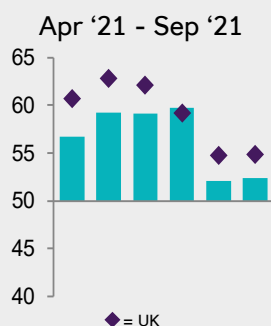


# NatWest East Midlands PMI<sup>®</sup>

## Output growth quickens despite softer uptick in client demand

### East Midlands Business Activity Index



### Key findings

New order growth slows to seven-month low

Rate of job creation eases to slowest since April

Input costs rise at sharper pace

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 52.4 in September, up from 52.1 in August to signal a moderate expansion in output at the end of the third quarter. Anecdotal evidence suggested that the upturn in activity was due to a sustained rise in client demand. That said, growth was reportedly hampered by labour and material shortages.

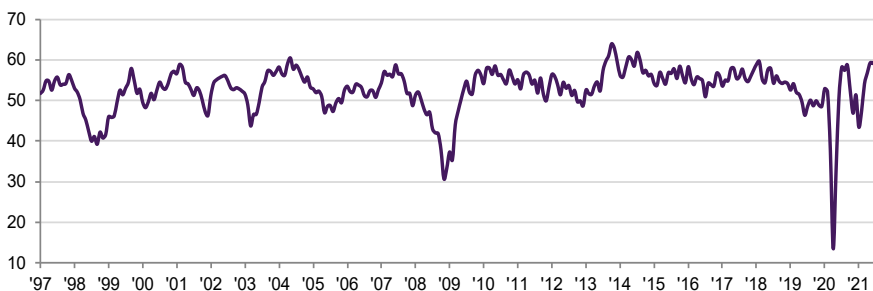
John Maude, NatWest Midlands & East Regional Board, commented:

*“East Midlands private sector firms signalled a further move towards recovery during September, as business activity rose modestly. That said, client demand softened, as new orders expanded at the slowest pace for seven months. Firms also stated that capacity pressures following labour and material shortages exacerbated obstacles to output growth.*

*“At the same time, supply chain disruptions pushed raw material prices up, with the rate of cost inflation accelerating to the second-fastest in the series history. Output charges also increased at a near record pace, as firms sought to partially recoup higher cost burdens.”*

East Midlands Business Activity Index

sa, >50 = growth since previous month



## Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

## 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

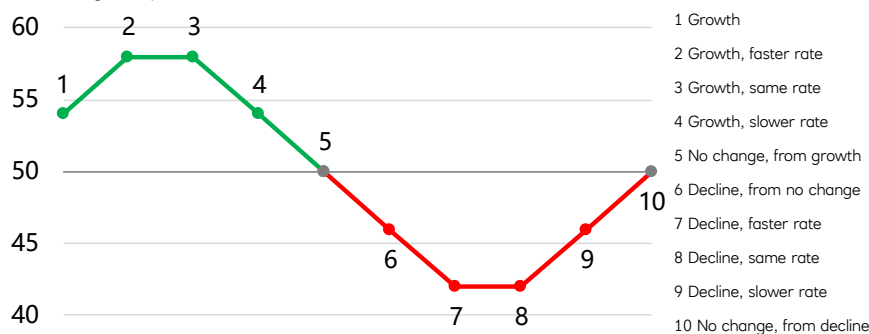
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month

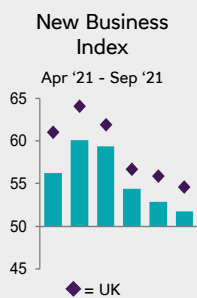
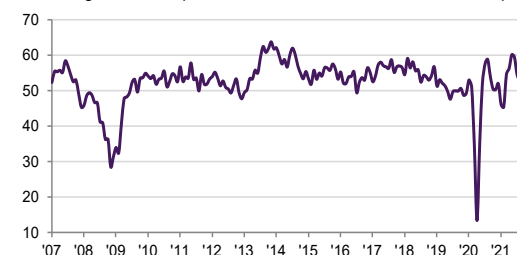


## Demand and outlook

### New business growth slows to seven-month low

Private sector firms in the East Midlands signalled a further expansion in new orders during September. Where an increase in new business was noted, companies linked this to stronger client demand. The rate of growth softened again, however, to the slowest for seven months. The pace of the upturn was also weaker than the UK average.

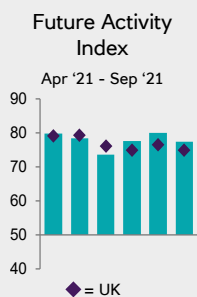
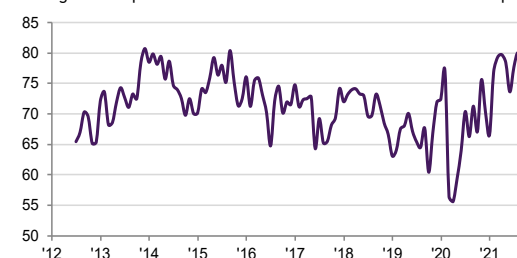
New Business Index  
sa, >50 = growth since previous month  
51.7  
Sep '21



### Business confidence remains historically marked in September

East Midlands private sector firms signalled a robust degree of optimism during September, albeit slightly weaker than in August. Business confidence was largely attributed to hopes of an uptick in client demand and further moves towards recovery from the COVID-19 pandemic. Output expectations were stronger than the UK average.

Future Activity Index  
>50 = growth expected over next 12 months  
77.4  
Sep '21



## Exports

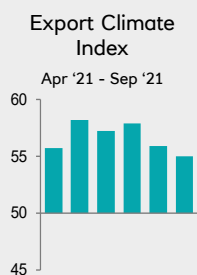
### Export climate improves at softest pace for six months

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 55.1 in September, down from 55.9 in August. The improvement in the export climate was the slowest for six months, despite being strong overall.

The softer improvement in export conditions was largely driven by slower output expansions in key export markets including Germany, France, Hong Kong and the US. The rate of expansion in the latter was the weakest for a year. In contrast, Singapore signalled a pick-up in the pace of growth in activity.

Export Climate Index  
sa, >50 = growth since previous month  
55.1  
Sep '21



Top export markets, East Midlands

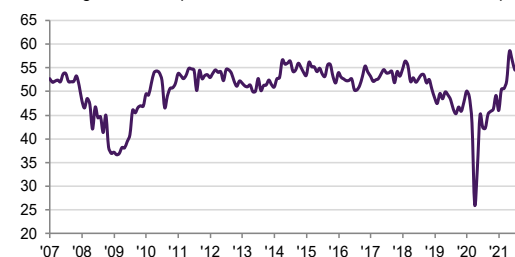
Rank	Market	Weight	Output Index, Sep '21
1	USA	12.8%	55.0
2	Germany	10.7%	55.5
3	Hong Kong	7.9%	51.8
4	Singapore	7.4%	56.3
5	France	7.1%	55.3

## Business capacity

### Slowest rise in employment since April

Private sector firms in the East Midlands indicated another monthly rise in workforce numbers during September. Companies commonly attributed the increase in employment to greater business requirements. That said, the rate of job creation was the slowest for five months and weaker than the UK average amid labour shortages.

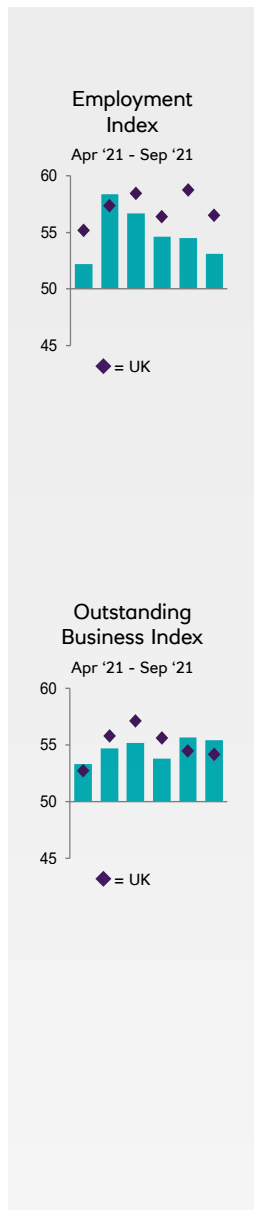
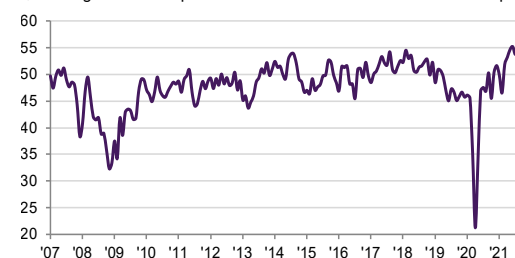
Employment Index 53.1  
sa, >50 = growth since previous month Sep '21



### Further marked rise in backlogs of work in September

The level of outstanding business expanded further at the end of the third quarter. The rise in backlogs of work was one of the fastest among the 12 monitored UK regions. Labour and material shortages reportedly exacerbated pressure on capacity. The rate of growth in incomplete business was the second-fastest on record, easing slightly from August's series high.

Outstanding Business Index 55.4  
sa, >50 = growth since previous month Sep '21





## Prices

### Cost inflation ticks higher in September

Average cost burdens increased markedly at the end of the third quarter, with the rate of input price inflation accelerating to the second-sharpest on record. The pace of increase was also steeper than that seen across the UK as a whole. Anecdotal evidence suggested the uptick in costs was due to greater labour and material prices, with transportation, metal and plastics costs mentioned in particular.

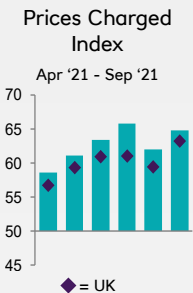
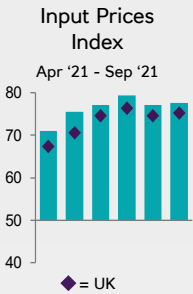
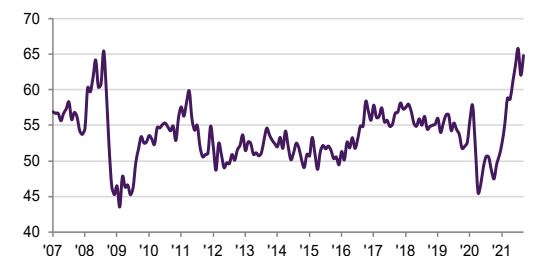
Input Prices Index 77.6  
sa, >50 = inflation since previous month Sep '21



### Output charges rise sharply at the end of third quarter

Private sector firms in the East Midlands indicated a marked rise in output charges during September. The increase in selling prices was attributed to the pass-through of higher costs to clients, where possible. The rate of charge inflation quickened from the previous survey period and was the second-fastest since August 2008.

Prices Charged Index 64.8  
sa, >50 = inflation since previous month Sep '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, Sep ' 21*
1	Textiles & Clothing	2.04	52
2	Food & Drink	1.42	53
3	Other Manufacturing	1.36	53
4	Machinery & Equipment	1.22	56
5	Wood & Paper	1.09	50
6	Metals & Metal Products	0.87	48
7	Transport Equipment	0.86	46
8	Electrical & Electronic	0.70	55
9	Chemicals, Rubber & Plastics	0.60	52

#### East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep ' 21*
1	Transport & Communication	1.20	51
2	Hotels, Restaurants & Catering	1.16	58
3	Other Services	1.15	56
4	Business-to-business Services	1.05	54
5	Computing & IT Services	0.96	54
6	Financial Intermediation	0.49	50

## UK sector focus

### Business-to-business Services

The third quarter of 2021 saw robust growth in activity across the UK's Business-to-business Services sector. The pace of recovery did, however, slow compared to the second quarter.

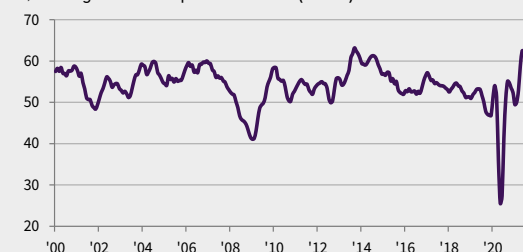
The sector's continued upturn was supported by strong inflows of new business, the rate of growth of which was second only to that recorded in Hotels, restaurants & catering. Backlogs of work accumulated as a result.

Latest data indicated another period of rapid job creation at Business-to-business service providers in the three months to September. The rate of employment growth remained close to the fastest seen in 25 years of data collection.

Rising personnel costs were meanwhile a factor behind near-record inflation in both input prices and output charges during the third quarter of 2021. Increases in the cost of raw materials, freight and fuel were also widely reported.

#### Output Index

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



## UK Regional PMI overview

### Business Activity

There were pockets of strong business activity growth in September, with Wales, the West Midlands, Scotland and London seeing the fastest increases respectively. A number of areas continued to see a loss of momentum, however, including the North East, which remained at the foot of the rankings and saw only a marginal rise in activity on the month.

### Employment

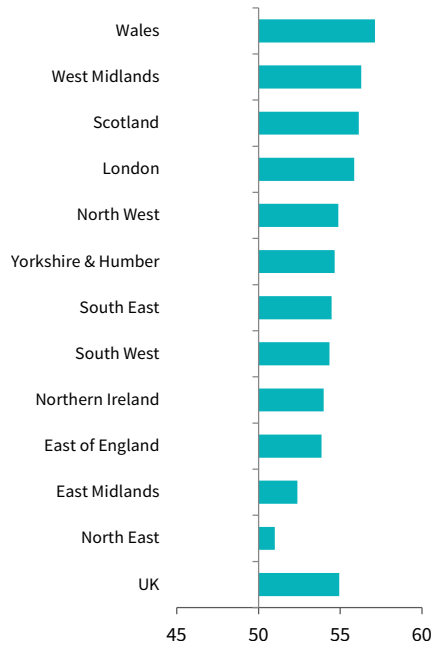
Rates of job creation generally eased in September. Still, employment rose notably across the majority of nations and regions, the only exception being the North East, where the level was little-changed since August. The fastest rate of workforce growth was once again recorded in London, with Wales and Scotland ranked second and third respectively.

### Future Activity

Expectations towards activity over the coming year remained strongly positive in all areas in September. For the third time in the past five months, firms in the South East showed the strongest optimism, followed by their counterparts in Yorkshire & Humber. Confidence eased in the majority of areas, however. Northern Ireland was one of the exceptions but still recorded the weakest sentiment overall.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Sep '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
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
Jun '21	59.1	59.4	57.2	73.6	56.7	55.2	77.1	63.4
Jul '21	59.7	54.4	57.9	77.6	54.6	53.8	79.4	65.8
Aug '21	52.1	52.9	55.9	80.0	54.5	55.7	77.2	62.0
Sep '21	52.4	51.7	55.0	77.4	53.1	55.4	77.6	64.8

## Contact

Kate Visser  
Regional Campaign Manager  
NatWest  
+44 (0)7970 947694  
[kate.visser@natwest.com](mailto:kate.visser@natwest.com)

Sian Jones  
Senior Economist  
IHS Markit  
+44 1491 461 017  
[sian.jones@ihsmarkit.com](mailto:sian.jones@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
+44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

### 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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>®</sup> and PMI<sup>®</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.