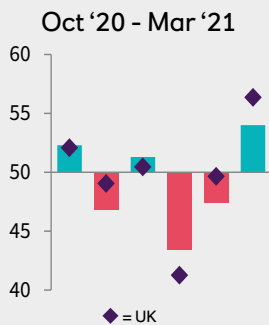


NatWest East Midlands PMI[®]

Steepest rise in business activity since September 2020 amid stronger demand

East Midlands Business Activity Index



Key findings

Greater new order inflows lead to faster upturn in output

Charge inflation at near 10-year high amid marked rises in costs

Business expectations strengthen

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 54.0 in March, up from 47.4 in February and signalling a renewed expansion in private sector business activity. The rate of output growth was the fastest since last September amid the partial easing of lockdown restrictions. The upturn was slower than the UK average, however.

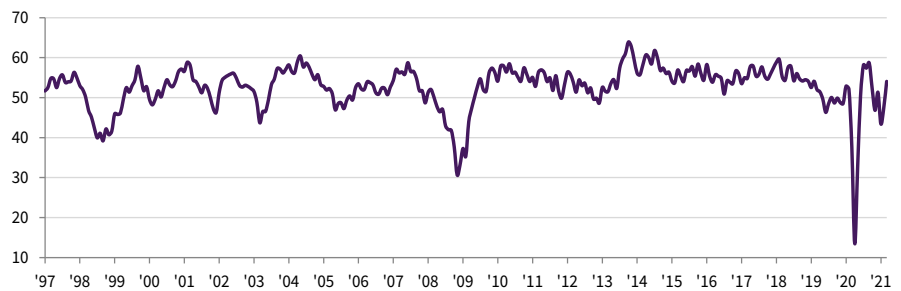
John Maude, NatWest Midlands & East Regional Board, commented:

“East Midlands firms signalled a much more positive end to the opening quarter of 2021, with a renewed rise in business activity and a strong increase in client demand. Following an extremely challenging winter for businesses, the planned easing of COVID-19 restrictions helped boost output expectations to their strongest since September 2015.”

“Soaring costs remained a theme during March, as input prices rose at the sharpest pace for over four years amid supply chain disruptions and additional shipping fees. Encouragingly, firms were able to partially pass on higher costs to clients, with the rate of charge inflation accelerating to a near-decade high.”

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

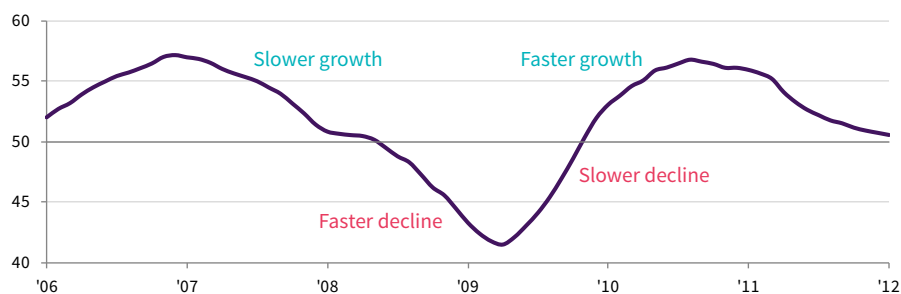
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

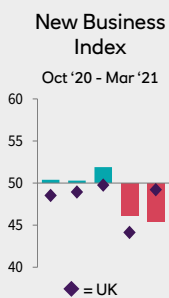
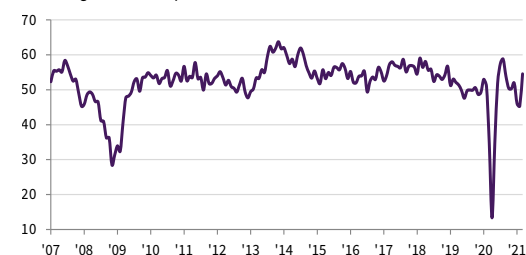


Demand and outlook

Sharpest rise in new business since August 2020

Private sector businesses operating across the East Midlands signalled a solid upturn in new orders during March. The renewed increase in client demand was the fastest since last August despite being slower than the UK average. Anecdotal evidence suggested the rise in new sales was linked to plans to relax COVID-19 restrictions and the release of pent-up demand following an end to stay-at-home measures.

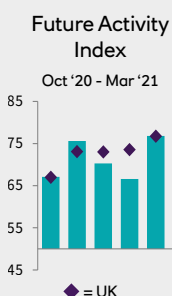
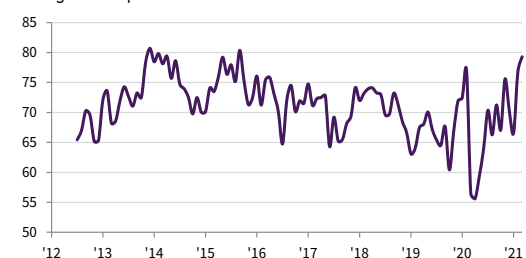
New Business Index
sa, >50 = growth since previous month
54.6
Mar '21



Output expectations strongest since September 2015

Business confidence among private sector firms in the East Midlands strengthened at the end of the first quarter and was the most marked since September 2015. The degree of optimism was broadly in line with the UK trend. Where firms registered expectations of an increase in output over the coming year, they attributed this to the planned roll-back of COVID-19 restrictions, and hopes of a resulting boost to client demand.

Future Activity Index
>50 = growth expected over next 12 months
79.3
Mar '21



Exports

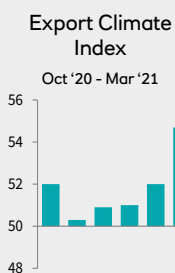
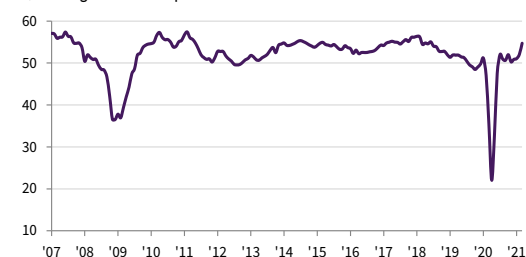
Strongest improvement in export conditions since June 2018

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 54.7 in March, up from 52.0 in February. The latest improvement in the export climate for East Midlands firms was the most marked for almost three years.

The upturn was linked to marked expansions in business activity across the USA and Germany, with rates of growth in both reaching multi-year highs. Meanwhile, output continued to rise in Singapore. French private sector firms reported a stabilisation in total activity in March, bringing to an end a six-month sequence of decline.

Export Climate Index
sa, >50 = growth since previous month
54.7
Mar '21



Top export markets, East Midlands

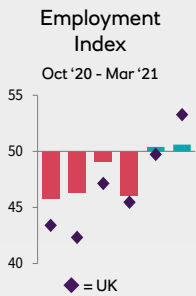
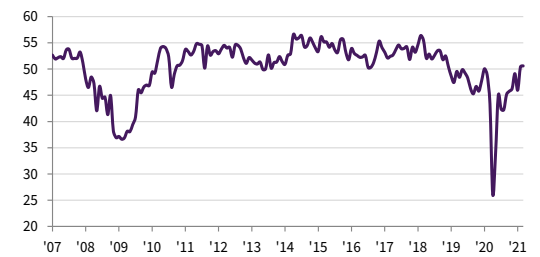
Rank	Market	Weight	Output Index, Mar '21
1	USA	12.8%	59.7
2	Germany	10.7%	57.3
3	Hong Kong	7.9%	49.8
4	Singapore	7.4%	54.8
5	France	7.1%	50.0

Business capacity

Quickest rate of employment growth since November 2018

March data indicated a second successive monthly expansion in workforce numbers across the East Midlands private sector. The rise was often attributed to greater new order inflows, with some also highlighting an increase in administrative requirements following Brexit. The rate of job creation was the steepest since November 2018 despite the region seeing the slowest upturn of the 10 monitored areas which reported a rise in employment.

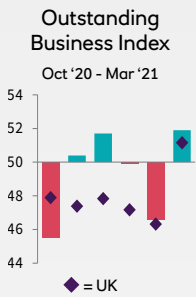
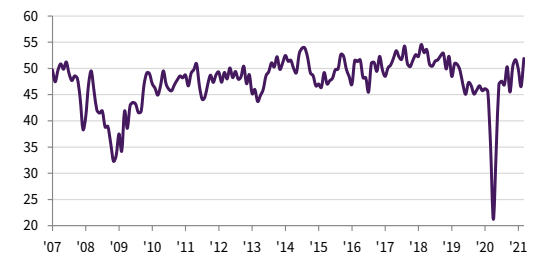
Employment Index
sa, >50 = growth since previous month
50.6
Mar '21



Renewed rise in backlogs of work in March

Private sector firms operating across the East Midlands registered a renewed increase in the level of outstanding business in March. Although only modest, the rate of backlog accumulation was the steepest since December 2018 and quicker than the UK trend. Panellists noted that the rise in work-in-hand was due to a stronger increase in new order inflows. Some firms in the manufacturing sector also stated that supply shortages and delays had constrained production capacity.

Outstanding Business Index
sa, >50 = growth since previous month
51.9
Mar '21



Prices

Fastest rise in input costs for over four years

Average cost burdens faced by private sector firms in the East Midlands rose markedly in March. Higher input prices were commonly attributed to greater raw material, utility and fuel costs, alongside reports of additional fees following Brexit. The rate of inflation was sharper than the UK average, and the quickest seen across the region since February 2017.

Input Prices Index

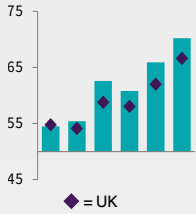
sa, >50 = inflation since previous month

70.2
Mar '21



Input Prices Index

Oct '20 - Mar '21



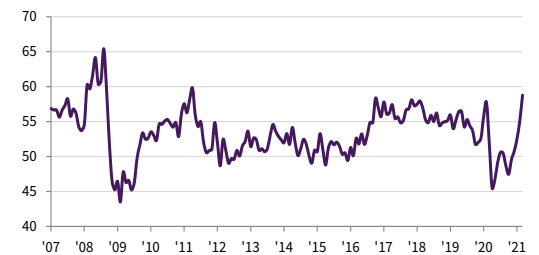
Charges increase at steepest pace since April 2011

March data signalled a fourth consecutive monthly increase in selling prices across the East Midlands private sector. The rate of inflation accelerated once again to the fastest for just under a decade, amid efforts to pass on higher costs to clients where possible. In line with the trend for input prices, the pace of increase was quicker than the UK trend.

Prices Charged Index

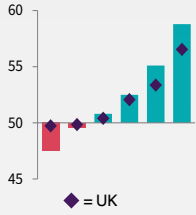
sa, >50 = inflation since previous month

58.8
Mar '21



Prices Charged Index

Oct '20 - Mar '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, Mar '21*
1	Textiles & Clothing	2.04	48
2	Food & Drink	1.42	52
3	Other Manufacturing	1.36	50
4	Machinery & Equipment	1.22	55
5	Wood & Paper	1.09	48
6	Metals & Metal Products	0.87	52
7	Transport Equipment	0.86	45
8	Electrical & Electronic	0.70	50
9	Chemicals, Rubber & Plastics	0.60	48

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '21*
1	Transport & Communication	1.20	48
2	Hotels, Restaurants & Catering	1.16	40
3	Other Services	1.15	48
4	Business-to-business Services	1.05	50
5	Computing & IT Services	0.96	48
6	Financial Intermediation	0.49	48

UK sector focus

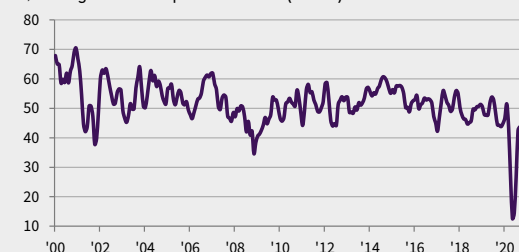
Hotels, Restaurants & Catering

The UK's Hotels, Restaurants & Catering sector remained in a deep downturn during the opening quarter of 2021. It was the worst performing part of the services economy for output, new business and employment. That said, the declines were less severe than during the first lockdown last spring, and some firms even reported a pick-up in activity in March due to schools reopening.

Looking ahead, businesses in the sector were generally optimistic about the outlook, buoyed by hopes of restrictions on hospitality, events and travel being lifted in the coming months. The degree of confidence was the highest recorded for almost 17 years and the second-strongest among the broad services categories monitored behind Computing & IT Services. Several firms in the latest survey reported an increase in bookings for later in the year.

Output Index

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



UK Regional PMI overview

Business Activity

Business activity rose in 11 out of the 12 UK regions in March. Northern Ireland recorded the only decline, though even here activity moved closer to stabilisation, falling only marginally and at the slowest rate for five months. Growth was led by the East of England, where it was a series record high, ahead of the West Midlands and Yorkshire & Humber respectively.

Employment

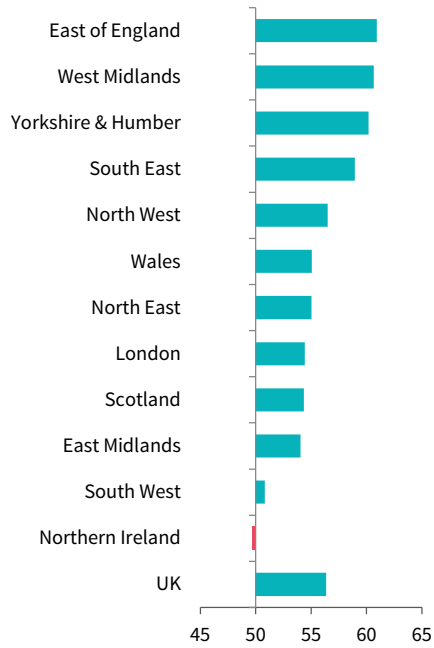
The number of regions reporting higher employment increased from just three mid-way through the opening quarter to ten in March. This was the most since January 2020. Yorkshire & Humber recorded the strongest rate of job creation for the third time in the past four months. Scotland and Wales meanwhile saw further declines in staffing levels.

Future Activity

Yorkshire & Humber topped the regional rankings for business confidence for the second month running in March. Expectations did, however, dip slightly from February's series-record high, contrasting with improvements in ten of the 11 other regions. Sentiment remained weakest overall in Northern Ireland, despite having ticked up to a 13-month high.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
Oct '20	52.3	50.4	52.0	67.1	45.8	45.5	54.5	47.5
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

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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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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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