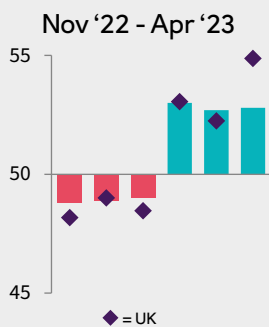


NatWest West Midlands PMI[®]

Growth of new business and activity extended into a third month

West Midlands Business Activity Index



Key findings

April sees solid expansions in local sales and output

Job creation strengthens

Weaker rise in input costs contrasts with pick-up in charge inflation

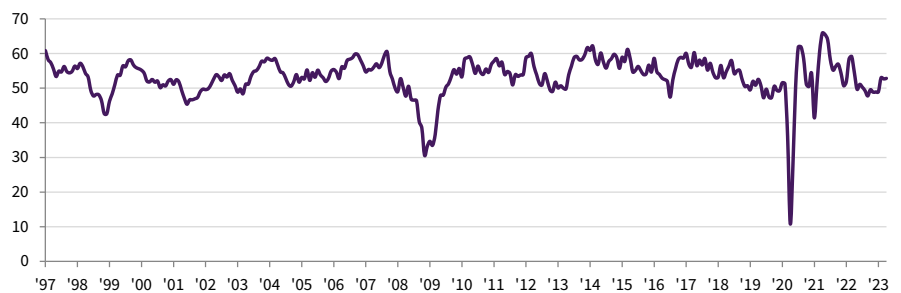
West Midlands companies welcomed a further expansion in new business intakes with another round of job creation and output growth, according to the NatWest PMI[®]. Encouragingly, input cost inflation softened in April, but demand resilience facilitated a sharper increase in output charges. The headline 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 – rose fractionally from 52.7 in March to 52.8 in April, signalling a solid rate of growth. Anecdotal evidence linked the latest upturn to greater client spending, successful marketing efforts, new business wins, improved consumer footfall and acquisitions. That said, the overall rate of increase in local output was below the national average.

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

"West Midlands companies were able to move forward with their recruitment and output goals in April, amid a further revival in new business. Several participants of the PMI survey indicated better consumer footfall, which combined with publicity and reduced client hesitancy to commit to new orders underpinned a marked expansion in sales. Although the latest improvement in demand supported solid growth across the local private sector, it brought renewed pressure to charge inflation. Despite the slowest increase in input costs for nearly two-and-a-half years, companies lifted selling prices to a greater extent."

West Midlands Business Activity Index

sa, >50 = growth since previous month



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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

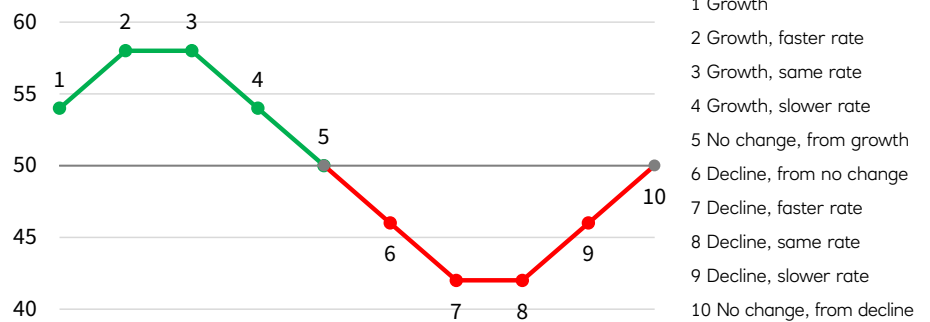
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the '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



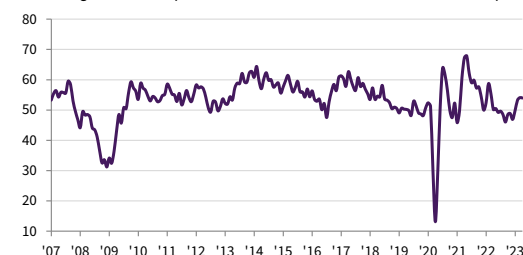
Demand and outlook

April sees further marked increase in new business

Private sector companies in the West Midlands noted a third successive rise in new business intakes during April, which they attributed to a pick-up in demand and improved footfall. Little-changed from March, the overall rate of expansion was marked and above its long-run average.

That said, growth in the West Midlands was below the UK average, with the region placed fifth in the regional rankings for new orders.

New Business Index
sa, >50 = growth since previous month
54.0
Apr '23

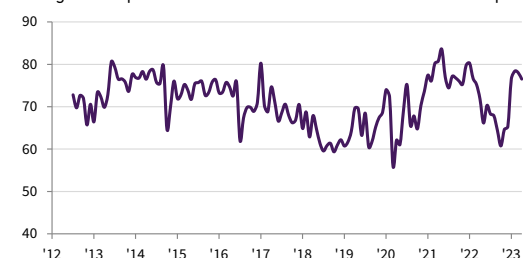


Business confidence remains historically elevated

West Midlands firms were strongly optimistic towards output prospects. Despite slipping to a three-month low in April, the overall level of positive sentiment remained well above its long-run average. Optimistic forecasts stemmed from new sales opportunities, expanded capacities, product diversification and expectations of better global trading conditions.

Local companies were the most upbeat out of the 12 monitored UK regions with regards to the year-ahead outlook for business activity.

Future Activity Index
>50 = growth expected over next 12 months
76.5
Apr '23



Exports

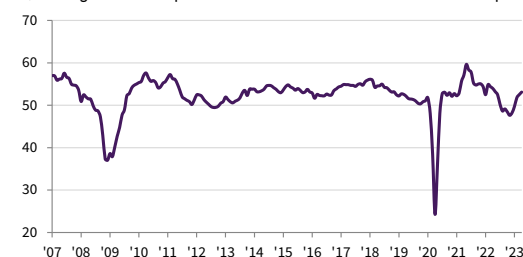
Stronger improvement in trade prospects

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.

The ECI continued to trend upwards in April, rising from 52.5 in March to 53.1 and therefore signalling the most favourable export climate in close to a year.

April saw economic expansions across the top five export markets for the West Midlands. Growth quickened in the US, Germany and Ireland, with slowdowns registered in France and China.

Export Climate Index
sa, >50 = growth since previous month
53.1
Apr '23



Top export markets, West Midlands

Rank	Market	Weight	Output Index, Apr' 23
1	USA	24.3%	53.4
2	Germany	11.9%	54.2
3	China	8.5%	53.6
4	France	7.7%	52.4
5	Ireland	7.2%	53.5



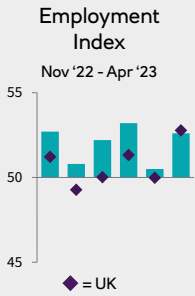
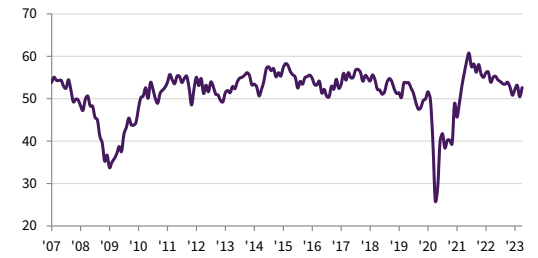
Business capacity

Solid expansion in local employment

In line with sustained increases in new business and upbeat growth projections, West Midlands companies raised payroll numbers at the start of the second quarter. The latest upturn in jobs was solid and considerably stronger than March's 25-month low.

Regionally, the West Midlands came seventh in the rankings for employment trends.

Employment Index 52.6
sa, >50 = growth since previous month Apr '23

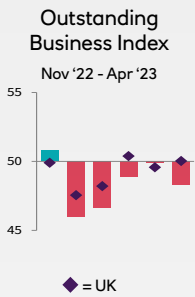
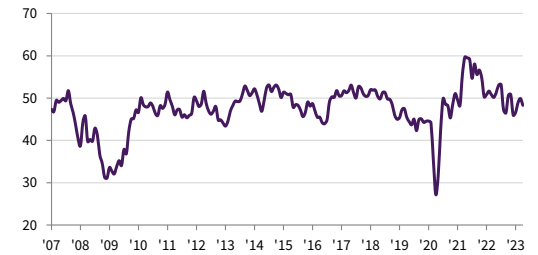


Outstanding business volumes fall moderately

April data highlighted another fall in unfinished business levels at West Midlands firms, stretching the current period of depletion to five months. Although the fastest since January, the overall pace of contraction was only moderate. Where a decline was reported, panellists mentioned successful recruitment, overtime and efficiency gains.

Trends for backlogs varied across the UK, with eight regions posting reductions and four noting accumulation. There was stabilisation at the national level.

Outstanding Business Index 48.3
sa, >50 = growth since previous month Apr '23



Prices

Slowest rise in input costs since November 2020

West Midlands firms noted another increase in their expenses during April, which they associated with greater beverage, food, freight, insurance, material and staff costs. The upturn was also partly attributed to unfavourable exchange rate movements and higher energy costs. Although historically high, the overall rate of inflation softened to its weakest in close to two-and-a-half years. Some panellists linked the slowdown to lower raw material prices.

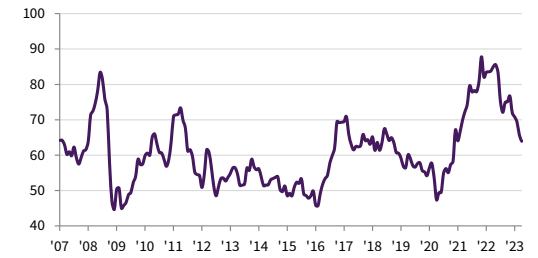
Regionally, only the North West saw a weaker rate of input cost inflation than the West Midlands.

Charge inflation ticks higher in April

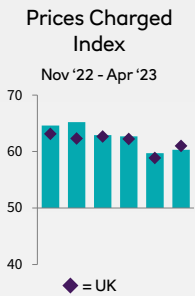
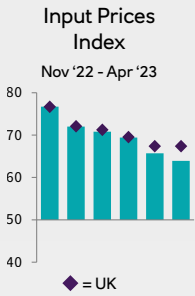
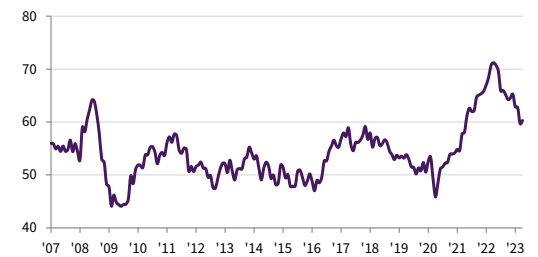
Ongoing cost rises, wage pressures and demand resilience underpinned a further increase in prices charged for goods and services across the West Midlands. Moreover, the rate of charge inflation was sharp, faster than in March and well above its long-run average.

In contrast to the trend seen over the past six months, the local rate of charge inflation was below the national average in April.

Input Prices Index
sa, >50 = inflation since previous month
63.9
Apr '23



Prices Charged Index
sa, >50 = inflation since previous month
60.3
Apr '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, Apr' 23 ⁺
1	Transport	2.35	55
2	Basic Metals	1.44	50
3	Mechanical Engineering	1.17	55
4	Other Manufacturing	0.89	55
5	Timber & Paper	0.61	40
6	Electrical & Optical	0.59	55
7	Textiles & Clothing	0.57	45
8	Food & Drink	0.51	50
9	Chemicals & Plastics	0.47	50

West Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr' 23 ⁺
1	Transport & Communication	1.19	50
2	Hotels, Restaurants & Catering	1.16	55
3	Personal & Community Services	1.08	55
4	Computing & IT Services	0.98	55
5	Business-to-business Services	0.97	55
6	Financial Intermediation	0.74	55

UK sector focus

Basic Metals

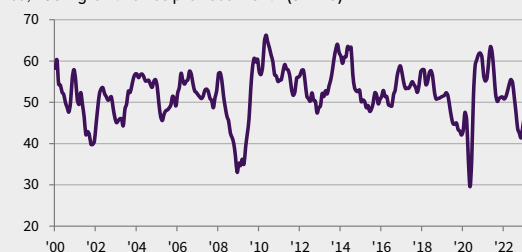
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland*) where the pace of expansion slowed.

Employment

Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Apr '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
Nov '22	48.8	48.8	47.6	64.7	52.7	50.8	76.7	64.6
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

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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.

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