

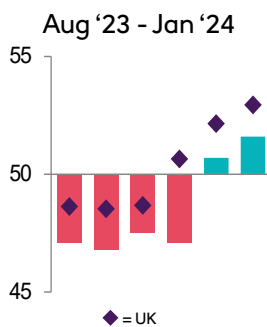


NatWest

NatWest East Midlands PMI[®]

Business activity growth accelerates to fastest since May 2022

East Midlands Business Activity Index



Key findings

Renewed rise in new orders spurs quicker output growth

Selling price inflation slowest for three years...

...despite further marked increase in cost burdens

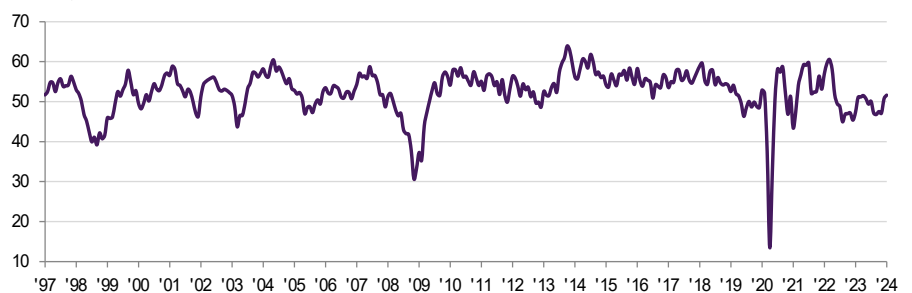
The headline NatWest East Midlands PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – posted at 51.6 in January, up from 50.7 in December, to signal the fastest rise in output at East Midlands firms since May 2022. Anecdotal evidence suggested the expansion was driven by stronger client demand and a renewed rise in new business. The pace of growth was only marginal, however, and slower than the UK average.

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

"East Midlands firms signalled a more positive start to 2024 as output expanded at a quicker pace, supported by a renewed rise in new business. An improvement in demand conditions also helped buoy business confidence in the year-ahead outlook, as the level of optimism jumped to a four-month high."

"That said, although backlogs of work contracted at the softest rate since October 2022, as signs of pressure on capacity emerge, firms continued to cut employment in a bid to save costs. Moreover, despite the rate of increase slowing, input costs rose at a further historically marked pace. Hikes in selling prices softened notably, however, amid reports of discounting and concessions being made, with output charges increasing at the slowest rate in three years."

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

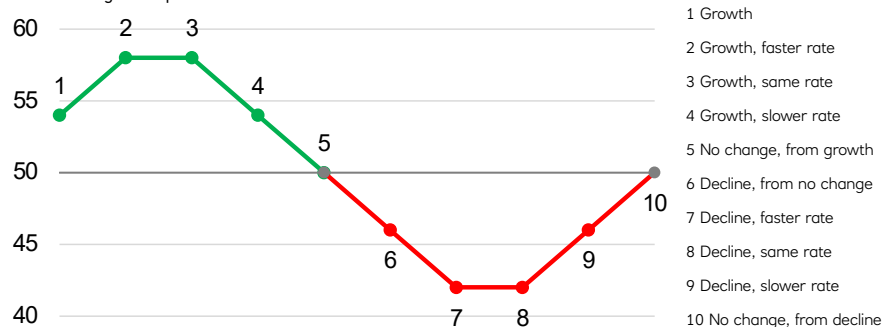
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

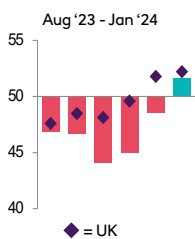
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



First rise in new business since June 2023

East Midlands private sector firms signalled a renewed rise in new orders during January, thereby ending a six-month sequence of contraction. The rate of growth was only marginal, but the second-sharpest of the 12 monitored UK regions.

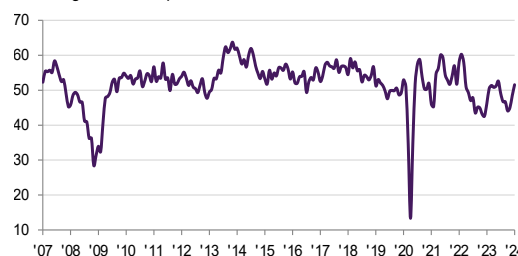
Increased new business was linked by panellists to stronger client demand and new customer acquisitions.

New Business Index

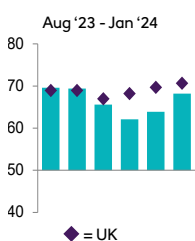
sa, >50 = growth since previous month

51.6

Jan '24



Future Activity Index



Business confidence at four-month high

January data signalled an uptick in business optimism among East Midlands firms. The degree of confidence was the strongest since last September, despite still being below the series average. Companies noted that motivated sales staff, hopes of stronger client demand and investment in new machinery and facilities boosted positive sentiment.

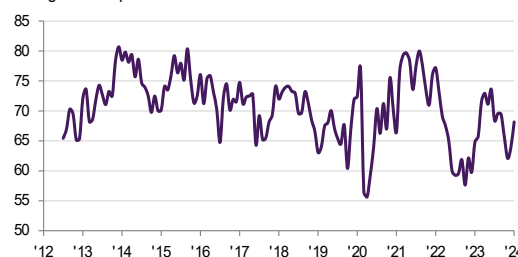
Nonetheless, the level of optimism was weaker than that seen across the UK as a whole.

Future Activity Index

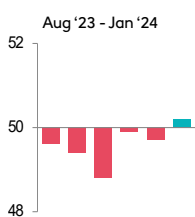
>50 = growth expected over next 12 months

68.2

Jan '24



Export Climate Index



Export climate improves for first time in six months

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 50.2 in January, up slightly from 49.7 in December, to signal the first improvement in export conditions since July 2023, albeit one that was only fractional.

Providing a boost to the export climate were further output expansions in Hong Kong SAR, Singapore and the USA.

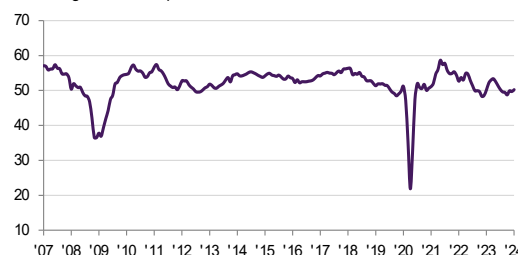
That said, firms in Germany and France continued to record contractions in business activity, weighing on overall export conditions.

Export Climate Index

sa, >50 = growth since previous month

50.2

Jan '24

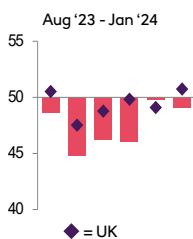


Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jan '24
1	USA	12.5%	52.0
2	Germany	9.9%	47.0
3	France	9.0%	44.6
4	Singapore	7.5%	55.8
5	Hong Kong	7.1%	50.4

Business capacity

Employment Index

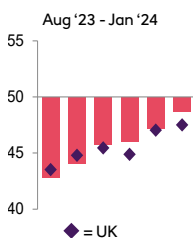


Employment falls at faster pace in January

East Midlands private sector firms recorded a seventh successive monthly decrease in staffing numbers at the start of the year. The pace of job shedding picked up from December, but was still only marginal overall. Businesses stated that lower employment stemmed from the non-replacement of voluntary leavers due to cost-cutting efforts, and previously subdued demand which resulted in sufficient capacity to fulfil incoming orders.

The fall contrasted with the trend seen across the UK as a whole which pointed towards a slight rise in workforce numbers.

Outstanding Business Index



Slowest fall in backlogs of work since October 2022

January data indicated a further contraction in backlogs of work at East Midlands companies. The pace of decline eased, however, to the slowest since October 2022 and was only marginal overall.

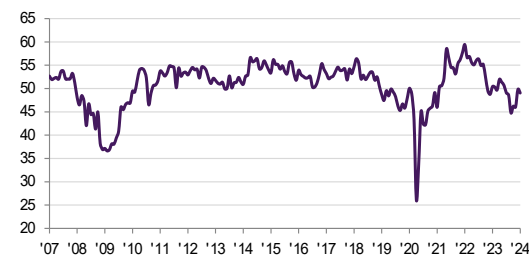
Of the 11 monitored regions that recorded a decrease in work-in-hand, firms in the East Midlands registered the weakest fall. Only businesses in London saw a rise in incomplete work.

Employment Index

sa, >50 = growth since previous month

49.1

Jan '24

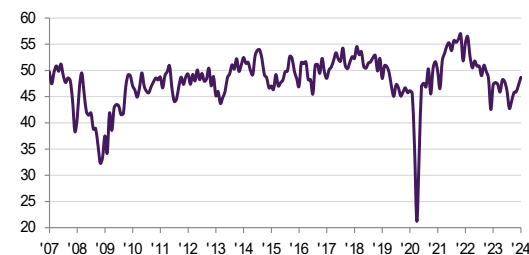


Outstanding Business Index

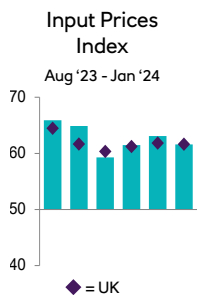
sa, >50 = growth since previous month

48.7

Jan '24



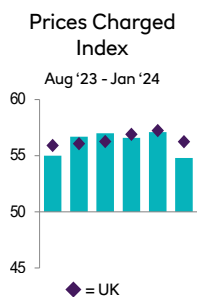
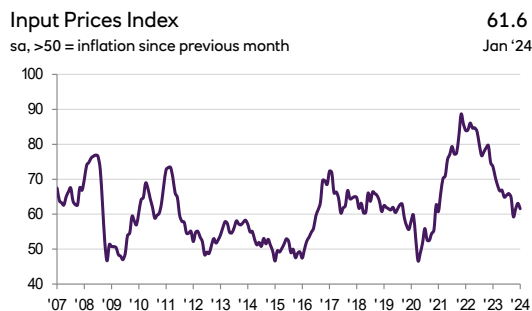
Prices



Marked rise in cost burdens

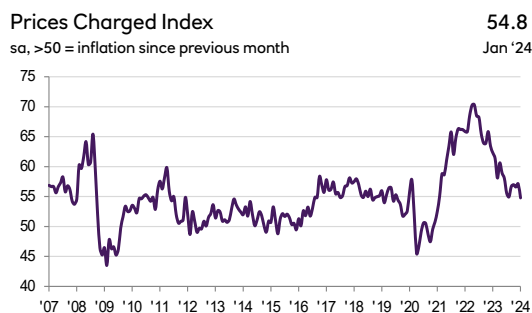
East Midlands firms continued to see a substantial increase in input prices during January, albeit with the pace of inflation slowing slightly from December. The rate of increase was sharper than the series average and in line with that seen at the UK level.

Higher costs were attributed to greater wage bills, and increased supplier and shipping prices.



Slowest rise in selling prices for three years

Businesses in the East Midlands raised their output charges again in January, thereby extending the sequence of inflation seen since December 2020. Higher charges were reportedly due to the pass-through of greater costs to customers. That said, the pace of increase slowed to the weakest since January 2021 as some companies mentioned discounting and efforts to remain competitive and drive new sales.



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, Jan '24
1	Textiles & Clothing	2.06	50
2	Food & Drink	1.33	50
3	Other Manufacturing	1.27	45
4	Transport	1.15	55
5	Timber & Paper	1.09	50
6	Mechanical Engineering	0.99	50
7	Basic Metals	0.93	45
8	Electrical & Optical	0.64	45
9	Chemicals & Plastics	0.59	45

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '24
1	Transport & Communication	1.26	50
2	Hotels, Restaurants & Catering	1.22	55
3	Personal & Community Services	1.22	45
4	Business-to-business Services	1.03	50
5	Computing & IT Services	0.88	55
6	Financial Intermediation	0.50	50

UK sector focus

Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

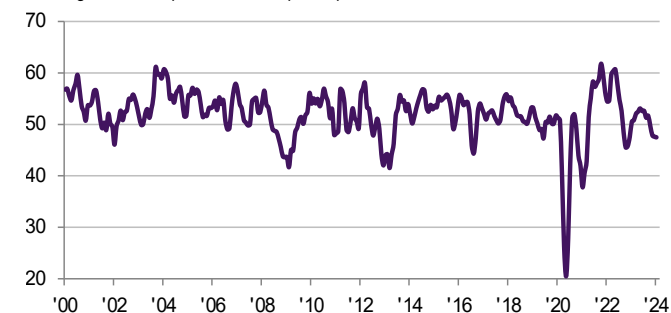
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

Employment

January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

Business Activity Index

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



Employment Index

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

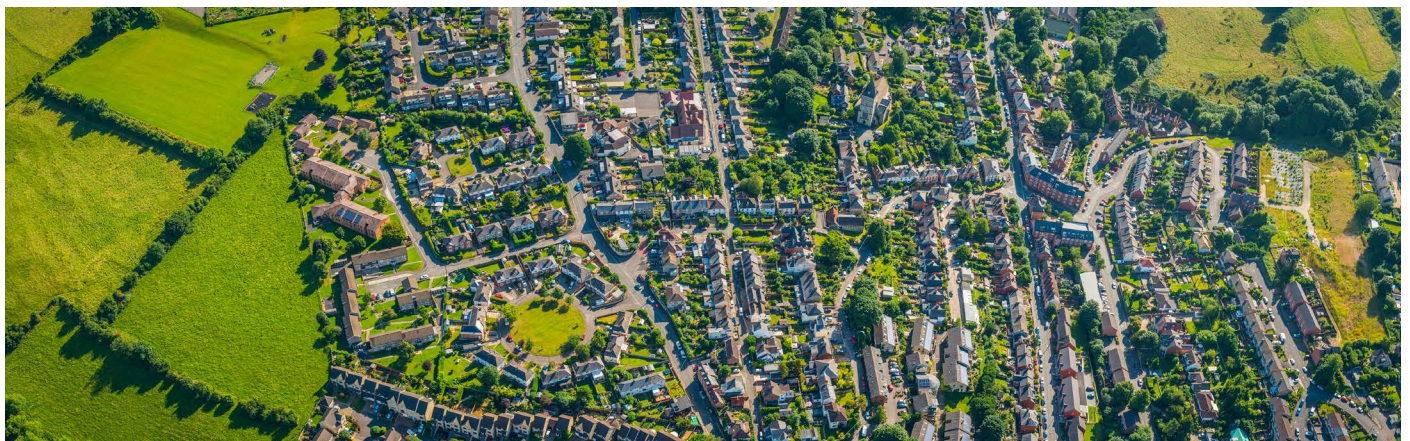


Future Activity Index

>50 = growth expected over next 12 months, Jan '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
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
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

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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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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.

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