



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

In Summary:

- The West Midlands Business Activity Index decreased from 59.1 in March 2022 to 54.5 in April 2022. Where output rose, firms reported new contract wins, expanded capacities and the catching up of projects that had been delayed due to Covid-19. The upturn was restricted by subdued demand conditions, amid acute inflationary pressures and concerns around the cost of living.
- Out of the 12 UK regions, the West Midlands was the second lowest for Business Activity in April 2022.
- The UK Business Activity Index decreased from 60.9 in March 2022 to 58.2 in April 2022.
- The West Midlands Future Business Activity Index decreased from 75.2 in March 2022 to 71.8 in April 2022. Despite the overall level of positive sentiment falling to a 17-month low, some firms remained upbeat due to new product launches, marketing efforts and expansion plans to support output over the course of the coming year. Optimism was restricted due to concerns over inflationary pressures and energy price volatility that would curb demand and business activity.
- Out of the 12 UK regions, the West Midlands was joint third highest (with Wales) for Future Business Activity in April 2022.

In Detail:

Business Activity Index

The West Midlands Business Activity Index decreased from 59.1 in March 2022 to 54.5 in April 2022, this was the slowest rate of growth in three months. Where output rose, firms reported new contract wins, expanded capacities and the catching up of projects that had been delayed due to Covid-19. The upturn was restricted by subdued demand conditions, amid acute inflationary pressures and concerns around the cost of living.

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

West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest, May 2022

Out of the 12 UK regions, the West Midlands was the second lowest for Business Activity in April 2022. London was the highest with 61.3 and the North East was the lowest at 48.3.

¹ Source: NatWest West Midlands PMI, May 2022. The 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.

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



Source: NatWest, May 2022

Demand

The West Midlands New Business Index decreased from 55.4 in March 2022 to 50.2 in April 2022, slipping to its lowest mark in four months and was close to the 50.0 no-change mark. The latest reading signals stagnant levels of new work intakes for the West Midlands. Anecdotal evidence pointed to subdued demand conditions amid acute price pressures and concerns surrounding the cost of living.

Exports

The West Midlands Export Climate Index decreased from 53.9 in March 2022 to 53.4 in April 2022, indicating the slowest rate of growth since January. Slower increases in output were recorded in three of the five top export markets for West Midlands, namely Germany (54.3), Ireland (59.6) and the US (56.0). France (57.6) recorded a faster expansion, whereas the downturn in China (37.2) intensified.

The following tables shows the top export markets for the West Midlands in April 2022:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Apr '22
1	USA	21.2%	56.0
2	Germany	11.1%	54.3
3	China	8.7%	37.2
4	Ireland	6.2%	59.6
5	France	6.1%	57.6

Source: NatWest, May 2022

Business Capacity

The West Midlands Employment Index increased from 53.9 in March 2022 to 55.1 in April 2022. Following a substantial slowdown in growth during March 2022, April 2022 shows a marked and accelerated rate of expansion in jobs. Those companies that took on additional workers indicated that retirees and voluntary leavers had been replaced.

The West Midlands Outstanding Business Index decreased 50.8 in March 2022 to 50.2 in April 2022. Capacity pressures for West Midlands firms eased further in April 2022, with the overall rate of accumulation in backlogs fractional and the weakest in the current 14-month sequence of expansion. Where growth was reported, firms mentioned input delivery delays, staff absence and difficulties sourcing some materials. Equally, firms that noted a reduction cited subdued demand conditions and job creation.

Prices

The West Midlands Input Prices Index increased from 83.8 in March 2022 to 85.0 in April 2022. The rate of input cost inflation across the West Midlands increased for the fourth successive month. The latest rate of inflation accelerated to the second highest since data collection started in January 1997. Firms indicated that price pressures stemmed from rising energy, food, fuel and staff costs. Increases were partly attributed to global shortages of materials and the invasion of Ukraine.

The West Midlands Prices Charged Index increased from 70.7 in March 2022 to 71.2 in April 2022. The overall rate of charge inflation was sharp and the highest since the series started in November 1999. Nearly 47% of firms reported a rise, with the remaining firms signalling no change since March 2022.

Outlook

The West Midlands Future Business Activity Index decreased from 75.2 in March 2022 to 71.8 in April 2022. Despite the overall level of positive sentiment falling to a 17- month low, some firms remained upbeat due to new product launches, marketing efforts and expansion plans to support output over the course of the coming year. Optimism was restricted due to concerns over inflationary pressures and energy price volatility that would curb demand and business activity.

Out of the 12 UK regions, the West Midlands was joint third highest (with Wales) for Future Business Activity in April 2022. South East was the highest with 76.2 and the Northern Ireland was the lowest at 53.3.

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



Source: NatWest, May 2022