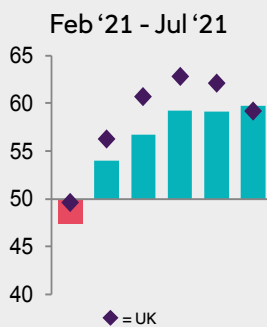


NatWest East Midlands PMI[®]

Sharpest rise in business activity since August 2014

East Midlands Business Activity Index



Key findings

Output expansion accelerates, but new order growth slows

Cost pressures intensify to fastest on record

Business confidence strengthens

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 59.7 in July, up from 59.1 in June, to signal the strongest rise in business activity in the East Midlands since August 2014. The rate of output growth was slightly quicker than the UK average. Companies were reportedly able to expand activity following the relaxation of COVID-19 restrictions which allowed for greater capacity and another boost to client demand.

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

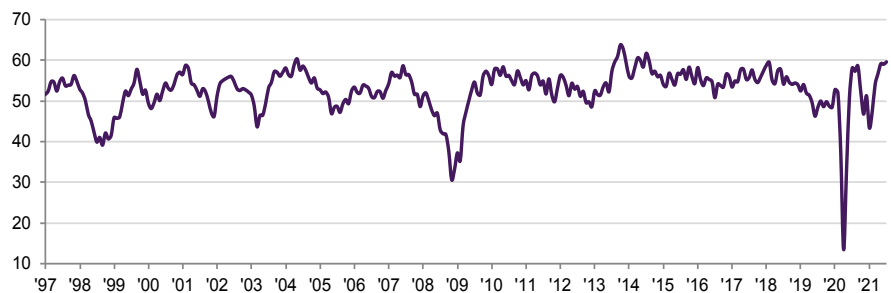
“The East Midlands private sector signalled another marked monthly expansion in business activity, as the final easing of COVID-19 restrictions boosted capacity potential and demand. The rise in new business slowed, however, as some suggested sales growth was beginning to stabilise following substantial increases seen earlier in the summer.”

“Cost pressure continued to hamper production capacity and put strain on margins, as input prices rose at a series record pace. The partial pass-through of costs remained a key theme, as charge inflation also hit a fresh series high.”

“Nevertheless, hopes of a further boost to demand and stable COVID-19 containment drove output expectations up.”

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

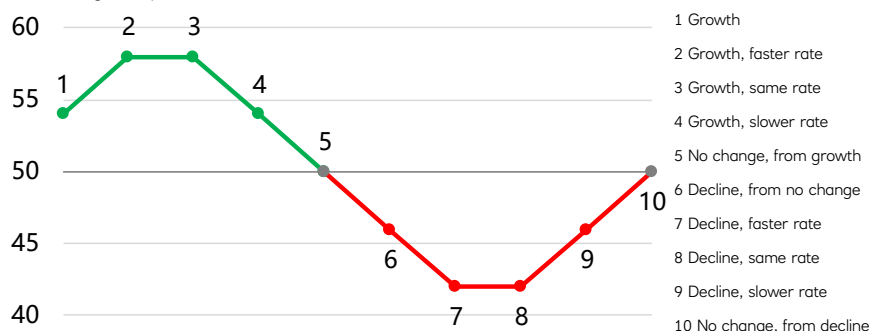
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

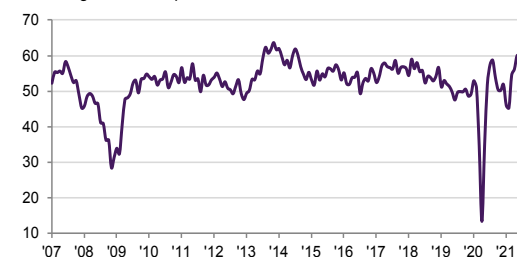


Demand and outlook

New business expansion eases to five-month low

July data signalled a solid, albeit slower upturn in new orders across the East Midlands private sector. Nonetheless, the expansion was linked to the further relaxation of COVID-19 restrictions and boost to client demand. The rate of new business growth was the slowest in the current five-month sequence of increase, however, and the second-softest of the 12 monitored UK regions (quicker than only Northern Ireland).

New Business Index 54.4
sa, >50 = growth since previous month Jul '21



Stronger business expectations in July

Private sector firms across the East Midlands signalled an uptick in expectations regarding the outlook for output over the coming year in July. Companies in the region were more upbeat than the UK average, with optimism reportedly stemming from the removal of many more COVID-19 restrictions and hopes of further boosts to client demand.

Future Activity Index 77.6
>50 = growth expected over next 12 months Jul '21



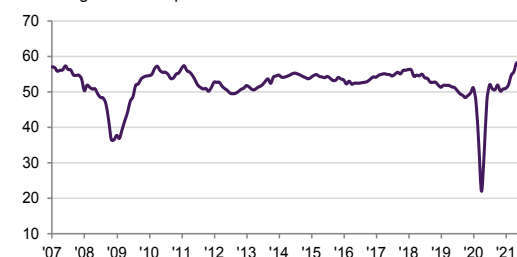
The degree of confidence was also stronger than the region's long-run series average.

Exports

Export climate improves markedly in July

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.

Export Climate Index 57.9
sa, >50 = growth since previous month Jul '21



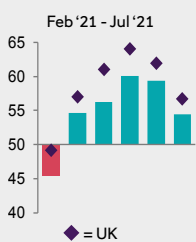
The Export Climate Index posted 57.9 in July, up from 57.2 in June. The improvement in export conditions for East Midlands firms was the second-strongest since June 2006.

The upturn in the export climate was supported by quicker output growth in Germany, Singapore and Hong Kong. The US also registered a marked expansion in activity despite easing from that seen in June. At the same time, France indicated a sharp rise in output.

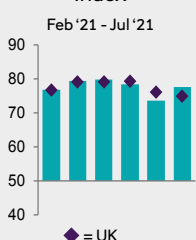
Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jul '21
1	USA	12.8%	59.9
2	Germany	10.7%	62.4
3	Hong Kong	7.9%	52.8
4	Singapore	7.4%	60.1
5	France	7.1%	56.6

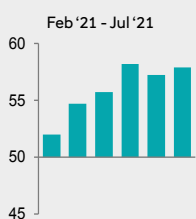
New Business Index



Future Activity Index

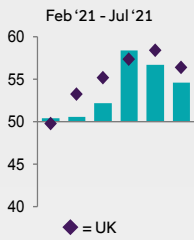


Export Climate Index



Business capacity

Employment Index

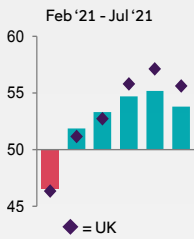


Employment growth eases to three-month low

East Midlands private sector firms indicated a solid rise in workforce numbers at the start of the third quarter. Alongside efforts to hire amid a sustained increase in client demand, some companies also noted that the relaxation of COVID-19 restrictions had allowed for expansions to capacity.

That said, the rate of job creation was the slowest for three months and the third-softest of the 12 monitored UK regions (behind the North East and Northern Ireland).

Outstanding Business Index



Solid accumulation of backlogs of work during July

The level of outstanding business at East Midlands private sector firms increased for the fifth successive month during July. Backlogs of work were commonly linked to supplier material shortages and some issues surrounding labour availability.

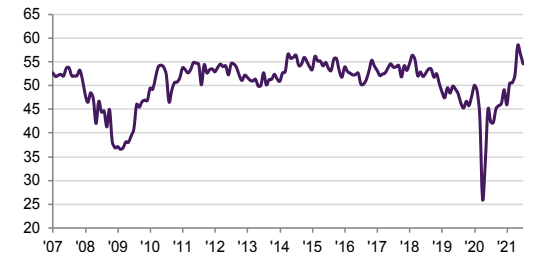
The rate of backlog accumulation was the slowest since April, and the softest of the 11 monitored UK regions that registered an expansion in incomplete business.

Employment Index

sa, >50 = growth since previous month

54.6

Jul '21

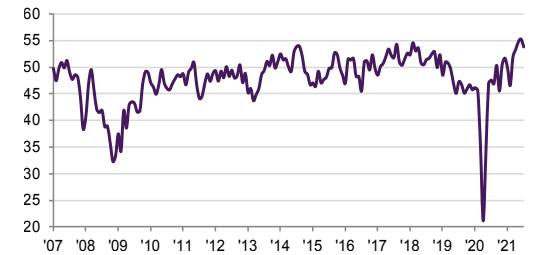


Outstanding Business Index

sa, >50 = growth since previous month

53.8

Jul '21



Prices

Rate of cost inflation accelerates again to fresh series high

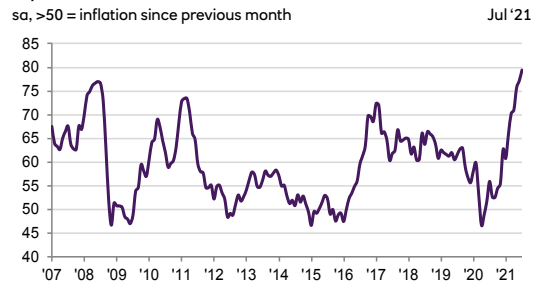
Private sector firms operating in the East Midlands registered another substantial rise in input prices during July. The rate of cost inflation was the quickest since data collection began in January 1997 and was faster than the UK average. Where an increase was reported, companies linked this to higher supplier, material, logistics and labour costs.

Manufacturers continued to record a sharper rise in cost burdens than their service sector counterparts.

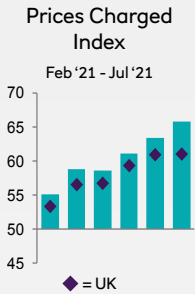
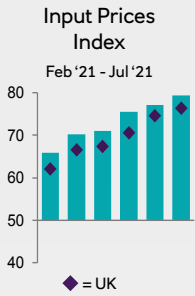
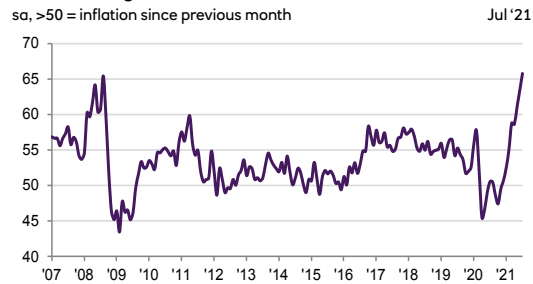
Charge inflation quickens to fastest on record

July data indicated a marked rise in output charges across the East Midlands private sector. Companies overwhelmingly stated that higher selling prices were due to the pass-through of greater costs to their clients. The rate of charge inflation accelerated to a fresh series high and was the second-fastest of the 12 monitored UK regions, slower than only Northern Ireland.

Input Prices Index 79.4
Jul '21



Prices Charged Index 65.8
Jul '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, Jul '21*
1	Textiles & Clothing	2.04	55
2	Food & Drink	1.42	58
3	Other Manufacturing	1.36	62
4	Machinery & Equipment	1.22	60
5	Wood & Paper	1.09	58
6	Metals & Metal Products	0.87	58
7	Transport Equipment	0.86	48
8	Electrical & Electronic	0.70	62
9	Chemicals, Rubber & Plastics	0.60	58

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '21*
1	Transport & Communication	1.20	52
2	Hotels, Restaurants & Catering	1.16	58
3	Other Services	1.15	55
4	Business-to-business Services	1.05	58
5	Computing & IT Services	0.96	60
6	Financial Intermediation	0.49	58

UK sector focus

Financial Intermediation

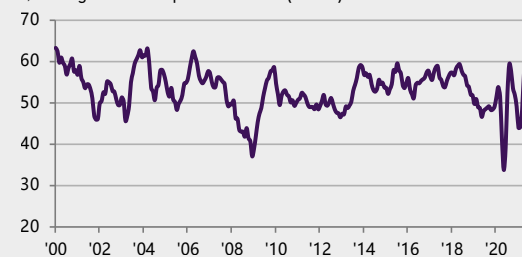
The UK's Financial Intermediation sector posted strong business activity growth in the three months to July, helped by recovering customer confidence and the easing of lockdown measures. It marked a continuation of the sector's best growth performance for 15 years.

With companies reporting a sustained build-up of backlogs of work, the rate of job creation accelerated to the quickest for over two decades and the second-fastest on record, as firms showed an increased urgency to expand staffing capacity. The upturn in employment was further supported by strong optimism towards the year-ahead outlook.

On the cost front, input prices rose sharply and at the quickest rate for more than one-and-a-half years, though the pace of inflation was the slowest among the services sub-sectors monitored by the survey data. This was also the case for prices charged.

Output Index

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



UK Regional PMI overview

Business Activity

July saw a sustained broad-based recovery in business activity across all regions and nations of the UK. Topping the growth rankings was the South West, which was one of only two regions, alongside the East Midlands (ranked sixth overall), to see a faster increase in output. Northern Ireland saw a loss of momentum and remained at the foot of the table.

Employment

The South West was the best-performing region for employment growth in July, seeing the rate of job creation accelerate to a record high. The majority of areas, however, recorded slower increases in workforce numbers than in June. The North East and Northern Ireland were two other exceptions, though the pair still registered the slowest overall rises in staffing levels.

Future Activity

Firms in all parts of the UK remained upbeat about the year-ahead outlook for activity in July. Those in the South East reported the strongest optimism, followed by Yorkshire & Humber. However, the latter, like two-thirds of the regions monitored, recorded lower expectations than in June. Sentiment was weakest in Northern Ireland, where it dipped to a five-month low.

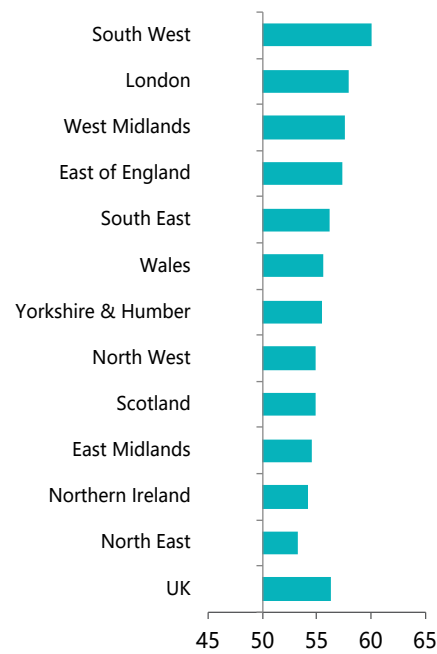
Business Activity Index

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



Employment Index

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



Future Activity Index

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

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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.

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