

## NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region Released December 2021<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 decreased from 56.9 in October 2021 to 54.3 in November 2021. Despite the fall, the index remains above the 50-growth mark meaning this was the tenth successive month for increase in output. Although the upturn was the slowest increase since February. West Midlands firms reported that favourable demand conditions and purchases being brought forward by clients suggests price hikes in the next few months which in turn underpinned the rise in output in November 2021.
- The overall UK Business Activity Index decreased from 57.8 in October 2021 to 57.6 in November 2021.
- Out of the twelve UK regions, the West Midlands region was the third lowest for the Business Activity Index in November 2021.
- The West Midlands Future Activity Index decreased from 76.1 in October 2021 to 75.4 in November 2021. Although the level of positive sentiment decreased from October (and to a four-month low), firms remained strongly confident that business activity would expand over the next twelve months. Firms reported hopes that the pandemic would regress which in turn will boost international travel and demand along with some firms hoping that new product launches and marketing efforts will support growth.

### In Detail:

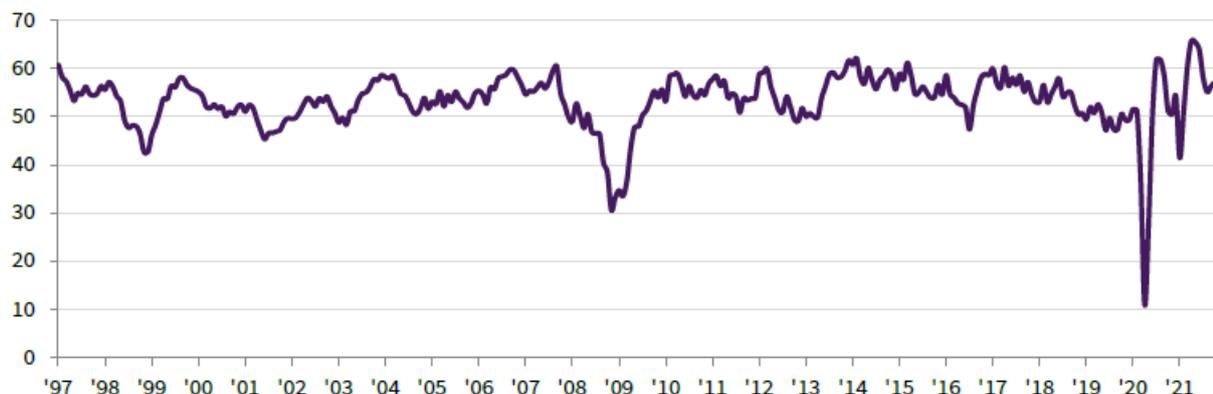
#### Business Activity Index

The West Midlands Business Activity Index decreased from 56.9 in October 2021 to 54.3 in November 2021. Despite the fall, the index remains above the 50-growth mark meaning this was the tenth successive month for increase in output. Although the upturn was the slowest increase since February. West Midlands firms reported that favourable demand conditions and purchases being brought forward by clients suggests price hikes in the next few months which in turn underpinned the rise in output in November 2021.

The following graph show the West Midlands Business Activity Index trends up to November 2021:

#### West Midlands Business Activity Index

sa, >50 = growth since previous month



<sup>1</sup> Source: IHS Markit/NatWest West Midlands PMI, December 2021

Source: IHS Market/NatWest, December 2021

Out of the twelve UK regions, the West Midlands region was third lowest for the Business Activity Index in November 2021, with London the highest at 64.1 down to the North East the lowest at 49.6.

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

### Business Activity Index

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



Source: IHS Market/NatWest, December 2021

### Demand

The West Midlands New Business Index decreased from 57.6 in October 2021 to 54.3 in November 2021 as firms continued to report higher sales in November, the increase slowed to the weakest in the current nine-month sequence of expansion. For the first time in twelve months. The West Midlands demand was behind the national average.

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

The West Midlands Export Climate Index remained at 55.1 in November 2021. The export conditions have remained above the 50-growth mark for seventeenth months. Among the top five export markets for the West Midlands, the growth was led from Ireland, USA and France.

<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 following table shows the top export markets for the West Midlands in November 2021:

Top export markets, West Midlands

| Rank | Market  | Weight | Output Index,<br>Nov '21 |
|------|---------|--------|--------------------------|
| 1    | USA     | 21.2%  | 57.2                     |
| 2    | Germany | 11.1%  | 52.2                     |
| 3    | China   | 8.7%   | 51.2                     |
| 4    | Ireland | 6.2%   | 59.3                     |
| 5    | France  | 6.1%   | 56.1                     |

Source: IHS Market/NatWest, December 2021

### Business Capacity

The West Midlands Employment Index decreased from 58.1 in October 2021 to 55.9 in November 2021. The index remains above the 50-growth mark meaning that employment continued to increase in November due to sustained increases in sales. Although, the increase was the weakest since April as there were difficulties finding replacement voluntary leavers.

The West Midlands Outstanding Business Index decreased from 56.6 in October 2021 to 54.8 in November 2021. The index remains above the 50-growth mark meaning that outstanding business volumes continued to increase in November, although, the increase was the slowest since July. The latest upturn in unfinished business was due to labour shortages, rising sales and delivery delays.

### Prices

The West Midlands Input Prices Index increased from 81.0 in October 2021 to 87.8 in November 2021. Amid reports of higher fuel, labour, material and transport costs, West Midlands firms reported a further increase in expenses. For the majority of cases, price hikes are linked to shortages. The rate of inflation for the West Midlands was steep and climbed to a series record (January 1997). Across all 12 regions, the West Midlands came in fourth for input prices (behind Northern Ireland, Wales and the East Midlands).

The West Midlands Prices Charged Index increased from 65.1 in October 2021 to 65.4 in November 2021. For the third consecutive month, the rise in output charges was the fastest seen in the history of the series (November 1999) as additional cost burdens continued to be transferred through to customers.

### Outlook

The West Midlands Future Activity Index decreased from 76.1 in October 2021 to 75.4 in November 2021. Although the level of positive sentiment decreased from October (and to a four-month low), firms remained strongly confident that business activity would expand over the next twelve months. Firms reported hopes that the pandemic would regress which in turn will boost international travel and demand along with some firms hoping that new product launches and marketing efforts will support growth.

Out of the twelve UK regions, the West Midlands was fifth highest for the Future Business Activity Index in November 2021, with Yorkshire and the Humber the highest at 81.7 and North East the lowest at 59.6.

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

### Future Activity Index

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



Source: IHS Market/NatWest, December 2021