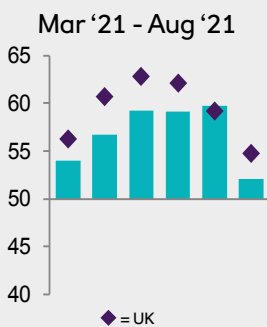
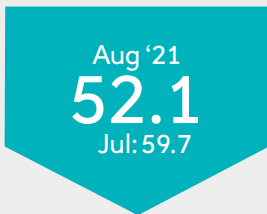


# NatWest East Midlands PMI<sup>®</sup>

## Business activity growth eases but pressure on capacity builds at record pace

### East Midlands Business Activity Index



### Key findings

Output and new order expansions soften...

...but backlogs of work rise at fastest pace on record

Inflationary pressures remain historically elevated

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 52.1 in August, down from 59.7 in July. The increase in output was linked to a further uptick in customer demand and new orders. The latest data signalled a moderate rise in business activity, but one that was the slowest in the current six-month sequence of growth.

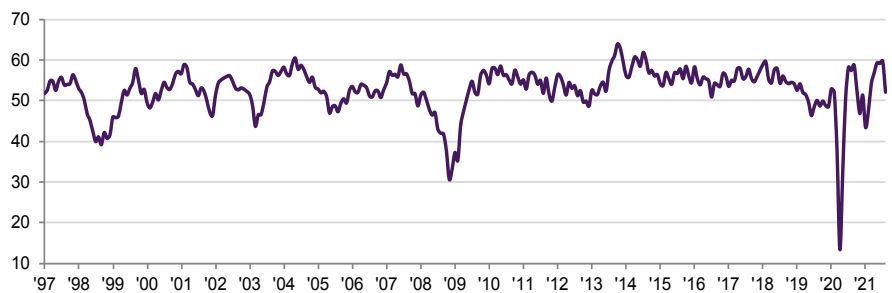
John Maude, NatWest Midlands & East Regional Board, commented:

*“East Midlands firms signalled a slowdown in output growth in August, as demand conditions cooled from the highs seen earlier in the summer. Nonetheless, companies saw their expectations regarding the outlook for output over the coming year improve to the strongest for almost six years, amid hopes of further increases in new orders.*

*“Alongside issues stemming from marked inflationary pressures, firms continued to highlight challenges hiring new staff and processing new business. Material and staff shortages hampered efforts to clear backlogs, as outstanding business rose at the fastest pace in the near 22-year series history.”*

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

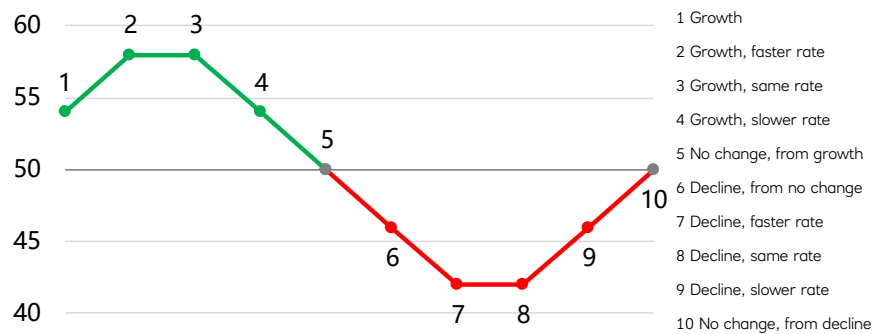
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New order growth eases to modest pace

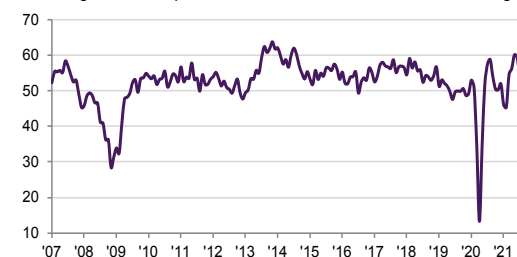
Private sector firms in the East Midlands signalled a further expansion in new business during August, albeit at a softer pace. Anecdotal evidence stated that greater new orders were linked to sustained client demand. The rate of growth was the slowest in the current six-month sequence of increase and weaker than the UK average. In fact, the pace of expansion was the second-slowest of the 12 monitored UK regions, quicker than only Northern Ireland.

### New Business Index

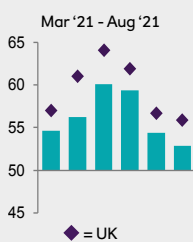
sa, >50 = growth since previous month

52.9

Aug '21



### New Business Index



### Output expectations strongest since September 2015

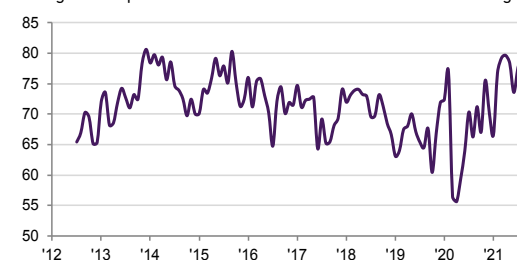
Firms across the East Midlands registered stronger expectations regarding the outlook for output over the coming year in August. The degree of confidence rose to the highest for almost six years and was greater than the UK average. Optimism was commonly attributed to hopes of improved client demand and new product developments.

### Future Activity Index

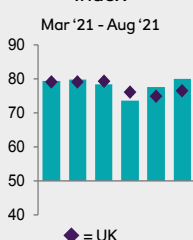
>50 = growth expected over next 12 months

80.0

Aug '21



### Future Activity Index



## Exports

### Export climate improves at strong pace

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 55.9 in August, down from 57.9 in July, to signal a strong improvement in export conditions for firms in the East Midlands.

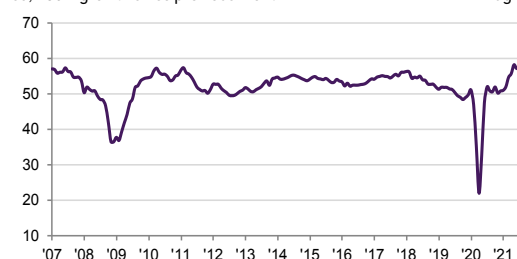
The overall improvement in the export climate was driven by further marked expansions across key export destinations. That said, only Hong Kong registered a quicker rise in business activity during August. Elsewhere, rates of output growth eased from the highs seen in recent months.

### Export Climate Index

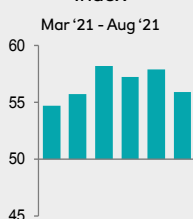
sa, >50 = growth since previous month

55.9

Aug '21



### Export Climate Index



### Top export markets, East Midlands

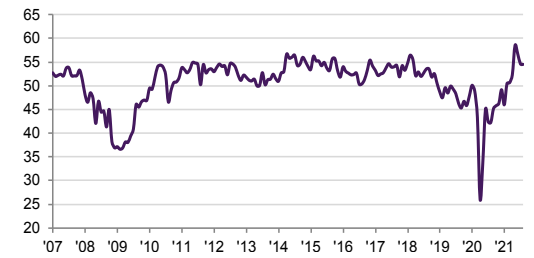
Rank	Market	Weight	Output Index, Aug '21
1	USA	12.8%	55.4
2	Germany	10.7%	60.0
3	Hong Kong	7.9%	54.9
4	Singapore	7.4%	53.6
5	France	7.1%	55.9

## Business capacity

### Solid, albeit slower rise in workforce numbers

East Midlands private sector firms registered a seventh successive monthly rise in employment during August. The increase in staffing numbers was attributed to a further rise in new orders and greater business requirements. That said, the rate of job creation eased to a four-month low and was slower than that seen across the UK as a whole. Some firms mentioned struggles hiring new staff amid challenges finding suitable candidates.

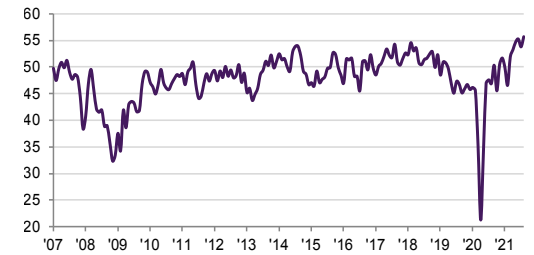
Employment Index 54.5  
 sa, >50 = growth since previous month Aug '21



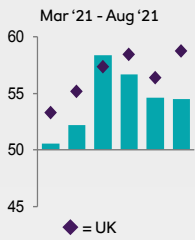
### Sharpest rise in backlogs of work on record

August data indicated a further increase in outstanding business across the East Midlands private sector. The rate of growth in backlogs of work was the fastest on record (since November 1999) and sharper than the UK average. Companies often noted that staff and material shortages hampered efforts to process incoming new business.

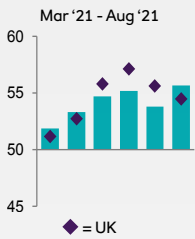
Outstanding Business Index 55.7  
 sa, >50 = growth since previous month Aug '21



Employment Index



Outstanding Business Index



## Prices

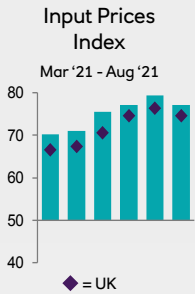
### Rate of cost inflation eases from series high in August

Average cost burdens across the East Midlands private sector increased markedly midway through the third quarter. Supplier prices hikes and greater wage bills reportedly drove inflation. The pace of increase was the second-fastest on record and quicker than the UK trend. The rate of cost inflation was among the sharpest of the 12 monitored UK regions.

### Input Prices Index

sa, >50 = inflation since previous month

77.2  
Aug '21



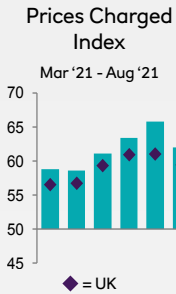
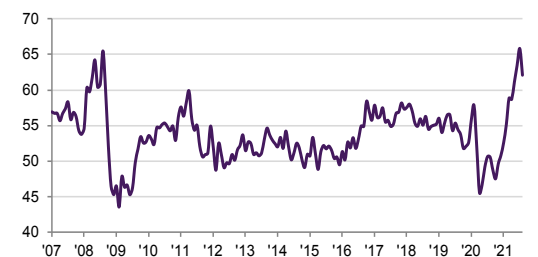
### Steep rise in selling prices during August

Private sector firms in the East Midlands registered a further rise in output charges in August. Greater output prices were reportedly driven by efforts to partially pass on higher input costs to clients where possible. The rate of inflation softened to a three-month low, but was historically elevated nonetheless, and faster than the UK average.

### Prices Charged Index

sa, >50 = inflation since previous month

62.0  
Aug '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, Aug ' 21*
1	Textiles & Clothing	2.04	55
2	Food & Drink	1.42	52
3	Other Manufacturing	1.36	54
4	Machinery & Equipment	1.22	56
5	Wood & Paper	1.09	51
6	Metals & Metal Products	0.87	49
7	Transport Equipment	0.86	48
8	Electrical & Electronic	0.70	55
9	Chemicals, Rubber & Plastics	0.60	53

#### East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Aug ' 21*
1	Transport & Communication	1.20	48
2	Hotels, Restaurants & Catering	1.16	58
3	Other Services	1.15	56
4	Business-to-business Services	1.05	57
5	Computing & IT Services	0.96	57
6	Financial Intermediation	0.49	52

## UK sector focus

### Other Manufacturing

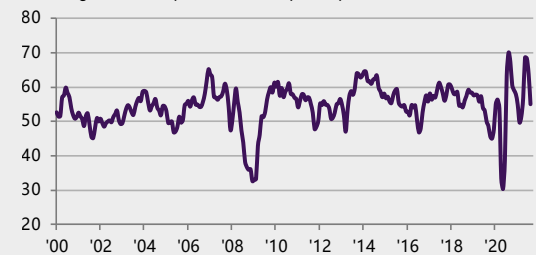
The UK's 'Other Manufacturing' sector – which comprises mostly consumer goods categories, including jewellery, sports equipment, toys and games – recorded a sharp slowdown in production growth in the three months to August, following a near-record performance in Q2. New order growth also eased, but far less so than output, with firms reporting an additional drag on production from material and staff shortages.

Latest data pointed to the greatest lengthening of supplier delivery times in more than 25 years of data collection. The severe pressure on supply chains was further underscored by a record increase in average purchase prices for inputs.

Firms in the sector showed urgent efforts to expand capacity, with the rate of job creation staying close to an all-time high in the three months to August. The increase in employment was the steepest of the nine manufacturing categories monitored.

#### Output Index

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



## UK Regional PMI overview

### Business Activity

Business activity growth eased across the majority of regions for the third month in a row in August. Only Scotland, which topped the rankings narrowly ahead of Wales, saw a faster rate of expansion than in July. The weakest increases in output were recorded in the North East, East Midlands and Northern Ireland respectively.

### Employment

Rates of job creation accelerated in eight of the 12 monitored regions in August. This included London, which recorded its steepest rise in workforce numbers on record and led employment growth for the first time since the pandemic began. Firms in the North East recorded the slowest rate of hiring, and one that was unchanged from the previous month.

### Future Activity

Most areas in August saw an improvement in firms' expectations towards future activity. The strongest increases in confidence were recorded in Wales and the South West respectively. Yorkshire & Humber also saw a notable improvement and regained the top spot in the rankings from the South East, which was second overall.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Aug '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
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
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

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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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### 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)

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