

NatWest Purchasing Manager Index (PMI) Survey¹, Released November 2021: Midlands Regions

In Summary:

- The West Midlands Business Activity Index increased from 56.3 in September 2021 to 56.9 in October 2021, the strongest increase in three months. Firms reported that capacity expansion efforts, strengthening demand and rising customer numbers helped boost business activity in October.
- The East Midlands Business Activity Index increased from 52.4 in September 2021 to 52.6 in October 2021. This shows a modest expansion in business activity with upturn in output linked to greater new order inflows and stronger demand.
- The overall UK Business Activity Index increased from 54.9 in September 2021 to 57.8 in October 2021.
- The West Midlands Future Activity Index decreased from 76.8 in September 2021 to 76.1 in October 2021. Although the level of positive sentiment decreased from September, firms remained strongly confident that business activity would expand over the next twelve months as the pandemic recedes.
- The East Midlands Future Activity Index decreased from 77.4 in September 2021 to 73.5 in October 2021. East Midlands firms signalled a robust degree of optimism during October, although it has dipped to a nine-month low due to concerns surrounding supply chains and material shortages. Firms were still optimistic for the upcoming year due to hopes of a pick-up in client demand and an end to the COVID-19 uncertainty.

In Detail:

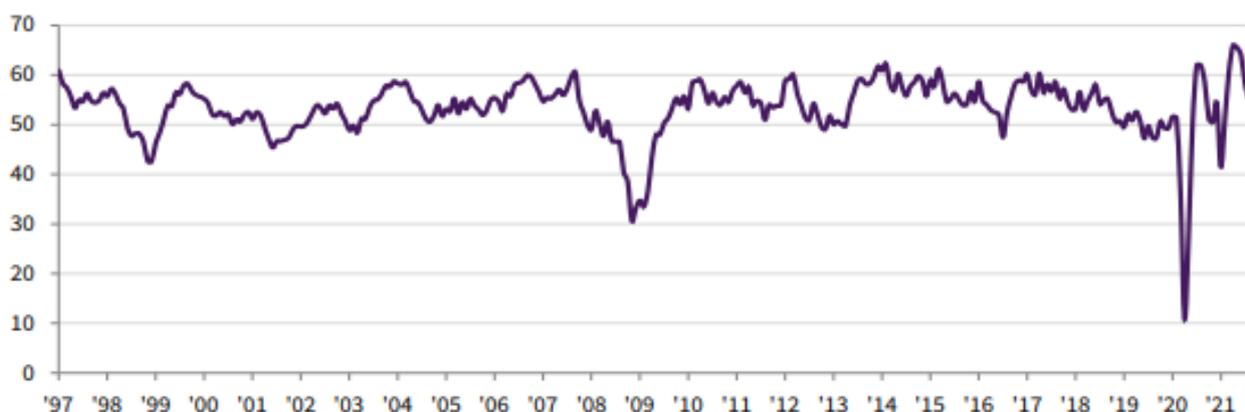
Business Activity Index

- The West Midlands Business Activity Index increased from 56.3 in September 2021 to 56.9 in October 2021, the strongest increase in three months. Firms reported that capacity expansion efforts, strengthening demand and rising customer numbers helped boost business activity in October.
- The East Midlands Business Activity Index increased from 52.4 in September 2021 to 52.6 in October 2021. This shows a modest expansion in business activity with upturn in output linked to greater new order inflows and stronger demand.

The following graphs show the West Midlands and East Midlands Business Activity Index trends up to October 2021:

West Midlands Business Activity Index

sa, >50 = growth since previous month



¹ Source: IHS Markit/NatWest PMI, November 2021. Please note, 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.

East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, November 2021

- Of the 12 UK regions, the West Midlands region was sixth highest and the East Midlands was third lowest out of the twelve regions for the Business Activity Index. Wales was highest at 61.5 and the North East was the lowest at 51.2 in October 2021.

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

Business Activity Index

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



Source: IHS Market/NatWest, November 2021

Demand

- The West Midlands New Business Index increased from 57.3 in September 2021 to 57.6 in October 2021 as firms reported for the eighth consecutive month a rise in new work intakes. The growth was sharp and quickened from September, although this was the second-slowest growth rate seen in the eight-month period.
- The East Midlands New Business Index increased from 51.7 in September 2021 to 54.1 in October 2021. The rate of new business growth was the fastest seen in three months and was sharper than the series

trend. Although, compared to the other twelve regions, this was the second-slowest upturn, only ahead of the North East.

Exports²

- The West Midlands Export Climate Index increased from 54.9 in September 2021 to 55.1 in October 2021. The export conditions have remained above the 50-growth mark for sixteen months and since September the growth rate was above the long-run series average. Among the top five export markets for the West Midlands, the growth was led from Ireland and USA.
- The East Midlands Export Climate Index remained at 55.1 in October 2021; this still signals a strong improvement in export conditions. There were strong expansions in output to the USA and Singapore but output slowed to Hong Kong.

The following tables shows the top export markets for the West Midlands and East Midlands in October 2021:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Oct '21
1	USA	21.2%	57.6
2	Germany	11.1%	52.0
3	China	8.7%	51.5
4	Ireland	6.2%	62.5
5	France	6.1%	54.7

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Oct '21
1	USA	12.8%	57.6
2	Germany	10.7%	52.0
3	Hong Kong	7.9%	50.6
4	Singapore	7.4%	56.8
5	France	7.1%	54.7

Source: IHS Market/NatWest, November 2021

Business Capacity

- The West Midlands Employment Index increased from 56.3 in September 2021 to 58.1 in October 2021. The rate of increase was sharp and quickened from September's five-month low as firms reported the upturn in employment was due to robust rises in new work intakes and a need to expand capacities.
- The East Midlands Employment Index increased from 53.1 in September 2021 to 55.4 in October 2021. The rate of job creation was the fastest for four months due to faster new order growth and greater business requirements.
- The West Midlands Outstanding Business Index increased from 55.6 in September 2021 to 56.6 in October 2021. Firms reported staff and material shortages contributing to the latest upturn in outstanding businesses as the growth seen was one of the strongest seen in the series history and also the second fastest regionally.
- The East Midlands Outstanding Business Index increased from 55.4 in September 2021 to 56.0 in October 2021. This was the fastest rate of growth in backlogs of work since records began. The pace of increase was quicker than that seen across the UK as a whole. Firms reported that backlogs of work were driven by sales growth and severe supply chain disruption which exacerbated pressure on capacity further.

Prices

- The West Midlands Input Prices Index increased from 78.0 in September 2021 to 81.0 in October 2021. The overall rate of input price inflation was the third strongest seen in the series history (January 1997) as firms reported that raw material scarcity, labour shortages, transportation difficulties and the supply-chain crisis had drove the rise in expenses.

² The Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the region. This produces an indicator for the economic health of the region's export markets.

- The East Midlands Input Prices Index increased from 77.6 in September 2021 to 82.4 in October 2021; the rate of input price inflation was fastest increase on record. The increase in costs was linked to severe raw material shortages, higher transportation surcharges and increased wage bills.
- The West Midlands Prices Charged Index increased from 64.7 in September 2021 to 65.1 in October 2021. For the second consecutive month, the rise in output charges was the fastest seen in the history of the series (November 1999). One-third of firms reported higher output charges with only 1% reporting a reduction, meaning firms shared the additional cost burdens with clients.
- The East Midlands Prices Charged Index increased from 64.8 in September 2021 to 66.3 in October 2021. The rate of charge inflation was the fastest increase since records began. The increase in selling prices was attributed to the pass-through of higher costs to clients, where possible.

Outlook

- The West Midlands Future Activity Index decreased from 76.8 in September 2021 to 76.1 in October 2021. Although the level of positive sentiment decreased from September, firms remained strongly confident that business activity would expand over the next twelve months. Firms reported that the demand is expected to strengthen as the pandemic recedes along with securing new clients and intentions to innovate.
- The East Midlands Future Activity Index decreased from 77.4 in September 2021 to 73.5 in October 2021. East Midlands firms signalled a robust degree of optimism during October, although it has dipped to a nine-month low due to concerns surrounding supply chains and material shortages. Firms were still optimistic for the upcoming year due to hopes of a pick-up in client demand and an end to the COVID-19 uncertainty.
- Out of the twelve UK regions, the West Midlands was the fourth highest and the East Midlands was fifth highest for the Future Business Activity Index. Yorkshire and the Humber was the highest at 81.6 and Northern Ireland the lowest at 54.3 in October 2021.

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

Future Activity Index

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



Source: IHS Market/NatWest, November 2021