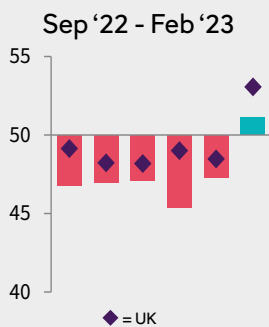




# NatWest East Midlands PMI<sup>®</sup>

## Renewed growth in business activity in February

### East Midlands Business Activity Index



### Key findings

Greater client demand spurs return to output growth

Inflationary pressures soften further

Business confidence strongest since April 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 51.1 in February, up notably from 47.3 in January. The latest data signalled the first upturn in business activity since May 2022, albeit one that was only marginal overall. Greater output was linked by firms to increased new orders and more stable supply chains. The rate of growth was slower than the UK and long-run series averages, however.

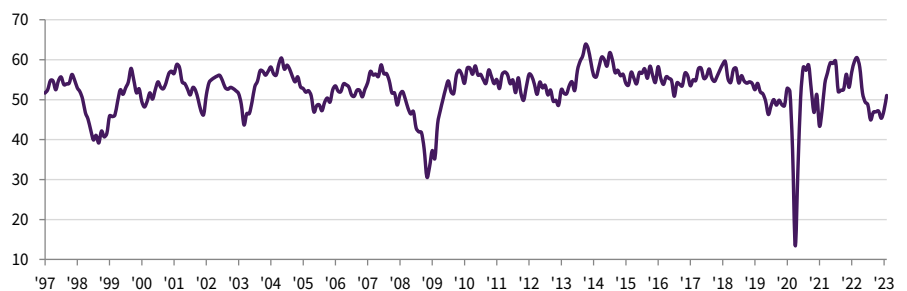
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

*“East Midlands private sector firms signalled a renewed rise in output and new business during February, amid stronger demand conditions. Although only marginal, the latest data indicated an end to an eight-month sequence of contraction in business activity. Nonetheless, spare capacity was still seen across firms, as employment rose only fractionally.*

*“On a positive note, inflationary pressures softened again. Although still marked, rates of cost and selling price inflation slowed to the weakest in almost two years as supply chains improved and demand conditions remained subdued. Slower upticks partially supported stronger business confidence in the year-ahead outlook, which picked up to the highest in almost a year.”*

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

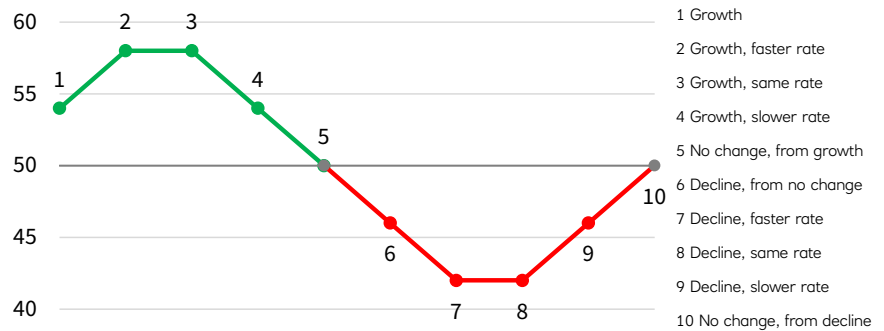
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

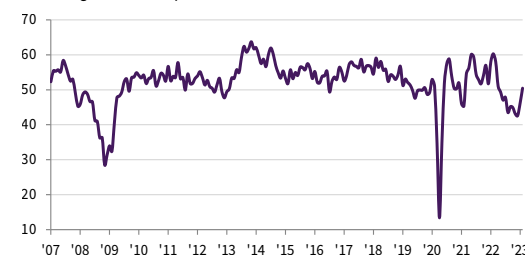


## Demand and outlook

### Renewed expansion in new business in February

Private sector firms in the East Midlands registered a renewed increase in new business during February. Although the expansion was only fractional overall, it brought to an end a nine-month sequence of decline. Firms noted that the return to growth in new orders stemmed from stronger client demand. Nonetheless, the rate of increase was slower than the UK average, which signalled a solid upturn.

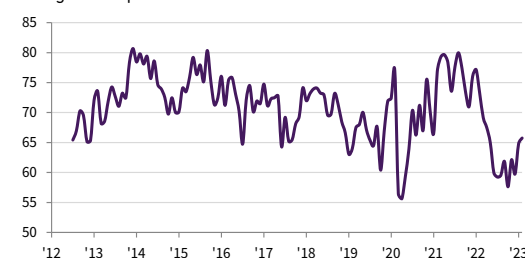
New Business Index  
sa, >50 = growth since previous month  
50.4  
Feb '23



### Output expectations strongest for almost a year

East Midlands private sector firms' expectations regarding the outlook for output over the coming year strengthened midway through the first quarter. Although still below the UK average, the degree of confidence was the highest since April 2022. Optimism was reportedly linked to investment in new products and services, and the acquisition of new clients. Manufacturers and service providers recorded stronger positive sentiment.

Future Activity Index  
>50 = growth expected over next 12 months  
65.8  
Feb '23



## Exports

### Export climate improves modestly in February

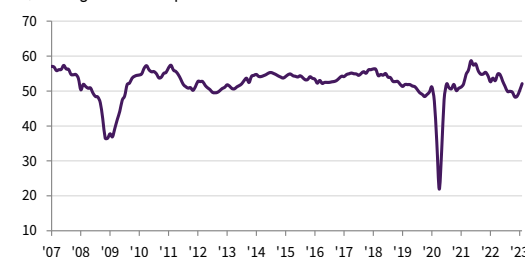
The East Midlands Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East Midlands. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index registered 52.1 in February, up from 50.2 in January. The latest data signalled a moderate improvement in export conditions for East Midlands private sector firms, and one that was the strongest since June 2022.

Supporting the greater degree of improvement in the export climate was a quicker upturn in output in Hong Kong. At the same time, Germany and France recorded renewed expansions in activity, whilst firms in the US signalled broadly unchanged output, bringing to an end a seven-month sequence of decline.

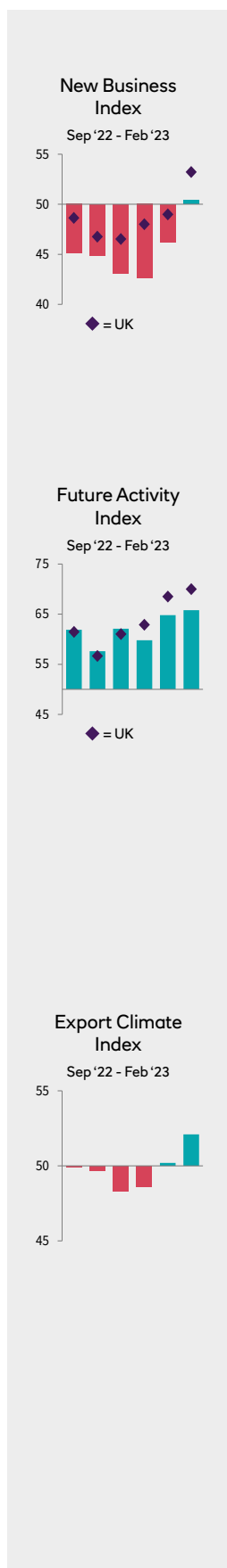
Companies in Singapore registered a slower rise in activity, however.

Export Climate Index  
sa, >50 = growth since previous month  
52.1  
Feb '23



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Feb '23
1	USA	12.5%	50.1
2	Germany	9.9%	50.7
3	France	9.0%	51.7
4	Singapore	7.5%	50.6
5	Hong Kong	7.1%	57.6



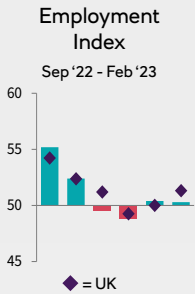
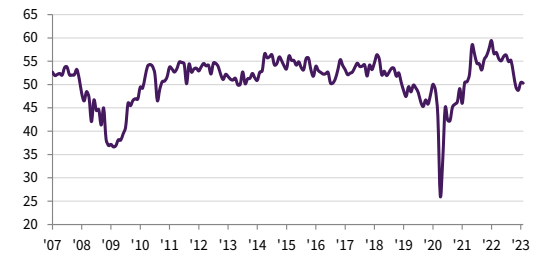
## Business capacity

### Fractional rise in employment in February

February data indicated a second successive monthly upturn in employment across the East Midlands private sector. Companies attributed the increase in workforce numbers to greater output requirements. The pace of expansion in staffing numbers was broadly in line with the long-run series average.

That said, the rate of job creation was only fractional overall and slower than the UK trend.

Employment Index 50.3  
 sa, >50 = growth since previous month Feb '23

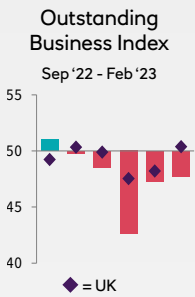
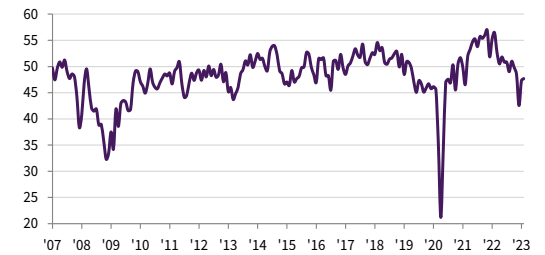


### Backlogs of work fall at slowest pace for three months

Private sector firms in the East Midlands recorded a fifth successive monthly contraction in backlogs of work in February. Anecdotal evidence suggested that lower levels of outstanding business were due to sufficient capacity to process incoming new work. The rate of decline eased to the slowest in three months, however.

The fall in work-in-hand contrasted with the UK average which indicated a fractional rise in backlogs.

Outstanding Business Index 47.7  
 sa, >50 = growth since previous month Feb '23



## Prices

### Slowest increase in cost burdens for almost two years

Average cost burdens faced by East Midlands private sector firms increased at a marked pace again in February. Alongside higher supplier and material prices, companies linked higher costs to greater wage bills. The rate of inflation softened for the third month running to the slowest since March 2021.

That said, the pace of increase was among the fastest of the 12 monitored UK regions, fractionally slower than only London and Northern Ireland.

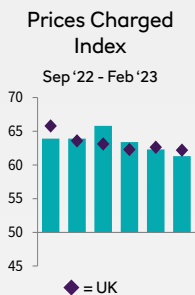
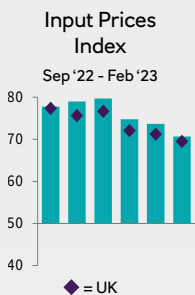
### Output charge inflation eases to softest rate since May 2021

Selling prices at East Midlands private sector firms increased further midway through the first quarter. The rate of charge inflation was marked, as companies attributed hikes in selling prices to the pass-through of greater costs to clients. The rate of increase softened to the slowest since May 2021 and was weaker than the UK average.

Input Prices Index 70.7  
Feb '23



Prices Charged Index 61.3  
Feb '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, Feb' 23 <sup>+</sup>
1	Textiles & Clothing	2.09	45
2	Food & Drink	1.41	55
3	Other Manufacturing	1.27	52
4	Mechanical Engineering	1.05	50
5	Timber & Paper	1.02	40
6	Transport	0.92	48
7	Basic Metals	0.87	49
8	Electrical & Optical	0.67	50
9	Chemicals & Plastics	0.58	45

#### East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb' 23 <sup>+</sup>
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.13	55
3	Personal & Community Services	1.11	50
4	Business-to-business Services	1.07	52
5	Computing & IT Services	0.91	50
6	Financial Intermediation	0.49	52

## UK sector focus

### Other Manufacturing

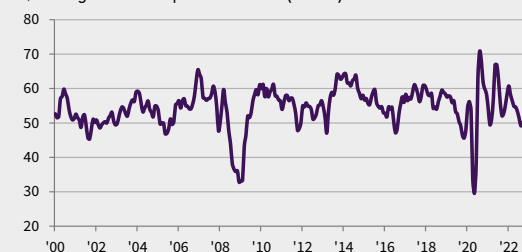
The UK's 'Other Manufacturing' sector - which comprises mainly consumer goods such as furniture, jewellery, sports items and household ceramics - saw a rise in production levels in the three months to February, following several months of declining output. Production was supported by easing supply constraints - the incidence of delivery delays having fallen sharply compared to the situation a year ago - which enabled businesses to catch up on backlogs of work.

Underlying demand continued to exhibit a weak trend, however, as underscored by a sustained decrease in new orders. That said, the rate of decline slowed in the three months to February and firms became more optimistic about the outlook.

Cost pressures in the sector meanwhile eased from the record high levels observed over the previous two years. Selling price inflation nevertheless remained historically elevated.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

February saw a rise in business activity across all but one of the regions and nations monitored by the survey. The North East was the only exception, although output there did at least stabilise after a seven-month sequence of contraction. London recorded by far the strongest activity growth, registering its best performance since last July, with the South East a distant second place.

### Employment

The number of areas recording an increase in employment rose from seven in January to ten in February, with the South West, East of England and Scotland each seeing renewed job creation. Northern Ireland was at the top of the rankings for workforce growth for a second straight month. Further decreases in employment were meanwhile recorded in both Wales and the North East.

### Future Activity

There was an improvement in business confidence in two-thirds of areas in February. The most marked upswings in sentiment were in Northern Ireland and Scotland, although these two remained towards the bottom end of the scale for overall levels of optimism. Expectations were highest in the West Midlands, as was the case in January, and lowest in the North East, which saw confidence wane slightly.

Business Activity Index

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



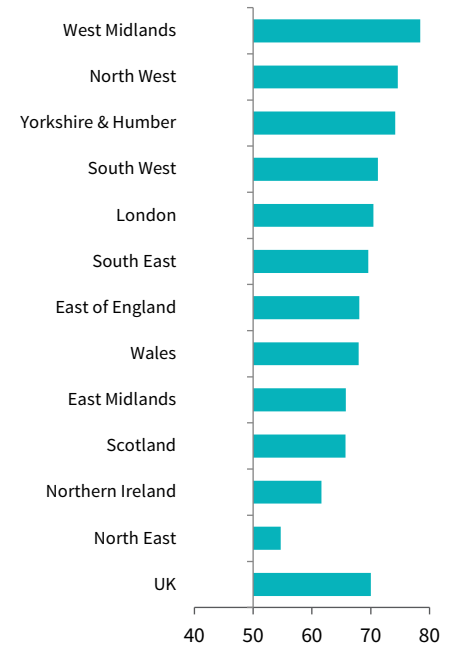
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Feb '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
Sep '22	46.8	45.1	49.9	61.9	55.2	51.0	77.8	63.9
Oct '22	47.0	44.9	49.7	57.6	52.4	49.8	79.0	63.9
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

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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.

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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.

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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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