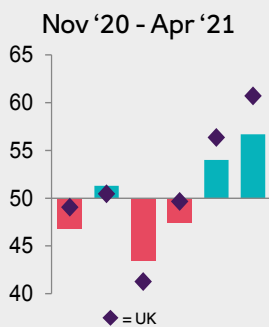


NatWest East Midlands PMI[®]

Sharpest upturn in business activity since September 2020

East Midlands Business Activity Index



Key findings

Output growth quickens amid stronger client demand

Input costs rise at fastest pace since February 2017

Business confidence strongest since September 2015

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 56.7 in April, up from 54.0 in March, to signal the strongest expansion in business activity since September 2020. That said, the rate of growth was among the slowest of the 12 monitored UK regions. Nevertheless, firms stated that the upturn was due to greater client demand and a further increase in new order inflows. Many also noted that the recent relaxation of COVID-19 restrictions had boosted customer spending.

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

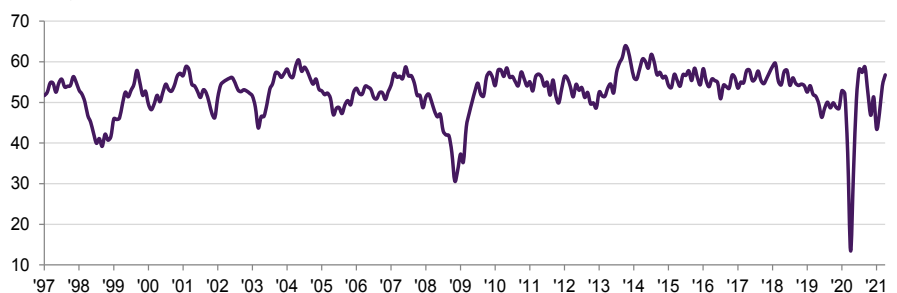
“Business activity picked up in April, as output growth accelerated to the sharpest since September 2020 amid the further loosening of COVID-19 restrictions. Stronger client demand was reflected in the steepest uptick in new business since last summer, when lockdown measures were at their weakest and most customer-facing businesses were open.

“Brighter news for firms was also seen in the fastest expansion in employment for over two years, as strain on capacity intensified. Greater confidence in the outlook for output was also reflected in the most marked degree of optimism since September 2015.

“Sharp cost pressures remained apparent in April, as input prices rose at the steepest pace for over four years. Nevertheless, firms were able to partially pass-through costs in the second-fastest increase in charges for a decade.”

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

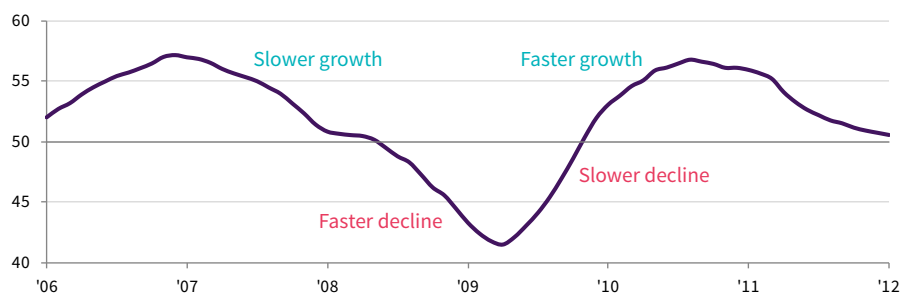
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

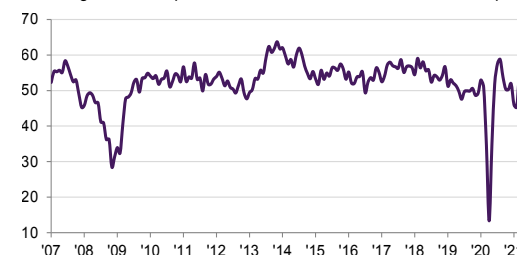


Demand and outlook

New business growth accelerates to fastest since August 2020

Private sector firms across the East Midlands registered a sharper expansion in new business during April. The rate of growth was the strongest since August 2020, but among the slowest seen across the 12 monitored UK regions (faster than only Scotland and Northern Ireland). Nonetheless, anecdotal evidence stated that higher new order inflows were linked to greater client demand.

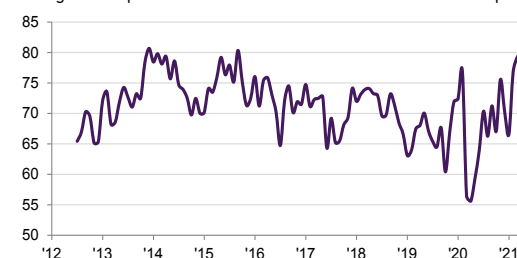
New Business Index 56.2
sa, >50 = growth since previous month Apr '21



Business confidence strengthens to highest since September 2015

Output expectations for the year ahead among private sector firms in the East Midlands improved in April, to reach the highest since September 2015. The degree of confidence was stronger than the UK average. Companies noted that greater optimism was due to the relaxation of COVID-19 restrictions and hopes of a further uptick in client demand.

Future Activity Index 79.7
>50 = growth expected over next 12 months Apr '21



Exports

Export conditions improve at strongest rate since February 2018

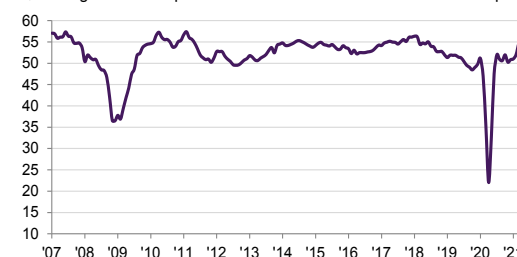
The East Midlands Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East Midlands. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index posted 55.7 in April, up from 54.7 in March to signal the most marked improvement in export conditions since February 2018.

The uptick in the export climate was linked to a much stronger increase in activity across the US private sector in April. At the same time, firms in Hong Kong and France registered a return to output growth.

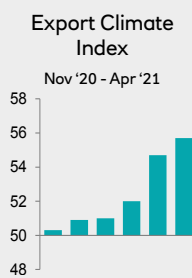
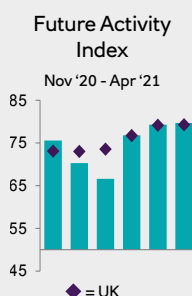
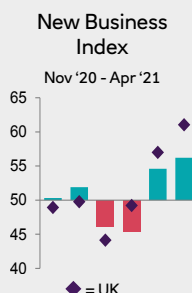
Companies in Germany and Singapore noted further expansions in activity, albeit at slightly slower rates.

Export Climate Index 55.7
sa, >50 = growth since previous month Apr '21



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Apr '21
1	USA	12.8%	63.5
2	Germany	10.7%	55.8
3	Hong Kong	7.9%	51.8
4	Singapore	7.4%	53.2
5	France	7.1%	51.6

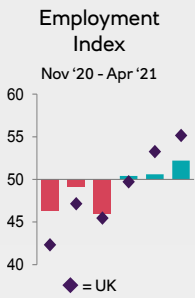
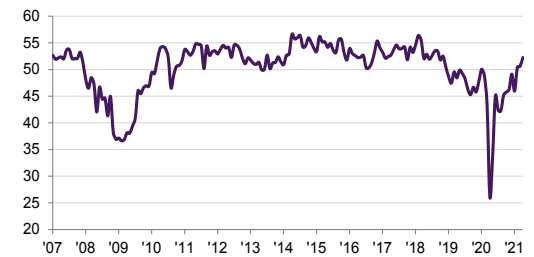


Business capacity

Strongest upturn in employment since November 2018

Employment across the East Midlands private sector increased for the third month running in April. The rate of job creation was the sharpest since November 2018, but much slower than the UK average. Nevertheless, the rise in workforce numbers was attributed by firms to greater business requirements and expectations of further increases in new order inflows.

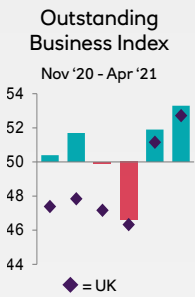
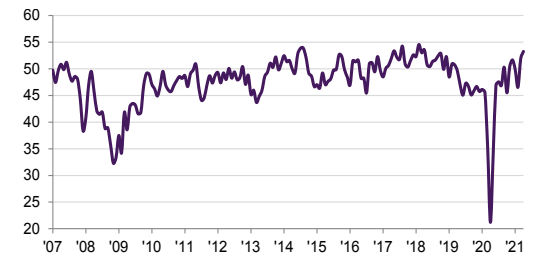
Employment Index 52.2
 sa, >50 = growth since previous month Apr '21



Fastest rise in backlogs of work for three years

Private sector firms in the East Midlands registered back-to-back expansions in outstanding business at the start of the second quarter. The rise in backlogs of work was often linked to greater inflows of new business and strain on capacity. The solid increase in unfinished business was the fastest for three years and slightly quicker than the UK average.

Outstanding Business Index 53.3
 sa, >50 = growth since previous month Apr '21



Prices

Marked increase in cost burdens in April

April data signalled a further robust rise in input costs across the East Midlands private sector. The rate of cost inflation accelerated again and was the sharpest since February 2017. The pace of increase was also quicker than the UK average. The uptick in input prices was often linked to higher raw material and supplier costs, and additional transportation fees following Brexit and the ongoing COVID-19 pandemic.

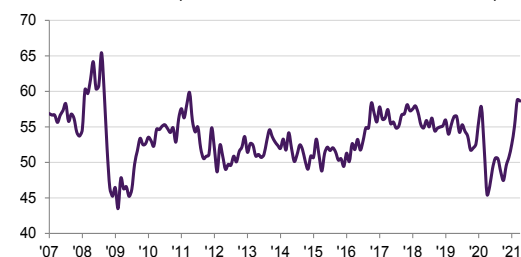
Input Prices Index 71.0
sa, >50 = inflation since previous month Apr '21



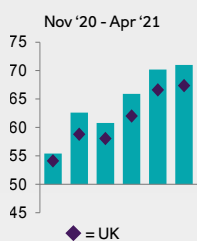
Second-sharpest rise in charges for a decade

The rate of increase in output charges softened slightly in April, but was nonetheless the second-sharpest for ten years. Anecdotal evidence suggested that the rise in charges was due to the partial pass-through of higher costs to clients. The pace of charge inflation was also quicker than the UK average and steep overall.

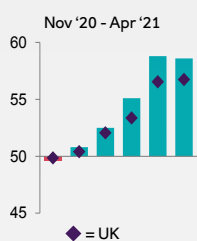
Prices Charged Index 58.6
sa, >50 = inflation since previous month Apr '21



Input Prices Index



Prices Charged Index



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, Apr ' 21*
1	Textiles & Clothing	2.04	55
2	Food & Drink	1.42	55
3	Other Manufacturing	1.36	55
4	Machinery & Equipment	1.22	60
5	Wood & Paper	1.09	55
6	Metals & Metal Products	0.87	60
7	Transport Equipment	0.86	48
8	Electrical & Electronic	0.70	55
9	Chemicals, Rubber & Plastics	0.60	52

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr ' 21*
1	Transport & Communication	1.20	52
2	Hotels, Restaurants & Catering	1.16	48
3	Other Services	1.15	52
4	Business-to-business Services	1.05	58
5	Computing & IT Services	0.96	55
6	Financial Intermediation	0.49	55

UK sector focus

Timber & Paper Manufacturing

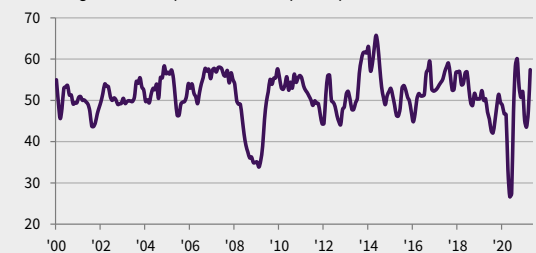
PMI data for the three months to April showed strong output growth at manufacturers of timber & paper products. This marked a rebound from a downturn at the turn of the year, when the sector was hit by a combination of a resurgence in COVID-19 infections, tightened lockdown measures, post-Brexit disruption and supply-chain issues.

The recent improved performance has been driven largely by increasing domestic demand, with new export orders falling in the three months to April. Employment levels in the sector have meanwhile stabilised, having been in almost continuous decline since mid-2019.

Supply-side conditions, on the other hand, remain challenging, with latest data showing the continuation of the sector's worst spell of input delivery delays in almost three decades of data collection. In turn, cost pressures have reached a record high.

Output Index

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



UK Regional PMI overview

Business Activity

A return to growth in Northern Ireland meant that higher output was recorded across all 12 regions of the UK for the first time in seven months in April. Overall, growth was led by the West Midlands, closely followed by Yorkshire & Humber. The weakest performances were seen in the North East and Scotland, though even here the rates of expansion were historically strong.

Employment

There was a general improvement in labour market trends in April, with 11 out of the 12 monitored regions recorded higher employment, up from ten in March. Furthermore, almost all areas saw a faster rate of job creation, including the two standout performers, the North West and Yorkshire & Humber. Staffing numbers fell in Wales, albeit only marginally.

Future Activity

Businesses across all parts of the UK were strongly confident about the outlook for activity over the next 12 months in April. Firms in Yorkshire & Humber showed the greatest optimism for the fourth month running, with the South East and London close behind. Expectations in Northern Ireland were the highest for 14 months, but still lower than in any other region.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Apr '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
Nov '20	46.8	50.3	50.3	75.6	46.3	50.4	55.4	49.6
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

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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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