



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

The following 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.

### 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. Out of the twelve UK regions, the West Midlands region was sixth lowest for the Business Activity Index in March 2022.
- The overall UK Business Activity Index increased from 59.9 in February 2022 to 60.9 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. Out of the twelve UK regions, the West Midlands was the third 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 following graph show the West Midlands Business Activity Index trends up to March 2022:

#### West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, April 2022

Out of the twelve UK regions, the West Midlands region was sixth lowest for the Business Activity Index, with 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.

<sup>1</sup> Source: IHS Markit/NatWest West Midlands PMI, April 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.

### 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 also slower increases of 55.1 in Germany. Although, France (56.3), the USA (57.7) and Ireland (61) increased at a quicker rate.

### 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.

<sup>2</sup> The West Midlands Export Climate Index 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 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.

**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 accelerated to the second highest since data collection started in January 1997.

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.

**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.

Out of the twelve UK regions, the West Midlands was the third highest for the Future Business Activity Index with 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