

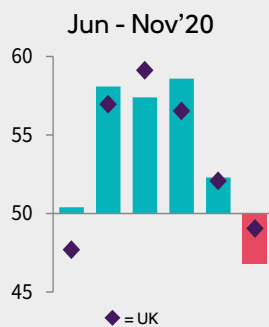


NatWest

NatWest East Midlands PMI®

Business activity contracts for the first time since May

East Midlands Business Activity Index



Key findings

Output falls amid second national lockdown

Cost burdens rise at fastest pace since July

Business confidence reaches nine-month high

The headline NatWest East Midlands 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 – registered 46.8 in November, down notably from 52.3 in October, amid a second national lockdown. The enforcement of tighter restrictions led to lower business activity, as output fell for the first time since May. Although the region reflected the UK trend of falling activity, the rate of decline was quicker than the national average.

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

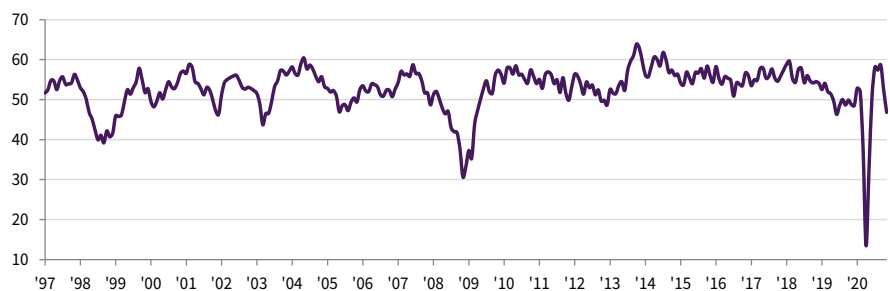
“Reimposed lockdown measures reportedly weighed on client demand across the East Midlands in November. Business activity declined solidly, with backlogs building up amid challenges to company operations. New business growth continued to merely tread water.

“A glimmer of light came from a slower decline in employment, as the rate of job shedding eased to a nine-month low. Nonetheless, firms continued to rein in spending as input prices rose strongly and at the steepest rate since July.

“Meanwhile, companies were more upbeat regarding expectations for output over the coming year amid hopes of a return to more normal demand conditions, as business confidence picked up to the highest since February. It will be interesting to see if this pattern continues depending on the outcome of the UK-EU future trading relationship.”

East Midlands Business Activity Index

sa, >50 = growth since previous month



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About the East Midlands PMI® report

The NatWest East Midlands PMI® is compiled by IHS Markit from responses to questionnaires sent to East Midlands companies that participate in IHS Markit'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

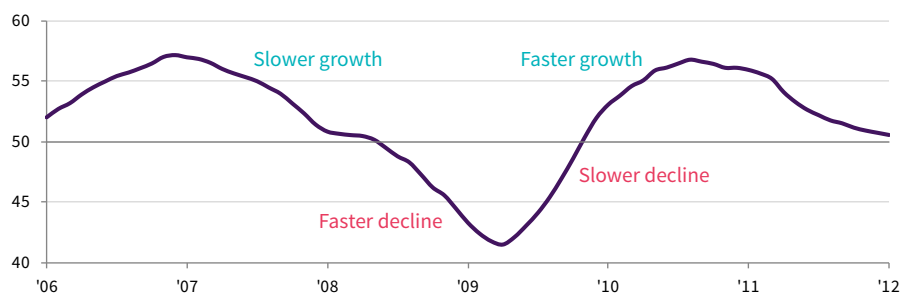
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'East 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.

Index interpretation

50.0 = no change since previous month



Demand and outlook

New business rises only fractionally in November

Private sector firms in the East Midlands signalled only a slight expansion in new orders during November. Client demand was dampened by a second lockdown and tougher COVID-19 related restrictions. The rate of growth was the slowest in the current six-month sequence of increase.

Of the 12 monitored UK regions, the East Midlands was one of only four (alongside Yorkshire & Humber, the North West and the South East) that registered a rise in new business, as the UK average indicated a marginal contraction in customer demand.

Business confidence strengthens in November

Output expectations at East Midlands firms improved in November, as the degree of optimism rose to a nine-month high. Confidence that output would rise over the coming year reportedly stemmed from hopes that the COVID-19 pandemic will end soon and demand will return to pre-crisis levels. Companies across the region were more upbeat than the trend seen across the UK as a whole.

Exports

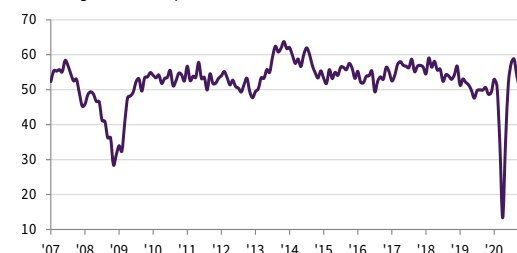
Export conditions broadly unchanged in November

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

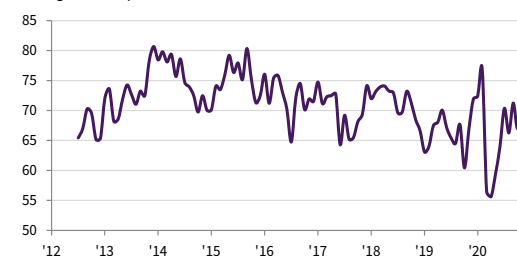
The Export Climate Index posted 49.9 in November, down from 51.9 in October. Export conditions were broadly unchanged, bringing to an end a four-month sequence of improvement.

Although the expansion in activity in the US accelerated notably, the export climate was dampened by contractions in France, Singapore and Ireland. Meanwhile, German firms registered a slower increase in output during November.

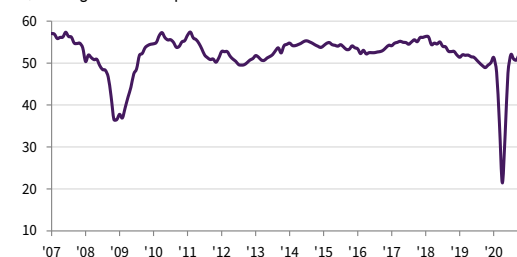
New Business Index
sa, >50 = growth since previous month
Nov '20 50.3



Future Activity Index
>50 = growth expected over next 12 months
Nov '20 75.6

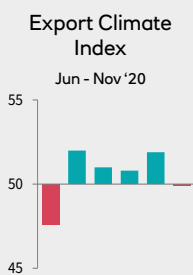
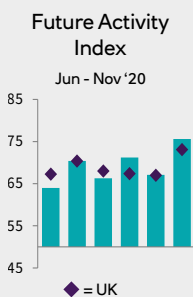
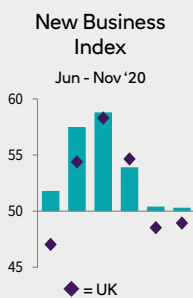


Export Climate Index
sa, >50 = growth since previous month
Nov '20 49.9



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Nov '20
1	Germany	11.9%	51.7
2	USA	11.4%	58.6
3	France	8.8%	40.6
4	Singapore	6.0%	47.8
5	Ireland	6.0%	47.7



Business capacity

Slowest fall in employment since February

Employment across the East Midlands private sector declined for the tenth month running in November. The rate of job shedding eased to the softest in nine months, but remained solid overall. The fall in staffing numbers was often linked to subdued demand conditions and efforts to rein in cost burdens.

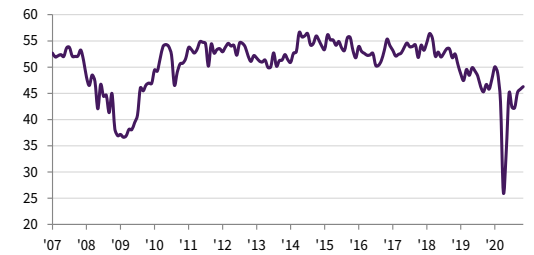
The pace of contraction was the joint-slowest of the 12 monitored UK regions, however (alongside the East of England).

Fastest rise in backlogs of work since March 2019

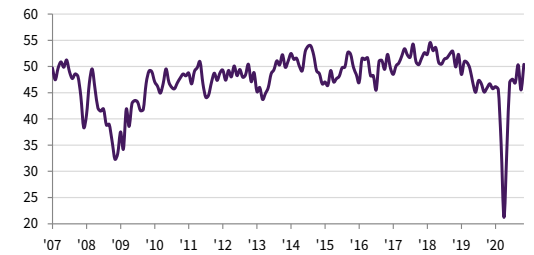
November data signalled a renewed rise in the level of outstanding business at East Midlands private sector firms. The fractional expansion was reportedly due to greater COVID-19 restrictions placing pressure on capacity during the second lockdown.

The rise in backlogs of work contrasted with the UK trend, where work-in-hand fell modestly.

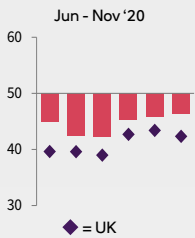
Employment Index
sa, >50 = growth since previous month
46.3
Nov '20



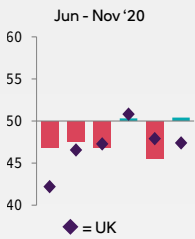
Outstanding Business Index
sa, >50 = growth since previous month
50.4
Nov '20



Employment Index



Outstanding Business Index

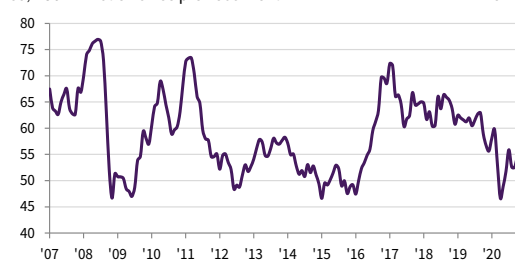


Prices

Sharpest rise in cost burdens since July

East Midlands private sector firms signalled a further and faster increase in input prices during November. The rate of inflation was the quickest for four months and strong overall. A number of panellists attributed higher prices to greater raw material and energy costs. The pace of increase was slower than the long-run series average, but slightly quicker than the UK trend.

Input Prices Index 55.4
sa, >50 = inflation since previous month Nov '20

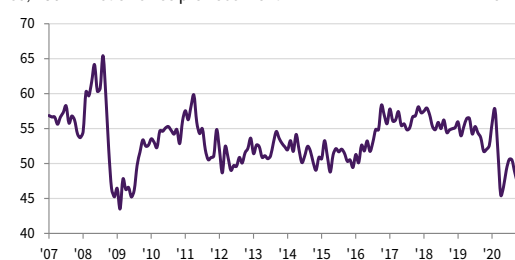


Slower fall in output charges in November

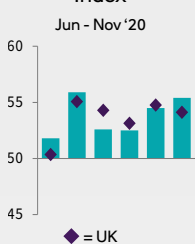
Average output charges decreased for the third month running in November, as firms sought to boost new sales and attract new clients. Nonetheless, the rate of decline was the slowest in the aforementioned sequence, reportedly due in part to the need to partially pass on higher costs to clients.

Alongside London, the East Midlands was one of only two regions to register lower selling prices.

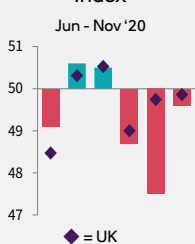
Prices Charged Index 49.6
sa, >50 = inflation since previous month Nov '20



Input Prices Index
 Jun - Nov '20



Prices Charged Index
 Jun - Nov '20



UK Sector PMI










Sector specialisation: East 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 East Midlands, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

East Midlands specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Nov ' 20*
1	Textiles & Clothing	2.04	
2	Food & Drink	1.42	
3	Other Manufacturing	1.36	
4	Machinery & Equipment	1.22	
5	Wood & Paper	1.09	
6	Metals & Metal Products	0.87	
7	Transport Equipment	0.86	
8	Electrical & Electronic	0.70	
9	Chemicals, Rubber & Plastics	0.60	

45 50 55 60 65

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov ' 20*
1	Transport & Communication	1.20	
2	Hotels, Restaurants & Catering	1.16	
3	Other Services	1.15	
4	Business-to-business Services	1.05	
5	Computing & IT Services	0.96	
6	Financial Intermediation	0.49	

20 30 40 50 60

UK sector focus

Computing & IT Services

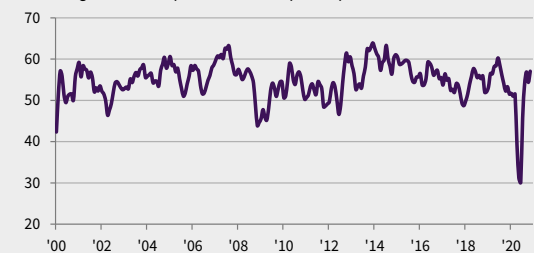
According to latest detailed PMI data, Computing & IT Services was the UK's strongest-performing services sector in the three months to November, showing notable resilience to the second wave of coronavirus infections and the subsequent tightening of containment measures. Since its initial rebound back in the summer, the sector has enjoyed consistently strong growth, with latest data showing the fastest upturn in business activity since mid-2019.

The sector also defied the broader trend in UK employment, recording a solid increase in workforce numbers that was the quickest since March. Job creation was supported by rising backlogs of work and growing optimism towards the outlook.

Latest data did, however, point to a squeeze on margins, with firms as yet unable to pass on higher costs to clients through increased charges.

Output Index

sa, >50 = growth since previous month (3mma)*



UK Regional PMI overview

Business Activity

Just five of the 12 monitored UK regions recorded higher business activity in November, the lowest number since June. The strongest-performing area was the South East, though even here growth slowed sharply to the weakest for five months. At the other end of the scale, Northern Ireland* saw the steepest drop in business activity, followed by Wales. The latter, like Scotland, did however register a slower rate of contraction than in October.

Employment

November saw another broad-based decrease in private sector employment across the UK. The West Midlands, London and North East recorded the fastest overall rates of job losses respectively, with workforce numbers falling more quickly than in October in all three cases. The East of England and East Midlands registered the joint-slowest overall rate of staff cuts, though the declines were still considerable by historical standards.

Future Activity

There was a general improvement in firms' expectations for activity over the next 12 months in November. Those in Yorkshire & Humber were once again the most optimistic, recording their highest level of confidence for almost four years. Notably, sentiment in Northern Ireland turned positive for the first time since February, albeit with expectations remaining muted by historical standards and still the lowest of all UK areas.

Business Activity Index

sa, >50 = growth since previous month, Nov '20



Employment Index

sa, >50 = growth since previous month, Nov '20



Future Activity Index

>50 = growth expected over next 12 months, Nov '20



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



Index summary

East 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
Jun '20	50.4	51.8	47.6	64.0	45.0	46.9	51.8	49.1
Jul '20	58.1	57.5	52.0	70.4	42.4	47.6	55.9	50.6
Aug '20	57.4	58.8	51.0	66.3	42.3	46.9	52.6	50.5
Sep '20	58.6	53.9	50.8	71.2	45.2	50.3	52.5	48.7
Oct '20	52.3	50.4	51.9	67.1	45.8	45.5	54.5	47.5
Nov '20	46.8	50.3	49.9	75.6	46.3	50.4	55.4	49.6

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About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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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