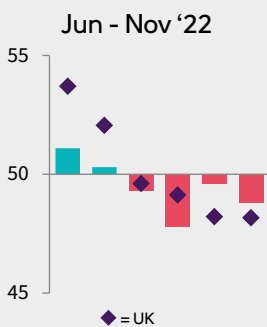


NatWest West Midlands PMI[®]

Downturn in West Midlands output extends to November, inflation ticks higher

West Midlands Business Activity Index



Key findings

Moderate falls in new business and activity

Job creation slows to 21-month low

Rates of input cost and output charge inflation quicken

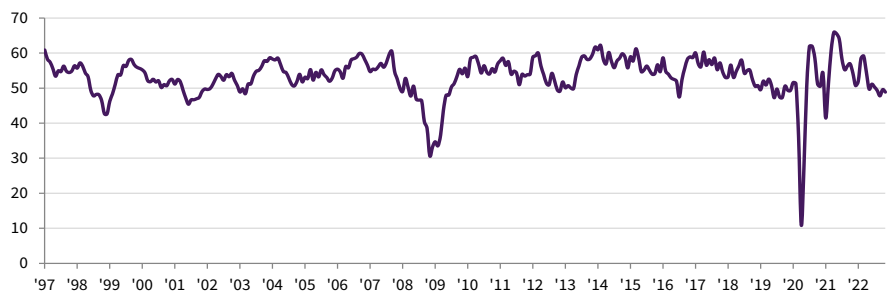
November data highlighted a fourth successive monthly fall in West Midlands output, according to the NatWest PMI[®]. Although moderate, the rate of contraction quickened from October as seen by the headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – slipping from 49.6 to 48.8. Companies that signalled a reduction in output mentioned lower sales, high stock levels at clients and subdued market confidence. All 12 monitored UK regions registered a downturn in business activity, with faster declines also seen in four other areas.

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

"November was another difficult month for West Midlands firms, who cut output and became more cautious towards hiring due to ongoing declines in new work. Local employment expanded at the quickest pace of all 12 UK regions, but growth slipped to a 21-month low amid redundancies, cost-cutting initiatives and staff leaving in search of higher pay elsewhere. It's becoming increasingly challenging for local businesses to address the cost-of-living crisis by upwardly adjusting pay, particularly as margins get squeezed by lower sales and rising costs. Indeed, inflation showed no signs of abating in November as a stronger upturn in expenses translated into a sharper rise in selling prices. Yet, the gap between the two measures were the widest since mid-year."

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

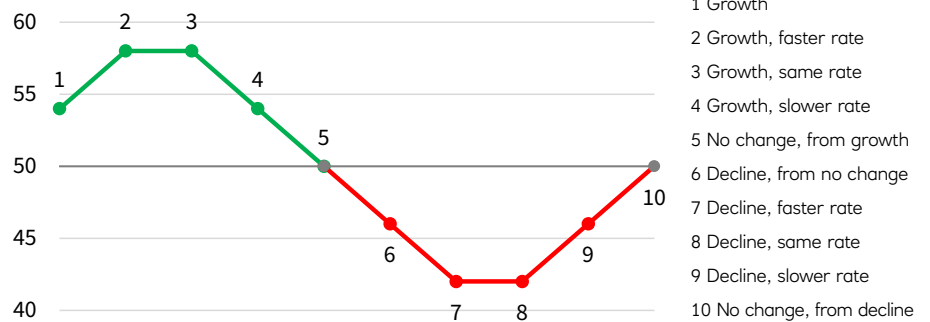
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

New business falls further in November

West Midlands companies reported a sixth consecutive monthly decline in new work intakes halfway through the fourth quarter. Where a fall was noted, survey members mentioned subdued demand conditions, the cost-of-living crisis, future uncertainty and destocking among clients. That said, the overall rate of contraction was slight and the weakest since July.

The local reduction in sales was less pronounced than that seen at the UK level.

Business sentiment recovers from October's 31-month low

After slipping to the lowest level in over two-and-a-half years in October, there was an improvement in confidence among West Midlands companies in November. Firms pinned sentiment on hopes of contained inflation, lower interest rates, better trade conditions, advertising and new product releases. That said, the overall degree of optimism remained subdued in the context of historical data amid recession concerns.

Regionally, the West Midlands recorded the second-highest level of business confidence (behind Yorkshire & Humber).

Exports

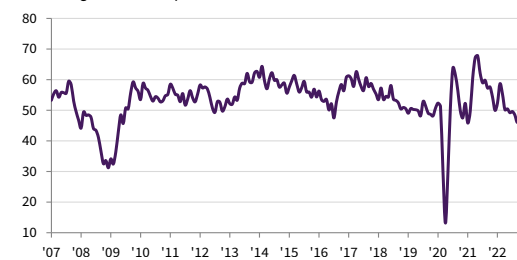
Sharpest deterioration in export conditions since first lockdown

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.

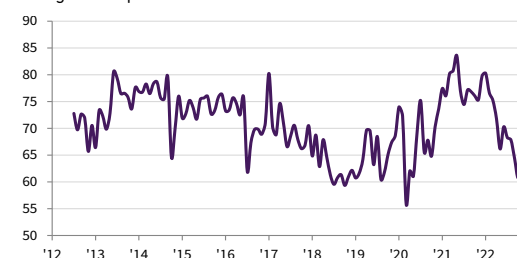
Posting 47.5 in November, down from 48.2 in October, the ECI was at its lowest level since May 2020. The latest reading pointed to a further deterioration in trade prospects, and one that was solid overall.

All of the top five export markets for the West Midlands recorded lower output in November, led by Germany and the US. The declines registered in France and Ireland contrasted with growth in October.

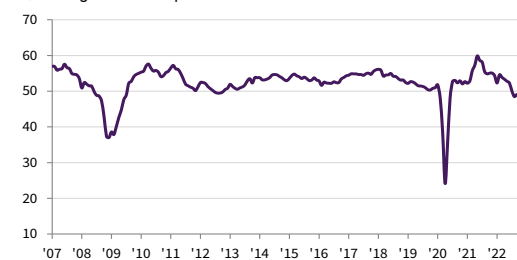
New Business Index
sa, >50 = growth since previous month
48.8
Nov '22



Future Activity Index
>50 = growth expected over next 12 months
64.7
Nov '22



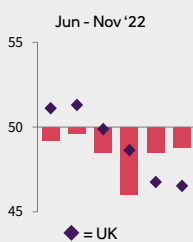
Export Climate Index
sa, >50 = growth since previous month
47.5
Nov '22



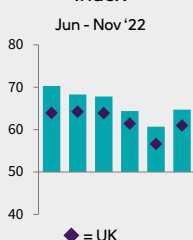
Top export markets, West Midlands

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

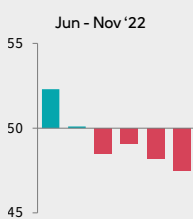
New Business Index
Jun - Nov '22



Future Activity Index
Jun - Nov '22



Export Climate Index
Jun - Nov '22



Business capacity

Employment growth slips to 21-month low

In line with ongoing efforts to clear backlogs and fill existing positions as well as optimistic growth projections, West Midlands companies continued to hire additional workers in November. However, the rate of increase was moderate and the slowest in the current 21-month sequence of expansion. Job creation was reportedly curbed by staff leaving in search of better pay elsewhere, retirements, redundancies and cost-cutting measures.

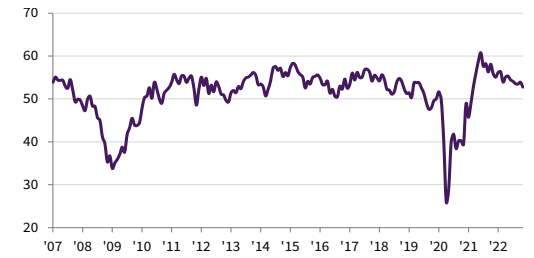
The West Midlands topped the regional rankings for employment in November.

Outstanding business rises marginally

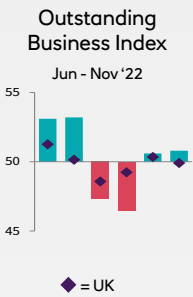
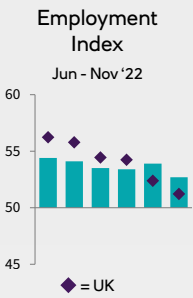
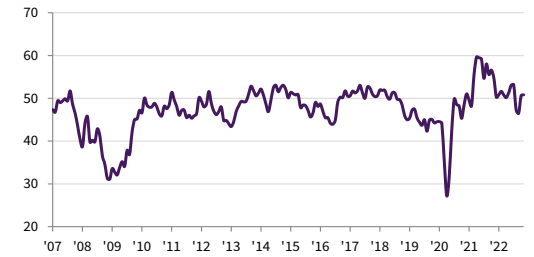
There were back-to-back expansions in outstanding business volumes at private sector firms in the West Midlands. Where growth was reported, panellists mentioned insufficient staff and a lack of key inputs. However, pending workloads increased at a slight rate that was among the weakest in over a year-and-a-half.

Only two other UK regions registered higher backlogs, London and Yorkshire & Humber, with depletion recorded elsewhere.

Employment Index
 sa, >50 = growth since previous month
 52.7
 Nov '22



Outstanding Business Index
 sa, >50 = growth since previous month
 50.8
 Nov '22



Prices

Cost burdens rise sharply in November

Latest data highlighted a further increase in the overall expense of private sector firms in the West Midlands. Moreover, the rate of inflation was sharp, the strongest in five months and well above its long-run average. Survey participants reported higher energy, food, material, transportation, utility and wage costs.

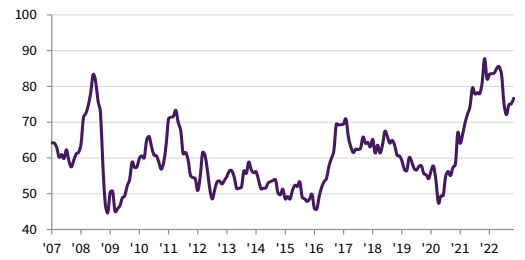
The local rate of input cost inflation matched the UK average, with the West Midlands coming fifth in the regional rankings.

Input Prices Index

sa, >50 = inflation since previous month

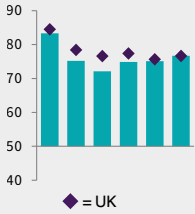
76.7

Nov '22



Input Prices Index

Jun - Nov '22



Charge inflation ticks higher

Prices charged for goods and services in the West Midlands rose in November, as has been the case on a monthly basis throughout the past two-and-a-half years. The overall rate of inflation was sharp and quickened from October. Anecdotal evidence indicated that ongoing increases in input costs continued to be transferred through to clients.

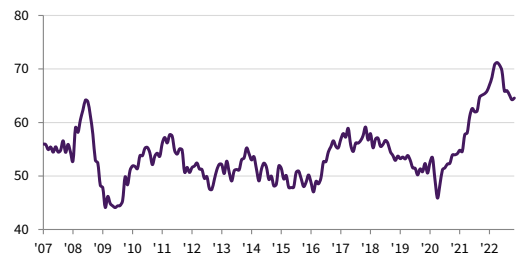
Only Wales and the East Midlands recorded a higher rate of charge inflation than that seen in the West Midlands.

Prices Charged Index

sa, >50 = inflation since previous month

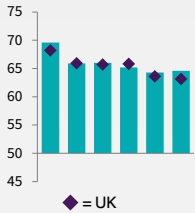
64.6

Nov '22



Prices Charged Index

Jun - Nov '22



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, Nov' 22 ⁺
1	Transport	2.35	48
2	Basic Metals	1.44	45
3	Mechanical Engineering	1.17	50
4	Other Manufacturing	0.89	48
5	Timber & Paper	0.61	40
6	Electrical & Optical	0.59	48
7	Textiles & Clothing	0.57	45
8	Food & Drink	0.51	52
9	Chemicals & Plastics	0.47	45

West Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov' 22 ⁺
1	Transport & Communication	1.19	48
2	Hotels, Restaurants & Catering	1.16	45
3	Personal & Community Services	1.08	48
4	Computing & IT Services	0.98	52
5	Business-to-business Services	0.97	48
6	Financial Intermediation	0.74	48

UK sector focus

Computing & IT Services

Computing & IT Services was the UK's top-performing sector by far in the three months to November. In fact, it was the only part of the services economy to see a rise in business activity.

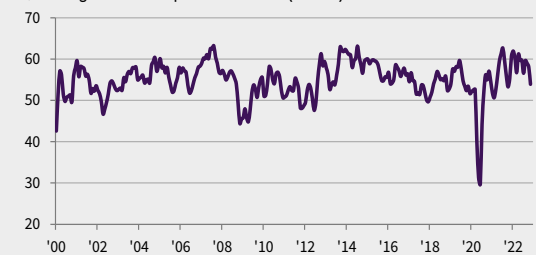
The sector did, however, exhibit a loss of momentum, with the rate of business activity growth slowing to its weakest since the opening quarter of 2021. This reflected a softening trend in new business.

Computing & IT Services firms remained optimistic about the year-ahead outlook, and more so than any other services sector, which in turn helped drive a sustained rise in employment. That said, both expectations and the pace of job creation eased to the lowest since late-2020.

Cost pressures remained much higher than normal, according to latest data. However, they were relatively subdued compared to other parts of the services economy, with the rate of input cost inflation the lowest among the six monitored sectors.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

All 12 monitored regions recorded a further fall in business activity in November. However, rates of contraction slowed in just over half of cases, including Wales and the North East, the two top-ranked areas, where activity came close to stabilising. Scotland recorded the most marked fall in output, followed by the South West.

Employment

Workforce numbers rose across the majority of regions and nations in November, albeit more slowly in most instances. The West Midlands saw the fastest pace of job creation, moving ahead of the South East in the rankings. The East Midlands and North East went against the trend and recorded lower employment.

Future Activity

Business expectations improved almost universally in November. Yorkshire & Humber was the most optimistic region and saw the joint-sharpest increase in sentiment from the previous month, with Wales. Firms in Northern Ireland and the North East remained pessimistic, albeit less so than in October.

Business Activity Index

sa, >50 = growth since previous month, Nov '22



Employment Index

sa, >50 = growth since previous month, Nov '22



Future Activity Index

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



* 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
Jun '22	51.1	49.2	52.3	70.3	54.4	53.1	83.3	69.6
Jul '22	50.3	49.6	50.1	68.3	54.1	53.2	75.2	65.9
Aug '22	49.3	48.5	48.5	67.8	53.5	47.3	72.1	66.0
Sep '22	47.8	46.0	49.1	64.4	53.4	46.5	74.9	65.2
Oct '22	49.6	48.5	48.2	60.7	53.9	50.6	75.1	64.3
Nov '22	48.8	48.8	47.5	64.7	52.7	50.8	76.7	64.6

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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.

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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.

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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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