022. West Midlands firms suggested that the ongoing increases in input costs were being transferred through to the clients.
- The East Midlands Prices Charged Index increased from 63.9 in October 2022 to 65.8 in November 2022, the steepest rise in output prices since July 2022. Firms reported that higher selling prices were due to the pass-through of greater costs to clients.

Outlook

- After the West Midlands Future Business Activity Index decreased to the lowest level seen in over two-and-a-half years in October 2022 (60.7), the index rose to 64.7 in November 2022. West Midlands firms were optimistic for the next 12 months due to hopes of contained inflation, lower interest rates, better trade conditions, advertising and new products.
- The East Midlands Future Activity Index increased from 57.6 in October 2022 to 62.1 in November 2022, this is the highest level of business confidence seen since May 2022. However, optimism for the following 12 months was restricted due to the cost-of-living crisis and challenging economic conditions and the resulting impact on customer spending.
- Out of the twelve UK regions, the West Midlands was second highest and the East Midlands was fifth highest for the Future Business Activity Index. Yorkshire and The Humber was the highest with 70.8 and the Northern Ireland was the lowest at 46.2 in November 2022.

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

Future Activity Index

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



Source: NatWest PMI, December 2022