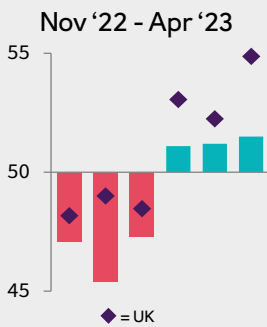


# NatWest East Midlands PMI<sup>®</sup>

## Fastest rise in business activity since May 2022

### East Midlands Business Activity Index



### Key findings

Output growth accelerates amid further uptick in new business

Cost pressures soften, but charges rise at faster pace

Employment growth strongest since October 2022

The headline NatWest East Midlands PMI<sup>®</sup> 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 – posted 51.5 in April, up slightly from 51.2 in March. The latest data signalled a marginal rise in output at East Midlands private sector firms. Nonetheless, the rate of expansion in activity was the fastest since May 2022. Greater output reportedly stemmed from increased new order inflows and further upticks in client demand. That said, the pace of growth was slower than the UK average, with only Wales registering a weaker rise in activity.

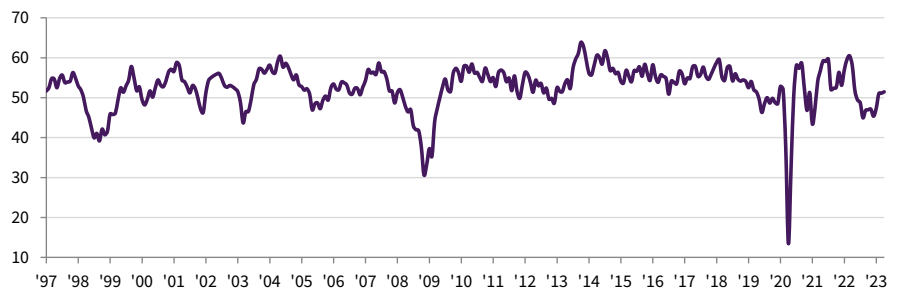
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

*“East Midlands firms signalled a sustained upturn in output during April, as a further rise in new orders supported total activity. Increased demand spurred firms on to expand workforce numbers, and the rate of job creation was the fastest since last October. In turn, companies were more upbeat in their expectations for the coming year as business confidence reached the highest in over a year.*

*“Inflationary pressures remained marked, however. Although firms noted a softer rise in cost burdens again, there was a renewed acceleration in charge inflation which is likely to add strain to already challenged customer purchasing power.”*

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 Midlands 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

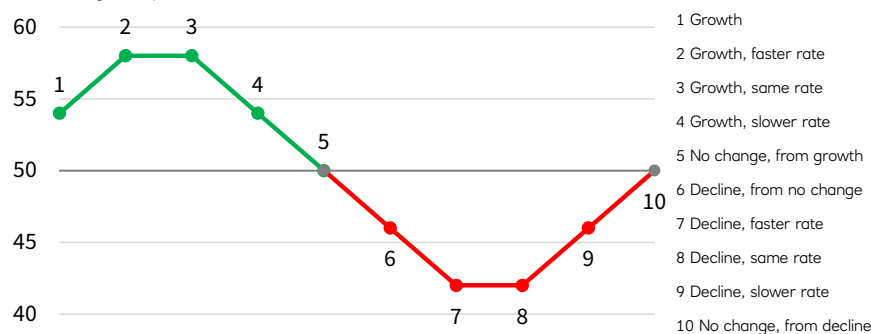
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month

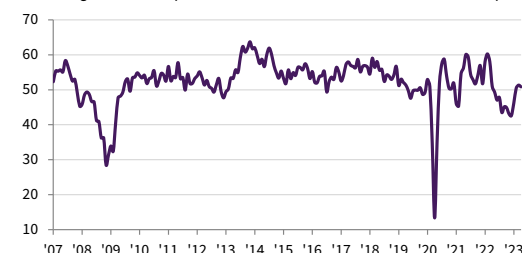


## Demand and outlook

### Marginal rise in new business

East Midlands private sector firms signalled a third successive monthly upturn in new business during April. Companies linked the expansion to greater demand from existing clients and the acquisition of new customers. That said, the rate of growth slowed to only a marginal pace. In fact, of the 12 monitored regions, only Northern Ireland registered a slower increase in new orders.

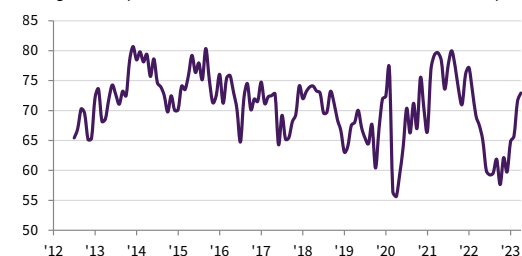
New Business Index 50.8  
sa, >50 = growth since previous month Apr '23



### Output expectations strongest since February 2022

April data signalled a strengthening in business confidence across the East Midlands private sector. Output expectations improved to the highest since February 2022, with the region's companies more upbeat about the outlook for output over the coming 12 months than the UK as a whole. Hopes for greater client demand, investment in marketing and new product development spurred optimism.

Future Activity Index 72.9  
>50 = growth expected over next 12 months Apr '23



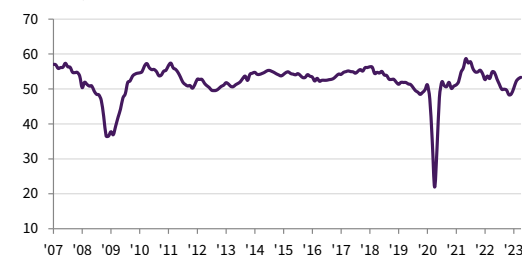
Stronger business confidence was broad based, with manufacturers more upbeat than service providers.

## Exports

### Export conditions improve at steeper rate 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.

Export Climate Index 53.3  
sa, >50 = growth since previous month Apr '23



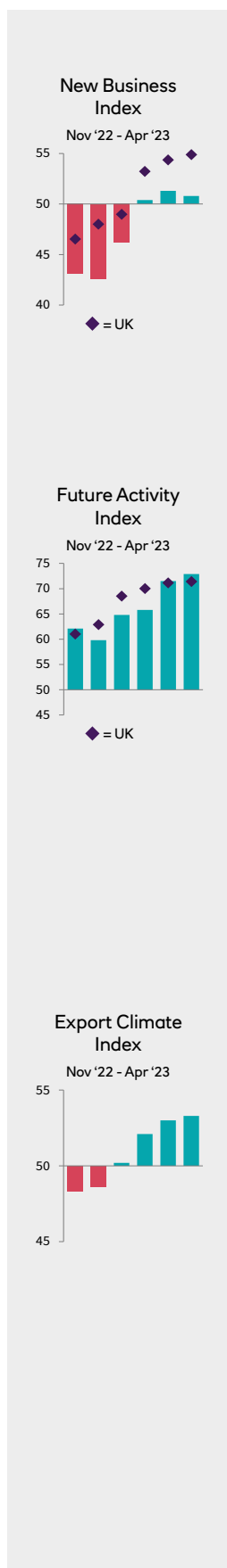
The Export Climate Index registered 53.3 in April, up from 53.0 in March, to signal a solid improvement in the export climate for East Midlands firms.

The uptick in export conditions was supported by faster output growth in key export markets. Sharper expansions in activity were seen in the USA, Singapore and Germany, with the latter recording the steepest upturn in output for a year.

Meanwhile, Hong Kong SAR and France registered further increases in output, albeit slower than seen in the previous survey period.

Top export markets, East Midlands

Rank	Market	Weight	Output Index, Apr '23
1	USA	12.5%	53.4
2	Germany	9.9%	54.2
3	France	9.0%	52.4
4	Singapore	7.5%	56.5
5	Hong Kong	7.1%	53.4



## Business capacity

### Modest upturn in East Midlands employment

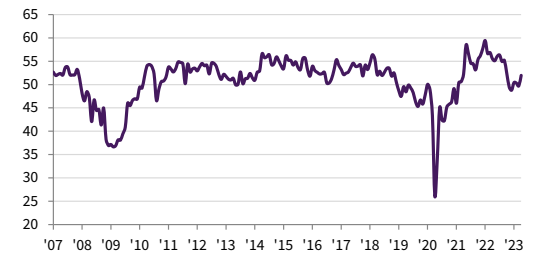
Private sector firms across the East Midlands registered a renewed rise in employment during April. The upturn was the third in the last four months, with the rate of job creation moderate overall. Higher workforce numbers were often attributed to greater business requirements following increased new orders.

Of the 11 monitored UK regions that signalled growth in employment, only the North East recorded a slower uptick than the East Midlands.

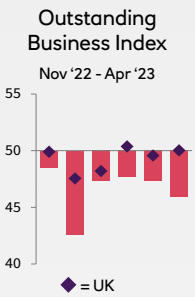
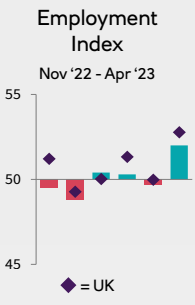
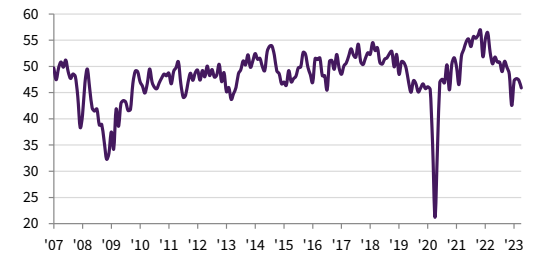
### Strong decline in backlogs of work in April

The level of outstanding business at East Midlands firms continued to contract in April, thereby extending the current sequence of decline to seven months. The rate of decrease was strong overall and the fastest in 2023 so far. Companies noted that sufficient capacity to process incoming new business allowed them to work through their backlogs successfully. The decline in work-in-hand was in contrast to the UK trend which signalled unchanged levels of incomplete business.

Employment Index  
sa, >50 = growth since previous month  
52.0  
Apr '23



Outstanding Business Index  
sa, >50 = growth since previous month  
45.9  
Apr '23





## Prices

### Slowest rise in input costs since February 2021

East Midlands firms registered a marked rise in input costs at the start of the second quarter. Input prices increased following reports of greater raw material, supplier and wage bills. Nonetheless, the rate of cost inflation slowed again to the weakest since February 2021. The pace of increase was also slightly softer than the UK average.

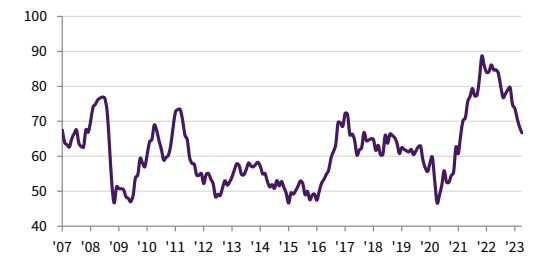
Manufacturers and service providers recorded slower upticks in cost burdens, although the latter saw much sharper increases in business expenses.

### Renewed acceleration in charge inflation

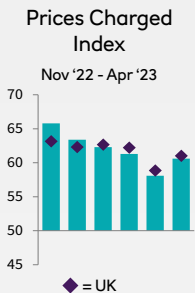
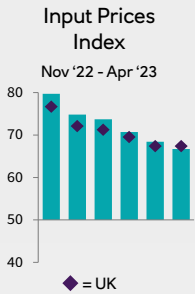
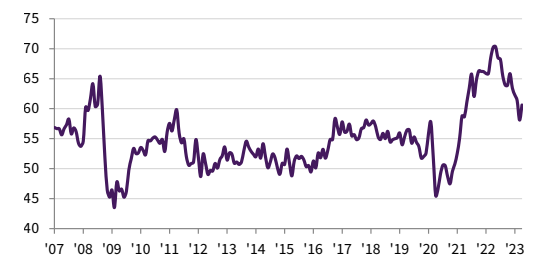
April data indicated a renewed uptick in the rate of output charge inflation at East Midlands firms. The rise in selling prices was marked overall and sharper than the series average. Hikes in output charges were commonly linked to the pass through of higher costs to clients.

The pace of charge inflation was the second-slowest in two years, despite being broadly in line with the UK average.

Input Prices Index 66.7  
sa, >50 = inflation since previous month Apr '23



Prices Charged Index 60.6  
sa, >50 = inflation since previous month Apr '23



## 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' 23 <sup>+</sup>
1	Textiles & Clothing	2.09	55
2	Food & Drink	1.41	50
3	Other Manufacturing	1.27	52
4	Mechanical Engineering	1.05	52
5	Timber & Paper	1.02	40
6	Transport	0.92	52
7	Basic Metals	0.87	50
8	Electrical & Optical	0.67	55
9	Chemicals & Plastics	0.58	50

#### East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr' 23 <sup>+</sup>
1	Transport & Communication	1.18	50
2	Hotels, Restaurants & Catering	1.13	55
3	Personal & Community Services	1.11	52
4	Business-to-business Services	1.07	55
5	Computing & IT Services	0.91	58
6	Financial Intermediation	0.49	58

## UK sector focus

### Basic Metals

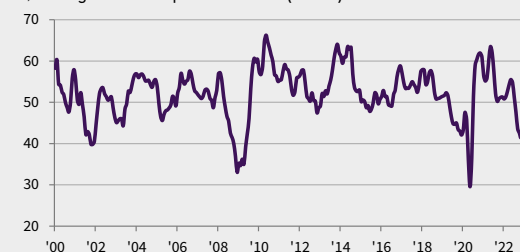
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland\*) where the pace of expansion slowed.

### Employment

Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

### Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

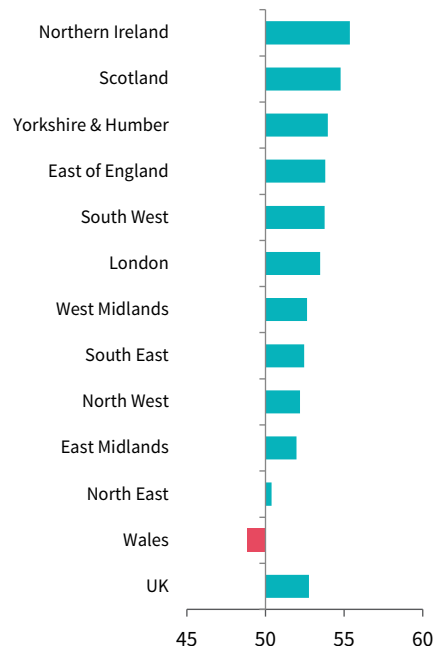
Business Activity Index

sa, >50 = growth since previous month, Apr '23



Employment Index

sa, >50 = growth since previous month, Apr '23



Future Activity Index

>50 = growth expected over next 12 months, Apr '23



\* 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 '22	47.1	43.1	48.3	62.1	49.5	48.5	79.7	65.8
Dec '22	45.4	42.6	48.6	59.8	48.8	42.6	74.8	63.4
Jan '23	47.3	46.2	50.2	64.8	50.4	47.3	73.7	62.3
Feb '23	51.1	50.4	52.1	65.8	50.3	47.7	70.7	61.3
Mar '23	51.2	51.3	53.0	71.5	49.7	47.3	68.4	58.1
Apr '23	51.5	50.8	53.3	72.9	52.0	45.9	66.7	60.6

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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 S&P Global

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

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