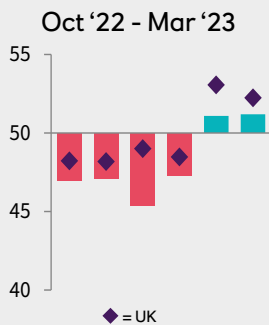


# NatWest East Midlands PMI<sup>®</sup>

## Business activity rises further amid quicker rise in new orders

### East Midlands Business Activity Index



### Key findings

New business growth drives greater output

Inflationary pressures soften further

Renewed fall in employment despite stronger business confidence

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 51.2 in March, little-changed from 51.1 in February. Although signalling only a marginal expansion in business activity that was slower than the UK average, the rise in output was the fastest in ten months. Where survey respondents noted an increase in activity, this was attributed to stronger client demand and a faster rise in new business.

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

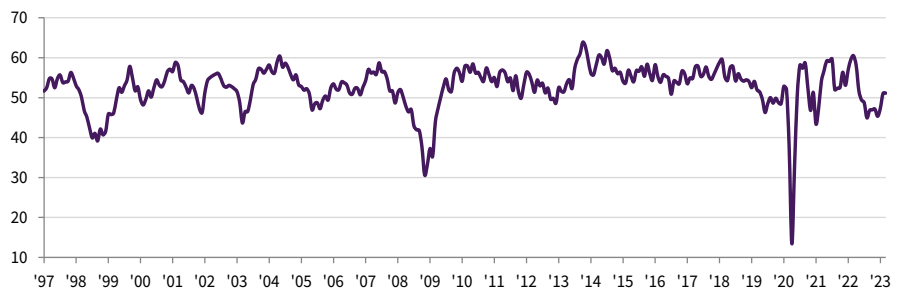
*“Companies in the East Midlands registered another monthly expansion in activity in March, thereby ending the first quarter on a more positive note. New business rose at a quicker pace, as client demand reportedly strengthened. Nonetheless, historically subdued demand conditions and further marked hikes in operating expenses led firms to cut their workforce numbers. Cost-cutting initiatives were put in place as many noted sufficient capacity to work through incoming business.*

*“On a more positive note, inflationary pressures softened again. Rates of input cost and output charge inflation eased to the slowest for over two years, as some material prices moderated.*

*“Despite muted demand conditions and still challenging rates of inflation, firms’ confidence in the outlook for output reached the strongest for over a year. East Midlands firms were broadly in agreement with their counterparts across the UK as a whole, who also recorded more upbeat expectations.”*

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

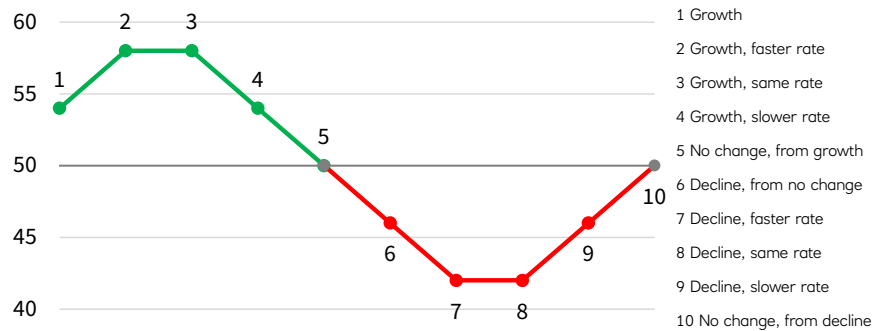
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Quickest rise in new business for a year in March

Private sector firms across the East Midlands registered a second successive monthly increase in new orders in March. The upturn in new business was reportedly linked to stronger demand and greater client activity. Although only marginal, the rate of growth was the fastest for a year. That said, the pace of expansion was below the UK average and among the slowest of the 12 monitored UK regions (faster than only Yorkshire & Humber and the North West).

### Business confidence strengthens again in March

Private sector firms in the East Midlands signalled a stronger degree of confidence in the outlook for output over the coming year during March. The level of optimism picked up to the highest in over a year and was slightly greater than the UK average. Positive sentiment across the region was linked to hopes of increased client demand, investment in new product development and diversification.

## Exports

### Strongest improvement in export climate since May 2022

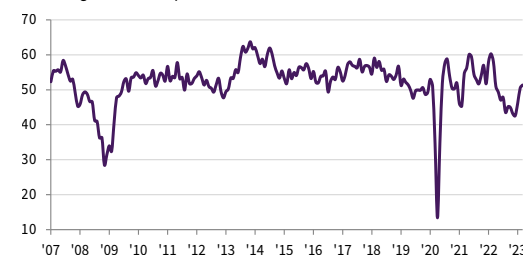
The East Midlands Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East Midlands. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index registered 53.0 in March, up from 52.1 in February, to signal the most marked improvement in export conditions for East Midlands firms since May 2022.

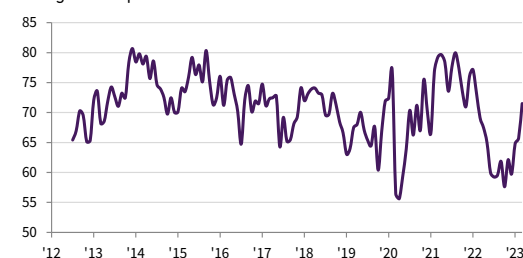
Supporting the upturn in the export climate were stronger output expansions in the USA, Germany, France and Singapore. In fact, the rates of growth in Germany and France were the fastest in ten months, with the increase in US private sector activity the sharpest since June 2022.

Meanwhile, the rise in output at firms in Hong Kong SAR remained steep overall, despite easing from February's recent high.

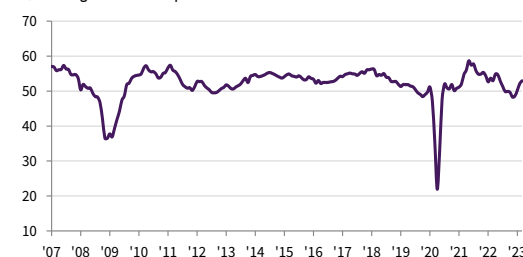
New Business Index  
sa, >50 = growth since previous month  
51.3  
Mar '23



Future Activity Index  
>50 = growth expected over next 12 months  
71.5  
Mar '23

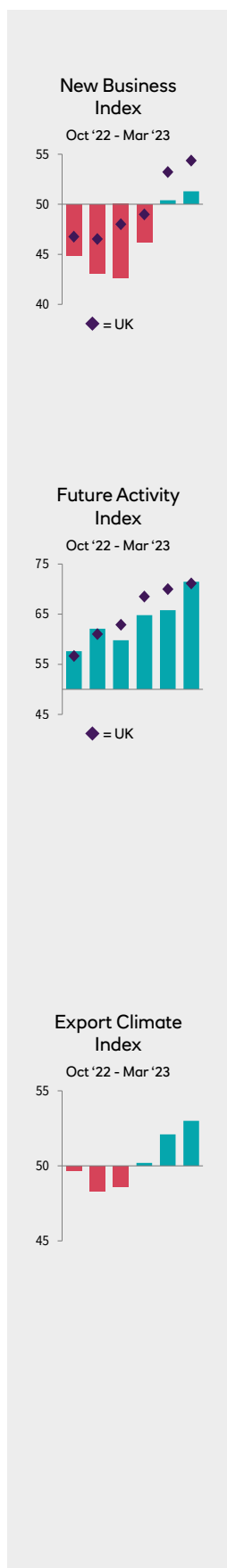


Export Climate Index  
sa, >50 = growth since previous month  
53.0  
Mar '23



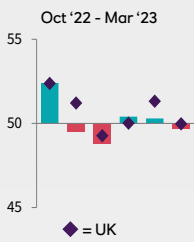
Top export markets, East Midlands

Rank	Market	Weight	Output Index, Mar '23
1	USA	12.5%	52.3
2	Germany	9.9%	52.6
3	France	9.0%	52.7
4	Singapore	7.5%	54.4
5	Hong Kong	7.1%	56.3



## Business capacity

### Employment Index

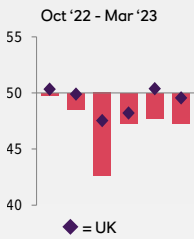


### Renewed, albeit fractional, decrease in employment

March data indicated a renewed fall in employment across the East Midlands private sector. The decrease in workforce numbers followed back-to-back expansions seen in the opening two months of 2023. Although only fractional, the decline in staffing numbers was attributed to the non-replacement of voluntary leavers amid cost-cutting initiatives.

The slight contraction in employment contrasted with a stabilisation in headcounts seen across the UK as a whole.

### Outstanding Business Index



### Solid fall in backlogs of work

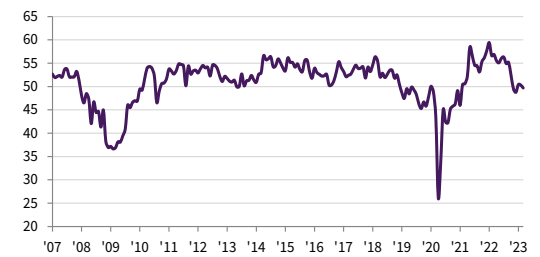
East Midlands firms recorded a sixth successive monthly decline in incomplete business at the end of the first quarter. The rate of contraction quickened slightly and was solid overall. Of the 12 monitored UK regions, only Wales registered a sharper drop in backlogs of work. Subdued demand conditions in recent months meant companies had sufficient capacity to process incoming new work.

### Employment Index

sa, >50 = growth since previous month

49.7

Mar '23

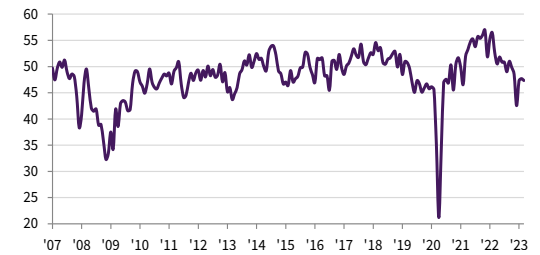


### Outstanding Business Index

sa, >50 = growth since previous month

47.3

Mar '23



## Prices

### Input price inflation slows again

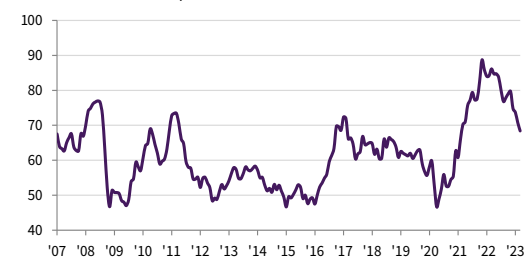
East Midlands companies noted a further softening in the rate of input cost inflation during March. Although still marked, the pace of increase was the slowest since February 2021 and much weaker than those seen throughout 2022. Nonetheless, the historically elevated rise in operating expenses was linked to greater material and utility costs, alongside increased wage bills.

Of the 12 monitored UK regions, only the North East and London registered steeper upticks in input prices.

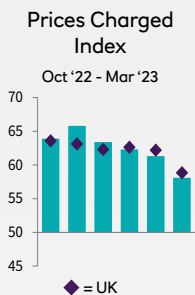
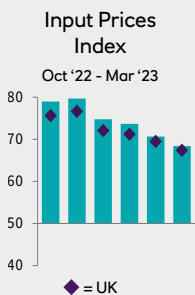
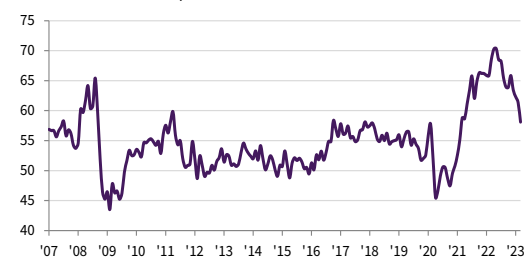
### Slowest rise in output charges since February 2021

March data signalled a sharp increase in output charges at East Midlands private sector firms. Companies commonly mentioned the pass-through of higher costs to clients as driving inflation. That said, the rate of increase in selling prices eased for the fourth month running and was the softest since February 2021. At the UK level, only the East of England recorded a slower rise in output charges.

Input Prices Index 68.4  
sa, >50 = inflation since previous month Mar '23



Prices Charged Index 58.1  
sa, >50 = inflation since previous month Mar '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, Mar' 23 <sup>+</sup>
1	Textiles & Clothing	2.09	48
2	Food & Drink	1.41	52
3	Other Manufacturing	1.27	55
4	Mechanical Engineering	1.05	52
5	Timber & Paper	1.02	40
6	Transport	0.92	50
7	Basic Metals	0.87	52
8	Electrical & Optical	0.67	52
9	Chemicals & Plastics	0.58	48

#### East Midlands specialisation: Services

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

## UK sector focus

### Hotels, Restaurants & Catering

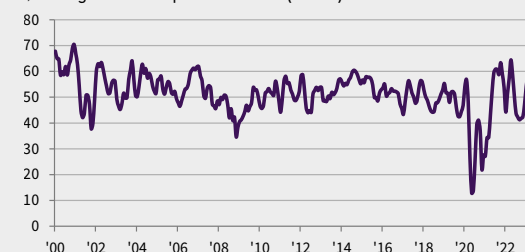
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

### Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

### Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

**Business Activity Index**  
sa, >50 = growth since previous month, Mar '23



**Employment Index**  
sa, >50 = growth since previous month, Mar '23



**Future Activity Index**  
>50 = growth expected over next 12 months, Mar '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
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
Mar '23	51.2	51.3	53.0	71.5	49.7	47.3	68.4	58.1

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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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