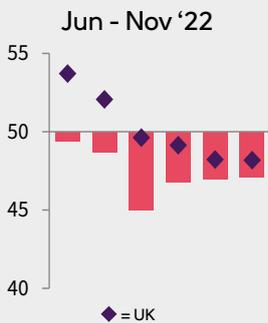




NatWest East Midlands PMI[®]

Solid decline in business activity during November

East Midlands Business Activity Index



Key findings

Output falls further as client demand weakens

First decrease in employment since January 2021

Inflationary pressures strengthen

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 47.1 in November, little-changed from 47.0 in October. Nonetheless, the latest index reading signalled a solid contraction in output across the East Midlands private sector. The region signalled one of the quickest declines of the 12 monitored UK areas, slower than only Scotland, the South West and Northern Ireland. Weak client demand and pressure on customer disposable incomes amid the cost-of-living crisis drove the downturn.

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

“East Midlands firms recorded further contractions in output and new orders as squeezes on customer spending and disposable incomes placed strain on demand conditions. New business fell at a sharper rate, with business activity propped up temporarily by reports of clearing backlogs of work. Subdued expectations for future demand and sales, alongside efforts to cut business outgoings, were reflected in the first month of job shedding since January 2021.

“Worryingly, inflationary pressures ticked higher midway through the fourth quarter. Cost burdens and selling prices rose at the fastest pace since July as hikes in supplier and energy prices were passed through to customers where possible. The cost-of-living crisis and pressure on company cashflow is likely to hamper demand further as customers move away from non-essential purchases.”

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 of England 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

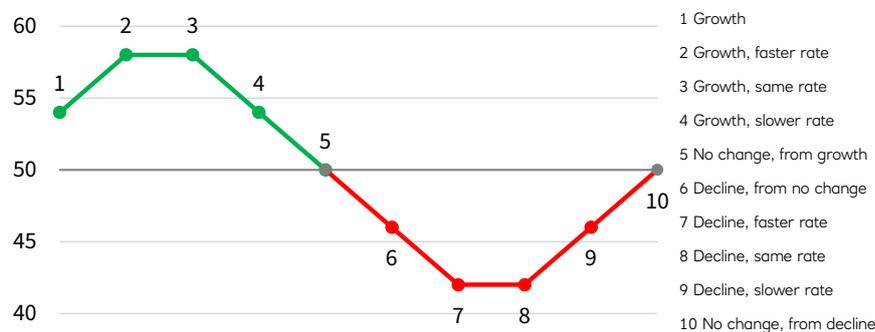
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Sharpest fall in new business since May 2020

Private sector firms in the East Midlands indicated a steep decline in new orders during November. The rate of contraction quickened for the second month running and was the fastest since May 2020. With the exception of Northern Ireland, the region registered the strongest decrease in client demand of the 12 monitored UK areas.

Anecdotal evidence suggested the fall in demand was due to the cost-of-living crisis and pressure on customer spending.

Business confidence picks up to six-month high

November data signalled a stronger degree of confidence among East Midlands private sector firms regarding the outlook for output over the coming year. The level of positive sentiment was greater than the UK average and was the highest since May. That said, output expectations were weaker than the series trend amid concerns regarding the cost-of-living crisis and challenging economic conditions, and the resulting impact on customer spending.

Exports

Export conditions deteriorate at fastest pace since June 2020

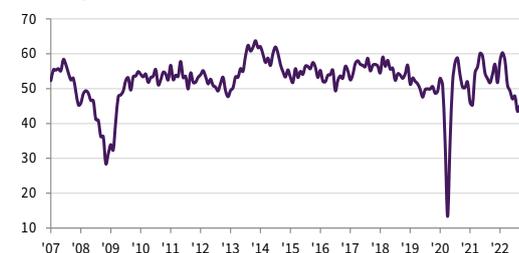
The East Midlands Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East Midlands. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index registered 48.8 in November, down from 49.9 in October. East Midlands private sector exporters recorded the sharpest decline in the export climate since June 2020.

The decline in export conditions largely stemmed from faster contractions in activity in key export markets such as the US and Hong Kong. Output also fell in Germany, albeit at a softer rate, with French firms registering a renewed fall in activity.

Of the top five export markets, only Singapore signalled growth. That said, the rate of expansion was the slowest since March.

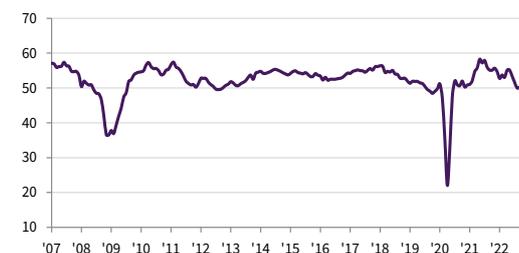
New Business Index
sa, >50 = growth since previous month
43.1
Nov '22



Future Activity Index
>50 = growth expected over next 12 months
62.1
Nov '22



Export Climate Index
sa, >50 = growth since previous month
48.8
Nov '22



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Nov '22
1	USA	12.8%	46.4
2	Germany	10.7%	46.3
3	Hong Kong	7.9%	48.8
4	Singapore	7.4%	55.4
5	France	7.1%	48.7



Business capacity

Employment falls for first time since January 2021

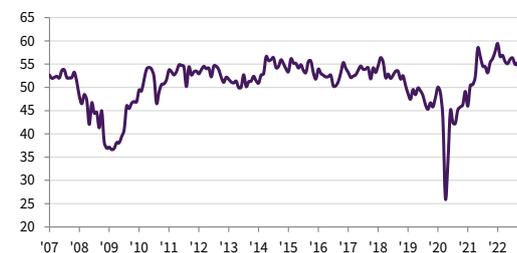
East Midlands private sector companies registered a decrease in employment midway through the fourth quarter. The decline in workforce numbers brought to an end a 21-month sequence of job creation. Although only fractional, the fall was linked to redundancies and the non-replacement of voluntary leavers in an effort to cut costs.

Only the East Midlands and the North East recorded job shedding of the 12 monitored UK regions.

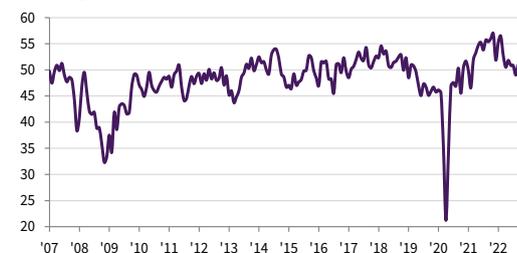
Sharper fall in backlogs of work in November

East Midlands private sector firms indicated a second successive monthly decline in backlogs of work in November. Lower new order inflows allowed firms to work through incomplete business. The decrease in unfinished business contrasted with the UK average, however, where work-in-hand was broadly unchanged. Moreover, the rate of contraction across the region was the strongest since February 2021.

Employment Index
sa, >50 = growth since previous month
49.5
Nov '22



Outstanding Business Index
sa, >50 = growth since previous month
48.5
Nov '22



Prices

Cost burdens rise at fastest pace for four months

Average input prices across the East Midlands private sector rose markedly again in November, with the pace of increase accelerating. The rate of cost inflation was the quickest since July and well above the series average. The pace of increase was the sharpest of the 12 monitored UK regions.

Higher operating expenses were often linked to greater material, staff, energy, fuel and rent costs.

Input Prices Index 79.7
sa, >50 = inflation since previous month Nov '22



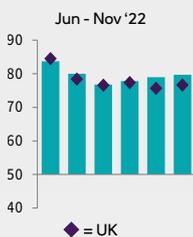
Output charges rise at sharper pace in November

Private sector firms in the East Midlands recorded the steepest rise in output prices since July midway through the fourth quarter. Numerous firms attributed the uptick to the pass-through of higher costs to clients. Of the 12 monitored UK areas, only Wales registered a faster increase in selling prices.

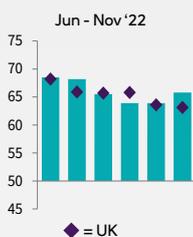
Prices Charged Index 65.8
sa, >50 = inflation since previous month Nov '22



Input Prices Index



Prices Charged Index



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, Nov ' 22 ⁺
1	Textiles & Clothing	2.09	48
2	Food & Drink	1.41	52
3	Other Manufacturing	1.27	48
4	Mechanical Engineering	1.05	50
5	Timber & Paper	1.02	42
6	Transport	0.92	45
7	Basic Metals	0.87	45
8	Electrical & Optical	0.67	48
9	Chemicals & Plastics	0.58	45

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov ' 22 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.13	45
3	Personal & Community Services	1.11	48
4	Business-to-business Services	1.07	48
5	Computing & IT Services	0.91	52
6	Financial Intermediation	0.49	48

UK sector focus

Computing & IT Services

Computing & IT Services was the UK's top-performing sector by far in the three months to November. In fact, it was the only part of the services economy to see a rise in business activity.

The sector did, however, exhibit a loss of momentum, with the rate of business activity growth slowing to its weakest since the opening quarter of 2021. This reflected a softening trend in new business.

Computing & IT Services firms remained optimistic about the year-ahead outlook, and more so than any other services sector, which in turn helped drive a sustained rise in employment. That said, both expectations and the pace of job creation eased to the lowest since late-2020.

Cost pressures remained much higher than normal, according to latest data. However, they were relatively subdued compared to other parts of the services economy, with the rate of input cost inflation the lowest among the six monitored sectors.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

All 12 monitored regions recorded a further fall in business activity in November. However, rates of contraction slowed in just over half of cases, including Wales and the North East, the two top-ranked areas, where activity came close to stabilising. Scotland recorded the most marked fall in output, followed by the South West.

Employment

Workforce numbers rose across the majority of regions and nations in November, albeit more slowly in most instances. The West Midlands saw the fastest pace of job creation, moving ahead of the South East in the rankings. The East Midlands and North East went against the trend and recorded lower employment.

Future Activity

Business expectations improved almost universally in November. Yorkshire & Humber was the most optimistic region and saw the joint-sharpest increase in sentiment from the previous month, with Wales. Firms in Northern Ireland and the North East remained pessimistic, albeit less so than in October.

Business Activity Index

sa, >50 = growth since previous month, Nov '22



Employment Index

sa, >50 = growth since previous month, Nov '22



Future Activity Index

>50 = growth expected over next 12 months, Nov '22



* 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
Jun '22	49.4	47.1	53.4	60.0	56.0	50.8	83.7	68.5
Jul '22	48.7	47.8	51.7	59.3	56.3	50.8	80.0	68.2
Aug '22	45.0	43.5	50.0	59.6	54.9	49.0	76.8	65.5
Sep '22	46.8	45.1	50.2	61.9	55.2	51.0	77.8	63.9
Oct '22	47.0	44.9	49.9	57.6	52.4	49.8	79.0	63.9
Nov '22	47.1	43.1	48.8	62.1	49.5	48.5	79.7	65.8

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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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