

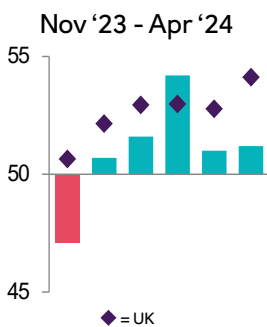


NatWest

NatWest East Midlands PMI[®]

Stronger demand conditions spark further upturn in business activity in April

East Midlands Business Activity Index



Key findings

Firms raise output levels again as new order growth quickens

Joint-fastest fall in employment since last November

Sharpest rise in cost burdens since August 2023

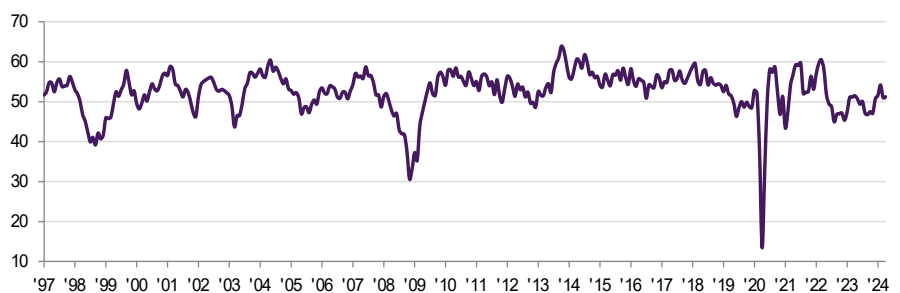
The headline NatWest East Midlands PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – posted at 51.2 in April, up fractionally from 51.0 in March, to signal a modest expansion in output at East Midlands firms. The upturn in business activity was reportedly underpinned by more favourable demand conditions and a further rise in new orders. Of the 11 monitored UK regions to record a rise in output, the East Midlands registered the second-slowest upturn. Moreover, the rate of growth was slower than the long-run series average seen for the region.

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

"April data signalled a more positive start to the second quarter, as output rose further following a quicker uptick in new orders. The rise in new business was the second-fastest since last June amid stronger demand conditions. Firms continued to cut workforce numbers, but the pace of decline was only marginal overall."

"Cost burdens increased markedly on the month, as the larger increase in the minimum and National Living Wage pushed input prices up. Although the slowest for three months, the rise in selling prices remained historically elevated as firms were able to pass through greater costs to customers but maintain new sales growth."

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

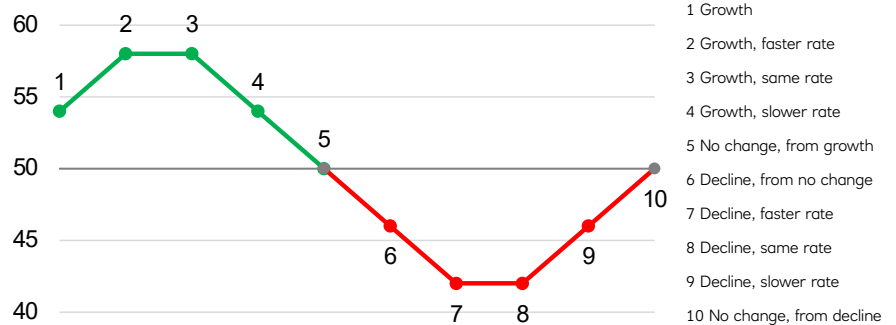
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

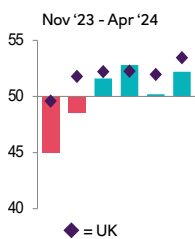
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



Faster rise in new business in April

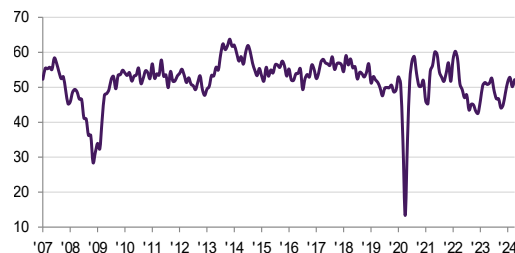
East Midlands private sector firms registered a sharper rise in new business at the start of the second quarter, thereby extending the current sequence of expansion to four months. Anecdotal evidence suggested the increase in new orders was due to stronger client demand. The rate of growth was modest and the second-fastest since June 2023.

New Business Index

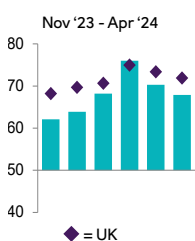
sa, >50 = growth since previous month

52.2

Apr '24



Future Activity Index



Business optimism slips to lowest in 2024 to-date

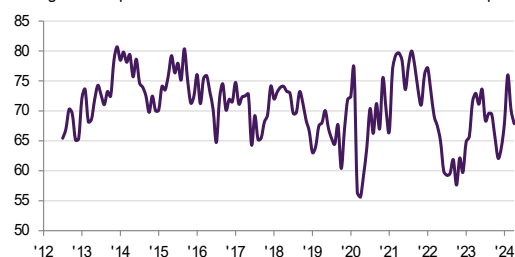
Business confidence among East Midlands firms remained upbeat in April, as companies continued to foresee a rise in output over the coming 12 months. Optimism was linked by firms to hopes of stronger customer demand and greater investment in new products. The level of positive sentiment sank to the weakest since December 2023, however, as higher input prices and muted customer demand subdued expectations.

Future Activity Index

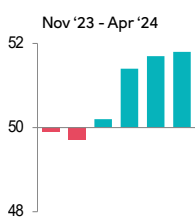
>50 = growth expected over next 12 months

67.9

Apr '24



Export Climate Index



Exports

Export climate improves to greater extent 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 at 51.8 in April, up fractionally from 51.7 in March, to signal a modest upturn in export conditions at East Midlands firms. The latest improvement in the export climate was the strongest since May 2023.

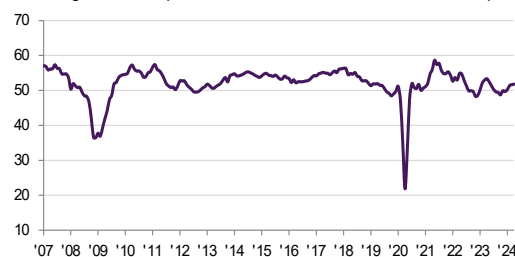
Supporting the upturn in export conditions were renewed output expansions in Germany, France and Hong Kong SAR. Firms in Singapore continued to record a solid rise in activity, albeit at a slower pace. Similarly, the USA registered a softer rate of growth in output.

Export Climate Index

sa, >50 = growth since previous month

51.8

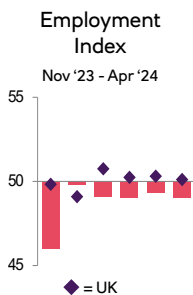
Apr '24



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Apr '24
1	USA	12.5%	51.3
2	Germany	9.9%	50.6
3	France	9.0%	50.5
4	Singapore	7.5%	54.3
5	Hong Kong	7.1%	50.2

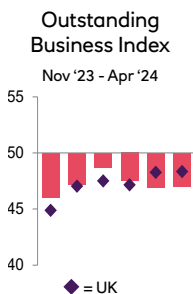
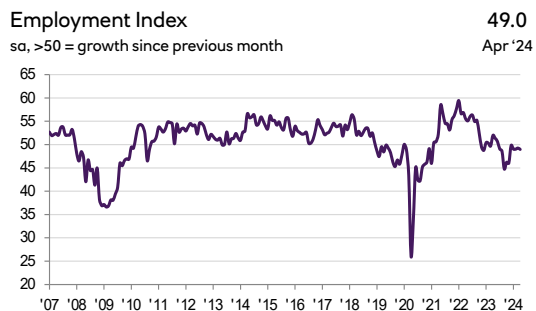
Business capacity



Joint-fastest fall in employment since November 2023

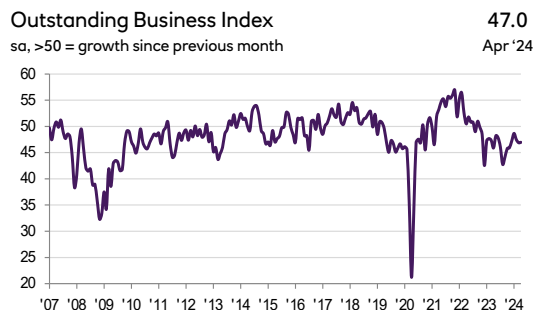
April data signalled a tenth successive monthly drop in employment at East Midlands firms. The rate of job shedding picked up slightly and was the joint-quickest in five months. Cost-cutting initiatives and redundancies following subdued demand conditions sparked the latest round of staff cuts, according to firms.

The fall in employment contrasted with the UK trend which signalled broadly unchanged staffing numbers.

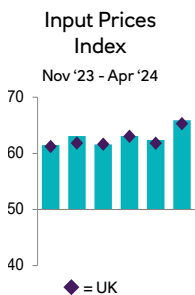


Solid decrease in backlogs of work in April

Adjusted for seasonal factors, the Outstanding Business Index indicated a further contraction in backlogs of work at East Midlands firms in April. The rate of decline was little-changed from that seen in March and solid overall. Companies noted that muted growth of new orders allowed them to process incoming new work in a timely manner.



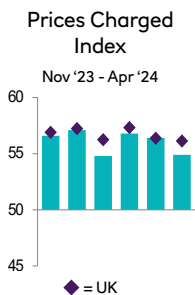
Prices



Sharpest rise in cost burdens since August 2023

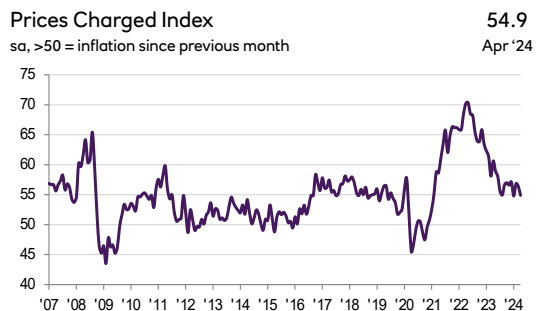
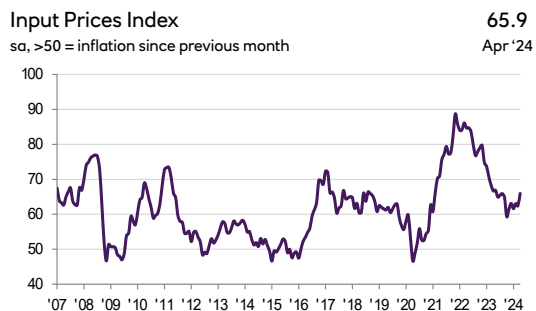
Private sector firms in the East Midlands signalled a steeper increase in input prices during April, as the pace of inflation ticked up to the fastest in eight months. The marked rise in cost burdens was largely linked to higher wage bills - in part stemming from a hike in the minimum and National Living Wages - and greater imported goods prices following disruption to shipping through the Red Sea.

At the sector level, manufacturers and service providers recorded sharper upticks in costs, with the latter seeing a much quicker rise.



Output charges increase at slower pace

April data indicated a further, albeit softer, rise in selling prices set by East Midlands firms. Anecdotal evidence commonly attributed higher output charges to the pass-through of greater costs to customers. That said, the pace of inflation slowed to the second-weakest since January 2021 (behind only January). Although slower than the UK average, the rate of increase was slightly quicker than the long-run series trend for the region.



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 '24
1	Textiles & Clothing	2.06	48
2	Food & Drink	1.33	52
3	Other Manufacturing	1.27	50
4	Transport	1.15	48
5	Timber & Paper	1.09	52
6	Mechanical Engineering	0.99	52
7	Basic Metals	0.93	48
8	Electrical & Optical	0.64	45
9	Chemicals & Plastics	0.59	52

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '24
1	Transport & Communication	1.26	48
2	Hotels, Restaurants & Catering	1.22	52
3	Personal & Community Services	1.22	50
4	Business-to-business Services	1.03	52
5	Computing & IT Services	0.88	55
6	Financial Intermediation	0.50	58

UK sector focus

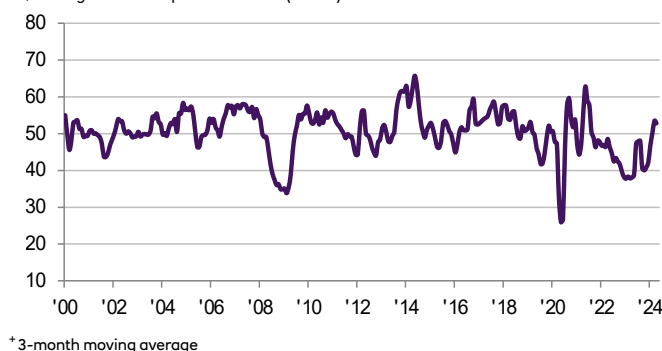
Timber & Paper

Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.

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



UK Regional PMI overview

Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

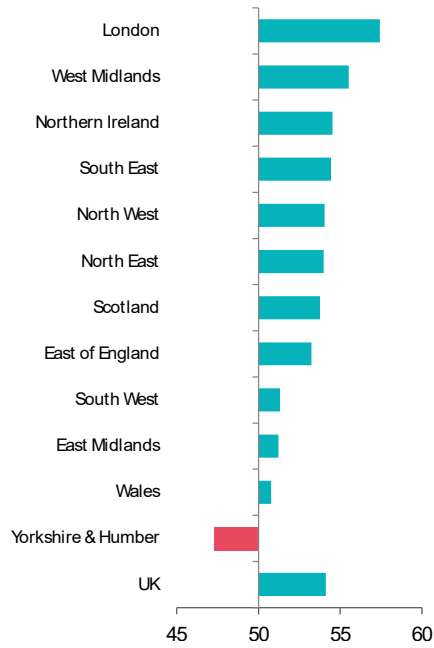
Employment

Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

Business Activity Index
sa, >50 = growth since previous month, Apr '24



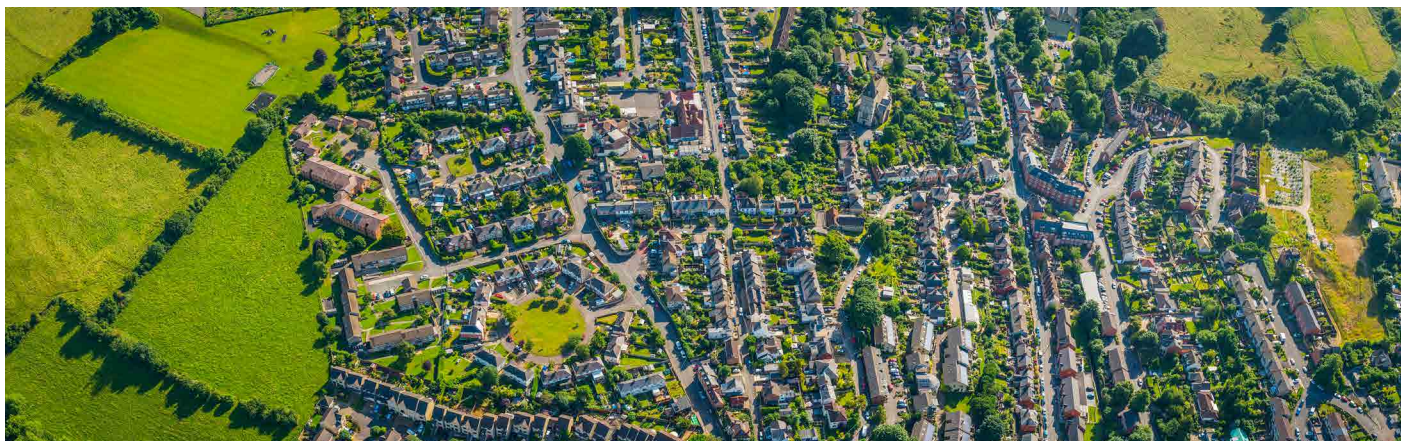
Employment Index
sa, >50 = growth since previous month, Apr '24



Future Activity Index
>50 = growth expected over next 12 months, Apr '24



* 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 '23	47.1	45.0	49.9	62.1	46.0	46.0	61.5	56.6
Dec '23	50.7	48.5	49.7	63.9	49.8	47.2	63.1	57.1
Jan '24	51.6	51.6	50.2	68.2	49.1	48.7	61.6	54.8
Feb '24	54.2	52.8	51.4	76.0	49.0	47.5	63.1	56.8
Mar '24	51.0	50.2	51.7	70.3	49.3	46.9	62.4	56.4
Apr '24	51.2	52.2	51.8	67.9	49.0	47.0	65.9	54.9

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