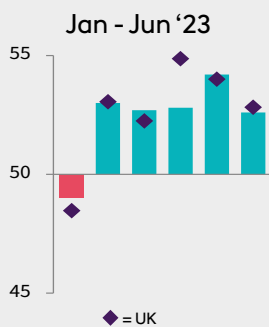


NatWest West Midlands PMI[®]

Economic growth sustained as inflationary pressures recede further

West Midlands Business Activity Index



Key findings

Solid, albeit softer, expansions in new business and output

Slowest increase in input costs since November 2020

Charge inflation retreats to 28-month low

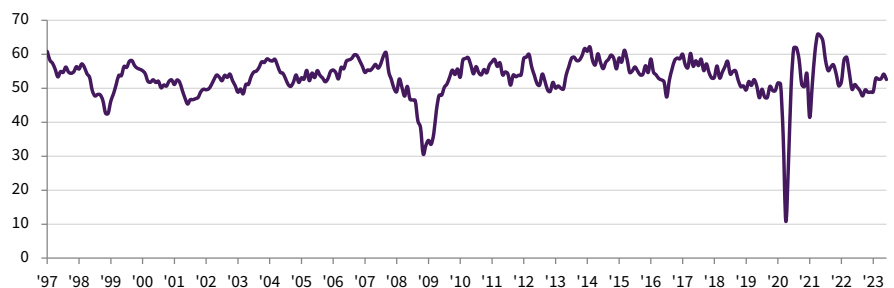
NatWest PMI[®] data for June showed a desirable combination of sustained economic growth across the West Midlands and further slowdowns in inflation rates. Posting 52.6 in June, the headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – signalled growth for the fifth month in a row. However, falling from 54.2 in May, the latest reading showed the slowest rate of expansion over this period. According to panellists, the upturn in business activity stemmed from better-than-usual weather, the onboarding of new clients and demand resilience. The slowdown reflected signs of economic deceleration. The West Midlands came fourth in the regional rankings for output at the end of the second quarter.

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

"Demand conditions in the West Midlands remained resilient in June, therefore underpinning further expansions in new business and output. Although solid, it is worth noting that rates of growth cooled, with firms noting pockets of de-stocking efforts among some of their clients and concerns of an economic slowdown. Additionally, there were more instances of hiring freezes and redundancies locally, meaning that employment neared stagnation. There was positive news with regards to inflation, with the softest increases in both input costs and output charges since late-2020 and early 2021 respectively favouring near-term sales prospects."

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

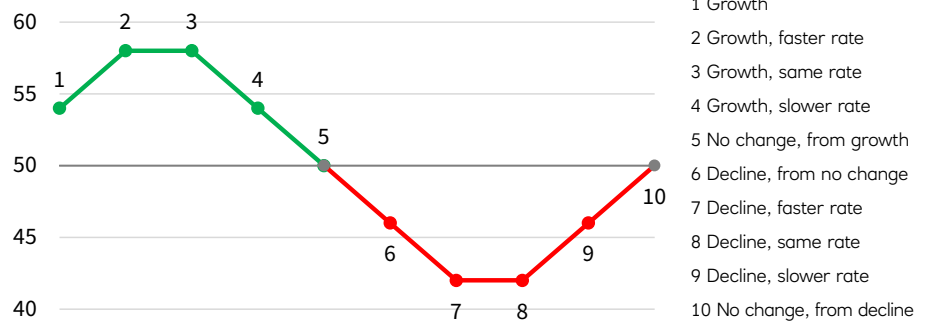
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

June sees further solid upturn in new business inflows

West Midlands firms signalled higher inflows of new orders for the fifth month in a row in June. Although the slowest over this period, the rate of expansion was solid and equal to its long-run average. Panellists attributed the uptick in sales to new customer onboarding and demand resilience. The slowdown reportedly stemmed from de-stocking initiatives at some clients.

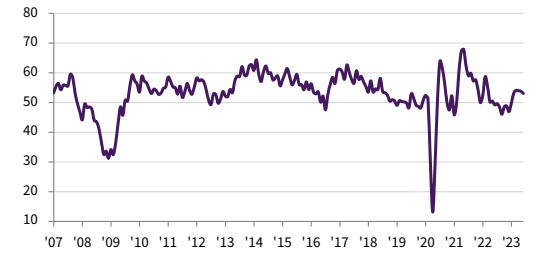
The West Midlands came third in the regional rankings for new business growth, behind London and Scotland.

Firms remain strongly upbeat towards growth prospects

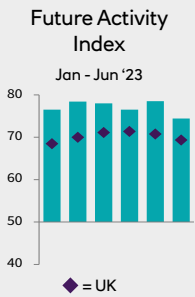
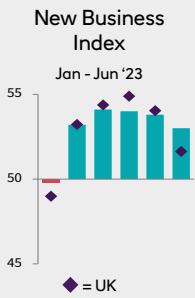
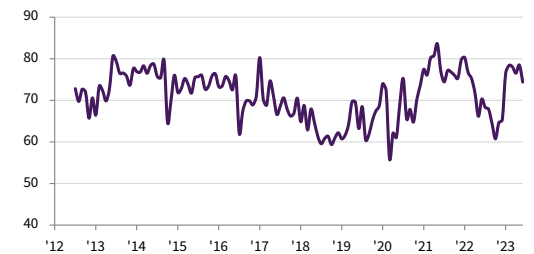
June data indicated that West Midlands firms remained confident that output would increase over the course of the coming 12 months. Predictions that demand conditions will remain favourable, hopes that geopolitical issues will diminish and the launch of new products & services supported optimism. Despite slipping to a six-month low, the overall level of positive sentiment remained above its long-run average.

Out of the 12 monitored UK regions and nations, only firms in the South East were more upbeat than those in the West Midlands.

New Business Index
sa, >50 = growth since previous month
53.0
Jun '23



Future Activity Index
>50 = growth expected over next 12 months
74.4
Jun '23



Business capacity

Employment heads towards stagnation in June

Private sector employment in the West Midlands rose for the twenty-eighth successive month in June, but the pace of growth was the slowest over this period and only fractional. Some firms linked job creation to expansions in departments such as marketing as well as efforts to fulfil greater demand needs. Others attributed lower payroll numbers to automation, the non-replacement of voluntary leavers, redundancies and recruitment freezes.

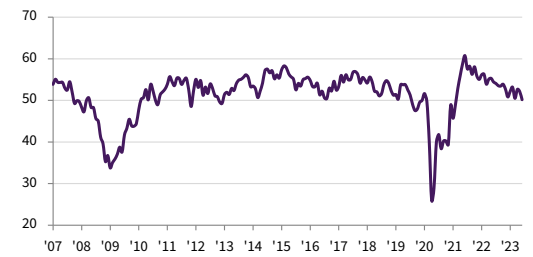
The local trend for employment was the second-weakest regionally, ahead only of Wales where stabilisation was signalled.

Sharpest fall in outstanding business for three years

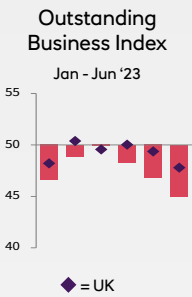
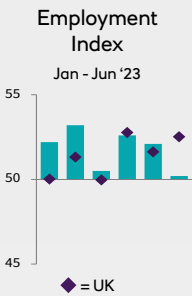
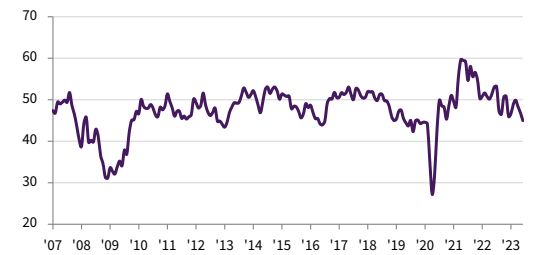
The latest results signalled an increased degree of spare capacity among West Midlands companies. Unfinished business volumes decreased for the seventh straight month and at the quickest pace in three years. According to survey participants, the reduction was supported by a slowdown in new order growth, staff working overtime and the easing of supply-chain pressures.

The local decline in backlogs was more pronounced than that seen at the UK level.

Employment Index
sa, >50 = growth since previous month
50.2
Jun '23



Outstanding Business Index
sa, >50 = growth since previous month
45.0
Jun '23



Prices

Slowest increase in input costs since November 2020

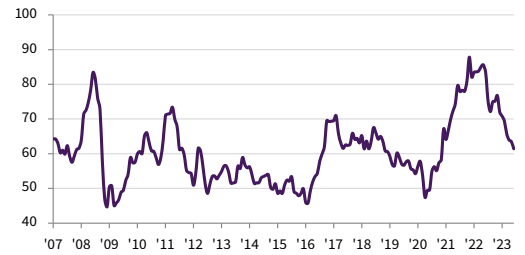
There was a noticeable slowdown in input cost inflation across the West Midlands during June. The latest increase was sharp overall, but the least pronounced in over two-and-a-half years. Hikes to cost burdens were associated with greater workforce and utility bill outlays. Inflation was reportedly curbed by successful price negotiations with vendors, fierce competition among suppliers and a general improvement in raw material availability.

Input Prices Index

sa, >50 = inflation since previous month

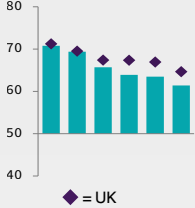
61.4

Jun '23



Input Prices Index

Jan - Jun '23



◆ = UK

Retreating cost pressures curbs charge inflation

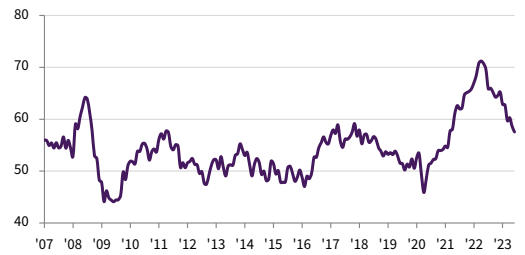
In line with a softer increase in input costs, prices charged for goods and services in the West Midlands rose at a weaker rate in June. The pace of inflation remained historically high, but receded to a 28-month low. Some companies reportedly hiked their fees due to greater personnel expenses and previously absorbed cost increases. Others passed on to their clients savings made from lower input prices.

Prices Charged Index

sa, >50 = inflation since previous month

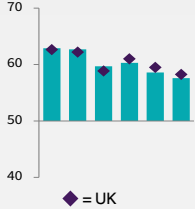
57.6

Jun '23



Prices Charged Index

Jan - Jun '23



◆ = UK

The local rate of charge inflation was below the national average.



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, Jun' 23 ⁺
1	Transport	2.35	58
2	Basic Metals	1.44	50
3	Mechanical Engineering	1.17	50
4	Other Manufacturing	0.89	50
5	Timber & Paper	0.61	40
6	Electrical & Optical	0.59	50
7	Textiles & Clothing	0.57	50
8	Food & Drink	0.51	50
9	Chemicals & Plastics	0.47	50

West Midlands specialisation: Services

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

UK sector focus

Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

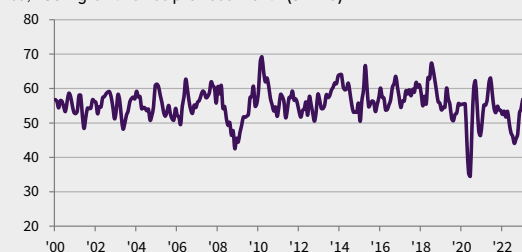
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This in turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

Employment

An rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index

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



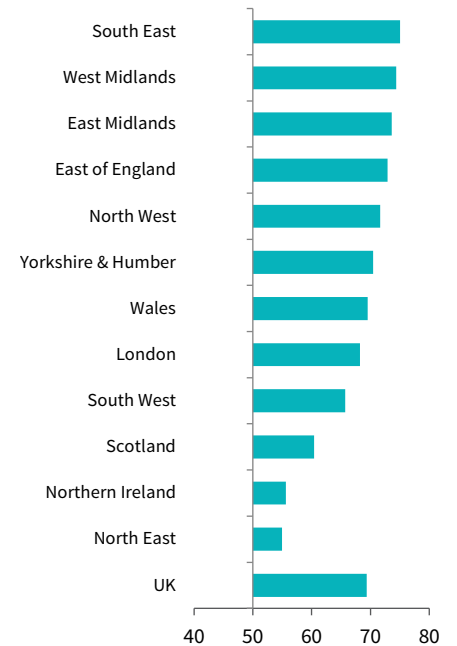
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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
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
Jun '23	52.6	53.0	51.2	74.4	50.2	45.0	61.4	57.6

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