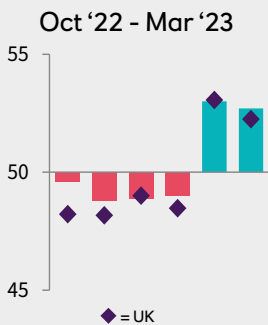


NatWest West Midlands PMI[®]

Reduced price pressure accompanies stronger new business growth

West Midlands Business Activity Index



Key findings

Fastest increase in new business for a year

Charge inflation eases to 23-month low...

...amid slowest rise in input costs since January 2021

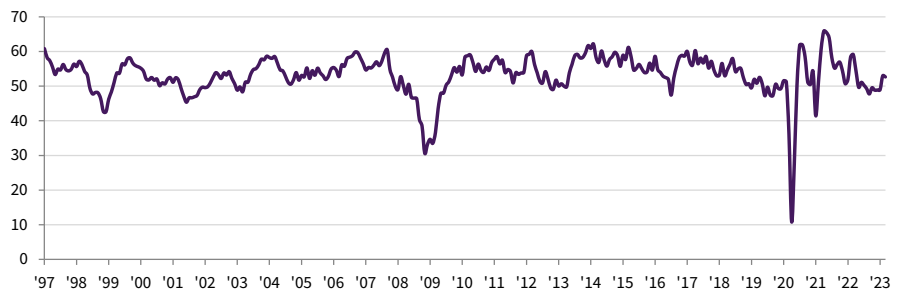
There was a notable improvement in operating conditions across the West Midlands economy during March, according to the NatWest PMI[®]. In parallel to receding price pressures, demand growth rebounded to a one-year high which in turn underpinned a solid expansion in output. The headline Business Activity 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 at 52.7 in March, little-changed from 53.0 in February and therefore signalling the second-fastest increase for 11 months. Where growth was reported, survey members mentioned robust pipelines of new work, greater client spending, higher consumer footfall and better demand conditions in general.

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

"The West Midlands economy ended the first quarter on a much better footing than it started, with a sustained increase in new business underpinning a further expansion in output. Improved footfall, greater client spending and successful marketing drove new business higher, besides a moderation in price pressures. Although companies noted another increase in their expenses, recent improvements in input supply and reduced volatility in energy prices curbed inflation. There was also a softer uptick in local prices charged for goods and services, albeit one that was among the strongest out of the 12 monitored UK regions."

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

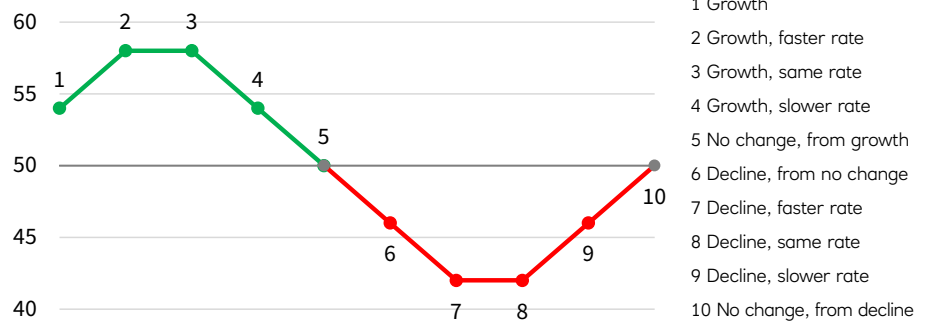
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Fastest increase in new business for a year

New orders placed with private sector companies in the West Midlands rose for the second successive month in March. Moreover, the pace of expansion was marked and the strongest in a year. Companies that reported higher sales mentioned improved demand conditions, fruitful advertising, the approval of pending quotes and higher consumer footfall.

The rate of increase in new business was slightly below the UK average.

Sentiment towards growth prospects remains elevated

The Future Activity Index was little-changed from February, thereby signalling a strong degree of optimism among West Midlands companies regarding the year-ahead outlook for output. The overall level of confidence was above its long-run average and the second-highest seen in 14 months. The on-boarding of new clients, new product launches and the relocation of some firms away from London were among the reasons cited for upbeat forecasts.

West Midlands firms were the most confident regionally.

Exports

Strongest improvement in export opportunities since mid-2022

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 rose from 51.8 in February to a nine-month high of 52.5 at the end of the first quarter, signalling more favourable trade prospects to local companies.

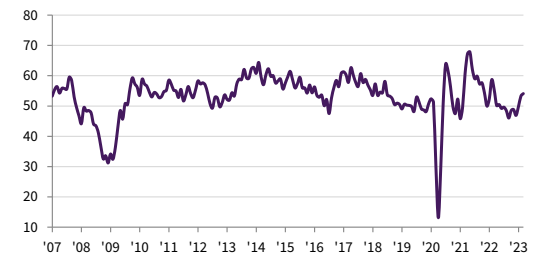
Better trends for output were recorded in four of the top five export markets for the West Midlands, the sole exception being Ireland were growth softened from February. China led the upturn.

New Business Index

sa, >50 = growth since previous month

54.1

Mar '23

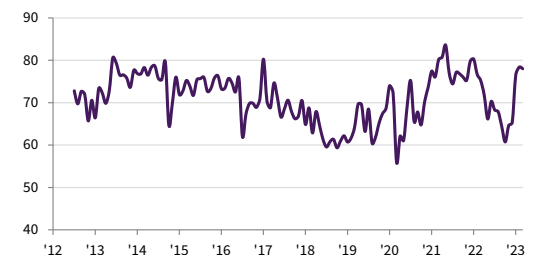


Future Activity Index

>50 = growth expected over next 12 months

78.0

Mar '23

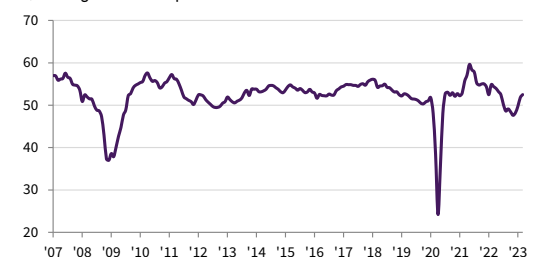


Export Climate Index

sa, >50 = growth since previous month

52.5

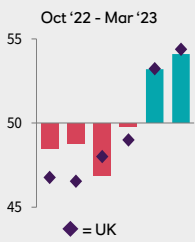
Mar '23



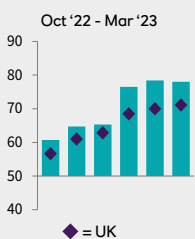
Top export markets, West Midlands

Rank	Market	Weight	Output Index, Mar' 23
1	USA	24.3%	52.3
2	Germany	11.9%	52.6
3	China	8.5%	54.5
4	France	7.7%	52.7
5	Ireland	7.2%	52.8

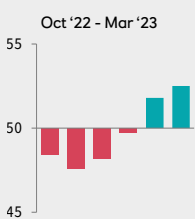
New Business Index



Future Activity Index



Export Climate Index



Business capacity

Private sector jobs increase only marginally

Despite remaining above the neutral level of 50.0, the seasonally adjusted Employment Index highlighted a slower and only marginal rise in West Midlands jobs. The expansion was in fact the weakest in the current 25-month sequence of growth. Some companies mentioned greater investment in resources to support the delivery of set targets. The upturn was stymied by recruitment challenges and redundancies at other firms.

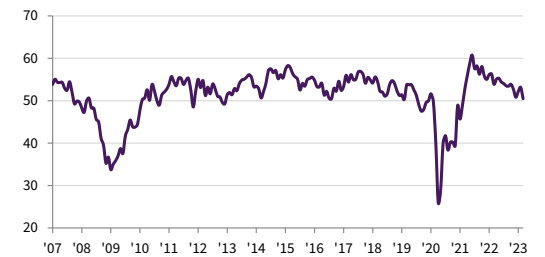
The local increase in jobs compared with stagnation at the national level.

March sees broad stability of backlogs

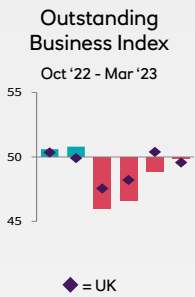
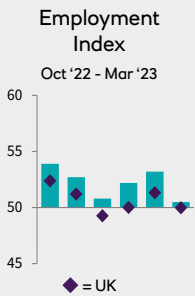
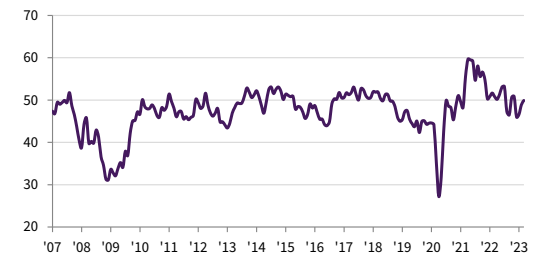
Outstanding business volumes at private sector companies in the West Midlands were broadly unchanged in March, as signalled by the respective seasonally adjusted index registering only fractionally below the 50.0 threshold. Some firms noted that new contract wins and insufficient labour capacity drove backlogs higher. Others linked a decline to efficiency gains and sufficient staff levels.

Regionally, only London and Northern Ireland recorded growth of backlogs.

Employment Index
sa, >50 = growth since previous month
50.5
Mar '23



Outstanding Business Index
sa, >50 = growth since previous month
49.9
Mar '23



Prices

Cost inflation eases to 26-month low

Amid reports of higher raw material, utility, wage and transportation costs, West Midlands companies noted a further increase in their operating expenses during March. Although sharp by historical standards, the overall rate of inflation softened to the weakest since January 2021. According to panellists recent improvements in input supply helped dampen price pressures.

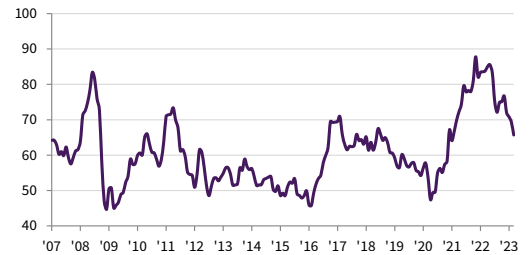
There was a stronger increase in input costs at the UK level than seen locally.

Input Prices Index

sa, >50 = inflation since previous month

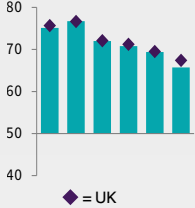
65.7

Mar '23



Input Prices Index

Oct '22 - Mar '23



◆ = UK

Slowest increase in output charges in nearly two years

March data highlighted a further, albeit softer, upturn in prices charged for goods and services across the West Midlands. The latest rise was sharp, but nevertheless the weakest since April 2021. Several companies reportedly hiked their selling prices due to ongoing increases in their expenses, while others passed some cost savings on to their clients.

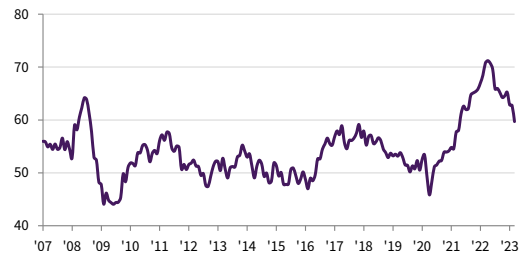
The West Midlands shared the second spot in the rankings for charge inflation with Northern Ireland.

Prices Charged Index

sa, >50 = inflation since previous month

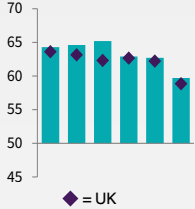
59.7

Mar '23



Prices Charged Index

Oct '22 - Mar '23



◆ = UK



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, Mar' 23 ⁺
1	Transport	2.35	50
2	Basic Metals	1.44	55
3	Mechanical Engineering	1.17	55
4	Other Manufacturing	0.89	55
5	Timber & Paper	0.61	40
6	Electrical & Optical	0.59	50
7	Textiles & Clothing	0.57	45
8	Food & Drink	0.51	50
9	Chemicals & Plastics	0.47	45

West Midlands specialisation: Services

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

UK sector focus

Hotels, Restaurants & Catering

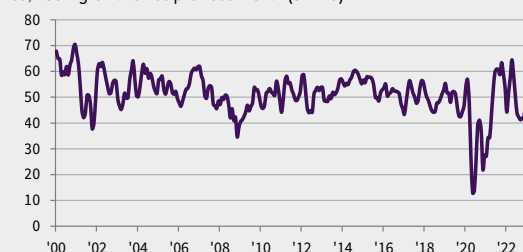
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
Oct '22	49.6	48.5	48.4	60.7	53.9	50.6	75.1	64.3
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

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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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