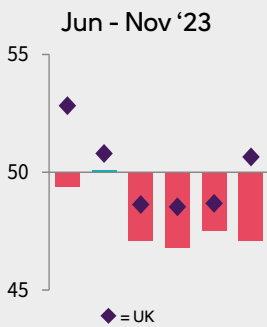




NatWest East Midlands PMI[®]

Further drop in new orders as employment falls at quicker rate

East Midlands Business Activity Index



Key findings

Output declines at faster pace amid further fall in new business

Employment down at second-quickest rate since January 2021

Business confidence lowest in 2023 so far

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, down slightly from 47.5 in October. The latest data signalled a solid drop in output, thereby extending the current sequence of contraction that began in August. Companies in the East Midlands noted that the decline was due to weak client demand, with some reports of order cancellations and postponements. Of the 12 monitored UK regions, only the North East recorded a steeper drop in activity.

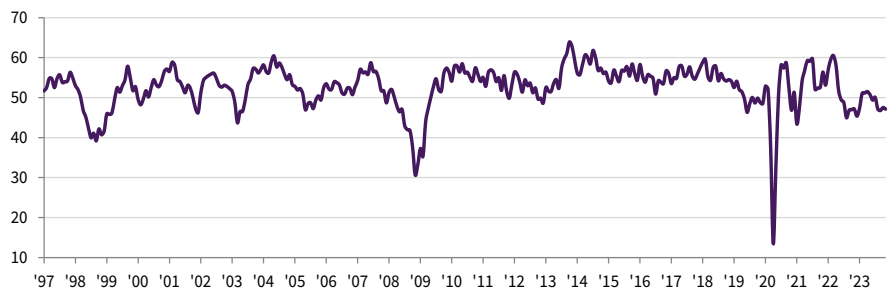
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

“East Midlands firms saw further drops in output and new orders during November, as the region heads for a challenging end to 2023. The contraction in new business was the strongest of the 12 monitored UK regions, as companies struggled to spur demand, with total activity also suffering.”

“Underlying data highlighted further anticipated difficulties over the coming months, as firms cut workforce numbers again and business confidence slumped to the lowest in 2023 to date. Lower employment stemmed from cost cutting efforts, as input prices increased again. Although much slower than the average over the last two years, the rate of cost inflation quickened. Meanwhile, a trade-off between protecting margins and passing costs on to clients led to only a fractional moderation in charge inflation. Further historically elevated hikes in selling prices suggest pressure on customer purchasing power will remain a key theme in the coming months.”

East Midlands Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

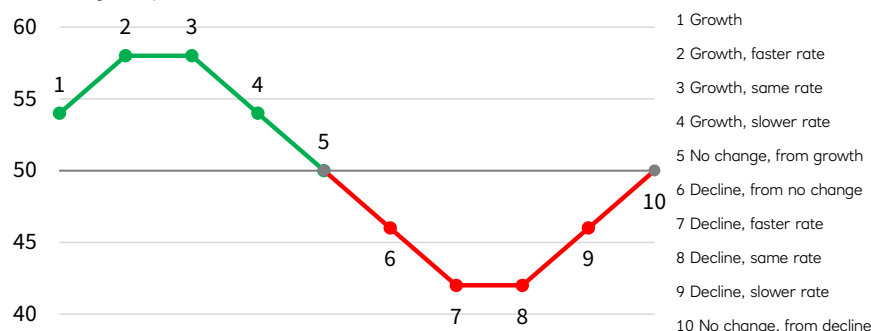
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Strong fall in new orders

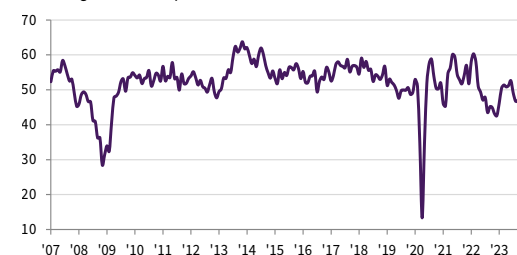
East Midlands firms registered a fifth successive monthly decrease in new business during November. The rate of contraction eased slightly but remained strong overall. Anecdotal evidence suggested the drop in new orders was due to weak client confidence and lower customer purchasing power. The East Midlands indicated the sharpest fall in new orders of the 12 monitored UK regions.

New Business Index

sa, >50 = growth since previous month

45.0

Nov '23



Optimism slumps to lowest for 11 months

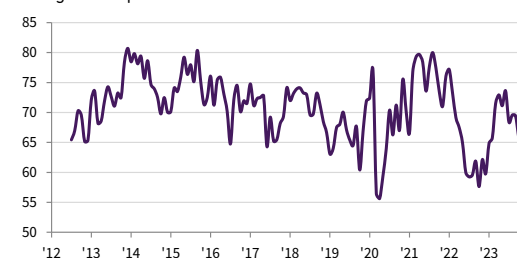
Business confidence at businesses in the East Midlands slipped to the lowest since December 2022 in November. The level of positive sentiment was weaker than the UK average and was historically subdued with regards to the region's long-run series trend. Although optimism was driven by hopes of a pick up in client demand and investment in new products, high interest rates and subdued demand conditions reportedly weighed on confidence.

Future Activity Index

>50 = growth expected over next 12 months

62.1

Nov '23



Exports

Export conditions broadly stable in November

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 November, up from October's ten-month low of 48.8. The latest data signalled little change in export conditions on the month.

Contractions in activity softened at firms in Germany and Hong Kong SAR, easing downward pressure on the export climate. Meanwhile, companies in Singapore recorded a quicker expansion in output, and one that was the fastest for just over a year.

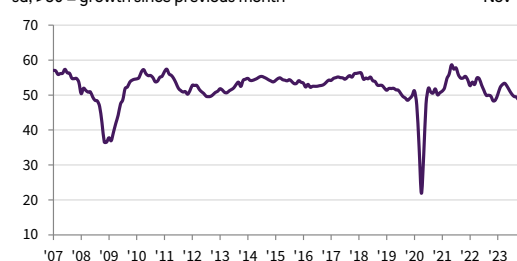
At the same time, the US remained in expansion territory and signalled a marginal rise in output. French firms, however, continued to record a steep fall in activity.

Export Climate Index

sa, >50 = growth since previous month

49.9

Nov '23



Top export markets, East Midlands

| Rank | Market | Weight | Output Index, Nov '23 |
|------|-----------|--------|-----------------------|
| 1 | USA | 12.5% | 50.7 |
| 2 | Germany | 9.9% | 47.8 |
| 3 | France | 9.0% | 44.6 |
| 4 | Singapore | 7.5% | 58.3 |
| 5 | Hong Kong | 7.1% | 49.6 |



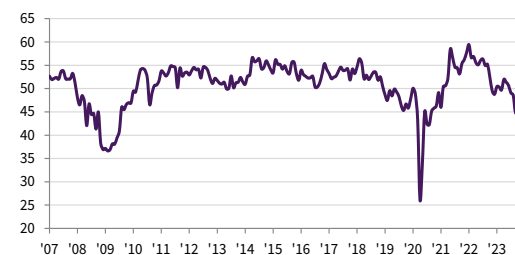
Business capacity

Employment continues to fall in November

November data indicated a further contraction in staffing numbers at East Midlands firms. The rate of job shedding quickened slightly and was the second-fastest since January 2021. Moreover, of the 12 monitored UK areas, only Wales and the North East signalled stronger contractions in employment.

The decrease in workforce numbers was linked to lower new order inflows and cost cutting initiatives.

Employment Index 46.0
sa, >50 = growth since previous month Nov '23

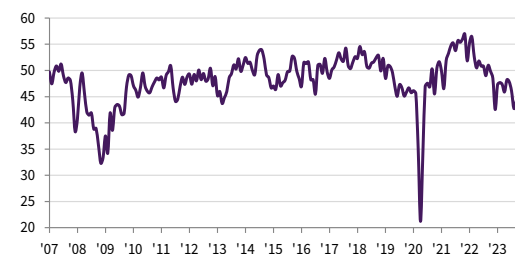


Slowest decline in outstanding business since July

Private sector firms in the East Midlands recorded a solid drop in incomplete business midway through the fourth quarter. Companies noted that lower levels of unfinished business were linked to a further reduction in new orders and sufficient capacity to process incoming work.

Backlogs of work fell for the fourteenth successive month, but at the weakest rate since July.

Outstanding Business Index 46.0
sa, >50 = growth since previous month Nov '23



Prices

Second-slowest rise in input costs since January 2021

East Midlands firms recorded a pick up in the rate of cost inflation during November, as the pace of increase quickened from October's recent low. That said, cost burdens rose at the second-slowest pace in almost three years amid lower prices for some raw materials. Nonetheless, the rate of inflation was broadly in line with the UK average.

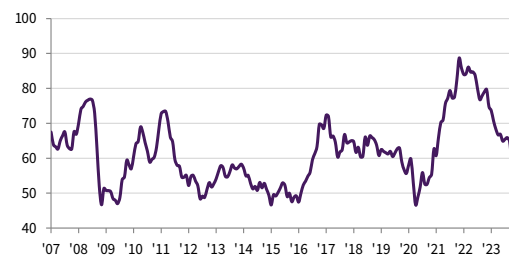
The increase was led by the service sector, as manufacturing costs were broadly unchanged.

Input Prices Index

sa, >50 = inflation since previous month

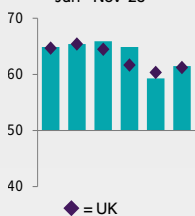
61.5

Nov '23



Input Prices Index

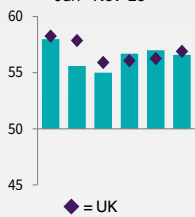
Jun - Nov '23



◆ = UK

Prices Charged Index

Jun - Nov '23



◆ = UK

Hikes in selling prices remain historically elevated

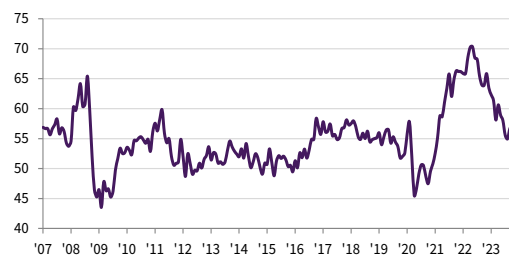
Companies in the East Midlands increased their output charges at a sharp pace during November. The rate of inflation eased slightly to the slowest in three months and was marginally weaker than that seen across the UK as a whole, but remained above the region's series average. Firms attributed higher selling prices to efforts to pass-through greater costs to customers.

Prices Charged Index

sa, >50 = inflation since previous month

56.6

Nov '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, Nov '23 ⁺ |
|------|------------------------|------|---------------------------------------|
| 1 | Textiles & Clothing | 2.09 | 55 |
| 2 | Food & Drink | 1.41 | 58 |
| 3 | Other Manufacturing | 1.27 | 48 |
| 4 | Mechanical Engineering | 1.05 | 50 |
| 5 | Timber & Paper | 1.02 | 45 |
| 6 | Transport | 0.92 | 50 |
| 7 | Basic Metals | 0.87 | 48 |
| 8 | Electrical & Optical | 0.67 | 45 |
| 9 | Chemicals & Plastics | 0.58 | 48 |

East Midlands specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, Nov '23 ⁺ |
|------|--------------------------------|------|--|
| 1 | Transport & Communication | 1.18 | 48 |
| 2 | Hotels, Restaurants & Catering | 1.13 | 52 |
| 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 | 52 |

UK sector focus

Computing & IT Services

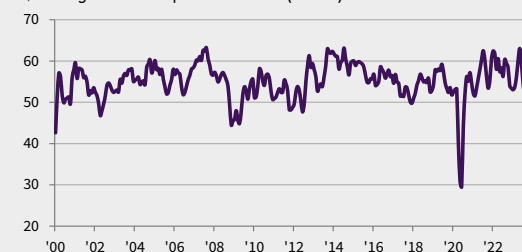
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

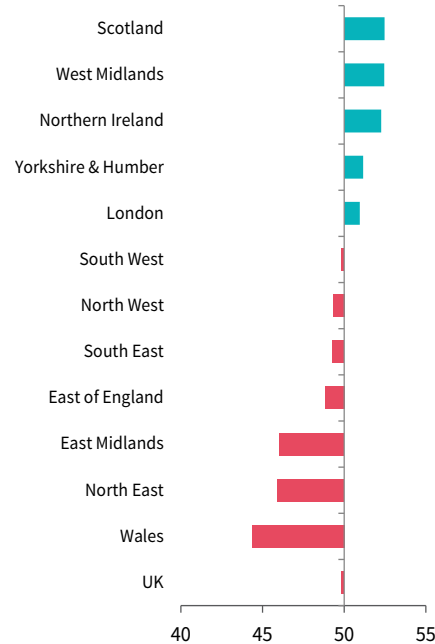
Business Activity Index

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



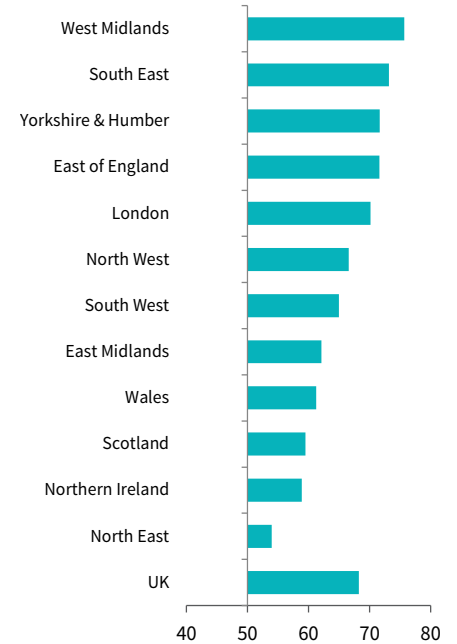
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Nov '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Jun '23 | 49.4 | 52.6 | 51.4 | 73.6 | 50.7 | 47.8 | 64.9 | 58.0 |
| Jul '23 | 50.1 | 49.1 | 50.3 | 68.4 | 49.1 | 46.1 | 65.4 | 55.6 |
| Aug '23 | 47.1 | 46.8 | 49.6 | 69.6 | 48.6 | 42.8 | 65.9 | 55.0 |
| Sep '23 | 46.8 | 46.7 | 49.4 | 69.4 | 44.8 | 44.1 | 64.9 | 56.7 |
| 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 |

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

Siân Jones
Principal Economist
S&P Global Market Intelligence
T: +44-1491-461-017
sian.jones@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
sabrina.mayeen@spglobal.com

About NatWest

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

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.