

NatWest Purchasing Manager Index (PMI) Survey¹, Released May 2021: Midlands Regions

In Summary:

- The West Midlands Business Activity Index increased from 60.7 in March 2021 to 65.9 in April 2021, which is the sharpest increase of business activity since records began in January 1997. The latest growth reported was associated to the ongoing easing of COVID-19 restrictions boosting the demand for goods and services.
- The East Midlands Business Activity Index increased from 54.0 in March 2021 to 56.7 in April 2021. This rate of output growth was the fastest since September 2020 due to greater client demand, increasing new order inflows, along with the ongoing easing of COVID-19 restrictions boosting customer spend
- The overall UK Business Activity Index increased from 56.4 in March 2021 to 60.7 in April 2021.
- Out of the twelve UK regions, the West Midlands region was the highest and the East Midlands was fourth lowest for the Business Activity Index.
- The West Midlands Future Activity Index increased from 80.2 in March 2021 to 80.8 in April 2021 – reaching the highest level since records began in mid-2012. The positive expectations for the upcoming twelve months are linked to the ongoing easing of COVID-19 restrictions, new work in the pipeline and diversification.
- Business confidence in the East Midlands was at the highest since September 2015. The East Midlands Future Activity Index increased from 79.3 in March 2021 to 79.7 in April 2021. The positive expectations for the upcoming twelve months are linked to the ongoing easing of COVID-19 restrictions and hopes of further increases in client demand.

In Detail:

Business Activity Index

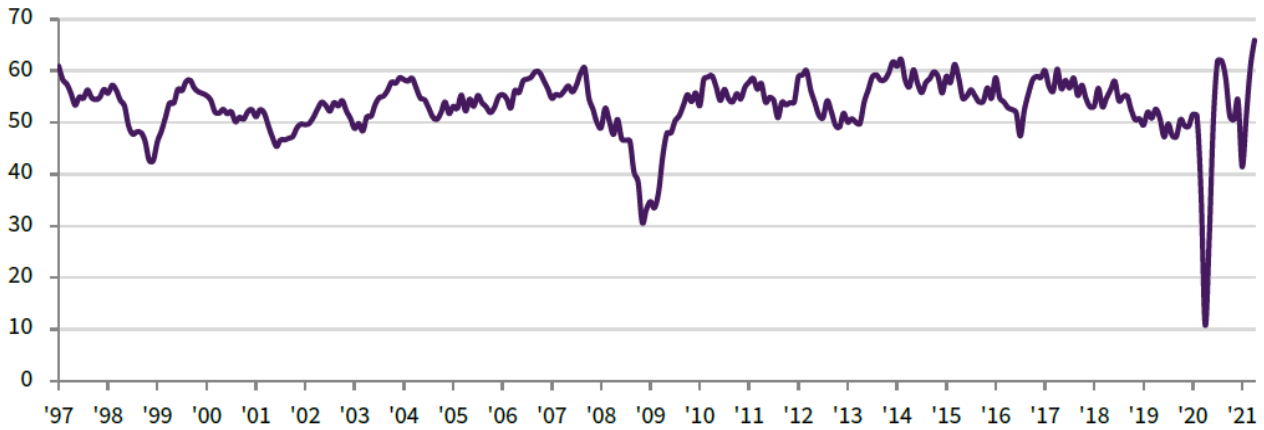
- The West Midlands Business Activity Index increased from 60.7 in March 2021 to 65.9 in April 2021, which is the sharpest increase of business activity since records began in January 1997. The latest growth reported was associated to the ongoing easing of COVID-19 restrictions boosting the demand for goods and services.
- The East Midlands Business Activity Index increased from 54.0 in March 2021 to 56.7 in April 2021. This rate of output growth was the fastest since September 2020 due to greater client demand, increasing new order inflows, along with the ongoing easing of COVID-19 restrictions boosting customer spend.

¹ Source: IHS Markit/NatWest PMI, May 2021. Please note, the seasonally adjusted 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 following graphs show the West Midlands and East Midlands Business Activity Index trends up to April 2021:

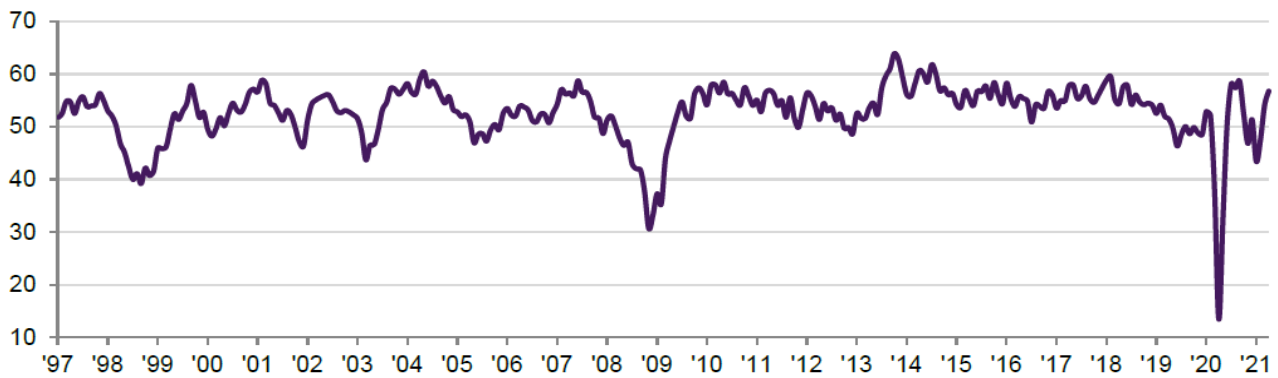
West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, May 2021

- Of the twelve UK regions, the West Midlands region was the highest and the East Midlands was fourth lowest for the Business Activity Index. Yorkshire and the Humber was second highest at 64.3 and the North East was the lowest at 55.2 in April 2021.

The following chart shows the Business Activity Index across all UK regions in April 2021:

Business Activity Index

sa, >50 = growth since previous month, Apr '21



Source: IHS Market/NatWest, May 2021

Demand

- The West Midlands New Business Index increased for the second consecutive month. The latest data shows the New Business Index increased from 60.6 in March 2021 to 67.2 in April 2021, this rate of expansion was the sharpest and the quickest since records began in January 1997. The sales growth in the West Midlands was the strongest of the 12 UK regions. The upturn in the New Business Index was associated to the ongoing easing of COVID-19 restrictions, increased client activity and strengthening demand.
- The East Midlands New Business Index increased from 54.6 in March 2021 to 56.2 April 2021. The rate of expansion was the strongest August 2020, reportedly due to greater client demand.

Exports²

- The West Midlands Export Climate Index increased from 55.8 in March 2021 to 57.3 in April 2021; this shows the most favourable export conditions in eleven years. The Export Climate Index increased due to stronger expansions in three of the top five destinations also with growth returning to France and for Germany there was a solid upturn but softer than March 2021.
- The East Midlands Export Climate Index demonstrated its strongest improvement since February 2018, increasing from 54.7 in March in 2021 to 55.7 in April 2021. Growth was linked to a marked expansion in USA and firms in Hong Kong and France registering a return to output growth. There were expansions for firms in Germany and Singapore, although at slightly slower rates.

² The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the region. This produces an indicator for the economic health of the region's export markets.

The following tables shows the top export markets for the West Midlands and East Midlands in April 2021:

Top export markets, West Midlands

| Rank | Market | Weight | Output Index, Apr'21 |
|------|---------|--------|----------------------|
| 1 | USA | 21.2% | 63.5 |
| 2 | Germany | 11.1% | 55.8 |
| 3 | China | 8.7% | 54.7 |
| 4 | Ireland | 6.2% | 58.1 |
| 5 | France | 6.1% | 51.6 |

Top export markets, East Midlands

| Rank | Market | Weight | Output Index, Apr '21 |
|------|-----------|--------|-----------------------|
| 1 | USA | 12.8% | 63.5 |
| 2 | Germany | 10.7% | 55.8 |
| 3 | Hong Kong | 7.9% | 51.8 |
| 4 | Singapore | 7.4% | 53.2 |
| 5 | France | 7.1% | 51.6 |

Source: IHS Market/NatWest, May2021

Business Capacity

- The West Midlands Employment Index increased from 52.9 in March 2021 to 55.9 in April 2021. This rate of expansion was the quickest since September 2017, as firms that took on extra staff reported there was greater output requirements from the pick-up in demand.
- The East Midlands Employment Index increased from 50.6 in March 2021 to 52.2 in April 2021, the quickest rate of expansion since November 2018. The rise in workforce numbers was linked greater business requirements and expectations of further increases in new order inflows.
- The West Midlands Outstanding Business Index increased from 55.5 in March 2021 to 59.7 in April 2021. Firms registered a second consecutive monthly increase in unfinished business during April, but the rate of accumulation accelerated to the strongest since the series started in November 1999. Around one-third of survey participants signalled higher backlogs, citing capacity constraints due to a rebound in new orders. By comparison, 11% of firms noted a reduction.
- There were back-to-back expansions in the East Midlands for outstanding business at the start of quarter 2. The East Midlands Outstanding Business Index increased from 51.9 in March to 53.3 in April 2021. The rise in backlogs of work was often linked to greater inflows of new business and strain on capacity. The solid increase in unfinished business was the fastest for three years.

Prices

- The West Midlands Input Prices Index increased from 69.9 in March 2021 to 72.3 in April 2021 - the rate of inflation quickened to the fastest in ten years. Nearly 61% of panellists reported higher input prices, while the remaining companies indicated no change since March 2021.
- The East Midlands Input Prices Index increased from 70.2 in March 2021 to 71.0 in April 2021– the sharpest rate of inflation since February 2017. The higher input prices were linked to raw material and supplier costs and also additional transportation fees from Brexit and COVID-19.
- The West Midlands Prices Charged Index increased from 57.7 in March 2021 to 58.1 in April 2021, reflecting an output price increase sharper than at any other time in nearly three-and-a-half years.
- The rate of increase in prices charged slightly for the East Midlands from 58.8 in March 2021 to 58.6 in April 2021, although this was still the second-sharpest for ten years.

Outlook

- The West Midlands Future Activity Index increased from 80.2 in March 2021 to 80.8 in April 2021 – reaching the highest level since records began in mid-2012. The positive expectations for the upcoming twelve months are linked to the ongoing easing of COVID-19 restrictions, new work in the pipeline and diversification.
- Business confidence in the East Midlands was at the highest since September 2015. The East Midlands Future Activity Index increased from 79.3 in March 2021 to 79.7 in April 2021. The positive expectations

for the upcoming twelve months are linked to the ongoing easing of COVID-19 restrictions and hopes of further increases in client demand.

- Out of the twelve UK regions, the West Midlands was the fourth highest and the East Midlands sixth highest for the Future Business Activity Index with Yorkshire and The Humber the highest at 86.3 and Northern Ireland the lowest at 61.0 in April 2021.

The following chart shows the Future Activity Index across all UK regions in April 2021:

Future Activity Index

>50 = growth expected over next 12 months, Apr '21

