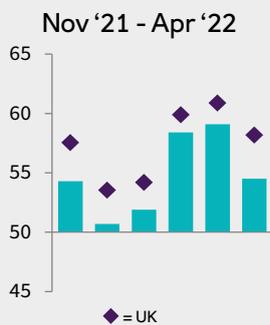


# NatWest West Midlands PMI<sup>®</sup>

## New business growth grinds to a halt as output charge inflation climbs to new peak

### West Midlands Business Activity Index



### Key findings

Output growth slows to three-month low

Sales volumes broadly unchanged from March

Near-record rise in input costs pushes charge inflation to new peak

April data pointed to a softer increase in business activity across the West Midlands as demand was hampered by elevated price pressures, according to the NatWest PMI<sup>®</sup>. Falling from 59.1 in March to 54.5, the headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – indicated the slowest rate of growth in three months. Where output rose, companies mentioned new contract wins, expanded capacities and the catching up of projects that had been delayed due to COVID-19. The upturn was reportedly curbed by subdued demand conditions, amid acute inflationary pressures and concerns around the cost of living.

John Maude, NatWest Midlands & East Regional Board, commented:

*"The cost-of-living crisis and soaring bills started to have a negative impact on the West Midlands private sector economy, as consumers tighten their budgets to be able to afford essentials. Firms signalled broadly stagnant levels of new work intakes and were less optimistic towards the outlook. Regarding sales, only the North East posted a worse performance than the West Midlands out of the 12 UK regions.*

*"With input costs increasing at a near-record pace in April, the latest results showed an unprecedented upturn in selling prices in the West Midlands— a factor that is likely to restrict local sales further in the coming months."*

West Midlands Business Activity Index

sa, >50 = growth since previous month



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## About the West Midlands PMI® report

The NatWest West Midlands PMI® is compiled by S&P Global from responses to questionnaires sent to West Midlands companies that participate in S&P Global's UK manufacturing and services PMI surveys.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The 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 indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index

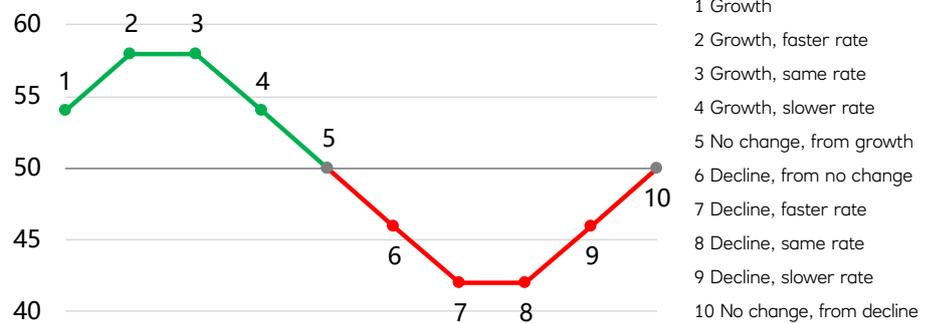
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The West Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'West Midlands PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business growth nearly stalls in April

Companies operating in the West Midlands private sector economy registered a slower increase in sales during April, and one that was only fractional. The respective seasonally adjusted index slipped to its lowest mark in four months and was close to the 50.0 no-change mark. Anecdotal evidence pointed to subdued demand conditions amid acute price pressures and concerns surrounding the cost of living.

The West Midlands recorded the slowest upturn in sales out of the 11 UK regions that posted growth (The North East saw a contraction).

### Business optimism dampened by inflation concerns

Despite remaining positive, the level of sentiment among West Midlands firms fell to a 17-month low in April. Moreover, confidence weakened among both manufacturers and service providers. Some companies expect new product launches, marketing efforts and expansion plans to support output over the course of the coming year. However, others were worried that inflationary pressures and energy price volatility would curb demand and business activity.

## Exports

### Export Climate Index remains in positive territory

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

Posting 53.4 in April, the Export Climate Index still signalled a further improvement in export conditions at West Midlands firms. That said, the latest figure was down from 53.9 in March to indicate the slowest rate of growth since January.

Slower increases in output were recorded in three of the five top export markets for West Midlands, namely Germany, Ireland and the US. France recorded a faster expansion, whereas the downturn in China intensified.

New Business Index

sa, >50 = growth since previous month

50.2

Apr '22



Future Activity Index

>50 = growth expected over next 12 months

71.8

Apr '22



Export Climate Index

sa, >50 = growth since previous month

53.4

Apr '22

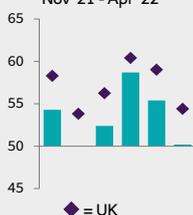


Top export markets, West Midlands

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

New Business Index

Nov '21 - Apr '22



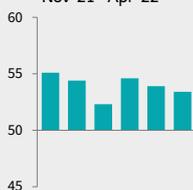
Future Activity Index

Nov '21 - Apr '22



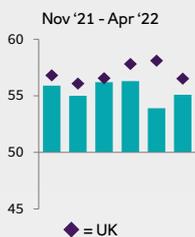
Export Climate Index

Nov '21 - Apr '22



## Business capacity

### Employment Index



### Employment growth rebounds from March's one-year low

April data pointed to a marked and accelerated expansion in private sector jobs in the West Midlands, following a substantial slowdown in growth during March. Those companies that took on additional workers indicated that retirees and voluntary leavers had been replaced.

Yet, local jobs increased at a slower pace than that seen at the UK level, as has been the case in each month since last November.

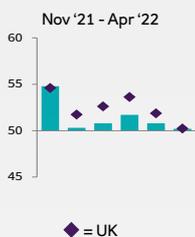
### Employment Index

sa, >50 = growth since previous month

55.1  
Apr '22



### Outstanding Business Index



### Fractional increase in outstanding business

Capacity pressures among West Midlands companies eased in April, as signalled by the seasonally adjusted Outstanding Business Index posting a lower reading than in March. The overall rate of accumulation in backlogs was fractional and the weakest in the current 14-month sequence of expansion. Where growth was reported, panellists mentioned input delivery delays, staff absence and difficulties sourcing some materials. Conversely, firms that noted a reduction cited subdued demand conditions and job creation.

### Outstanding Business Index

sa, >50 = growth since previous month

50.2  
Apr '22



## Prices

Input Prices Index



### Operating expenses rise at near-record rate in April

For the fourth successive month, the rate of input cost inflation across the West Midlands private sector quickened in April. The latest upturn was marked and the second-highest since the series started in January 1997. Monitored companies 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.

Regionally, the West Midlands shared the fourth place with Scotland in the rankings for input cost inflation.

Input Prices Index

sa, >50 = inflation since previous month

85.0  
Apr '22



Prices Charged Index



### Unprecedented increase in local output charges

In line with ongoing increases in input costs, private sector firms in the West Midlands lifted their selling prices further at the start of the second quarter. Moreover, the overall rate of charge inflation was sharp and the highest since the series started in November 1999. Close to 47% of survey participants reported a rise, with the remaining panellists signalling no change since March.

Local companies signalled a stronger increase in selling prices than that seen at the UK level.

Prices Charged Index

sa, >50 = inflation since previous month

71.2  
Apr '22



## UK Sector PMI

### Sector specialisation: West Midlands

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for the West Midlands, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

#### West Midlands specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr' 22 <sup>+</sup>
1	Transport	2.35	
2	Basic Metals	1.44	
3	Mechanical Engineering	1.17	
4	Other Manufacturing	0.89	
5	Timber & Paper	0.61	
6	Electrical & Optical	0.59	
7	Textiles & Clothing	0.57	
8	Food & Drink	0.51	
9	Chemicals & Plastics	0.47	

#### West Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr' 22 <sup>+</sup>
1	Transport & Communication	1.19	
2	Hotels, Restaurants & Catering	1.16	
3	Personal & Community Services	1.08	
4	Computing & IT Services	0.98	
5	Business-to-business Services	0.97	
6	Financial Intermediation	0.74	

## UK sector focus

### Mechanical Engineering

The UK's Mechanical Engineering sector saw sustained growth in output levels in the three months to April, albeit at a relatively subdued pace that was below the average for manufacturing as whole. The upturn was supported by rising inflows of new work.

Although easing from the record levels seen last year, supply chain bottlenecks remained a key issue facing businesses in the sector, leading to longer lead times on inputs, whilst also helping to fuel a continued surge in purchase prices. Higher costs were increasingly passed on to customers, with factory gate charge inflation reaching a survey-record high.

Still, Mechanical Engineering companies maintained a strongly positive outlook for output in the coming year and, as such, continued to add to workforce numbers at a rapid pace.

#### Output Index

sa, >50 = growth since previous month (3mma)<sup>+</sup>



<sup>+</sup>3-month moving average



## UK Regional PMI overview

### Business Activity

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East seeing a renewed contraction. London recorded the fastest overall rate of expansion, followed by the South West, while only the North West and Scotland registered quicker increases in business activity than the month before.

### Employment

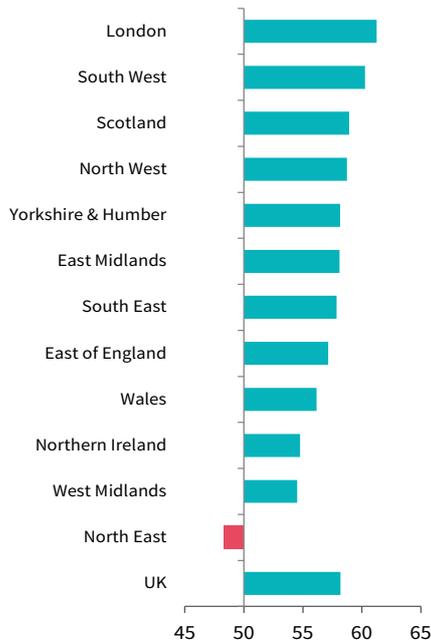
A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only slightly. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

### Future Activity

Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.

Business Activity Index

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



Employment Index

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



Future Activity Index

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



\* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



## Index summary

### West Midlands

sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Nov '21	54.3	54.3	55.1	75.4	55.9	54.8	87.8	65.4
Dec '21	50.7	50.0	54.4	79.8	55.0	50.3	82.1	65.9
Jan '22	51.9	52.4	52.3	80.3	56.2	50.8	83.4	67.0
Feb '22	58.4	58.7	54.6	76.7	56.3	51.7	83.6	68.5
Mar '22	59.1	55.4	53.9	75.2	53.9	50.8	83.8	70.7
Apr '22	54.5	50.2	53.4	71.8	55.1	50.2	85.0	71.2

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### About NatWest

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Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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### About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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