

## NatWest Purchasing Manager Index (PMI) Survey<sup>1</sup>, Released May 2022: Midlands Regions

### 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.
- The East Midlands Business Activity Index decreased from 60.5 in March 2022 to 58.1 in April 2022. This signals a sharp but softer expansion in output across the East Midlands. Although firms stated that client demand strengthened, higher prices and lower disposable incomes at customers weighed on the upturn. The rate of growth was the slowest for three months.
- The UK Business Activity Index decreased from 60.9 in March 2022 to 58.2 in April 2022.
- Of the 12 UK regions the West Midlands region was the second lowest and the East Midlands was sixth highest for the Business Activity Index in April 2022.
- The West Midlands Future 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.
- The East Midlands Future Activity Index decreased from 69.2 in March 2022 to 67.5 in April 2022. Although the level of optimism has dropped to the lowest levels since January 2021, firms still reported a strong degree of confidence for the next 12 months. The optimistic firms reported hopes of recovery from the Covid-19 pandemic and the release of new products supported optimism.
- Out of the twelve UK regions, the West Midlands was joint third highest (with Wales) and the East Midlands was fifth lowest for the Future Business Activity Index 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. 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 East Midlands Business Activity Index decreased from 60.5 in March 2022 to 58.1 in April 2022. This signals a sharp but softer expansion in output across the East Midlands. Although firms stated that client demand strengthened, higher prices and lower disposable incomes at customers weighed on the upturn. The rate of growth was the slowest for three months.

<sup>1</sup> Source: NatWest PMI, May 2022. 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 April 2022:**

West Midlands Business Activity Index

sa, >50 = growth since previous month



East Midlands Business Activity Index

sa, >50 = growth since previous month



Source: NatWest, May 2022

- Of the 12 UK regions the West Midlands region was the second lowest and the East Midlands was sixth highest for the Business Activity Index. London was the highest, at 61.3 down to the North East, the lowest at 48.3 in April 2022.

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

Business Activity Index

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



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.
- The East Midlands New Business Index decreased from 58.0 in March 2022 to 51.0 in April 2022, the slowest growth in the current 14-month sequence of growth. The pace of increase was also softer than the UK average. Although some firms in the region noted stronger demand conditions, many stated that inflation concerns and lower disposable incomes at customers weighed on the rise in new orders.

## Exports<sup>2</sup>

- 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 2022. Slower increases in output were recorded in three of the five top export markets for West Midlands; Germany (54.3), Ireland (59.6) and the USA (56.0). France (57.6) recorded a faster expansion, whereas the downturn in China (37.2) intensified.
- The East Midlands Export Climate Index increased from 53.0 in March 2022 to 55.1 in April 2022. The improvement in export conditions stemmed from sharp output expansions across key export markets including the US (56.0), Germany (54.3) and France (57.6), with the latter indicating the fastest rise in activity since January 2018.

The following tables shows the top export markets for the West Midlands and East 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

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Apr '22
1	USA	12.8%	56.0
2	Germany	10.7%	54.3
3	Hong Kong	7.9%	51.1
4	Singapore	7.4%	60.0
5	France	7.1%	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 East Midlands Employment Index decreased from 56.9 in March 2022 to 55.5 in April 2022. Firms stated that higher employment was linked to greater new order inflows and efforts to replace voluntary leavers. The rate of job creation softened to the slowest since October 2021.
- 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.

<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 East Midlands Outstanding Business Index decreased from 52.7 in March 2022 to 50.5 in April 2022. The rate of expansion eased to only a marginal pace that was the slowest in the current 14-month sequence of growth. The pace of accumulation was broadly in line with the UK average, which also pointed towards a muted rise in incomplete business.

## 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 East Midlands Input Prices Index decreased from 86.1 in March 2022 to 84.7 in April 2022. Although softening slightly from March 2022, the rate of inflation was among the quickest on record and sharper than the UK average. As well as upticks in wage bills, firms stated that greater fuel and material costs pushed up expenses.
- 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.
- The East Midlands Prices Charged Index increased from 68.5 in March 2022 to 70.2 in April 2022. The rate of selling price inflation accelerated further and was the sharpest on record. Firms often noted that greater charges were due to the passthrough of higher costs to clients. At the sector level, manufacturers registered the faster uptick in output prices.

## Outlook

- The West Midlands Future 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.
- The East Midlands Future Activity Index decreased from 69.2 in March 2022 to 67.5 in April 2022. Although the level of optimism has dropped to the lowest levels since January 2021, firms still reported a strong degree of confidence for the next 12 months. The optimistic firms reported hopes of recovery from the Covid-19 pandemic and the release of new products supported optimism.
- Out of the twelve UK regions, the West Midlands was joint third highest (with Wales) and the East Midlands was fifth lowest for the Future Business Activity Index. The South East was the highest at 76.2 and Northern Ireland the lowest at 53.3 in April 2022.

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

### Future Activity Index

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



Source: NatWest, May 2022