

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

### In Summary:

- The West Midlands Business Activity Index decreased from 56.9 in October 2021 to 54.3 in November 2021. Despite the fall, the index remains above the 50-growth mark meaning this was the tenth successive month for increase in output. Although the upturn was the slowest increase since February. West Midlands firms reported that favourable demand conditions and purchases being brought forward by clients suggests price hikes in the next few months which in turn underpinned the rise in output in November 2021.
- The East Midlands Business Activity Index increased from 52.6 in October 2021 to 56.4 in November 2021. This shows a sharp expansion in business activity and was also the fastest increase seen for four months. Firms in the East Midlands reported that the greater output was linked to stronger demand conditions (which are still recovering from the pandemic).
- The overall UK Business Activity Index decreased from 57.8 in October 2021 to 57.6 in November 2021.
- The West Midlands Future Activity Index decreased from 76.1 in October 2021 to 75.4 in November 2021. Although the level of positive sentiment decreased from October (and to a four-month low), firms remained strongly confident that business activity would expand over the next twelve months. Firms reported hopes that the pandemic would regress which in turn will boost international travel and demand along with some firms hoping that new product launches and marketing efforts will support growth.
- The East Midlands Future Activity Index decreased from 73.5 in October 2021 to 71.1 in November 2021. East Midlands firms' optimism fell to a ten-month low. Although, there is still a strong degree of confidence in output for the next 12 months due to sustained increase in client demand and an end to lockdown restrictions.

### In Detail:

#### Business Activity Index

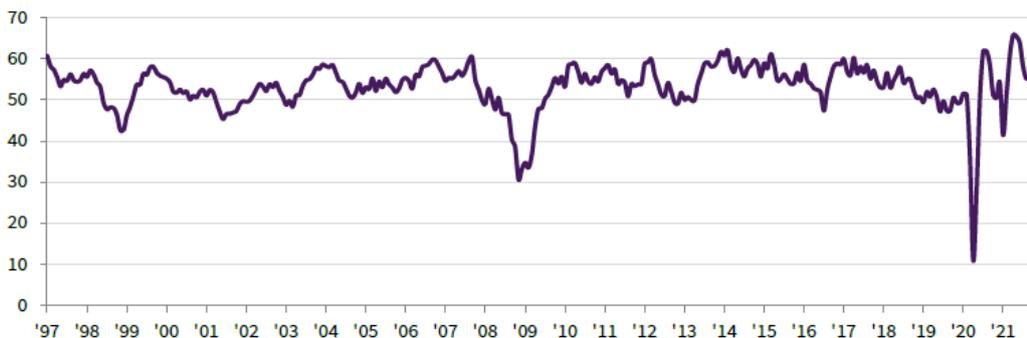
- The West Midlands Business Activity Index decreased from 56.9 in October 2021 to 54.3 in November 2021. Despite the fall, the index remains above the 50-growth mark meaning this was the tenth successive month for increase in output. Although the upturn was the slowest increase since February. West Midlands firms reported that favourable demand conditions and purchases being brought forward by clients suggests price hikes in the next few months which in turn underpinned the rise in output in November 2021.
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<sup>1</sup> Source: IHS Markit/NatWest PMI, December 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.

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

West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, December 2021

- Of the 12 UK regions, the West Midlands region was the third lowest and the East Midlands was fifth highest for the Business Activity Index. London was highest at 64.1 and the North East was the lowest at 49.6 in November 2021.

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

### Business Activity Index

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



### Demand

- The West Midlands New Business Index decreased from 57.6 in October 2021 to 54.3 in November 2021 as firms continued to report higher sales in November, the increase slowed to the weakest in the current nine-month sequence of expansion. For the first time in twelve months the West Midlands demand was behind the national average.
- The East Midlands New Business Index increased from 54.1 in October 2021 to 57.0 in November 2021. The rate of new business growth was quickened for the second month in a row and was the fastest seen since June. Firms reported the increase in new business was due to stronger client demand.

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

- The West Midlands Export Climate Index remained at 55.1 in November 2021. The export conditions have remained above the 50-growth mark for seventeenth months. Among the top five export markets for the West Midlands, the growth was led from Ireland, USA and France.
- The East Midlands Export Climate Index increased from 55.1 in October 2021 to 55.7 in November 2021. this still signals a strong improvement in export conditions. There were strong expansions in output in four of the export markets. Firms in the USA reported a slightly softer increase in activity, although it was still sharp nonetheless.

<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 following tables shows the top export markets for the West Midlands and East Midlands in November 2021:

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Nov '21
1	USA	21.2%	57.2
2	Germany	11.1%	52.2
3	China	8.7%	51.2
4	Ireland	6.2%	59.3
5	France	6.1%	56.1

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Nov '21
1	USA	12.8%	57.2
2	Germany	10.7%	52.2
3	Hong Kong	7.9%	54.0
4	Singapore	7.4%	57.2
5	France	7.1%	56.1

Source: IHS Market/NatWest, December 2021

### Business Capacity

- The West Midlands Employment Index decreased from 58.1 in October 2021 to 55.9 in November 2021. The index remains above the 50-growth mark meaning that employment continued to increase in November due to sustained increases in sales. Although, the increase was the weakest since April as there were difficulties finding replacement voluntary leavers.
- The East Midlands Employment Index increased from 55.4 in October 2021 to 56.2 in November 2021. The rate of job creation was the fastest since June due to the replacement of voluntary leavers, greater new order inflows and efforts to clear backlogs.
- The West Midlands Outstanding Business Index decreased from 56.6 in October 2021 to 54.8 in November 2021. The index remains above the 50-growth mark meaning that outstanding business volumes continued to increase in November, although, the increase was the slowest since July. The latest upturn in unfinished business was due to labour shortages, rising sales and delivery delays.
- The East Midlands Outstanding Business Index increased from 56.0 in October 2021 to 56.9 in November 2021. This was the fastest rate of growth in backlogs of work since records began. Out of the 12 regions, the pace of increase was only slower than Wales.

### Prices

- The West Midlands Input Prices Index increased from 81.0 in October 2021 to 87.8 in November 2021. Amid reports of higher fuel, labour, material and transport costs, West Midlands firms reported a further increase in expenses. For the majority of cases, price hikes are linked to shortages. The rate of inflation for the West Midlands was steep and climbed to a series record (January 1997). Across all 12 regions, the Midlands came in fourth for input prices (behind Northern Ireland, Wales and the East Midlands).
- The East Midlands Input Prices Index increased from 82.4 in October 2021 to 88.7 in November 2021. The rate of input price inflation was the fastest increase on record (January 1997) and was among the steepest of the 12 regions (behind Wales and Northern Ireland). The increase in costs was linked to steep increases in supplier, fuel and wages costs and many firms reporting severe material shortages.
- The West Midlands Prices Charged Index increased from 65.1 in October 2021 to 65.4 in November 2021. For the third consecutive month, the rise in output charges was the fastest seen in the history of the series (November 1999) as additional cost burdens continued to be transferred through to customers.
- The East Midlands Prices Charged Index decreased from 66.3 in October 2021 to 66.2 in November 2021. The rate of charge inflation was still the second fastest increase since records began. The increase in selling prices was attributed to the pass-through of higher costs to clients.

### Outlook

- The West Midlands Future Activity Index decreased from 76.1 in October 2021 to 75.4 in November 2021. Although the level of positive sentiment decreased from October (and to a four-month low), firms

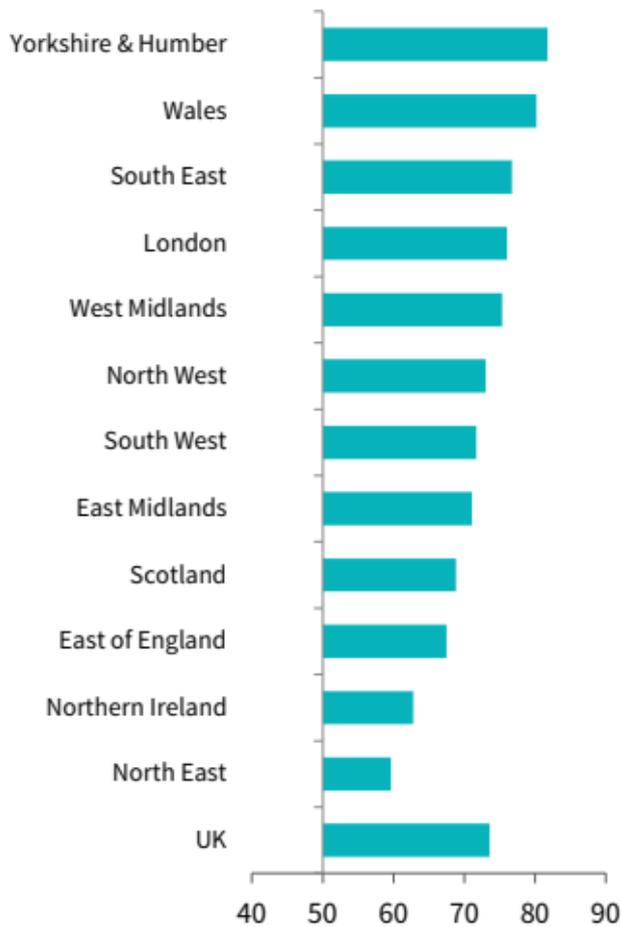
remained strongly confident that business activity would expand over the next twelve months. Firms reported hopes that the pandemic would regress which in turn will boost international travel and demand along with some firms hoping that new product launches and marketing efforts will support growth.

- The East Midlands Future Activity Index decreased from 73.5 in October 2021 to 71.1 in November 2021. East Midlands firms’ optimism fell to a ten-month low. Although, there is still a strong degree of confidence in output for the next 12 months due to sustained increase in client demand and an end to lockdown restrictions.
- Out of the twelve UK regions, the West Midlands was the fifth highest and the East Midlands was fifth lowest for the Future Business Activity Index. Yorkshire and the Humber was the highest at 81.7 and the North East the lowest at 59.6 in November 2021.

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

### Future Activity Index

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



Source: IHS Market/NatWest, December 2021