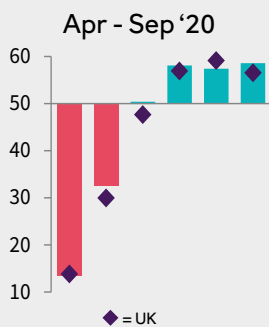


NatWest East Midlands PMI®

Sharpest rise in business activity since February 2018

East Midlands Business Activity Index



Key findings

Output growth accelerates amid further upturn in new business

Employment continues to fall

Business confidence improves to seven-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 58.6 in September, up from 57.4 in August, to signal the fastest expansion in output since February 2018. The latest data rounded off a strong end to the quarter, indicating the strongest performance since the third quarter of 2014. The upturn in business activity was often linked to another monthly pick-up in client demand and efforts to clear backlogs of work.

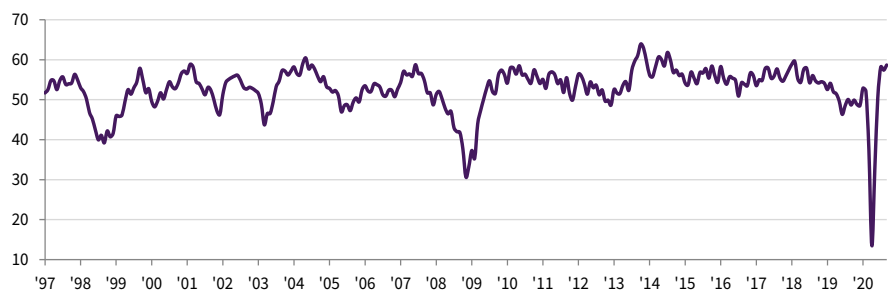
John Maude, NatWest Midlands & East Regional Board, commented:

“East Midlands firms signalled a further marked expansion in output during September, rounding off a substantial move towards recovery following the significant downturn seen throughout the second quarter. Activity was boosted by a further rise in new business and efforts to restrict a renewed accumulation in backlogs of work.

“In line with the UK trend, the upturn in new orders slowed but was solid overall. Nonetheless, firms continued to cut staffing numbers in an effort to limit costs. In the same vein, companies reduced their selling prices to help boost sales amid historically soft input price inflation.”

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

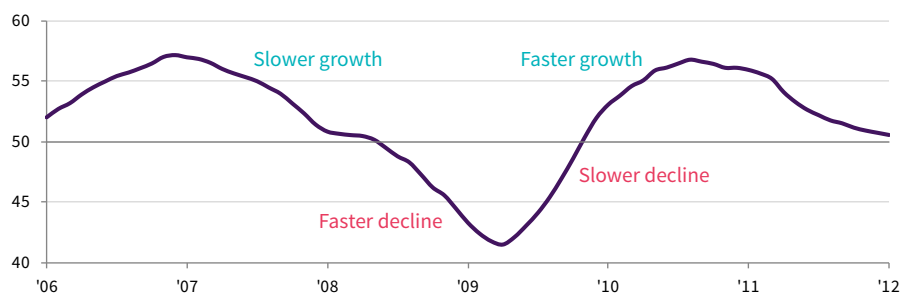
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month

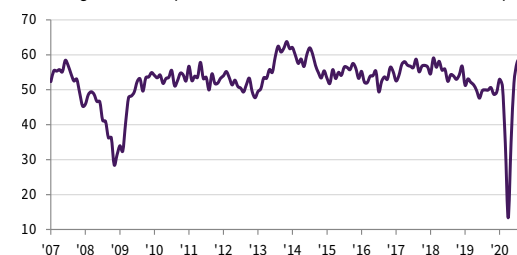


Demand and outlook

Solid rise in new orders at the end of the third quarter

Private sector firms in the East Midlands registered a further expansion in new business during September. Growth in new business was often linked to stronger demand conditions, especially in key export destinations. The upturn was solid overall, but eased notably from August's two-and-a-half year high and was slower than the UK trend.

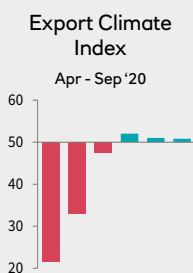
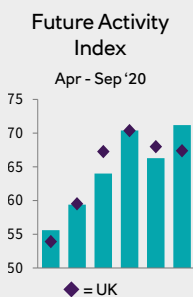
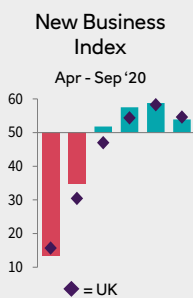
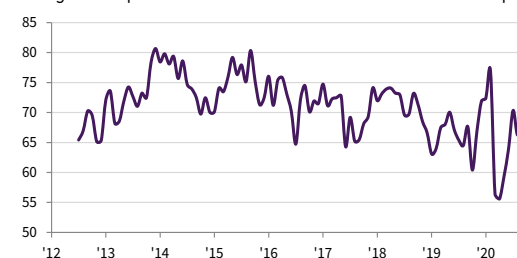
New Business Index
sa, >50 = growth since previous month
53.9
Sep '20



Output expectations at highest since February

Business confidence among firms operating in the East Midlands improved in September, as companies expressed a greater degree of optimism towards the outlook for output. Panellists linked higher positive sentiment to hopes of a solution to the COVID-19 pandemic and stronger demand conditions. The level of confidence was the highest since February and among the strongest of the 12 monitored UK regions.

Future Activity Index
>50 = growth expected over next 12 months
71.2
Sep '20



Exports

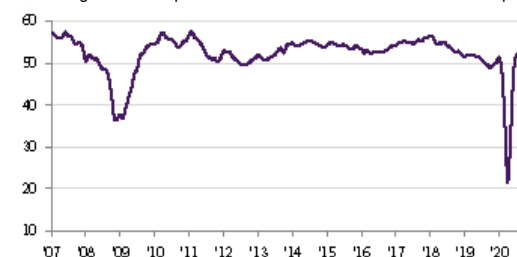
Export conditions improve only marginally in September

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 50.8 in September, down slightly from 51.0 in August. The latest data signalled only a marginal improvement in export conditions, and the slowest for three months.

Although some key export destinations continued to indicate solid output expansions, such as Germany and the US, others signalled downturns in activity. Ireland and France registered renewed drops in output, with Singapore recording a further contraction.

Export Climate Index
sa, >50 = growth since previous month
50.8
Sep '20



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Sep '20
1	Germany	11.9%	54.7
2	USA	11.4%	54.3
3	France	8.8%	48.5
4	Singapore	6.0%	44.1
5	Ireland	6.0%	46.9

Business capacity

Strong fall in employment

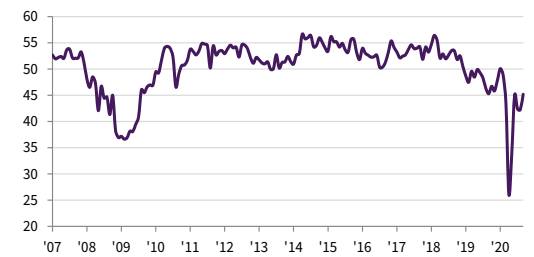
September data indicated a further strong drop in workforce numbers across the East Midlands private sector. The rate of contraction was slower than the UK trend, however, and eased to the softest for seven months. Companies stated that lower staffing levels were due to redundancies amid the COVID-19 pandemic and efforts to cut costs.

Employment Index

sa, >50 = growth since previous month

45.2

Sep '20



Renewed expansion in outstanding business

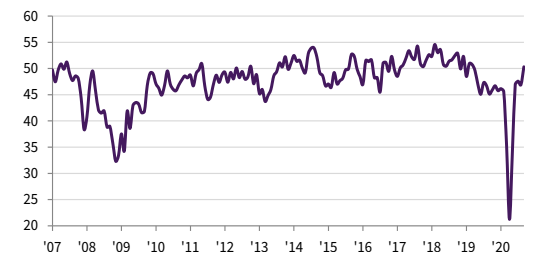
Private sector firms in the East Midlands registered a renewed rise in backlogs of work in September, albeit one that was only fractional. Reflecting a further fall in employment, firms noted some pressure on capacity. The accumulation in outstanding business was only slight, but the first since March 2019.

Outstanding Business Index

sa, >50 = growth since previous month

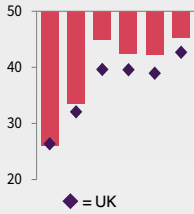
50.3

Sep '20



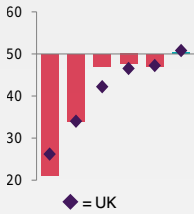
Employment Index

Apr - Sep '20



Outstanding Business Index

Apr - Sep '20



Prices

Further rise in cost burdens in September

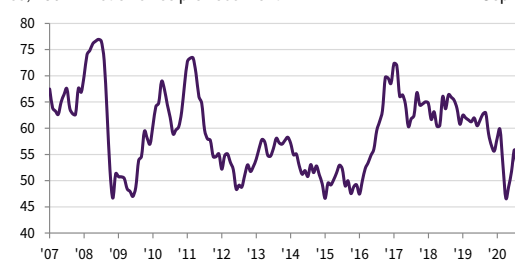
Average input prices at private sector firms in the East Midlands rose for the fourth month running at the end of the third quarter. Higher costs were often linked to supplier shortages due to the ongoing pandemic. The rate of inflation was broadly in line with that seen in August, but well below the series average. Moreover, of the 11 monitored regions that registered a rise in input prices, the region recorded the slowest increase.

Input Prices Index

sa, >50 = inflation since previous month

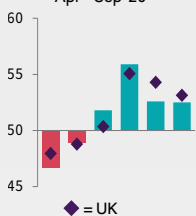
52.5

Sep '20



Input Prices Index

Apr - Sep '20



Renewed fall in output charges

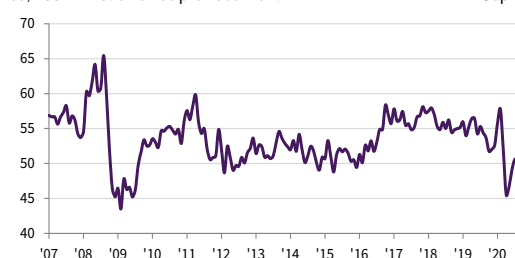
September data signalled a fall in output charges, following back-to-back increases in July and August. The decrease in selling prices was only marginal, but the fastest since May. Lower charges were reportedly due to efforts to boost sales following historically weak demand during the pandemic. The decline was broadly in line with the UK trend which also signalled a renewed drop in charges.

Prices Charged Index

sa, >50 = inflation since previous month

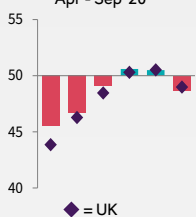
48.7

Sep '20



Prices Charged Index

Apr - Sep '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, Sep '20*
1	Textiles & Clothing	2.04	55
2	Food & Drink	1.42	55
3	Other Manufacturing	1.36	65
4	Machinery & Equipment	1.22	55
5	Wood & Paper	1.09	55
6	Metals & Metal Products	0.87	55
7	Transport Equipment	0.86	55
8	Electrical & Electronic	0.70	50
9	Chemicals, Rubber & Plastics	0.60	55

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep '20*
1	Transport & Communication	1.20	50
2	Hotels, Restaurants & Catering	1.16	45
3	Other Services	1.15	50
4	Business-to-business Services	1.05	55
5	Computing & IT Services	0.96	55
6	Financial Intermediation	0.49	60

UK sector focus

Business-to-business services

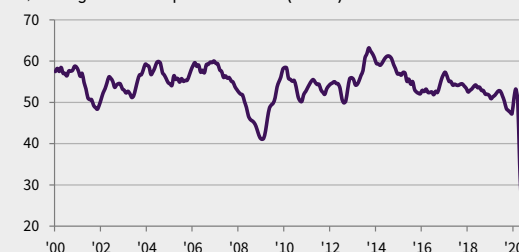
The UK's business-to-business services sector saw a solid rebound in activity during the third quarter, buoyed by an uplift in new work as demand started to recover from the most severe impacts of the pandemic in the spring. Latest data showed activity growth accelerating to the quickest for over three-and-a-half years.

Though business-to-business service providers reported strong optimism towards the outlook for activity in a year's time, the absence of any real capacity pressures and an immediate need to cut costs led to further job losses across the sector in the three months to September. That said, the rate of staff cuts showed signs of easing and was weaker than seen in most other service sectors.

Prices charged by business-to-business service providers were meanwhile closer to stabilising, having shown an unprecedented decline earlier in the year.

Output Index

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



UK Regional PMI overview

Business Activity

Business activity rose across all areas of the UK in September, albeit at varying speeds. The best performance was seen in the North East where output rose sharply over the month. At the other end of the spectrum, Scotland moved to the bottom of the rankings having seen growth slow sharply since August. In fact, nine of the 12 monitored regions saw rates of increase in business activity lose momentum.

Employment

The picture for employment contrasted with that of output, with payroll numbers continuing to fall on a broad-based basis in September. Though rates of job shedding generally eased since August, data still showed sharp decreases in staffing levels in some regions such as the West Midlands and Yorkshire & Humber. The slowest fall in employment was seen in the North East.

Future Activity

Business confidence towards future output remained positive in all regions except Northern Ireland. Even here, however, the degree of pessimism receded sharply to the weakest for seven months. Yorkshire & Humber was the most optimistic region. That was despite expectations softening since August, as was the case in five other areas, namely London, East of England, North West, Scotland and Wales.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Sep '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
Apr '20	13.5	13.4	21.5	55.6	26.1	21.2	46.7	45.5
May '20	32.6	34.8	32.9	59.4	33.6	33.9	48.9	46.7
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

Contact

Jonathan Rennie
Regional PR Manager
NatWest
07769 932 102
jonathan.ennie@rbs.co.uk

Sian Jones
Economist
IHS Markit
+44 1491 461 017
sian.jones@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
+1 (781) 301-9311
katherine.smith@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 © 2020 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

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® and PMI® 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.