

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released April 2022: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index increased from 58.4 in February 2022 to 59.1 in March 2022, this was the fastest rate of growth in nine months. This increase was associated with backlog-clearing efforts, greater sales and a rush to beat price hikes.
- The East Midlands Business Activity Index increased from 59.6 in February 2022 to 60.5 in March 2022. The latest increase in business activity was the fastest seen since July 2014. Firms stated that stronger client demand following the easing of Covid-19 restrictions drove the expansion in output.
- The overall UK Business Activity Index increased from 59.9 in February 2022 to 60.9 in March 2022.
- Of the 12 UK regions the West Midlands region was the sixth lowest and the East Midlands was fifth highest for the Business Activity Index in March 2022.
- The West Midlands Future Activity Index decreased from 76.7 in February 2022 to 75.2 in March 2022. Despite the overall level of positive sentiment falling to an eight-month low, firms in the West Midlands remained upbeat for the next twelve months. Optimism stemmed from plans to invest in advertising, strategies to expand clients and product diversification. Although, optimism was restricted due to supply-chain concerns, inflationary pressures and Russia's invasion of Ukraine.
- The East Midlands Future Activity Index decreased from 73.2 in February 2022 to 69.2 in March 2022. Although the level of optimism has dropped to the lowest levels since January 2021, firms still reported a strong degree of confidence for the next 12 months. The optimistic firms reported hopes of greater client demand and a reduction in the impact of any future Covid-19 variants. Optimism was restricted due to inflation concerns.
- Out of the twelve UK regions, the West Midlands was the third highest and the East Midlands was sixth highest for the Future Business Activity Index in March 2022.

### In Detail:

#### Business Activity Index

- The West Midlands Business Activity Index increased from 58.4 in February 2022 to 59.1 in March 2022, this was the fastest rate of growth in nine months. This increase was associated with backlog-clearing efforts, greater sales and a rush to beat price hikes.
- The East Midlands Business Activity Index increased from 59.6 in February 2022 to 60.5 in March 2022. The latest increase in business activity was the fastest seen since July 2014. Firms stated that stronger client demand following the easing of Covid-19 restrictions drove the expansion in output.

<sup>1</sup> Source: IHS Markit/NatWest PMI, April 2022. 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 March 2022:

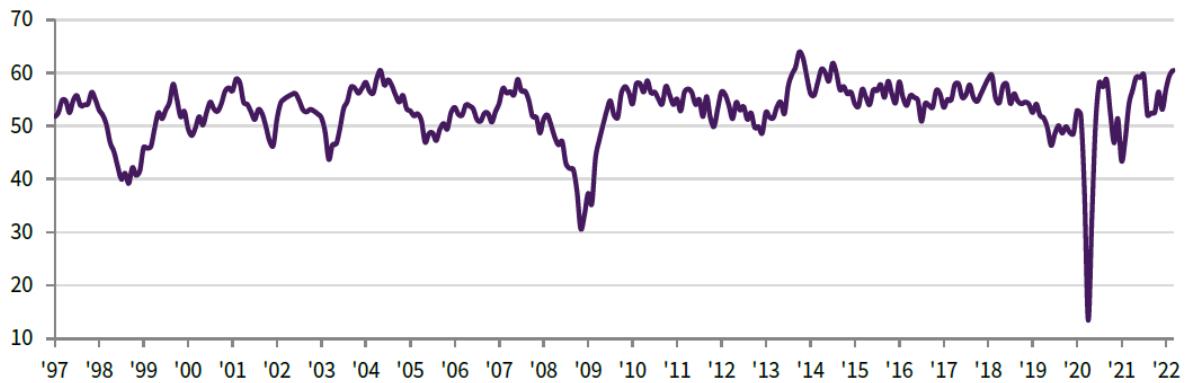
### West Midlands Business Activity Index

sa, >50 = growth since previous month



### East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, April 2022

- Of the 12 UK regions, the West Midlands region was the sixth lowest and the East Midlands was fifth highest for the Business Activity Index. The South West and the Yorkshire and the Humber the joint highest, both at 64.3 down to the North East the lowest at 50 in March 2022.

The following chart shows the Business Activity Index across all UK regions in March 2022:

### Business Activity Index

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



Source: IHS Market/NatWest, April 2022

### Demand

- The West Midlands New Business Index decreased from 58.7 in February 2022 to 55.4 in March 2022. Despite easing from February 2022, there was still a three-month sequence of expansion in new business and was still historically high. The increase was linked to improvements in customer demand and marketing efforts supporting sales, the increase was restricted due to future uncertainty, financial volatility and project cancellations.
- The East Midlands New Business Index decreased from 60.3 in February 2022 to 58.0 in March 2022. Despite easing from February 2022, there was still a sharp rise in new business during March 2022. Where firms indicated an increase in new business, this was linked to the easing of Covid-19 restrictions and greater client demand despite the increases in selling prices and threats of further supply delays following Russia's invasion of Ukraine.

### Exports<sup>2</sup>

- The West Midlands Export Climate Index decreased from 54.6 in February 2022 to 53.9 in March 2022. Despite the decline from February 2022, the index shows a strong improvement in export conditions and above the long-run average of 53.3. The decline can be linked to China where the output was 43.9 and a slower increase of 55.1 in Germany. Although, France (56.3), the USA (57.7) and Ireland (61) increased at a quicker rate.

<sup>2</sup> 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 East Midlands Export Climate Index decreased from 53.7 in February 2022 to 53.0 in February 2022. Despite the decline from February 2022, the index shows a strong improvement in export conditions, but was the second-slowest increase over the year. The decline can be linked to Hong Kong where output fell to 33.7. Although, Germany (55.1) and Singapore (55.2) registered slower expansions in output while it was much sharper for France (56.3) and the USA (57.7).

**The following tables shows the top export markets for the West Midlands and East Midlands in March 2022:**

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Mar '22
1	USA	21.2%	57.7
2	Germany	11.1%	55.1
3	China	8.7%	43.9
4	Ireland	6.2%	61.0
5	France	6.1%	56.3

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Mar '22
1	USA	12.8%	57.7
2	Germany	10.7%	55.1
3	Hong Kong	7.9%	33.7
4	Singapore	7.4%	55.2
5	France	7.1%	56.3

Source: IHS Market/NatWest, April 2022

### Business Capacity

- The West Midlands Employment Index decreased from 56.3 in February 2022 to 53.9 in March 2022. More jobs were created in the West Midlands in March 2022 but the rate has slowed to a one-year low, although the employment growth remains above the long-term average. The decline was linked to cost-cutting efforts and workers leaving for higher paid jobs.
- The East Midlands Employment Index increased from 56.7 in February 2022 to 56.9 in March 2022. The increase in workforce numbers was linked to a greater ability to find suitable candidates and as a response to increased new business.
- The West Midlands Outstanding Business Index decreased from 51.7 in February 2022 to 50.8 in March 2022. The rate of accumulation has eased from February 2022, however, firms continued to report capacity pressures as new order growth, delayed deliveries from suppliers and staff shortages led to higher backlogs.
- The East Midlands Outstanding Business Index decreased from 56.4 in February 2022 to 52.7 in March 2022. The rate of growth was slowest recorded so far in 2022. Despite the easing, the increase in backlogs of work was linked to higher new order volumes and material delivery delays.

### Prices

- The West Midlands Input Prices Index increased from 83.6 in February 2022 to 83.8 in March 2022. West Midlands firms reported an increase in cost burdens linked to higher energy prices, supply shortages, wage pressures and Russia's invasion of Ukraine. The overall rate of inflation accelerating to the second highest since data collection started in January 1997.
- The East Midlands Input Prices Index increased from 84.2 in February 2022 to 86.1 in March 2022. The rate of cost inflation was the sharpest seen since November 2021 and among the quickest of the 12 UK regions. Higher input prices were often linked to greater material costs, with many stating that Russia's invasion of Ukraine pushed up prices.
- The West Midlands Prices Charged Index increased from 68.5 in February 2022 to 70.7 in March 2022. For the seventh month in a row, the rate of output price inflation in the West Midlands reached a series record during March 2022 (since November 1999). Firms reported substantial increases in input prices and cost burdens being passed onto clients.

- The East Midlands Prices Charged Index increased from 65.8 in February 2022 to 68.5 in March 2022. The rise in output charges across the East Midlands series-record high. Firms reported that greater cost burdens were being passed on to clients where possible.

**Outlook**

- The West Midlands Future Activity Index decreased from 76.7 in February 2022 to 75.2 in March 2022. Despite the overall level of positive sentiment falling to an eight-month low, firms in the West Midlands remained upbeat for the next twelve months. Optimism stemmed from plans to invest in advertising, strategies to expand clients and product diversification. Although, optimism was restricted due to supply-chain concerns, inflationary pressures and Russia’s invasion of Ukraine.
- The East Midlands Future Activity Index decreased from 73.2 in February 2022 to 69.2 in March 2022. Although the level of optimism has dropped to the lowest levels since January 2021, firms still reported a strong degree of confidence for the next 12 months. The optimistic firms reported hopes of greater client demand and a reduction in the impact of any future Covid-19 variants. Optimism was restricted due to inflation concerns.
- Out of the twelve UK regions, the West Midlands was the third highest and the East Midlands was sixth highest for the Future Business Activity Index. Yorkshire and the Humber the highest at 80.1 and Northern Ireland the lowest at 52.7 in March 2022.

**The following chart shows the Future Activity Index across all UK regions in March 2022:**



Source: IHS Market/NatWest, April 2022