



NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region Released February 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 increased from 50.7 in December 2021 to 51.9 in January 2022, this shows a quicker rate of growth but was moderate and slower than those recorded in 2021. West Midlands firms reported the increase was due to new client wins, a recovery from the recent wave of Covid-19 and improved demand conditions.
- The overall UK Business Activity Index increased from 53.6 in December 2021 to 54.2 in January 2022.
- Out of the twelve UK regions, the West Midlands region was third lowest for the Business Activity Index in January 2022, with London the highest at 57.3 down to the North East the lowest at 48.4.
- The West Midlands Future Activity Index increased from 79.8 in December 2021 to 80.3 in January 2022, with firms strongly optimistic that output would increase over the next twelve months. The overall level of confidence for West Midlands firms was now at its highest since May 2021 and much stronger than the long-run series average. The high level of confidence was mainly linked to the easing of Covid-19 restrictions and the reduction in the self-isolation period that should support demand and business activity, along with marketing efforts, new product launches and expansion into new markets also cited.
- Out of the twelve UK regions, the West Midlands was third highest for the Future Business Activity Index in January 2022, with London the highest at 81.7 and Northern Ireland the lowest at 62.3.

In Detail:

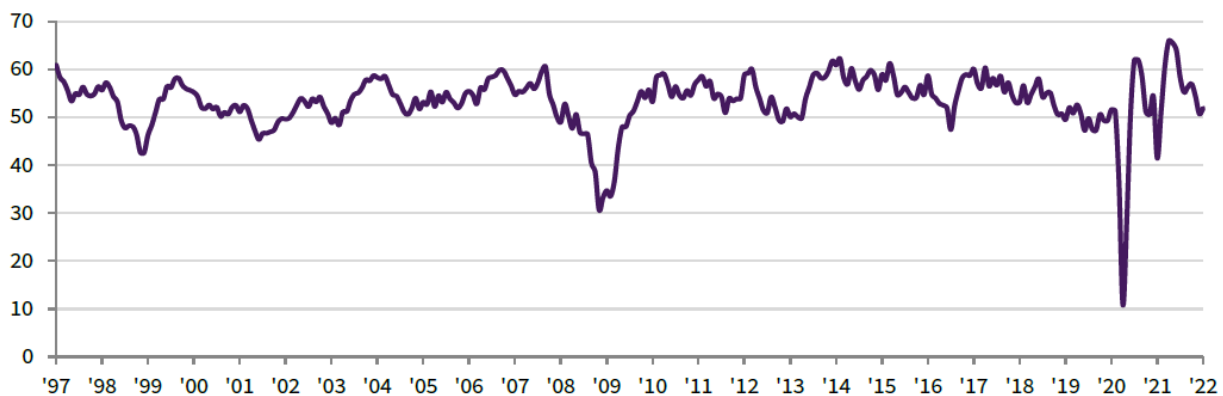
Business Activity Index

The West Midlands Business Activity Index increased from 50.7 in December 2021 to 51.9 in January 2022, this shows a quicker rate of growth but was moderate and slower than those recorded in 2021. West Midlands firms reported the increase was due to new client wins, a recovery from the recent wave of Covid-19 and improved demand conditions.

The following graph show the West Midlands Business Activity Index trends up to January 2022:

West Midlands Business Activity Index

sa, >50 = growth since previous month

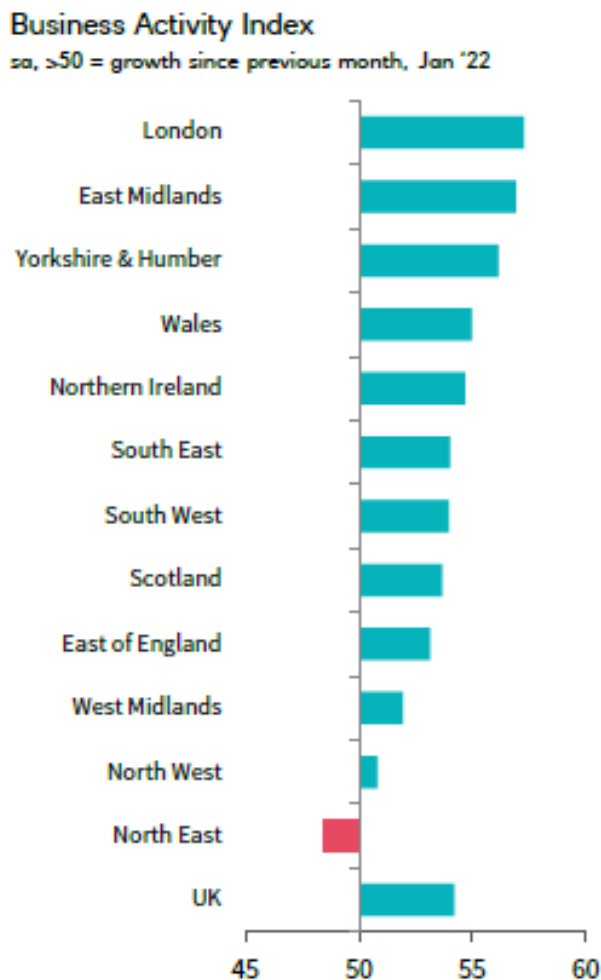


Source: IHS Market/NatWest, February 2022

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

Out of the twelve UK regions, the West Midlands region was third lowest for the Business Activity Index in January 2022, with London the highest at 57.3 down to the North East the lowest at 48.4.

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



Source: IHS Market/NatWest, February 2022

Demand

The West Midlands New Business Index increased from 50.0 in December 2021 to 52.4 in January 2022. Following a stagnant end of new order at the end of 2021, there was a renewed increase in new business at the start of 2022. West Midlands firms reported the upturn in new orders due to the reduced impact of rising Covid-19 cases on demand and clients bringing purchases forward to avoid price hikes. Although, some firms reported that Covid-19 was continuing to impact sales and the rate of expansion was slower than in 2021.

Exports²

The West Midlands Export Climate Index decreased from 54.4 in December 2021 to 52.3 in January 2022. The export conditions have remained above the 50-growth mark meaning there was still moderate expansion but was the slowest seen in a year. For West Midlands firms' growth remained strong in Ireland (56.5) and a renewed increase to Germany (53.8), with growth easing to China (50.1), France (52.7) and the USA (51.1).

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.

Business Capacity

The West Midlands Employment Index increased from 55.0 in December 2021 to 56.2 in January 2022. This was the eleventh month of expansion recorded which was also the strongest since October 2021 and above the long-run average. Where West Midlands firms reported higher staffing levels, this was linked to improved demand conditions and efforts to narrow resource shortages.

The West Midlands Outstanding Business Index increased from 50.3 in December 2021 to 50.8 in January 2022. Where West Midlands firms reported backlog accumulation this was linked to staff and raw material shortages. Notably, excluding North East where there was a contraction, the growth in unfinished work in the West Midlands was the slowest of the 11 regions that saw growth.

Prices

The West Midlands Input Prices Index increased from 82.1 in December 2021 to 83.4 in January 2022. After a small dip in December 2021, West Midlands firms reported an increase in overall cost burdens at the start of 2022, examples include higher food, fuel, raw material staff, transportation and utility costs. The rate of inflation quickened in January and was slowest second on record (records began in January 1997 and rates were only higher in November 2021).

The West Midlands Prices Charged Index increased from 65.9 in December 2021 to 67.0 in January 2022. For the fifth consecutive month prices charged by West Midlands firms increased at record pace (since records began in November 1999). Approximately 43% of West Midlands firms hiked fees with only 1% of firms reducing them as early indications show that ongoing increases in operating expenses are being transferred to consumers.

Outlook

The West Midlands Future Activity Index increased from 79.8 in December 2021 to 80.3 in January 2022, with firms strongly optimistic that output would increase over the next twelve months. The overall level of confidence for West Midlands firms was now at its highest since May 2021 and much stronger than the long-run series average. The high level of confidence was mainly linked to the easing of Covid-19 restrictions and the reduction in the self-isolation period that should support demand and business activity, along with marketing efforts, new product launches and expansion into new markets also cited.

Out of the twelve UK regions, the West Midlands was third highest for the Future Business Activity Index in January 2022, with London the highest at 81.7 and Northern Ireland the lowest at 62.3.

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

Future Activity Index

>50 = growth expected over next 12 months, Jan '22



Source: IHS Market/NatWest, February 2022