

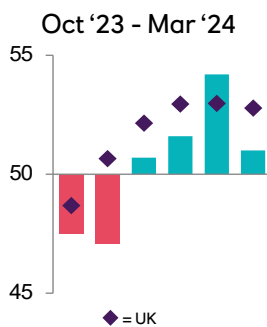


NatWest

NatWest East Midlands PMI[®]

Output growth slows as inflationary pressures remain elevated

East Midlands Business Activity Index



Key findings

New orders rise only fractionally and output expansion eases

Input costs and selling prices increase sharply

Pace of job shedding softens

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 51.0 in March, down from 54.2 in February, to signal only a marginal expansion in output at East Midlands firms. The rate of growth was the slowest in three months amid subdued demand conditions and a weaker rise in new orders. Moreover, the pace of increase was softer than both the long-run series and UK averages.

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

"The upturn across the East Midlands private sector lost some momentum at the end of the first quarter, as softer demand conditions weighed on the expansion in output. The cost-of-living crisis continued to hamper customer purchasing power, according to firms. Nonetheless, companies remained upbeat in their expectations for future business activity."

"Subdued demand conditions led to little strain on capacity, as backlogs of work fell at a faster pace. Subsequently, firms continued to shave workforce numbers in an effort to reduce outgoings. The pace of job shedding was only slight, however, and the slowest in 2024 so far."

"Inflation remained a concern for East Midlands businesses amid further marked rises in input costs and selling prices. The shock to the supply chain following disruption to shipping routes through the Red Sea pushed up transportation prices, with paces of increase historically marked overall as inflation remained sticky."

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

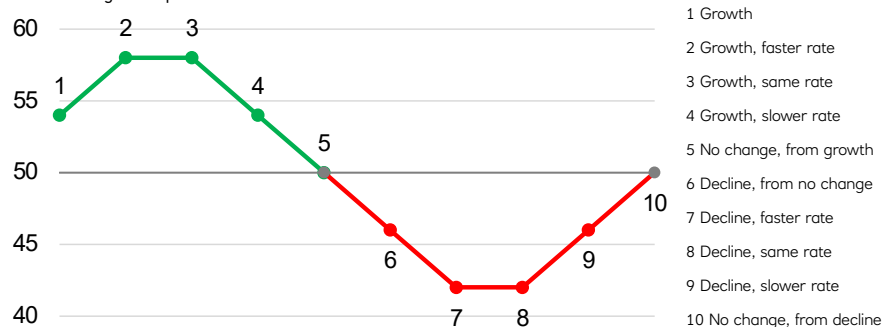
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

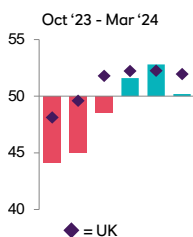
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



New business growth slows to fractional pace in March

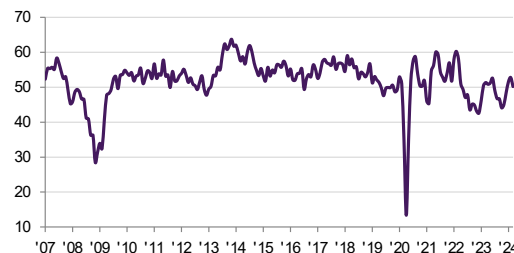
Private sector firms in the East Midlands signalled a third successive monthly expansion in new business during March. That said, the pace of growth in new orders slowed to only a fractional pace as a higher cost of living put pressure on customer purchasing power. Of the ten UK regions that recorded a rise in new sales, firms in the East Midlands registered one of the slowest expansions.

New Business Index

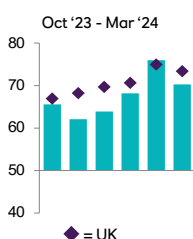
sa, >50 = growth since previous month

50.2

Mar '24



Future Activity Index



Business confidence remains strong

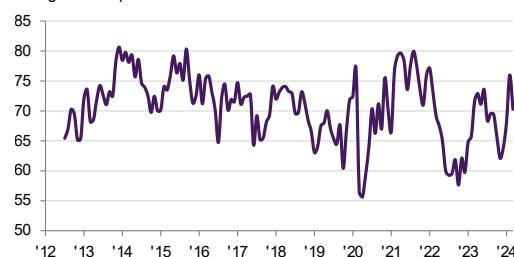
East Midlands firms indicated further expectations of growth in output over the coming year in March. Business confidence was linked to the release of new products in the coming months, hopes of stronger demand conditions and planned investment in marketing. The degree of optimism slipped from February, however, and was weaker than the UK average.

Future Activity Index

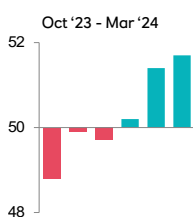
>50 = growth expected over next 12 months

70.3

Mar '24



Export Climate Index



Exports

Strongest improvement in export conditions for almost a year

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 51.7 in March, up from 51.4 in February, to signal the greatest improvement in the export climate for goods and services from the East Midlands since May 2023.

The stronger upturn in export conditions was supported by output expansions in key export destinations including the USA and Singapore, with growth in the latter accelerating.

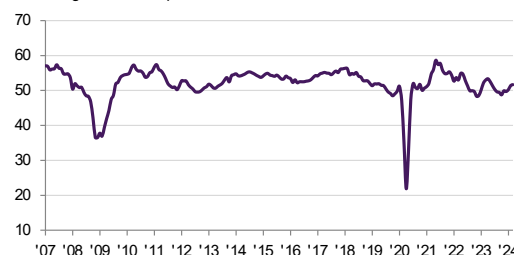
Although at slower rates, Germany, France and Hong Kong SAR continued to record contractions in business activity during March.

Export Climate Index

sa, >50 = growth since previous month

51.7

Mar '24



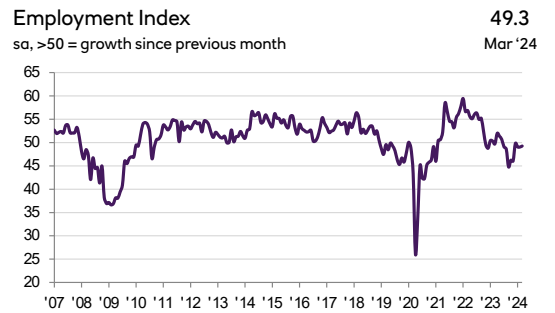
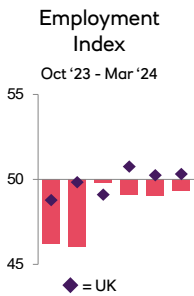
Top export markets, East Midlands

Rank	Market	Weight	Output Index, Mar '24
1	USA	12.5%	52.1
2	Germany	9.9%	47.7
3	France	9.0%	48.3
4	Singapore	7.5%	58.3
5	Hong Kong	7.1%	49.8

Business capacity

Pace of job shedding eases in March

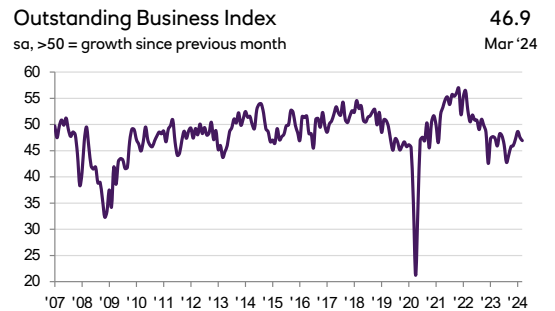
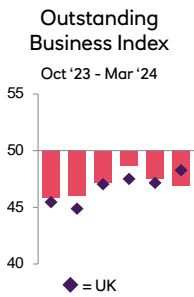
Employment across the East Midlands private sector contracted for the ninth month running during March. Staffing numbers fell only marginally, however, and at the slowest pace in three months. Nonetheless, the decrease contrasted with the UK average which signalled a slight rise in headcounts. Firms noted that lower employment was linked to cost cutting initiatives and still subdued client demand.



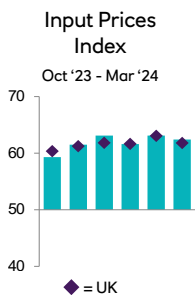
Contraction in backlogs of work accelerates

Firms in the East Midlands recorded a further decline in outstanding business in March, thereby extending the current sequence of depletion to 18 months. The rate of contraction quickened to the fastest in four months and was solid overall. Companies highlighted that muted new order growth allowed them to process incoming work in a timely manner.

The pace of decrease was sharper than the long-run series and UK averages.



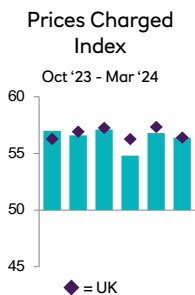
Prices



Cost burdens rise at historically elevated pace

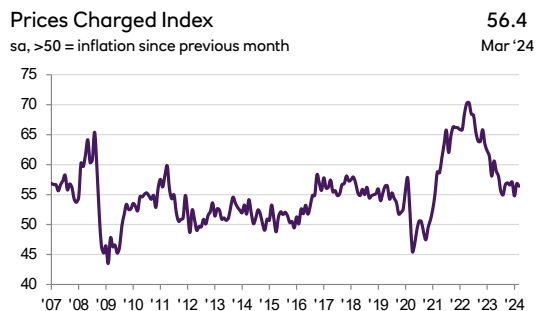
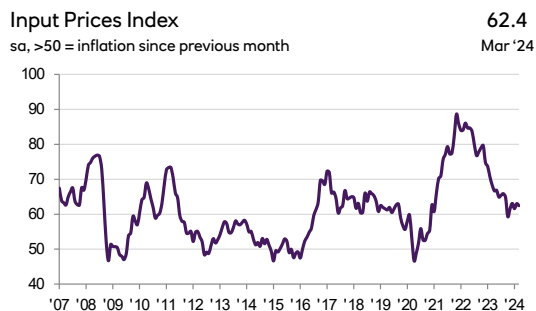
Input prices faced by East Midlands businesses increased at a marked pace at the end of the first quarter. Although softening slightly from February, the rate of cost inflation was quicker than the series average. Higher cost burdens were often attributed to greater raw material prices and shipping surcharges following the re-routing of supply chains away from the Red Sea.

The pace of increase was sharper than the UK average, with only the South West and London registering a steeper uptick in costs.



Sharp increase in selling prices

Average output charges at East Midlands firms continued to increase at a steep rate in March. Companies sought to pass through higher costs to customers, especially additional shipping surcharges. Despite the rate of selling price inflation easing from February, it was historically elevated and in line with the UK average.



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

40 45 50 55 60

East Midlands specialisation: Services

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

40 45 50 55 60

UK sector focus

Hotels, Restaurants & Catering

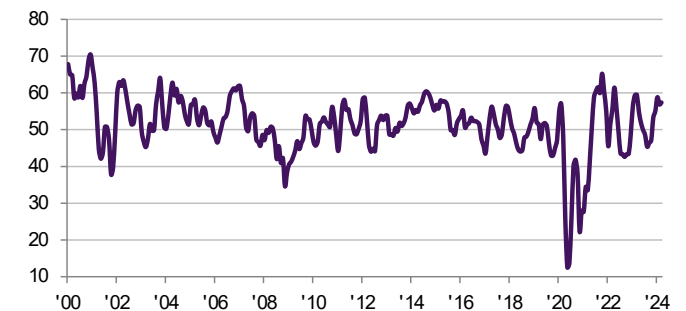
The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

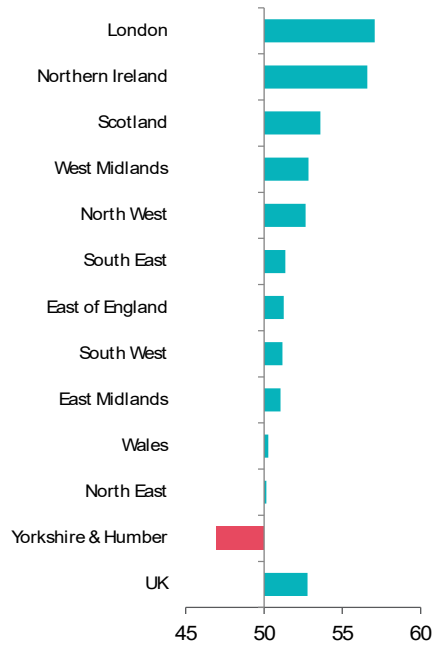
The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

Business Activity Index

sa, >50 = growth since previous month, Mar '24



Employment Index

sa, >50 = growth since previous month, Mar '24

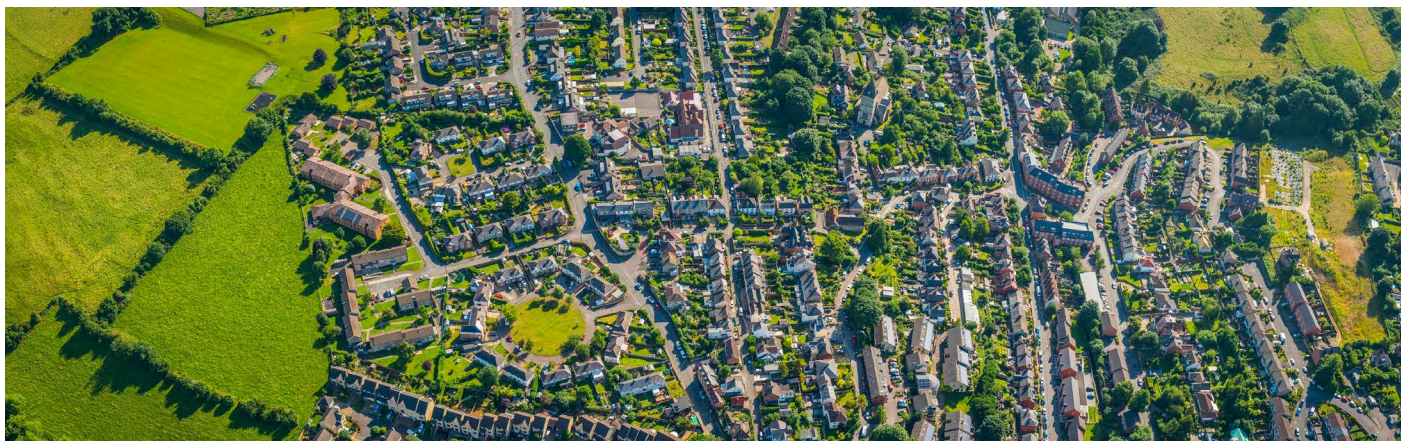


Future Activity Index

>50 = growth expected over next 12 months, Mar '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
Oct '23	47.5	44.1	48.8	65.6	46.2	45.8	59.3	57.0
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

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