

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

### In Summary:

- The West Midlands Business Activity Index increased from 51.5 in February to 60.7 in March, which is the sharpest rate of expansion in output in seven months and also outperformed the national average. The growth reported was associated to the easing of COVID-19 restrictions, enhanced capacity and new order growth.
- The East Midlands Business Activity Index also increased, from 47.4 in February to 54.0 in March. This rate of output growth was the fastest since September 2020 as lockdown restrictions started to ease.
- The overall UK Business Activity Index increased from 49.6 in February to 56.4 in March.
- Out of the twelve UK regions, the West Midlands region was the second highest and the East Midlands was third lowest for the Business Activity Index.
- Business confidence in the East Midlands in March 2021 was at its highest since September 2015 with the East Midlands Future Activity Index registering at 79.3. Optimism in output for the upcoming year was due to the planned roll-back of COVID-19 restrictions and hopes of a resulting boost to client demand.
- The West Midlands Future Activity Index increased from 76.1 in February to 80.2 in March – reaching the highest level since January 2017. The positive expectations are linked to the COVID-19 vaccination programme alongside a roadmap for the lifting of restrictions. Companies also reported that marketing efforts, product diversification and investments will lead to output growth.

### In Detail:

#### Business Activity Index

- The West Midlands Business Activity Index increased from 51.5 in February to 60.7 in March, which is the sharpest rate of expansion in output in seven months and also outperforms the national average of 56.4. The growth reported was associated with the easing of COVID-19 restrictions, enhanced capacity and new order growth.
- The East Midlands Business Activity Index increased from 47.4 in February to 54.0 in March. This rate of output growth was the fastest since September 2020 as lockdown restrictions started to ease.

The following graphs show the West Midlands and East Midlands Business Activity Index trends:

#### West Midlands Business Activity Index

sa, >50 = growth since previous month



Source: IHS Market/NatWest, April 2021

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



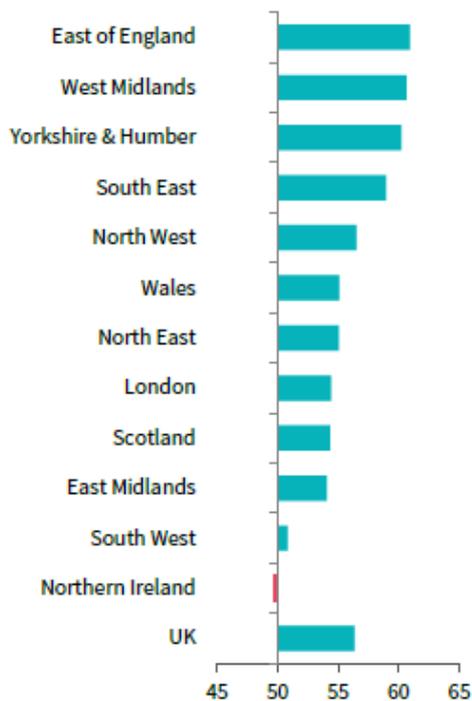
Source: IHS Market/NatWest, April 2021

- Out of the twelve UK regions, the West Midlands region was the second highest and the East Midlands was third lowest for the Business Activity Index, with the East of England the highest at 60.9 and Northern Ireland the lowest at 49.7 in March 2021.

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

### Business Activity Index

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



Source: IHS Market/NatWest, April 2021

### Demand

- The New Business Index increased from 49.7 in February to 60.6 in March. This sharp increase was the fastest seen since August 2020, with renewed growth in new orders due to the easing of COVID-19 restrictions, strengthened demand conditions and improved client confidence.
- The East Midlands New Business Index increased from 45.4 in February to 54.6 in March. The renewed increase in client demand was the fastest since August 2020, reportedly due to a rise in new sales as COVID-19 restrictions ease and the release of pent-up demand as stay-at-home measures came to an end.

## Exports<sup>2</sup>

- The West Midlands Export Climate Index increased from 52.9 in February to 55.8 in March; this shows the most favourable export conditions in over three years. The Export Climate Index increased due to stronger expansions for the top three destinations and growth returning to Ireland. The business activity stabilised in France.
- The East Midlands Export Climate Index demonstrated its strongest improvement since June 2018, increasing from 52.0 in February to 54.7 in March. Growth was linked to marked expansions in USA and Germany. Output continued to increase in Singapore with stabilisation in business activity to France.

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

Top export markets, West Midlands

Rank	Market	Weight	Output Index, Mar'21
1	USA	21.2%	59.7
2	Germany	11.1%	57.3
3	China	8.7%	53.1
4	Ireland	6.2%	54.5
5	France	6.1%	50.0

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Mar '21
1	USA	12.8%	59.7
2	Germany	10.7%	57.3
3	Hong Kong	7.9%	49.8
4	Singapore	7.4%	54.8
5	France	7.1%	50.0

Source: IHS Market/NatWest, April 2021

## Business Capacity

- After thirteen months of the Employment Index below the 50-mark threshold, the West Midlands Employment Index increased from 48.9 in February to 52.9 in March. This rate of expansion was the quickest since May 2019. Where firms had hired additional staff reported greater output needs and efforts to meet demand.
- The East Midlands Employment Index increased slightly, from 50.4 in February to 50.6 in March, with the increase linked to greater new order inflows. Albeit a small increase, the rate of job creation is now the at its highest level since November 2018.
- The West Midlands Outstanding Business Index increased from 48.3 February to 55.5 in March – the rate of expansion was the fastest on record. The accumulation in outstanding business was due to firms reporting that there were delays in delivery of key items needed to complete pending work alongside a surge in new orders and prior reductions to headcounts.
- The East Midlands Outstanding Business Index increased from 46.6 in February to 51.9 in March. The rate of backlog accumulation was the steepest since December 2018. Respondents noted that the rise in work-in-hand was due to a stronger increase in new order inflows. Although some firms in the manufacturing sector stated that supply shortages and delays had constrained production capacity.

## Prices

- The West Midlands Input Prices Index increased from 66.7 in February to 69.9 in March, which is the ninth consecutive month of rises and the fastest increase in input costs for over four years. The increased in cost burdens was due to material shortages, supply bottlenecks, limited freight capacity and higher prices for selected items.
- The East Midlands Input Prices Index increased from 65.9 in February to 70.2 in March – the sharpest rate of inflation since February 2017. The higher input prices were linked to greater raw material, utility and

<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.

fuel costs and additional fees following Brexit. This Input Prices score is the second highest of all English regions.

- The West Midlands Prices Charged Index increased from 54.6 in February to 57.7 in March, reflecting an output price increase sharper than at any other time in over three years.
- For the fourth consecutive month, East Midlands private sector companies increased their output prices and this was also the highest rate of inflation since April 2011. The East Midlands Prices Charged Index increased from 55.1 in February to 58.8 in March.

**Outlook**

- The West Midlands Future Activity Index increased from 76.1 in February to 80.2 in March – reaching the highest level since January 2017 (50 months) and above the national average. The positive expectations are linked to the COVID-19 vaccination programme alongside a roadmap for the lifting of restrictions. Companies also reported that marketing efforts, product diversification and investments will lead to output growth.
- Business confidence in the East Midlands was at the highest since even longer ago - September 2015. The East Midlands Future Activity Index registered at 79.3 in March, driven by the planned roll-back of COVID-19 restrictions and hopes of a resulting boost to client demand.

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

**Future Activity Index**

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



- Out of the twelve UK regions, the West Midlands was the fourth highest and the East Midlands was sixth highest for the Future Business Activity Index, with Yorkshire and The Humber the highest at 86.8 and Northern Ireland the lowest at 57.8 in March 2021.