

NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region Released January 2022¹

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 54.3 in November 2021 to 50.7 in December 2021. Despite the fall, the index remains above the 50-growth mark meaning this was the eleventh successive month for increase in output, although the latest reading shows the rate of increase slowed to the weakest over this period. West Midlands firms reported that growth was restricted due to rising COVID-19 cases and the knock-on-effect of consumer confidence. Material and staff shortages were also reported as factors reducing output.
- The overall UK Business Activity Index decreased from 57.6 in November 2021 to 53.6 in December 2021.
- Out of the twelve UK regions, the West Midlands region was the third lowest for the Business Activity Index in December 2021.
- The West Midlands Future Activity Index increased from 75.4 in November 2021 to 79.8 in December 2021, which is a seven-month high. Firms were hopeful that COVID-19 and the associated restrictions would recede. Firms also reported marketing efforts and innovation would hopefully lead to output expanding in 2022.

In Detail:

Business Activity Index

The West Midlands Business Activity Index decreased from 54.3 in November 2021 to 50.7 in December 2021. Despite the fall, the index remains above the 50-growth mark meaning this was the eleventh successive month for increase in output, although the latest reading shows the rate of increase slowed to the weakest over this period. West Midlands firms reported that growth was restricted due to rising COVID-19 cases and the knock-on-effect of consumer confidence. Material and staff shortages were also reported as factors reducing output.

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

West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, January 2022

¹ Source: IHS Markit/NatWest West Midlands PMI, January 2022

Out of the twelve UK regions, the West Midlands region was third lowest for the Business Activity Index in December 2021, with London the highest at 57.5 down to the North East the lowest at 49.7.

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

Business Activity Index

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



Source: IHS Market/NatWest, January 2022

Demand

The West Midlands New Business Index decreased from 54.3 in November 2021 to 50.0 in December 2021. The stagnant new orders ended a nine-month sequence of expansion. West Midlands firms reported that sales were constrained by COVID-19 related uncertainty, fears over the spread of the Omicron variant and reduced client numbers. Notably, the West Midlands did not follow national trends where new business increased solidly.

Exports²

The West Midlands Export Climate Index decreased from 55.1 in November 2021 to 54.4 in December 2021. The export conditions have remained above the 50-growth mark but is at a ten-month low. There was growth in four out of the top five export markets, Germany declined to 49.9, with strong growth in the USA (57.0) and Ireland (56.5).

² 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 December 2021:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Dec '21
1	USA	21.2%	57.0
2	Germany	11.1%	49.9
3	China	8.7%	53.0
4	Ireland	6.2%	56.5
5	France	6.1%	55.8

Source: IHS Market/NatWest, January 2022

Business Capacity

The West Midlands Employment Index decreased from 55.9 in November 2021 to 55.0 in December 2021. The index remains above the 50-growth mark meaning that employment continued to increase in December due to the replacement of previous leavers and predictions of better demand conditions in upcoming months.

The West Midlands Outstanding Business Index decreased from 54.8 in November 2021 to 50.3 in December 2021. The index remains above the 50-growth mark meaning that outstanding business volumes continued to increase in December, although, the increase was the slowest in ten months. West Midlands firms reported an increase due to difficulties hiring suitable staff and problems sourcing raw materials, although at the same time, there were efficiency gains and subdued sales at other firms which allowed them to clear work.

Prices

The West Midlands Input Prices Index decreased from 87.8 in November 2021 to 82.1 in December 2021. The overall rate of inflation eased from November 2021 peak but will still be the third highest since records began in January 1997. The increase was linked to rising operating expenses, with higher freight, raw material and wage costs. Since August 2020, inflation in the West Midlands was more evident than at a national level.

The West Midlands Prices Charged Index increased from 65.4 in November 2021 to 65.9 in December 2021. The rise in output charges was the fastest seen in the history of the series (November 1999).

Outlook

The West Midlands Future Activity Index increased from 75.4 in November 2021 to 79.8 in December 2021, which is a seven-month high. Firms were hopeful that COVID-19 and the associated restrictions would recede. Firms also reported marketing efforts and innovation would hopefully lead to output expanding in 2022.

Out of the twelve UK regions, the West Midlands was third highest for the Future Business Activity Index in December 2021, with Yorkshire and the Humber the highest at 81.9 and Northern Ireland the lowest at 59.4.

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

Future Activity Index

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



Source: IHS Market/NatWest, January 2022