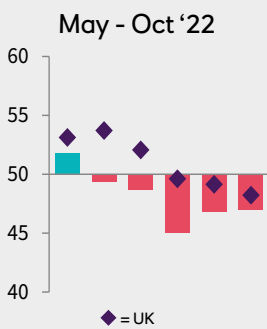




NatWest East Midlands PMI[®]

Activity falls for fifth month running in October

East Midlands Business Activity Index



Key findings

Further declines in output and new orders

Business confidence at two-and-a-half year low

Softest rise in employment for 18 months

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 47.0 in October, up from 46.8 in September but still signalling a solid monthly reduction in output across the East Midlands private sector. Activity has now decreased in each of the past five months, with the fall in the region sharper than the UK average. Falling demand amid deteriorating economic conditions was behind the latest decline.

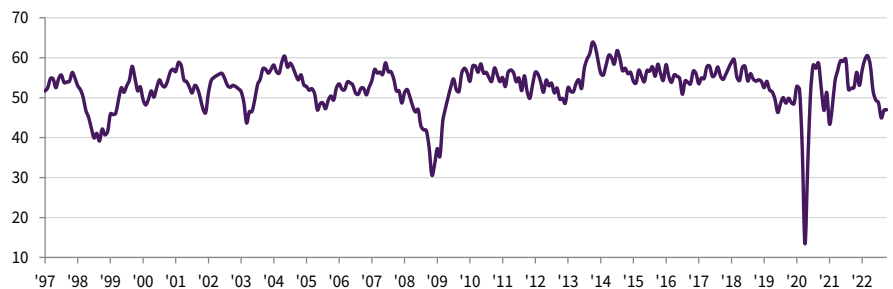
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

“The East Midlands private sector endured a difficult start to the final quarter of the year, with a lack of confidence in the wider economy hitting demand. This lack of confidence was also evident at businesses themselves. In fact, outside of the first pandemic lockdown, sentiment was the lowest in more than a decade.”

“There were also signs of job creation losing momentum as companies consider costs when making hiring decisions. Although employment continued to rise, the pace of growth was the slowest in a year-and-a-half. All in all, the latest survey results suggest a challenging period for local firms heading to the year end.”

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

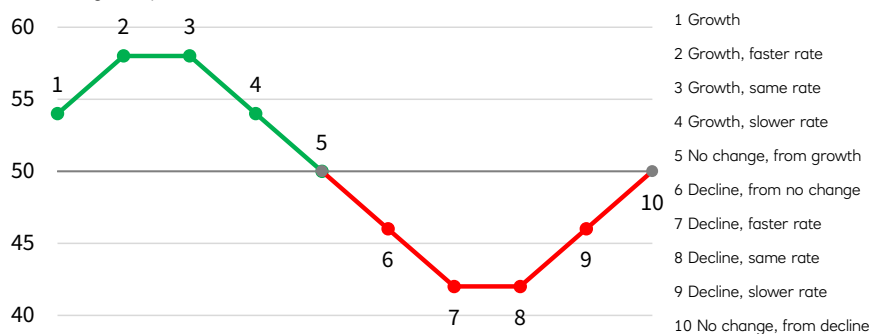
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

New orders continue to fall sharply

East Midlands companies recorded a sixth successive monthly decline in new orders during October. The rate of contraction was marked, faster than that seen in September and more pronounced than across the UK as a whole. A lack of confidence in the economy was a key factor leading demand to deteriorate.

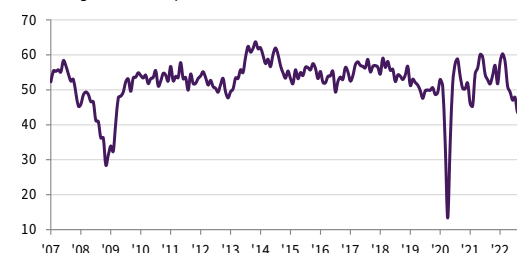
New orders decreased across both the manufacturing and services sectors.

New Business Index

sa, >50 = growth since previous month

44.9

Oct '22

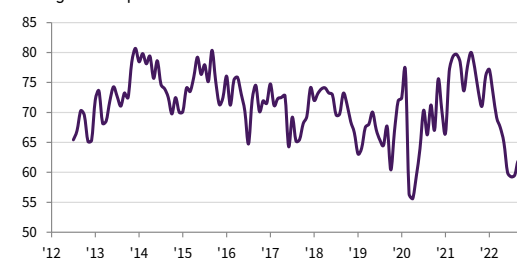


Future Activity Index

>50 = growth expected over next 12 months

57.6

Oct '22



Sentiment drops to two-and-a-half year low

Concerns around the impact of a wider economic downturn and inflationary pressures led business sentiment to fall to the lowest since the first wave of the COVID-19 pandemic in October. In fact, excluding March and April 2020, confidence was the lowest since the series began in July 2012.

Those companies that remained optimistic regarding the year-ahead outlook based this on hopes of more stable economic conditions and new product launches.

Exports

Export demand conditions broadly stable

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 49.9 in October, down from 50.2 in September, but continuing to signal broadly unchanged demand conditions in export markets at the start of the final quarter of the year.

Sharper declines in output were seen in the US and Germany, while a modest and softer decrease in activity was seen in Hong Kong.

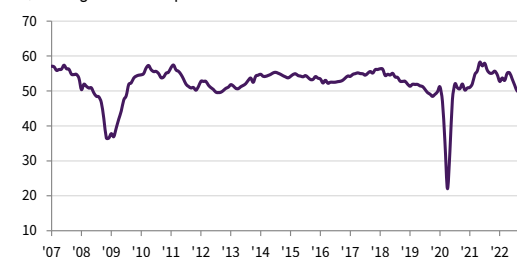
On the other hand, business activity in Singapore continued to rise sharply and at a faster pace than in September, while France remained just inside growth territory.

Export Climate Index

sa, >50 = growth since previous month

49.9

Oct '22

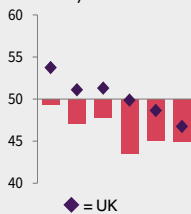


Top export markets, East Midlands

Rank	Market	Weight	Output Index, Oct '22
1	USA	12.8%	48.2
2	Germany	10.7%	45.1
3	Hong Kong	7.9%	49.7
4	Singapore	7.4%	61.9
5	France	7.1%	50.2

New Business Index

May - Oct '22



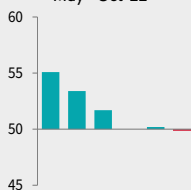
Future Activity Index

May - Oct '22



Export Climate Index

May - Oct '22



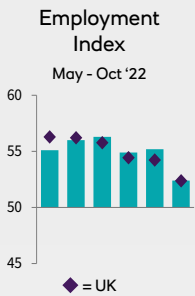
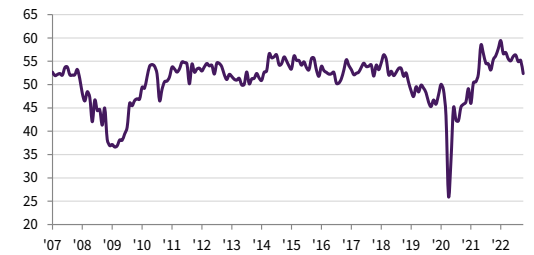
Business capacity

Softest rise in employment in 18 months

Although staffing levels continued to increase in October, the rate of job creation slowed to the weakest for a year-and-a-half. Continued efforts to rebuild workforces following the pandemic supported higher employment, but cost reduction strategies and difficulties recruiting staff limited the pace of jobs growth.

The rise in employment in the East Midlands was equal to the UK average.

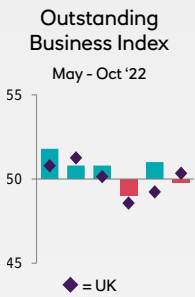
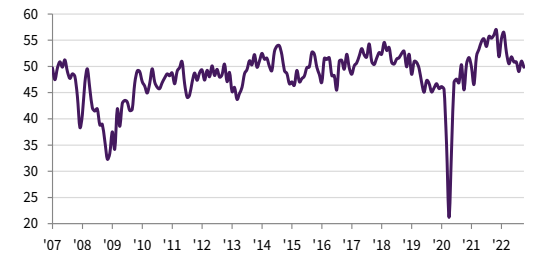
Employment Index 52.4
sa, >50 = growth since previous month Oct '22



Outstanding business ticks down

Backlogs of work decreased for the second time in the past three months in October, following a slight increase in September. That said, the pace of depletion was only fractional. According to respondents, weak demand meant that firms were often operating below capacity and therefore able to work through outstanding business.

Outstanding Business Index 49.8
sa, >50 = growth since previous month Oct '22



Prices

Input price inflation quickens

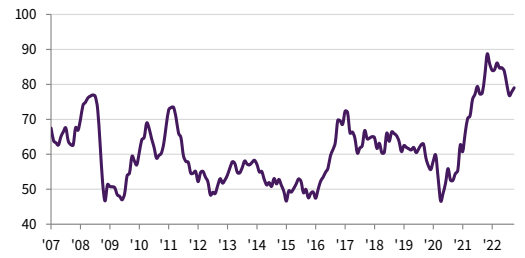
Higher costs for energy, raw materials and staff contributed to a sharp increase in input costs across the East Midlands private sector during October, with currency weakness exacerbating inflationary pressures. In fact, the pace of increase quickened for the second month running.

The East Midlands posted the second-fastest rise in input costs of the 12 monitored UK regions, behind only Northern Ireland.

Input Prices Index

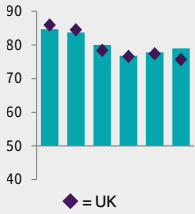
sa, >50 = inflation since previous month

79.0
Oct '22



Input Prices Index

May - Oct '22



◆ = UK

Output prices up sharply

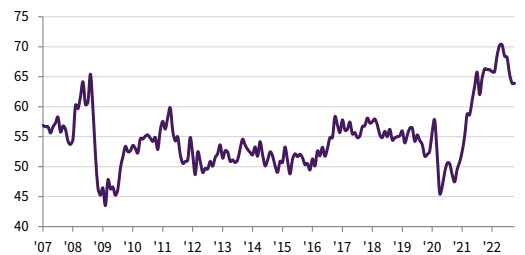
The rate of output price inflation was unchanged in October, remaining well above the series average but the joint-weakest in 14 months. Where charges increased, this generally reflected the passing on of higher input costs to customers.

Marked increases in output prices were seen across both the manufacturing and service sectors.

Prices Charged Index

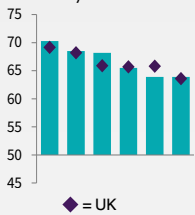
sa, >50 = inflation since previous month

63.9
Oct '22



Prices Charged Index

May - Oct '22



◆ = UK



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

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct ' 22 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.13	48
3	Personal & Community Services	1.11	48
4	Business-to-business Services	1.07	50
5	Computing & IT Services	0.91	55
6	Financial Intermediation	0.49	50

UK sector focus

Transport

UK Transport manufacturers reported a steep and accelerated reduction in output levels in the three months to October, latest PMI data showed. The sector's performance was its worst since the initial COVID-related shutdowns in early-2020.

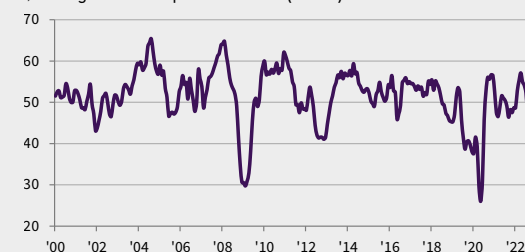
Alongside a softening of demand, which was evidenced by a fall in inflows of new orders, the reduction in production reflected shortages of materials and parts. Surveyed firms continued to report longer lead times on inputs, albeit with the incidence of delays having shown some improvement from the record levels a year earlier.

Cost pressures remained historically high, and even intensified slightly in the three months to October.

Despite these challenges, producers of Transport goods were more upbeat about the outlook for output than those in any other manufacturing sector. As such, they continued to add to workforce numbers.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

October saw a fall in business activity across all 12 monitored regions, the first time this has been the case since the third national lockdown in January 2021. The South West posted the steepest decline, followed by Northern Ireland* and the North East respectively. London's fall in activity was only marginal, but nonetheless its first for over a year-and-a-half.

Employment

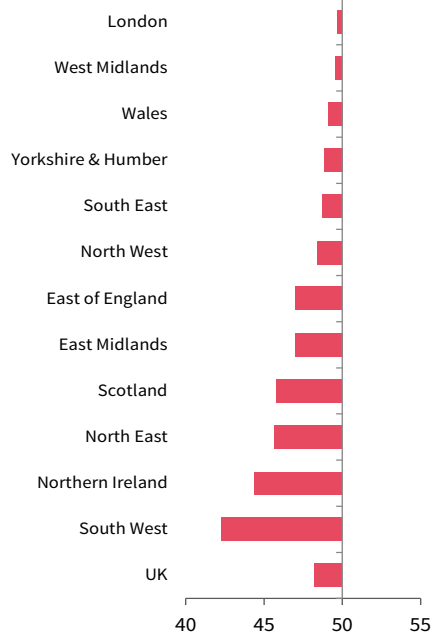
Employment continued to rise across almost every region during October, the only exception being the North East where workforce numbers fell for a fifth straight month. However, in most cases, rates of job creation slowed. This included the South East - the region at the top of the rankings for employment growth.

Future Activity

Business expectations, although often still positive, weakened in most cases in October. Firms in Northern Ireland and the North East even noted increased pessimism towards the outlook. Business confidence in the South West was unchanged from September's record low, while Scotland went against the broader trend and registered the strongest optimism for three months.

Business Activity Index

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



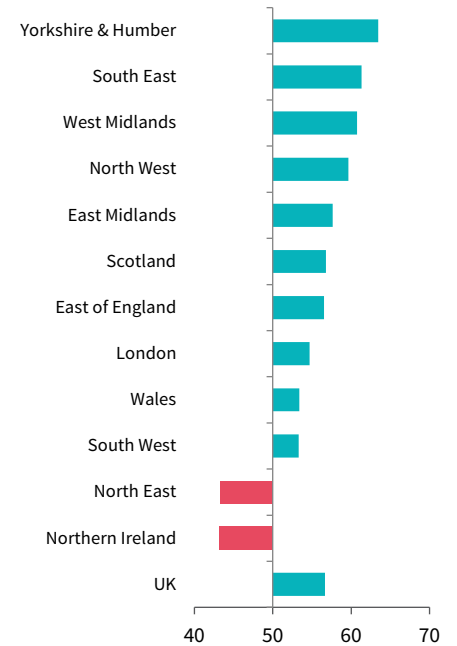
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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
May '22	51.8	49.4	55.1	65.0	55.1	51.8	84.7	70.3
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

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