

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released September 2021: Midlands Regions

### In Summary:

- The West Midlands Business Activity Index increased from 55.2 in August 2021 to 56.3 in September 2021. Firms indicated that a further recovery in demand and expanded capacities supported the rise in output.
- The East Midlands Business Activity Index increased from 52.1 in August 2021 to 52.4 in September 2021. The expansion was due to sustained rise in client demand; however, growth was hindered by labour and material shortages.
- The overall UK Business Activity Index increased from 54.8 in August 2021 to 54.9 in September 2021.
- The West Midlands Future Activity Index decreased from 77.2 in August 2021 to 76.8 in September 2021. West Midlands firms continued to forecast output growth for the next 12 months. Business confidence stemmed on hopes that the pandemic will be contained and further easing on travel restrictions. Optimism was also reported from firms due to new business enquires and product diversification.
- The East Midlands Future Activity Index decreased from 80.0 in August 2021 to 77.4 in September 2021. East Midlands firms signalled a robust degree of optimism during September, although it was slightly weaker than the previous month. Business confidence was largely attributed to hopes of an increase in client demand and further moves towards recovery from the COVID-19 pandemic.

### In Detail:

#### Business Activity Index

- The West Midlands Business Activity Index increased from 55.2 in August 2021 to 56.3 in September 2021. Firms indicated that a further recovery in demand and expanded capacities supported the rise in output.
- The East Midlands Business Activity Index increased from 52.1 in August 2021 to 52.4 in September 2021. The expansion was due to sustained rise in client demand; however, growth was hindered by labour and material shortages.

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

#### West Midlands Business Activity Index

sa, >50 = growth since previous month



<sup>1</sup> Source: IHS Markit/NatWest PMI, October 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, October 2021

- Of the 12 UK regions, the West Midlands region was second highest and the East Midlands was second lowest out of the twelve regions for the Business Activity Index. Wales was highest at 57.1 and the North East was the lowest at 51.0 in September 2021.

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

### Business Activity Index

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



Source: IHS Market/NatWest, October 2021

### Demand

- The West Midlands New Business Index decreased from 59.8 in August 2021 to 57.3 in September 2021. The overall rate of growth was the slowest in the seven-month sequence of expansion. Although firms reported a further rise in new work intakes and improved demand conditions.
- The East Midlands New Business Index decreased from 52.9 in August 2021 to 51.7 in September 2021. The rate of new business growth was the slowest seen in the last seven months; however, firms reported an expansion in new orders due to stronger client demand.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index decreased from 55.4 in August 2021 to 54.9 in September 2021. The slowdown in growth was linked to weaker rises in output among some of the region's top export markets. Softer increases were noted in France (55.3), Germany (55.5), Ireland (61.5) and the USA (55.0), but in all cases the rates of expansion remained strong.
- The East Midlands Export Climate Index decreased from 55.9 in August 2021 to 55.1 in September 2021; this still signals a strong improvement in export conditions. The softer improvement in export conditions was largely driven by slower output expansions in key export markets including Germany (55.5), France (55.3), Hong Kong (51.8) and the USA (55.0).

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

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Sep'21
1	USA	21.2%	55.0
2	Germany	11.1%	55.5
3	China	8.7%	51.4
4	Ireland	6.2%	61.5
5	France	6.1%	55.3

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Sep '21
1	USA	12.8%	55.0
2	Germany	10.7%	55.5
3	Hong Kong	7.9%	51.8
4	Singapore	7.4%	56.3
5	France	7.1%	55.3

Source: IHS Market/NatWest, October 2021

## Business Capacity

- The Employment Index decreased from 58.2 in August 2021 to 56.3 in September 2021 as West Midlands firms had a slowdown in hiring during September. Job creation was associated with improved demand, the replacement of leavers and capacity expansions. Growth was reportedly dampened by shortages of candidates, retirements and resignations.
- The East Midlands Employment Index decreased from 54.5 in August 2021 to 53.1 in September 2021. Although companies registered for the eighth month in a row a rise in employment, the rate of job creation was the slowest in five months due to labour shortages.
- The West Midlands Outstanding Business Index decreased from 58.1 in August 2021 to 55.6 in September 2021, although West Midlands firms reported additional strain on capacity as business volumes increased for the seventh consecutive month. The increase was linked to supply chain bottlenecks, staff shortages and a lack of raw material availability.
- The East Midlands Outstanding Business Index decreased from 55.7 in August 2021 to 55.4 in September 2021. This was the second fastest rate of growth in backlogs of work since records began (November 1999). Firms reported that staff and material shortages exacerbated pressure on capacity.

## Prices

- The West Midlands Input Prices Index decreased from 78.3 in August 2021 to 78.0 in September 2021. The overall rate of input price inflation was steep and one of the strongest seen in the series history (January 1997). Firms reported that fuel, transportation, staff and material costs all increased.
- The East Midlands Input Prices Index increased from 77.2 in August 2021 to 77.6 in September 2021; the rate of input price inflation was second-fastest increase on record. The increase in costs was linked to greater labour and material prices, with transportation, metal and plastics costs mentioned in particular.

<sup>2</sup> 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 West Midlands Prices Charged Index increased from 62.2 in August 2021 to 64.7 in September 2021. The latest rise in output charges was sharp, and the fastest in the history of the series (November 1999) as West Midlands firms tried to protect margins.
- The East Midlands Prices Charged Index increased from 62.0 in August 2021 to 64.8 in September 2021. The increase in selling prices was attributed to the pass-through of higher costs to clients, where possible. The rate of charge inflation was the second-fastest increase since August 2008.

**Outlook**

- The West Midlands Future Activity Index decreased from 77.2 in August 2021 to 76.8 in September 2021. West Midlands firms continued to forecast output growth for the next 12 months. Business confidence stemmed on hopes that the pandemic will be contained and further easing on travel restrictions. Optimism was also reported from firms due to new business enquires and product diversification.
- The East Midlands Future Activity Index decreased from 80.0 in August 2021 to 77.4 in September 2021. East Midlands firms signalled a robust degree of optimism during September, although it was slightly weaker than the previous month. Business confidence was largely attributed to hopes of an increase in client demand and further moves towards recovery from the COVID-19 pandemic.
- Out of the twelve UK regions, the East Midlands was the fourth highest and the West Midlands was fifth highest for the Future Business Activity Index. South East the highest at 80.4 and Northern Ireland the lowest at 59.0 in September 2021.

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

**Future Activity Index**

>50 = growth expected over next 12 months Sep '21



Source: IHS Market/NatWest, October 2021