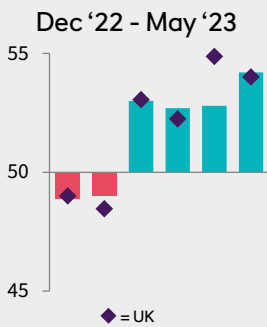




NatWest West Midlands PMI[®]

Buoyant demand fosters further growth of new business and output

West Midlands Business Activity Index



Key findings

West Midlands see quickest rise in business activity in over a year

New work intakes expand markedly in May

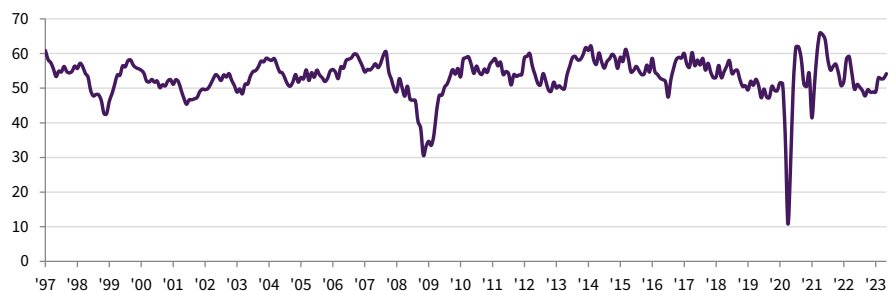
Softer cost pressures restrict charge inflation

West Midlands companies benefited from positive demand trends in May and responded to this by creating more jobs and lifting business activity, NatWest PMI[®] data showed. Inflation data also displayed an encouraging picture, as the weakest increase in input costs for two-and-a-half years restricted the rate at which output charges were raised. The headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – was up from 52.8 in April to 54.2, signalling the strongest expansion since April 2022. Survey participants linked the upturn to better sales, capacity growth, favourable weather and fruitful publicity. Moreover, local output increased at the third-best rate seen out of the 12 monitored UK regions and nations.

Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"The PMI results for the West Midlands reveal a highly encouraging economic landscape, characterised by demand resilience, a notable surge in output, employment growth and tempered rates of inflation. It's great news for businesses and workers alike, as it indicates a thriving and dynamic environment in which the creation of new roles fosters economic stability and enhances the standard of living for local families. While inflation still needs attention, the fact that it slowed down stilled a greater sense of optimism among firms and paint a promising picture for near-term growth prospects."

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



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

About the West Midlands PMI® report

The NatWest West Midlands PMI® is compiled by S&P Global from responses to questionnaires sent to West Midlands companies that participate in S&P Global's UK manufacturing and services PMI surveys.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The 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 indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index

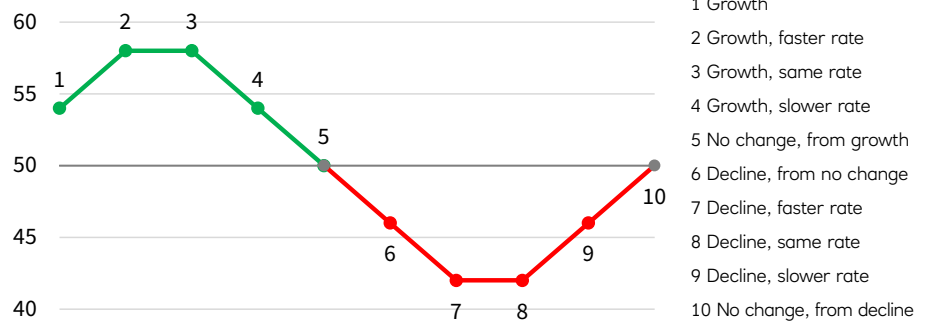
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'West Midlands PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Index interpretation

50.0 = no change since previous month



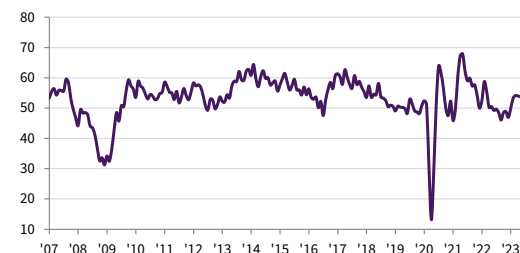
Demand and outlook

Companies signal solid increase in new business

May data highlighted a fourth successive rise in new business placed with private sector companies in the West Midlands. Moreover, the rate of expansion was little-changed from April's marked pace. Monitored firms linked the latest upturn to positive demand trends, new client wins and better weather conditions.

Regionally, the West Midlands came third in the rankings for sales. Only London and the South East saw stronger increases.

New Business Index
sa, >50 = growth since previous month
53.8
May '23

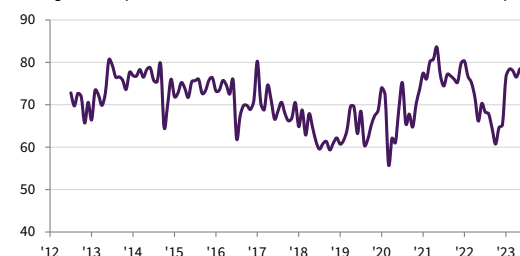


Optimism strengthens during May

West Midlands companies remained confident that output would be higher in 12 months' time compared to present levels. Moreover, the respective index climbed to a 16-month high and signalled a robust degree of optimism. Poor competitor performance, new client onboarding, advertising, expanded capacities and investment in technology were cited as opportunities to growth prospects.

Sentiment locally was the highest seen out of the 12 monitored UK regions and nations.

Future Activity Index
>50 = growth expected over next 12 months
78.5
May '23



Exports

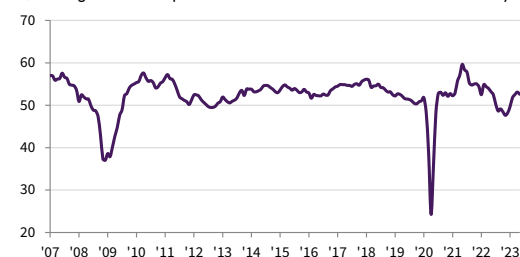
Export opportunities remain beneficial

The West Midlands Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the West Midlands. This produces an indicator for the economic health of the region's export markets.

Posting 52.6 in May, above the neutral level of 50.0, the ECI signalled another improvement in trade prospects. Despite falling from 53.1 in April, the latest reading signalled the second-fastest rate of expansion in a year.

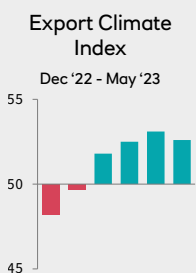
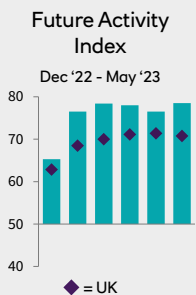
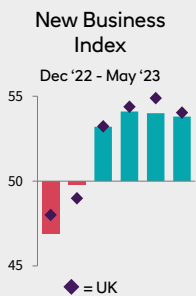
Output rose in each of the top five export markets for the West Midlands. There were quicker increases in China and the US, while growth softened in France, Germany and Ireland.

Export Climate Index
sa, >50 = growth since previous month
52.6
May '23



Top export markets, West Midlands

| Rank | Market | Weight | Output Index, May '23 |
|------|---------|--------|-----------------------|
| 1 | USA | 24.3% | 54.3 |
| 2 | Germany | 11.9% | 53.9 |
| 3 | China | 8.5% | 55.6 |
| 4 | France | 7.7% | 51.2 |
| 5 | Ireland | 7.2% | 51.9 |



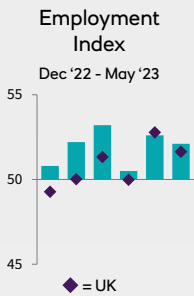
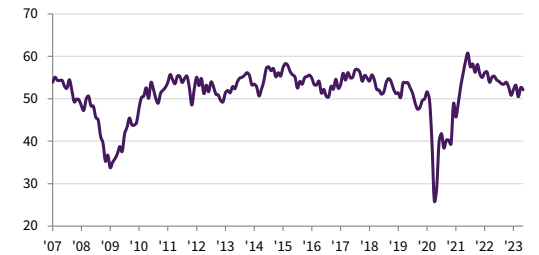
Business capacity

Employment rises for twenty-seventh month running

Amid reports of acquisitions, client growth and a healthy demand environment, West Midlands companies lifted payroll numbers again in May. The upturn in jobs was the twenty-seventh in as many months, but the rate of expansion softened from April and was only modest.

Still, the local increase in employment was stronger than that seen at the national level.

Employment Index 52.1
sa, >50 = growth since previous month May '23

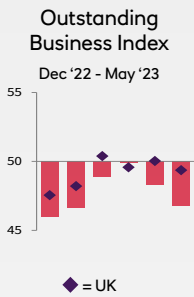
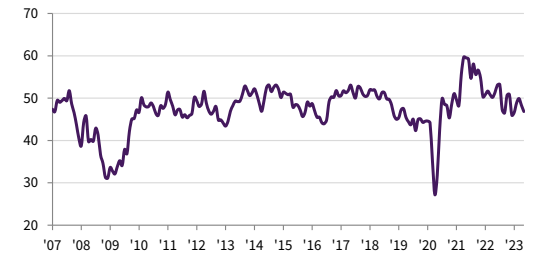


Unfinished business falls at quicker rate

Not only did backlogs decrease for the sixth successive month in May, but also to the greatest extent since January. Moreover, the rate of depletion was marked. Anecdotal evidence suggested that efficiency gains and the offering of overtime facilitated the clearing of pending workloads.

The rate of contraction in outstanding business registered in the West Midlands was faster than the UK average.

Outstanding Business Index 46.8
sa, >50 = growth since previous month May '23



Prices

Input cost inflation slows to two-and-a-half-year low

Although the latest results showed another substantial increase in input costs facing private sector companies in the West Midlands, the rate of inflation eased to the weakest since November 2020. Survey participants noted higher prices for key inputs and wage pressures, but also reported lower fees for items such as packaging and plastics.

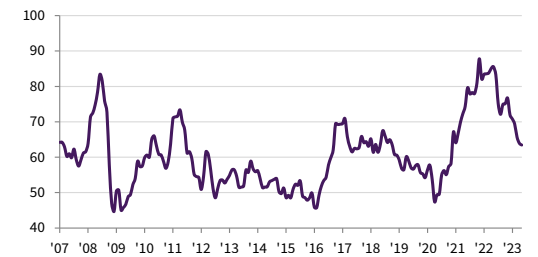
The local increase in cost burdens was the second-slowest regionally, ahead only of Northern Ireland.

Weakest upturn in output prices since April 2021

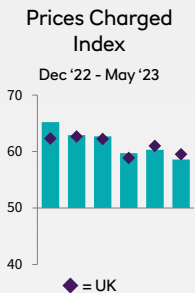
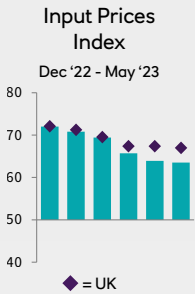
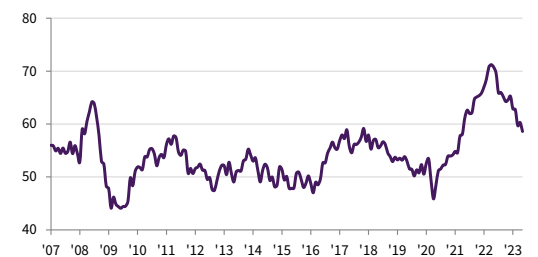
With cost pressures subsiding, there was a softer increase in prices charged for goods and services across the West Midlands. The rate of charge inflation was sharp and above its long-run average, but eased to the slowest in over two years.

The West Midlands came ninth in the regional rankings for charge inflation, ahead of the North West, Eastern England and Northern Ireland.

Input Prices Index
sa, >50 = inflation since previous month
63.5
May '23



Prices Charged Index
sa, >50 = inflation since previous month
58.6
May '23



UK Sector PMI

Sector specialisation: West Midlands

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for the West Midlands, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

West Midlands specialisation: Manufacturing

| Rank | Sector | LQ | UK Output Index, May' 23 ⁺ |
|------|------------------------|------|---------------------------------------|
| 1 | Transport | 2.35 | |
| 2 | Basic Metals | 1.44 | |
| 3 | Mechanical Engineering | 1.17 | |
| 4 | Other Manufacturing | 0.89 | |
| 5 | Timber & Paper | 0.61 | |
| 6 | Electrical & Optical | 0.59 | |
| 7 | Textiles & Clothing | 0.57 | |
| 8 | Food & Drink | 0.51 | |
| 9 | Chemicals & Plastics | 0.47 | |

West Midlands specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, May' 23 ⁺ |
|------|--------------------------------|------|--|
| 1 | Transport & Communication | 1.19 | |
| 2 | Hotels, Restaurants & Catering | 1.16 | |
| 3 | Personal & Community Services | 1.08 | |
| 4 | Computing & IT Services | 0.98 | |
| 5 | Business-to-business Services | 0.97 | |
| 6 | Financial Intermediation | 0.74 | |

UK sector focus

Transport & Communication

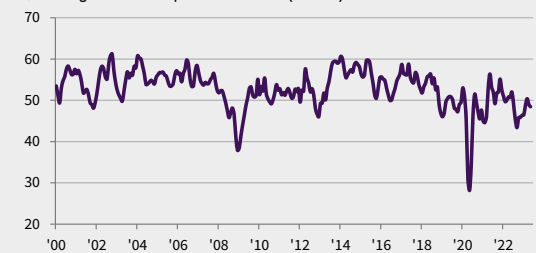
Almost all areas of the UK services economy saw growth in business activity in the three months to May, the only exception being the Transport & Communications sector. Here, activity fell - albeit only slightly - in the latest three-month period, thereby resuming a downward trend after a brief return to growth in Q1.

The survey data pointed to weakness in underlying demand, with inflows of new work in decline. Businesses in the sector reacted to falling workloads by reducing workforce numbers, in line with the trend seen since the end of last year. That said, the latest round of job cuts was only marginal as firms showed greater confidence towards the outlook.

Cost pressures remained historically elevated, although they did at least ease further from the record highs seen in 2022. This was reflected in a slower rise in prices charged, the weakest for almost two-and-a-half years.

Output Index

sa, >50 = growth since previous month (3mma)⁺



⁺3-month moving average



UK Regional PMI overview

Business Activity

Almost all UK nations and regions saw a rise in business activity in May, the only exception being Wales where output fell marginally and for the first time in four months. London once again recorded by far the strongest growth rate, albeit one that was slightly slower than in April. In fact, only the West Midlands saw an acceleration in the rate of expansion in business activity.

Employment

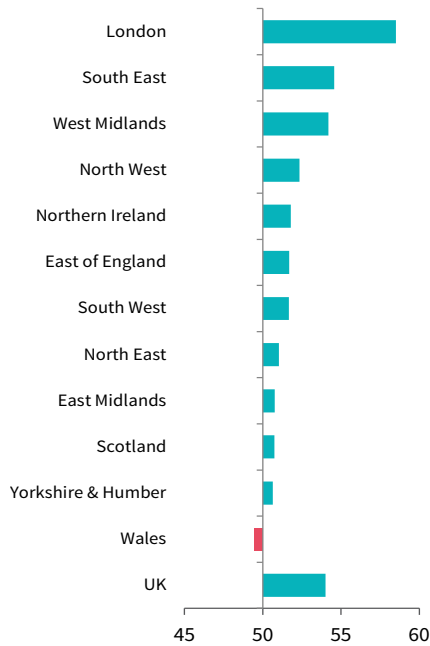
The vast majority of areas monitored by the survey recorded an increase in private sector employment in May. Scotland topped the rankings for job creation for the first time since June 2018, pushing Northern Ireland* into second position. Only the North East and Wales saw decreases in staffing levels, and even there the declines were modest and marginal respectively.

Future Activity

Business expectations remained positive across the board in May, although they weakened in three-quarters of the areas monitored. The West Midlands went against the trend and recorded the strongest overall optimism for the fifth month running. At the other end of the scale, firms in Northern Ireland were the least upbeat towards the outlook.

Business Activity Index

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



Employment Index

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



Future Activity Index

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



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

West Midlands

sa, 50 = no change over previous month. *50 = no change over next 12 months.

| | Business Activity | New Business | Export Climate | Future Activity* | Employment | Outstanding Business | Input Prices | Prices Charged |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Dec '22 | 48.9 | 46.9 | 48.2 | 65.3 | 50.8 | 46.0 | 72.0 | 65.2 |
| Jan '23 | 49.0 | 49.8 | 49.7 | 76.5 | 52.2 | 46.6 | 70.8 | 62.9 |
| Feb '23 | 53.0 | 53.2 | 51.8 | 78.4 | 53.2 | 48.9 | 69.4 | 62.7 |
| Mar '23 | 52.7 | 54.1 | 52.5 | 78.0 | 50.5 | 49.9 | 65.7 | 59.7 |
| Apr '23 | 52.8 | 54.0 | 53.1 | 76.5 | 52.6 | 48.3 | 63.9 | 60.3 |
| May '23 | 54.2 | 53.8 | 52.6 | 78.5 | 52.1 | 46.8 | 63.5 | 58.6 |

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
+44 149 146 1075
pollyanna.delima@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.