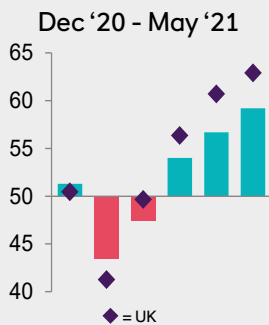


NatWest East Midlands PMI[®]

Business activity growth quickens to sharpest in over three years

East Midlands Business Activity Index



Key findings

Fastest rise in new orders for almost seven years spurs output growth

Employment increases at steepest pace on record

Cost pressures continue to mount amid supply-chain issues

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 59.2 in May, up from 56.7 in April, to signal a third successive monthly expansion in business activity across the East Midlands private sector. The upturn was the fastest since February 2018, with companies often linking the rise to greater orders from new and existing customers, following the easing of lockdown measures across the UK.

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

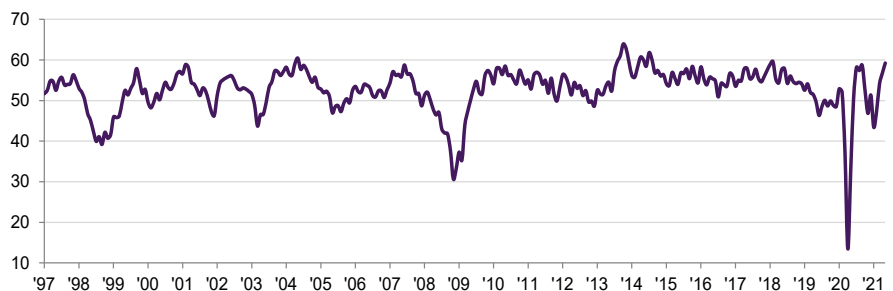
“Firms across the East Midlands continued to signal strengthening demand during May, as output growth was spurred on by stronger client demand. The easing of lockdown measures and greater reopening of the economy reportedly drove the customer spending increase.”

“Such upturns in demand conditions inevitably exerted greater pressure on capacity as backlogs of work rose at the sharpest rate since November 2000. Constraints on operating capacity remained despite the fastest pace of job creation on record, as component and input shortages exacerbated strain on workforces.”

“Once again, soaring cost burdens were reported. Input price inflation was the steepest since July 2008, with firms seeking to pass on a large proportion of this hike in costs to their customers.”

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

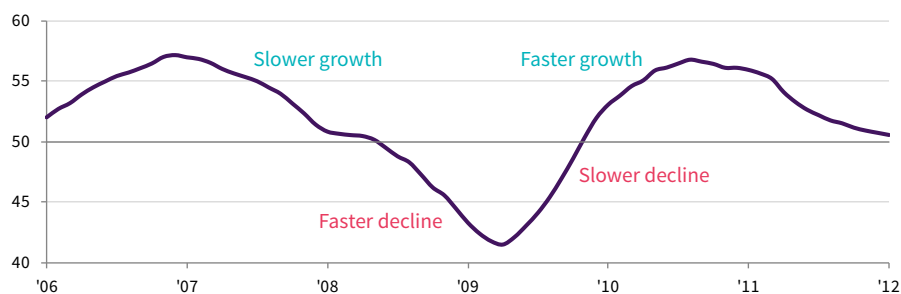
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

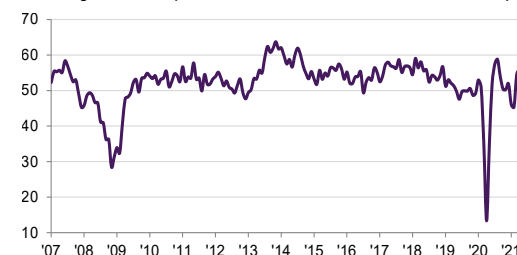


Demand and outlook

Quickest rise in new business since August 2014

Private sector firms in the East Midlands signalled a marked increase in new business, with the rate of expansion quickening to the fastest since August 2014. Anecdotal evidence suggested that the sharper upturn was due to stronger client demand from new and existing customers. Although substantial, the pace of increase was among the slowest of the 12 monitored UK regions.

New Business Index 60.1
sa, >50 = growth since previous month May '21

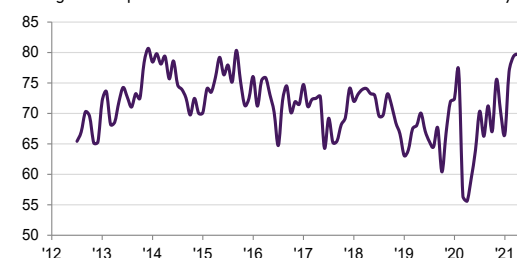


Output expectations ease to three-month low in May

Business confidence among East Midlands private sector companies remained markedly upbeat in May. Optimism was often attributed to stronger client demand following the easing of lockdown restrictions. The level of positive sentiment was the softest for three months, however, amid concerns surrounding the sustainability of current demand conditions.

The degree of confidence was slightly weaker than that seen across the UK as a whole.

Future Activity Index 78.4
>50 = growth expected over next 12 months May '21



Exports

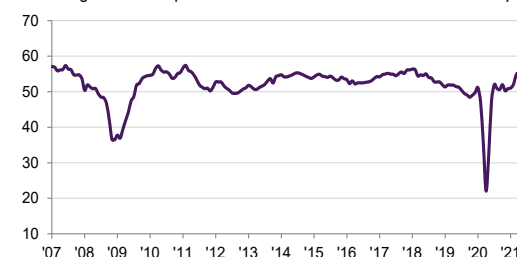
Export climate improves at sharpest pace since June 2006

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 58.2 in May, up from 55.7 in April, to signal the steepest improvement in export conditions since mid-2006.

Stronger export conditions for East Midlands firms were broadly linked to a record rate of expansion in US business activity, and faster increases in output in Germany, France and Singapore. Moreover, Hong Kong registered the quickest upturn since February 2018.

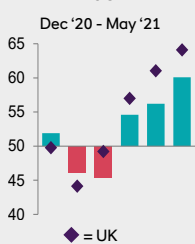
Export Climate Index 58.2
sa, >50 = growth since previous month May '21



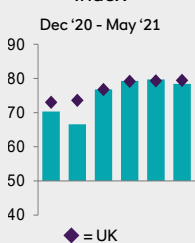
Top export markets, East Midlands

Rank	Market	Weight	Output Index, May '21
1	USA	12.8%	68.7
2	Germany	10.7%	56.2
3	Hong Kong	7.9%	52.5
4	Singapore	7.4%	58.8
5	France	7.1%	57.0

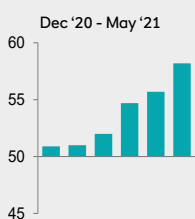
New Business Index



Future Activity Index



Export Climate Index



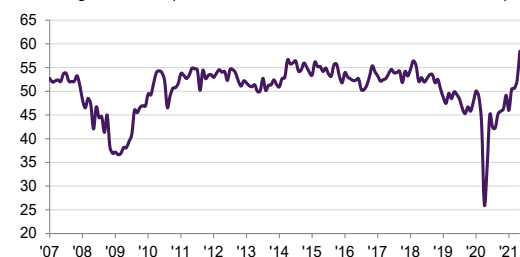
Business capacity

Employment rises at fastest pace on record in May

May data signalled a sharp increase in workforce numbers across the East Midlands private sector. The rate of job creation accelerated notably and was the fastest since data collection began in January 1997. The uptick in hiring was linked to greater business requirements.

The pace of employment growth was quicker than that seen across the UK as a whole.

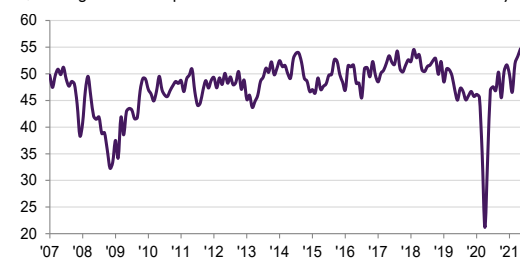
Employment Index 58.4
sa, >50 = growth since previous month May '21



Sharpest rise in backlogs of work since November 2000

Private sector firms across the East Midlands registered a third successive monthly accumulation in backlogs of work in May. The pace of increase was the quickest since November 2000, despite being slightly slower than that seen across the UK as a whole. Alongside strain on capacity following a sharp upturn in new orders, manufacturers noted that component shortages exacerbated constraints.

Outstanding Business Index 54.7
sa, >50 = growth since previous month May '21



Prices

Cost inflation accelerates to sharpest since July 2008

Average cost burdens across the East Midlands private sector rose substantially in May. The rate of input price inflation quickened to the steepest since July 2008 and was among the sharpest of the 12 monitored UK regions. Higher costs were often attributed to greater material and component costs following significant supplier shortages and delays.

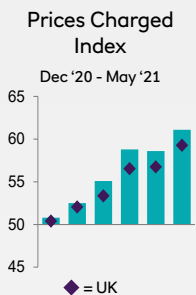
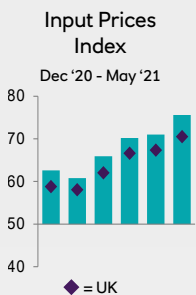
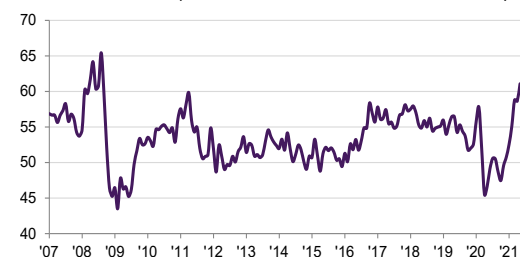
Input Prices Index 75.6
sa, >50 = inflation since previous month May '21



Quickest increase in selling prices since August 2008

Private sector businesses in the East Midlands registered a further monthly increase in output charges during May. The pace of charge inflation accelerated from that seen in April, and was the steepest since August 2008. The rate of increase was faster than the UK average, as firms widely mentioned that hikes in selling prices were linked to effort to pass on higher costs to clients.

Prices Charged Index 61.1
sa, >50 = inflation since previous month May '21



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, May '21*
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	

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '21*
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	

UK sector focus

Transport & Communication

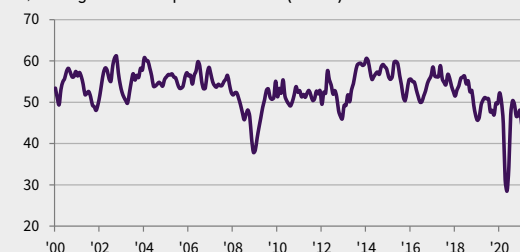
The UK's Transport & Communication Services sector saw robust growth in activity in the three months to May, helped by a pick-up in travel as domestic COVID-19 restrictions were eased. The increase was the strongest for four years, although it followed a sharp downturn in the opening quarter of the year and inflows of new business improved only modestly.

After more than a year of continuous job cuts, employment was unchanged on average over the latest three-month period. This compared with net increases in workforce numbers in four of the five other services sub-sectors.

The cost pressures faced by Transport & Communications firms were above average for the service sector, with input price inflation at a decade high and exceeded only by that faced by Hotels, Restaurants & Catering businesses.

Output Index

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



UK Regional PMI overview

Business Activity

All monitored regions and nations of the UK saw further recoveries in business activity in May. Growth was led by the North West, narrowly ahead of the West Midlands and Wales in joint-second place. Rates of expansion even accelerated in nine out of the 12 areas. Northern Ireland was at the bottom of the rankings but nevertheless saw output growth reach a 40-month high.

Employment

May saw a broad-based rise in employment across the UK, the first time this has been the case since March 2018. Job creation was jointly led by the West Midlands and Yorkshire & Humber. Wales and the North East recorded only modest increases in workforce numbers, though in the case of the former it marked the first rise since February 2020.

Future Activity

Expectations towards future activity were strongly positive across all parts of the UK in May. Firms in the South East were the most upbeat, followed by those in the North West. Optimism did, however, wane in five of the 12 monitored regions. Northern Ireland closed the gap with the rest of the areas, recording the highest business confidence for over three years.

Business Activity Index

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



Employment Index

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



Future Activity Index

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



* 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
Dec '20	51.3	51.9	50.9	70.3	49.1	51.7	62.6	50.8
Jan '21	43.4	46.1	51.0	66.6	46.0	49.9	60.8	52.5
Feb '21	47.4	45.4	52.0	76.8	50.4	46.6	65.9	55.1
Mar '21	54.0	54.6	54.7	79.3	50.6	51.9	70.2	58.8
Apr '21	56.7	56.2	55.7	79.7	52.2	53.3	71.0	58.6
May '21	59.2	60.1	58.2	78.4	58.4	54.7	75.6	61.1

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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.

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