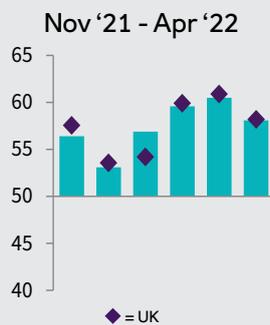


NatWest East Midlands PMI[®]

Business activity growth eases as hikes in prices dampen client demand

East Midlands Business Activity Index



Key findings

New business rises at slowest pace in 14 months

Output charges increase at record rate

Business confidence lowest since January 2021

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 58.1 in April, down from 60.5 in March, to signal a sharp but softer expansion in output across the East Midlands private sector. Although firms stated that client demand strengthened, higher prices and lower disposable incomes at customers weighed on the upturn. The rate of growth was the slowest for three months.

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

“April data indicated a slower upturn in business activity across the East Midlands private sector. The expansion was sharp, however, as firms worked through incoming new business. That said, underlying data indicated greater challenges for companies. New orders rose at the slowest pace for 14 months as client demand was dampened by soaring prices and lower disposable incomes. Although job creation remained strong, labour shortages and hikes in wages weighed on employment growth.

“Meanwhile, inflationary pressures surged. With input prices rising at one of the fastest rates on record, firms sought to pass on costs to clients through the steepest increase in charges in over 22 years of data collection. Concerns regarding higher prices and the impact on demand dragged output expectations to their lowest since January 2021.”

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 S&P Global from responses to questionnaires sent to East of England companies that participate in S&P Global'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

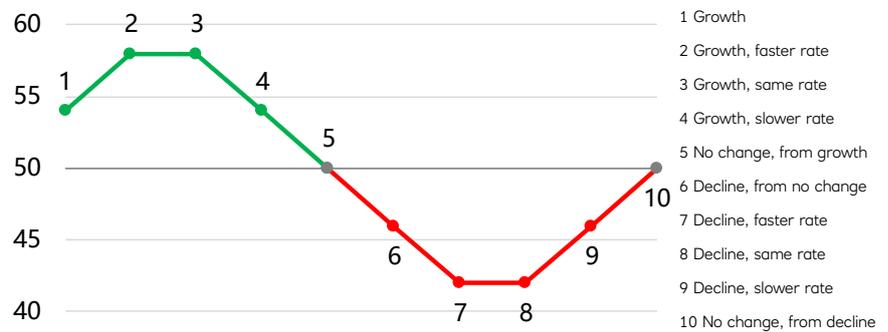
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Private sector firms across the East Midlands registered a slower expansion in new business during April. The rate of growth eased notably from March and was the slowest in the current 14-month sequence of growth. The pace of increase was also softer than the UK average. Although some firms in the region noted stronger demand conditions, many stated that inflation concerns and lower disposable incomes at customers weighed on the rise in new orders.

Weakest degree of optimism since January 2021

April data signalled further upbeat expectations regarding the outlook for output across the East Midlands private sector. Hopes of recovery from the COVID-19 pandemic and the release of new products supported optimism. That said, the degree of confidence slipped to the lowest since January 2021 as higher costs dampened client demand.

Weaker positive sentiment in the East Midlands reflected a broader UK trend, as the level of optimism at the national level also dipped.

Exports

Export conditions improve at fastest pace for five months in April

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 April, up from 53.0 in March, to signal a strong and faster upturn in the export climate for East Midlands firms.

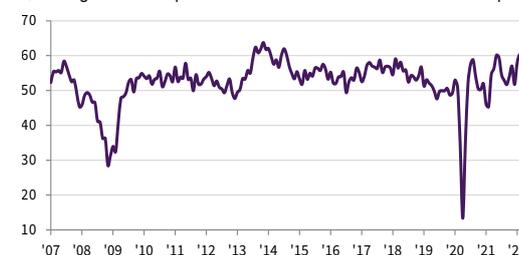
The improvement in export conditions stemmed from sharp output expansions across key export markets including the US, Germany and France, with the latter indicating the fastest rise in activity since January 2018.

New Business Index

sa, >50 = growth since previous month

51.0

Apr '22



Future Activity Index

>50 = growth expected over next 12 months

67.5

Apr '22



Export Climate Index

sa, >50 = growth since previous month

55.1

Apr '22



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Apr '22
1	USA	12.8%	56.0
2	Germany	10.7%	54.3
3	Hong Kong	7.9%	51.1
4	Singapore	7.4%	60.0
5	France	7.1%	57.6

New Business Index
Nov '21 - Apr '22

◆ = UK

Future Activity Index
Nov '21 - Apr '22

◆ = UK

Export Climate Index
Nov '21 - Apr '22

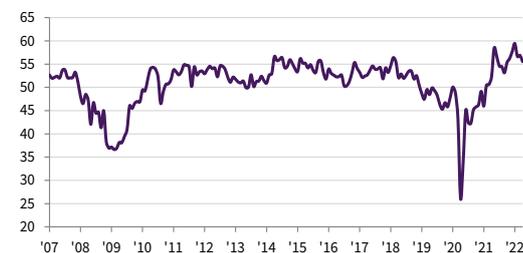
◆ = UK

Business capacity

Employment growth eases to slowest for six months in April

East Midlands private sector firms indicated a strong upturn in workforce numbers at the start of the second quarter. Companies stated that higher employment was linked to greater new order inflows and efforts to replace voluntary leavers. The rate of job creation softened to the slowest since October 2021, however, and was weaker than the UK average.

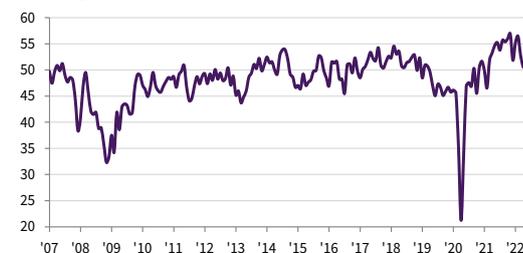
Employment Index 55.5
sa, >50 = growth since previous month Apr '22



Backlog growth only marginal in April

Adjusted for seasonal factors, the Outstanding Business Index signalled a further upturn in backlogs of work across the East Midlands private sector in April. That said, the rate of expansion eased to only a marginal pace that was the slowest in the current 14-month sequence of growth. The pace of accumulation was broadly in line with the UK average, which also pointed towards a muted rise in incomplete business.

Outstanding Business Index 50.5
sa, >50 = growth since previous month Apr '22



Prices

Further marked rise in cost burdens

Private sector firms in the East Midlands registered another substantial monthly increase in input prices during April. Although softening slightly from March, the rate of inflation was among the quickest on record and sharper than the UK average. As well as upticks in wage bills, firms stated that greater fuel and material costs pushed up expenses.

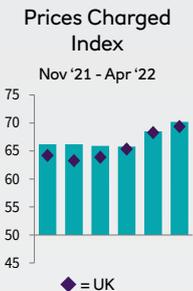
Input Prices Index 84.7
sa, >50 = inflation since previous month Apr '22



Charge inflation hits record high

April data signalled a marked rise in output charges across the East Midlands private sector. The rate of selling price inflation accelerated further and was the sharpest on record. Companies often noted that greater charges were due to the pass-through of higher costs to clients. At the sector level, manufacturers registered the faster uptick in output prices.

Prices Charged Index 70.2
sa, >50 = inflation since previous month Apr '22



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, Apr ' 22 ⁺
1	Textiles & Clothing	2.09	52
2	Food & Drink	1.41	54
3	Other Manufacturing	1.27	55
4	Mechanical Engineering	1.05	53
5	Timber & Paper	1.02	48
6	Transport	0.92	56
7	Basic Metals	0.87	54
8	Electrical & Optical	0.67	55
9	Chemicals & Plastics	0.58	53

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr ' 22 ⁺
1	Transport & Communication	1.18	58
2	Hotels, Restaurants & Catering	1.13	62
3	Personal & Community Services	1.11	60
4	Business-to-business Services	1.07	59
5	Computing & IT Services	0.91	58
6	Financial Intermediation	0.49	56

UK sector focus

Mechanical Engineering

The UK's Mechanical Engineering sector saw sustained growth in output levels in the three months to April, albeit at a relatively subdued pace that was below the average for manufacturing as whole. The upturn was supported by rising inflows of new work.

Although easing from the record levels seen last year, supply chain bottlenecks remained a key issue facing businesses in the sector, leading to longer lead times on inputs, whilst also helping to fuel a continued surge in purchase prices. Higher costs were increasingly passed on to customers, with factory gate charge inflation reaching a survey-record high.

Still, Mechanical Engineering companies maintained a strongly positive outlook for output in the coming year and, as such, continued to add to workforce numbers at a rapid pace.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East seeing a renewed contraction. London recorded the fastest overall rate of expansion, followed by the South West, while only the North West and Scotland registered quicker increases in business activity than the month before.

Employment

A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only slightly. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

Future Activity

Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland* (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.

Business Activity Index
sa, >50 = growth since previous month, Apr '22



Employment Index
sa, >50 = growth since previous month, Apr '22



Future Activity Index
>50 = growth expected over next 12 months, Apr '22



* 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
Nov '21	56.4	57.0	55.7	71.1	56.2	56.9	88.7	66.2
Dec '21	53.1	51.7	54.7	76.1	57.7	51.9	85.9	66.2
Jan '22	56.9	58.0	52.7	77.2	59.4	55.2	84.0	65.9
Feb '22	59.6	60.3	53.7	73.2	56.7	56.4	84.2	65.8
Mar '22	60.5	58.0	53.0	69.2	56.9	52.7	86.1	68.5
Apr '22	58.1	51.0	55.1	67.5	55.5	50.5	84.7	70.2

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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

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