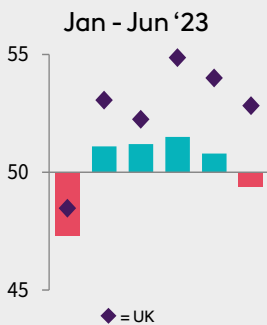




# NatWest East Midlands PMI<sup>®</sup>

## New business growth quickens, but sufficient capacity means renewed drop in output

### East Midlands Business Activity Index



### Key findings

New orders rise at fastest pace since March 2022, but output falls

Inflationary pressures ease

Business confidence strongest in almost a year-and-a-half

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 49.4 in June, down from 50.8 in May, to signal a renewed drop in output at East Midlands firms. The fall in activity was the first in five months, and only marginal overall. Nonetheless, companies stated that decreased activity was often due to sufficient capacity being available to work through new business. The decline in output contrasted with the picture for the UK as a whole, which indicated a solid rise.

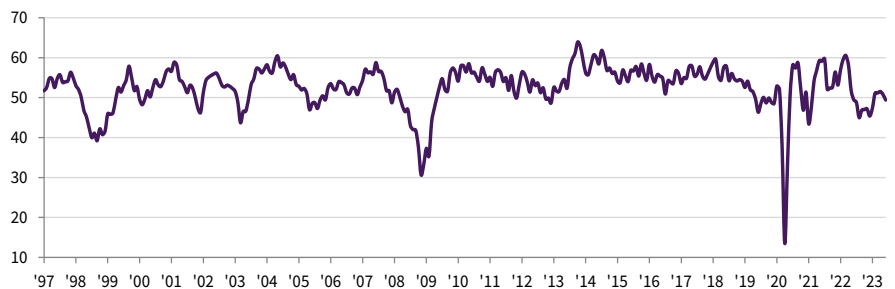
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

*“East Midlands firms signalled a challenging end to the second quarter as, despite a stronger rise in new business, output returned to contraction territory. Companies sometimes noted that current staffing numbers were sufficient to handle incoming new work. Although businesses continued to create jobs, the rate of employment growth slowed for the second month running and to only a marginal pace.*

*“On a more positive note, inflationary pressures softened. Input costs and output charges rose at the slowest rates since January and February 2021, respectively, as some moderations in supplier costs were passed through to customers. Nonetheless, wage hikes were a driving factor behind inflation, with the service sector particularly impacted. Firms were more upbeat in their expectations for future output, however, as confidence reached the highest for 17 months.”*

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

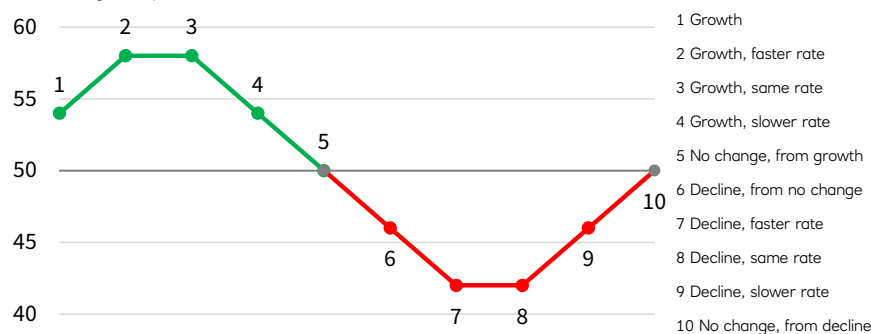
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

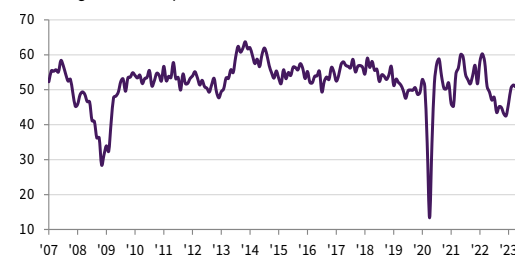


## Demand and outlook

### New business growth accelerates to fastest since March 2022

East Midlands firms signalled a fifth successive monthly upturn in new orders at the end of the second quarter. The rise in new business quickened to the sharpest since March 2022, and was faster than the UK average. In fact, the East Midlands recorded one of the steepest rates of growth of the 12 monitored UK regions, with only the West Midlands, London and Scotland registering more robust expansions. The increase in new orders was linked to stronger demand from new and existing customers.

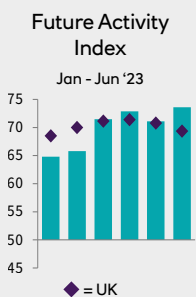
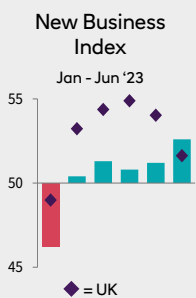
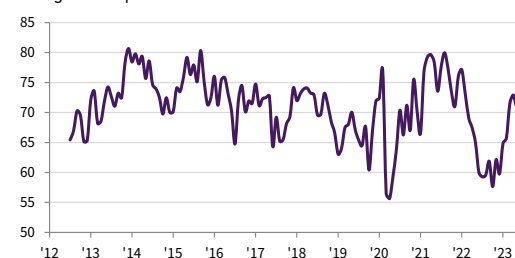
New Business Index  
sa, >50 = growth since previous month  
52.6  
Jun '23



### Output expectations strengthen in June

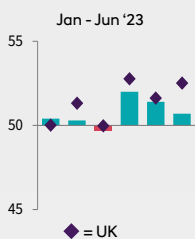
Business confidence at East Midlands firms improved in June, as the degree of optimism in the outlook for output over the coming year rose to the highest since January 2022. Investment in new products and machinery, alongside hopes of greater economic certainty, sparked stronger output expectations, according to panellists. Of the 12 monitored UK regions, only the South East and West Midlands registered a higher level of positive sentiment.

Future Activity Index  
>50 = growth expected over next 12 months  
73.6  
Jun '23



## Business capacity

### Employment Index



### Rate of job creation eases for second month running in June

June data indicated a third successive monthly upturn in employment at East Midlands companies. Greater workforce numbers were often linked to increased new orders. The rate of job creation slowed to a marginal pace, however, and was the weakest in the aforementioned sequence. Moreover, the rate of employment growth was softer than the UK average.

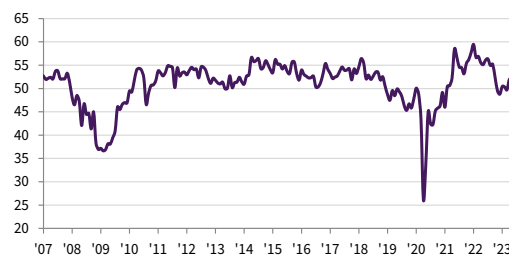
At the sub-sector level, manufacturers recorded the slower rise in staffing numbers.

### Employment Index

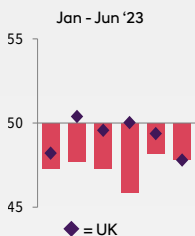
sa, >50 = growth since previous month

50.7

Jun '23



### Outstanding Business Index



### Solid fall in outstanding business in June

The level of backlogs of work at East Midlands firms continued to decline during June, thereby extending the current sequence of decrease to nine months.

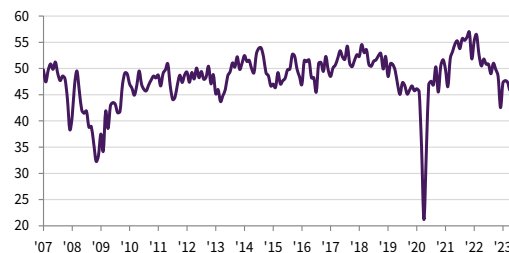
The rate of contraction reaccelerated to a solid pace. Companies stated that lower levels of outstanding business stemmed from sufficient capacity to work through incoming new orders, and previously muted client demand. The pace of reduction was in line with the UK average.

### Outstanding Business Index

sa, >50 = growth since previous month

47.8

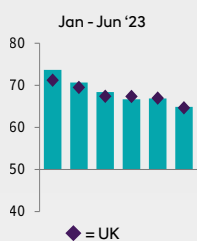
Jun '23





## Prices

Input Prices Index  
Jan - Jun '23



### Slowest uptick in input costs since January 2021

Operating expenses among firms in the East Midlands rose at a further marked pace at the end of the second quarter. The increase was attributed to higher interest rates, greater supplier prices and rising wage bills. That said, the pace of cost inflation softened again, and was the slowest since the start of 2021.

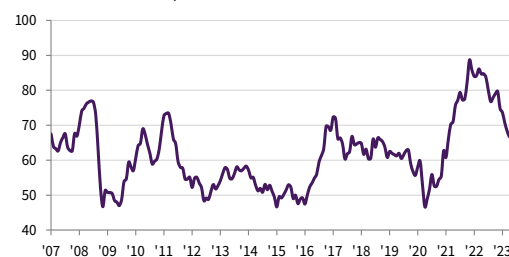
The rise in cost burdens was driven by the service sector, as manufacturers recorded only a slight uptick in input prices.

Input Prices Index

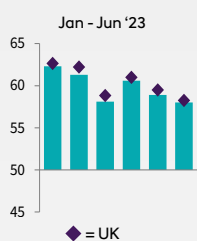
sa, >50 = inflation since previous month

64.9

Jun '23



Prices Charged Index  
Jan - Jun '23



### Slower rise in selling prices

June data signalled another monthly increase in output charges at East Midlands firms. The rate of selling price inflation was only slightly slower than the UK average, and steep overall. Anecdotal evidence suggested that higher output charges were due to the pass-through of greater costs to clients. That said, the rate of increase slowed for the second month running and was the weakest since February 2021.

Some companies noted that the softer uptick in selling prices was linked to greater competition and efforts to pass on any cost savings to customers.

Prices Charged Index

sa, >50 = inflation since previous month

58.0

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

#### East Midlands specialisation: Services

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

## UK sector focus

### Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

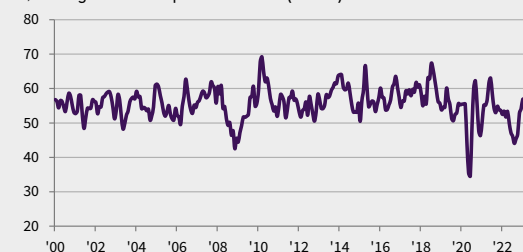
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland\* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

### Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

### Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index

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



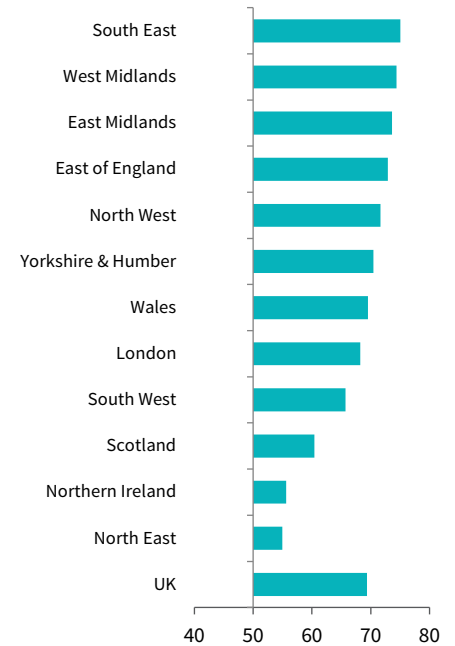
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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
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
May '23	50.8	51.2	52.5	71.1	51.4	48.2	66.9	58.9
Jun '23	49.4	52.6	51.4	73.6	50.7	47.8	64.9	58.0

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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.

### 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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