

## NatWest Purchasing Manager Index (PMI) Survey: West Midlands Region Released March 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 51.9 in January 2022 to 58.4 in February 2022, this was the fastest rate of growth in eight months. This increase was associated with a strong improvement of demand conditions amid the end of restrictions.
- The overall UK Business Activity Index increased from 54.2 in January 2022 to 59.9 in February 2022.
- Out of the twelve UK regions, the West Midlands region was fifth lowest for the Business Activity Index in February 2022, with Yorkshire & Humber the highest at 63.1 down to the North East the lowest at 51.9.
- The West Midlands Future Activity Index decreased from 80.3 in January 2022 to 76.7 in February 2022. Despite the overall level of positive sentiment falling to a three-month low, firms in the West Midlands remained upbeat towards growth prospects with a favourable demand environment expected to be sustained along with forecast of new client wins and a recovery in the automotive sector and productivity gains.
- Out of the twelve UK regions, the West Midlands was the fourth highest for the Future Business Activity Index in February 2022, with London the highest at 81.0 and the North East the lowest at 62.6.

### In Detail:

#### Business Activity Index

The West Midlands Business Activity Index increased from 51.9 in January 2022 to 58.4 in February 2022, this shows the fastest rate of growth in eight months. This increase was associated with a strong improvement of demand conditions amid the end of restrictions.

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

#### West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, March 2022

<sup>1</sup> Source: IHS Markit/NatWest West Midlands PMI, March 2022

Out of the twelve UK regions, the West Midlands region was fifth lowest for the Business Activity Index in February 2022, with Yorkshire & Humber the highest at 63.1 down to the North East the lowest at 51.9.

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

### Business Activity Index

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



Source: IHS Market/NatWest, March 2022

### Demand

The West Midlands New Business Index increased from 52.4 in January 2022 to 58.7 in February 2022. The growth was sharp and the strongest since August 2021. Firms reported that the expansion was due to improved client confidence, the relaxation of Covid-19 restrictions and favourable demand conditions. Although, the latest increase in local business was weaker than seen on average across the UK.

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

The West Midlands Export Climate Index increased from 52.3 in January 2022 to 54.6 in February 2022, this was the strongest improvement in export conditions since November 2021 and also the rate of growth outpaced its long-run average. Output expanded at quicker rates in four of the top five export markets, the exception being China (50.1) where growth was fractional and stable. Growth was led by Ireland (59.1), followed by the USA (55.9), Germany (55.6) and France (55.5).

<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.

## **Business Capacity**

The West Midlands Employment Index increased slightly from 56.2 in January 2022 to 56.3 in February 2022. Amongst reports of resilient demand conditions and efforts to clear backlogs, firms in the West Midlands continued to hire extra staff in February. This causing a sharp rise of job creation well above the trend, and the strongest since October 2021.

The West Midlands Outstanding Business Index increased from 50.8 in January 2022 to 51.7 in February 2022. Following monthly trends throughout the past year, business volumes rose remarkably in February. Though moderate, the rate of accumulation quickened to a three-month high and was historically elevated. Firms indicated that staff shortages, delivery delays, raw material scarcity, supply-chain issues and strong sales all led to higher backlogs. The increase was the slowest of the 11 regions that registered accumulation as the North East was the only area to post a reduction in outstanding work.

## **Prices**

The West Midlands Input Prices Index increased from 83.4 in January 2022 to 83.6 in February 2022. West Midlands firms continued to report higher operating expenses in February, with the overall rate of inflation accelerating to the second highest since data collection started in January 1997. As firms reported higher commodity, energy, freight, fuel, raw material, and staff costs.

The West Midlands Prices Charged Index increased from 67.0 in January 2022 to 68.5 in February 2022. For the sixth month in a row, the rate of output price inflation in the West Midlands reached a series record during February (since November 1999). Monitored firms that had hiked their fees reported that partial pass-through of rising cost burdens to consumers and demand strength.

## **Outlook**

The West Midlands Future Activity Index decreased from 80.3 in January 2022 to 76.7 in February 2022. Despite the overall level of positive sentiment falling to a three-month low, firms in the West Midlands remained upbeat towards growth prospects with a favourable demand environment expected to be sustained along with forecast of new client wins and a recovery in the automotive sector and productivity gains and also some reporting plans to lift investment and offer new products and services.

Out of the twelve UK regions, the West Midlands was the fourth highest for the Future Business Activity Index in February 2022, with London the highest at 81.0 and the North East the lowest at 62.6.



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

### Future Activity Index

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



Source: IHS Market/NatWest, March 2022