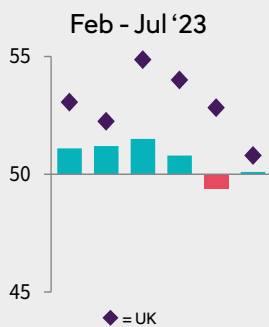


# NatWest East Midlands PMI®

## Output stabilises, but demand conditions worsen in July

### East Midlands Business Activity Index



### Key findings

Broadly unchanged activity, but renewed drop in new orders

Employment falls at fastest rate in 2023 so far

Selling price inflation slows but cost pressures build

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 50.1 in July, up from 49.4 in June, to signal broadly unchanged output levels at East Midlands firms. Although improving from the contraction seen in June, the latest data did not compare favourably with data from the UK as a whole which indicated a marginal expansion in business activity. Demand conditions were weak, according to survey respondents, with subdued output reflecting lower new order inflows.

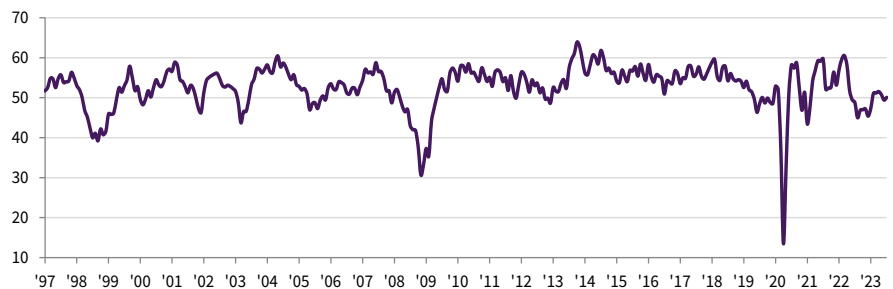
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

*“East Midlands firms highlighted weaker demand conditions in July, as new orders fell for the first time since January. Output was broadly unchanged on the month, as backlogs of work fell solidly and at the fastest pace since April. Expectations meanwhile weakened amid concerns regarding high interest rates and greater cost of living.*

*“At the same time, cost pressures strengthened from June as increased wage and fuel bills placed strain on margins. In an effort to remain competitive, the rate of selling price inflation eased to the slowest since February 2021. Signs of retrenchment across the private sector were seen in a return to job cuts, as firms reduced employment at the fastest pace in 2023 so far.”*

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

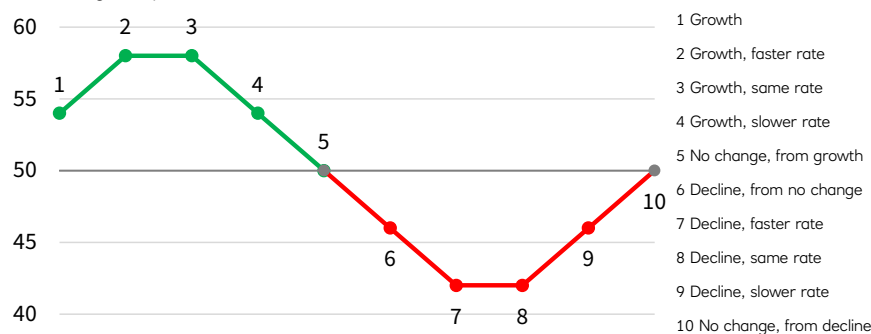
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Renewed contraction in new orders in July

East Midlands firms signalled a return to contraction territory for new business in July, as new sales declined for the first time since January. The drop was often linked to weak client demand and a slowdown in customer activity. The rate of decrease was only marginal, despite being slightly faster than the UK series trend.

The downturn was led by manufacturing firms who saw a solid fall in new orders. Service providers, however, recorded an uptick in new business.

### Business confidence drops to five-month low in July

Companies across the East Midlands continued to register optimism in the outlook for output over the coming year in July. Confidence reportedly stemmed from investment in sales and marketing, alongside hopes of stronger demand conditions. The level of positive sentiment fell to the lowest since February, as firms mentioned the ongoing impact of high interest rates and the rising cost of living.

Nonetheless, East Midlands firms' expectations were broadly in line with the UK average.

## Exports

### Slowest improvement in export climate since January

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 50.3 in July, down from 51.4 in June, to signal only a fractional improvement in export conditions for East Midlands firms. The upturn in the export climate was the weakest since January.

Supporting the improvement were further expansions in business activity in Singapore and the USA. That said, both recorded the softest pace of output growth since February.

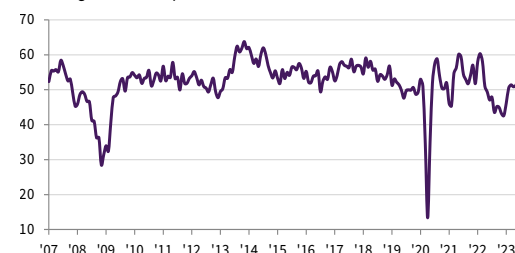
Weighing on the improvement were renewed contractions in Germany and Hong Kong SAR in July. Meanwhile, French firms registered the fastest fall in activity since November 2020.

### New Business Index

sa, >50 = growth since previous month

49.1

Jul '23

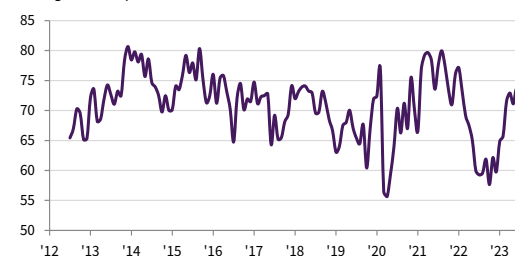


### Future Activity Index

>50 = growth expected over next 12 months

68.4

Jul '23

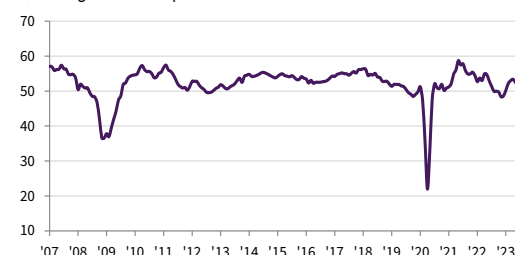


### Export Climate Index

sa, >50 = growth since previous month

50.3

Jul '23

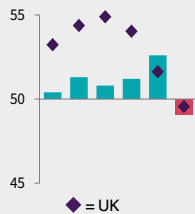


### Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jul '23
1	USA	12.5%	52.0
2	Germany	9.9%	48.5
3	France	9.0%	46.6
4	Singapore	7.5%	54.0
5	Hong Kong	7.1%	49.6

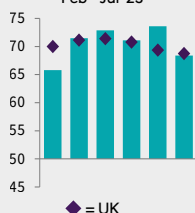
### New Business Index

Feb - Jul '23



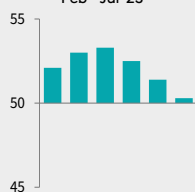
### Future Activity Index

Feb - Jul '23



### Export Climate Index

Feb - Jul '23



## Business capacity

### Employment falls at marginal pace in July

Firms in the East Midlands recorded a renewed decrease in employment at the start of the third quarter. Staffing numbers fell for the first time in four months, and at a marginal pace. Companies noted that redundancies and the non-replacement of voluntary leavers were behind the latest decline in workforce numbers.

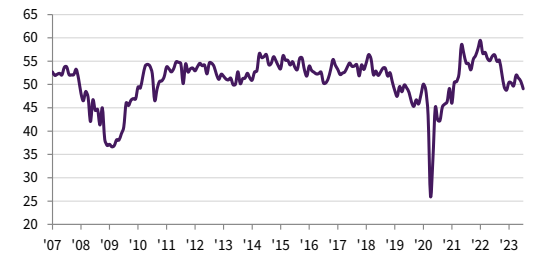
Of the 12 monitored UK regions, only the North East and East Midlands registered job losses.

### Sharper fall in backlogs of work during July

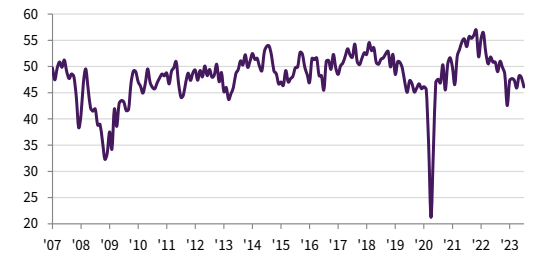
The level of outstanding business at East Midlands firms contracted for the tenth month running during July. The rate of decline accelerated to the fastest since February and was quicker than the long-run series average. The drop in incomplete business was attributed to lower new orders and sufficient capacity to process incoming work.

The pace of decrease was only slightly stronger than that seen across the UK as a whole.

Employment Index  
sa, >50 = growth since previous month  
49.1  
Jul '23



Outstanding Business Index  
sa, >50 = growth since previous month  
46.1  
Jul '23



## Prices

### Marked rise in cost burdens

July data indicated a further substantial increase in average cost burdens at East Midlands firms. The rate of input price inflation gained pace from that seen in June and was faster than the series average. Anecdotal evidence suggested that greater wage, fuel and energy costs drove inflation.

Although accelerating, the rate of inflation was the second-slowest since January 2021. Service providers drove the increase, recording a marked rise in costs. Manufacturers, meanwhile, registered the first decrease in input prices since June 2020.

### Slowest rise in output charges since February 2021

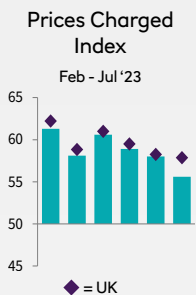
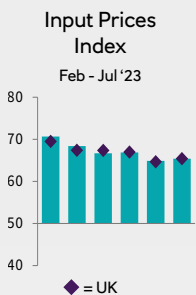
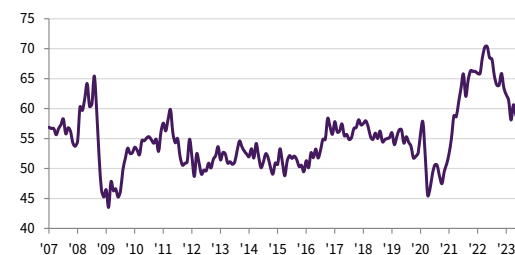
East Midlands firms signalled a sharp increase in output charges in July, with the pace of inflation slowing for the third month running to the softest since February 2021. Higher selling prices were often linked to the pass-through of greater costs to customers. That said, some companies noted that lower raw material prices were reflected in slower charge inflation.

Of the 12 monitored UK areas, only Northern Ireland, Wales and the North West recorded slower upticks in selling prices.

Input Prices Index 65.4  
 sa, >50 = inflation since previous month Jul '23



Prices Charged Index 55.6  
 sa, >50 = inflation since previous month Jul '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, Jul '23 <sup>+</sup>
1	Textiles & Clothing	2.09	55
2	Food & Drink	1.41	55
3	Other Manufacturing	1.27	55
4	Mechanical Engineering	1.05	50
5	Timber & Paper	1.02	50
6	Transport	0.92	55
7	Basic Metals	0.87	50
8	Electrical & Optical	0.67	45
9	Chemicals & Plastics	0.58	50

#### East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '23 <sup>+</sup>
1	Transport & Communication	1.18	50
2	Hotels, Restaurants & Catering	1.13	50
3	Personal & Community Services	1.11	55
4	Business-to-business Services	1.07	55
5	Computing & IT Services	0.91	55
6	Financial Intermediation	0.49	60

## UK sector focus

### Financial Intermediation

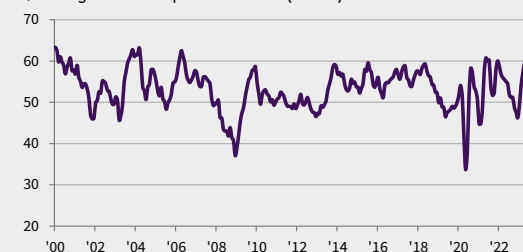
The UK's Financial Intermediation sector displayed strong growth in the three months to July, recording one of the fastest rates of increase in business activity since the global financial crisis. The upturn in performance followed a notable slowdown in the second half of 2022.

Growth was the strongest among the six services sub-sectors monitored by the survey and fuelled by a steep increase in inflows of new business in recent months. With firms' backlogs of work increasing, they continued to take on staff at a historically strong rate and were optimistic about the year-ahead outlook for activity.

Input costs in the sector continued to rise steeply, however, growing at the fastest rate in 2023 so far. This in turn led to a sharp and accelerated increase in prices charged. The rate of output price inflation was surpassed only by that seen in the Hotels, Restaurants and Catering sector.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

Only half of the 12 monitored regions and nations recorded growth in business activity in July. London posted the strongest rate of expansion but saw a notable loss of momentum as growth slowed to a six-month low. The South East and Northern Ireland\* fell the joint-most places in the rankings as both returned to contraction territory, though the steepest overall decline in activity was recorded in the North East.

### Employment

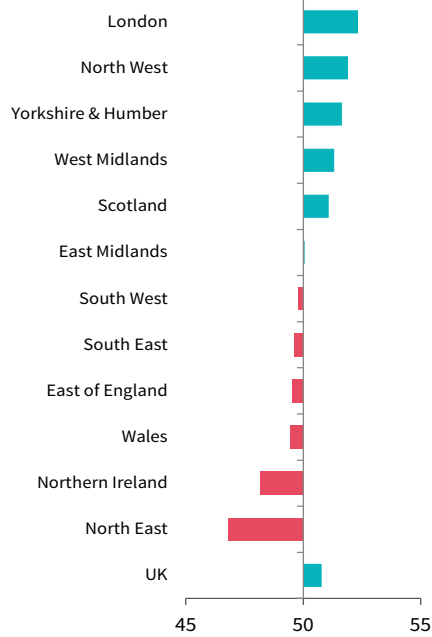
The strongest rate of job creation in July was seen in the South West, followed by the East of England and then London. Northern Ireland also posted a solid rise in workforce numbers. At the other end of the scale, there were renewed declines in staffing levels in both the East Midlands and North East, while no change in employment in the West Midlands ended a 28-month sequence of growth in the region.

### Future Activity

Trends in business confidence were mixed, with half of the 12 monitored areas registering an improvement in sentiment and the rest seeing a decline. The West Midlands, South East and Yorkshire & Humber topped the rankings and were among those that saw expectations rise since June. Firms in Scotland were the least optimistic about the year-ahead outlook, with sentiment there hitting a six-month low.

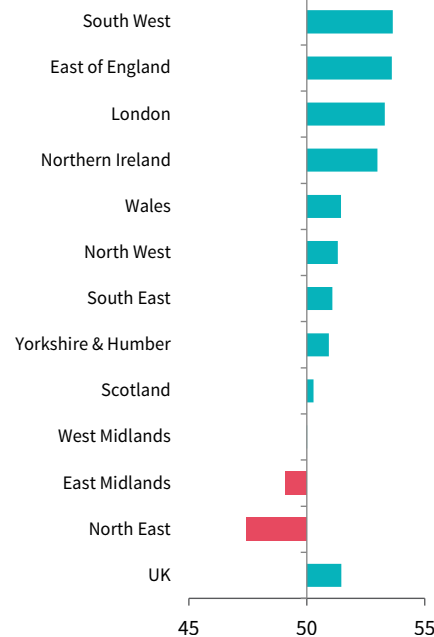
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jul '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
Feb '23	51.1	50.4	52.1	65.8	50.3	47.7	70.7	61.3
Mar '23	51.2	51.3	53.0	71.5	49.7	47.3	68.4	58.1
Apr '23	51.5	50.8	53.3	72.9	52.0	45.9	66.7	60.6
May '23	50.8	51.2	52.5	71.1	51.4	48.2	66.9	58.9
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

## Contact

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

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

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

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

### 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 registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited 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.