

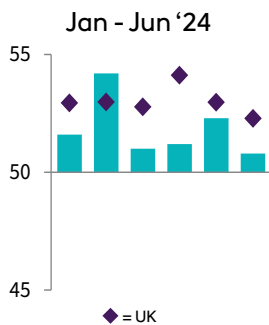


NatWest

NatWest East Midlands Growth Tracker

Business activity growth slowest for six months

East Midlands Business Activity Index



Key findings

Output expansion softens amid contraction in new orders

Sharper fall in employment

Inflationary pressures strengthen

The NatWest East Midlands Growth Tracker – 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 50.8 in June, down from 52.3 in May, to signal only a marginal expansion in output at East Midlands firms. Moreover, the pace of growth was the slowest in six months and weaker than the UK and long-run series averages. Companies often noted that greater output was linked to backlog depletion, with new business contracting for the first time in 2024 so far.

Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board:

"The East Midlands private sector continued to see growth midway through the year, as output rose further. That said, there was a loss of momentum as new business returned to contraction for the first time this year so far. Customer hesitancy is not expected to last, however, as businesses foresee greater activity levels over the coming year.

"Nonetheless, firms adjusted their workforce numbers downwards amid muted demand conditions and as spare capacity built, with backlogs of work falling at the sharpest pace in nine months.

"Meanwhile, inflationary pressures picked up in June. Higher raw material and wage bills spurred renewed momentum in cost and charge increases, with rates of inflation broadly in line with long-run averages. Although input prices rose at a sharper pace than the UK average, the pace of output charge inflation was more muted than at the UK level amid efforts to drive new sales across the region."

East Midlands Business Activity Index
sa, >50 = growth since previous month



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About the East Midlands Growth Tracker report

The NatWest East Midlands Growth Tracker 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

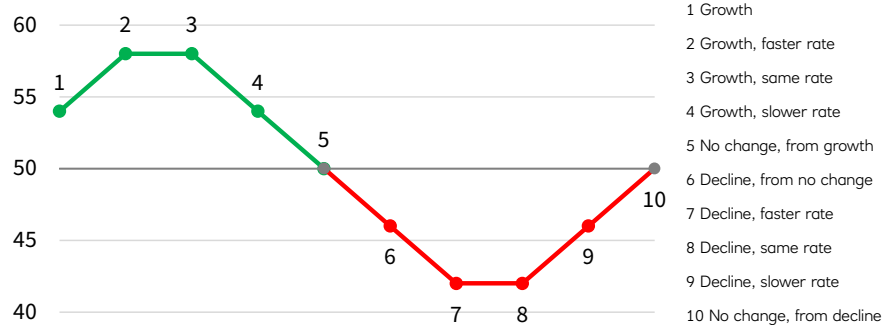
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

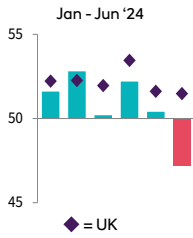
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

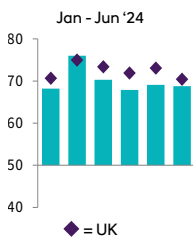


Renewed decline in new business in June

East Midlands businesses signalled a renewed fall in new business during June, thereby ending a five-month sequence of expansion. The decrease in new orders was solid overall, and the fastest since November 2023. Anecdotal evidence suggested that the drop related to weaker client demand, with growing hesitancy among customers to place orders.

The decline was the joint-fastest of the 12 monitored UK regions (alongside the East of England).

Future Activity Index



Business confidence strong overall in June

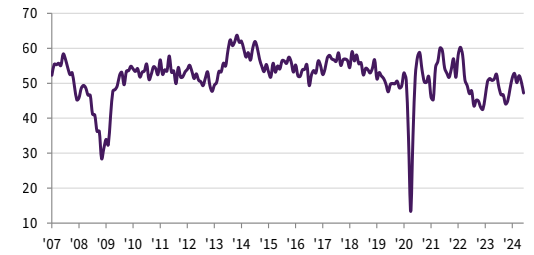
June data indicated further positive expectations regarding the outlook for output over the coming 12 months at East Midlands firms. Companies stated that investment in new products and service lines, alongside hopes of a stronger sales environment buoyed business confidence. The degree of optimism was below both the long-run series and UK averages.

New Business Index

sa, >50 = growth since previous month

47.2

Jun '24

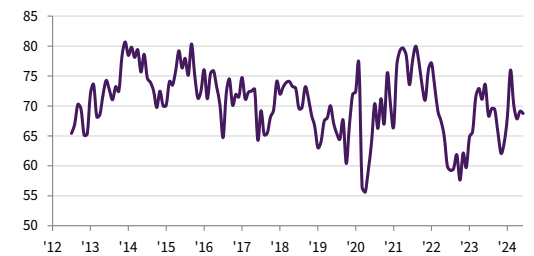


Future Activity Index

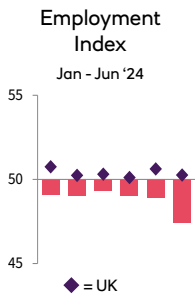
>50 = growth expected over next 12 months

68.8

Jun '24

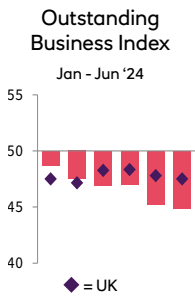


Business capacity



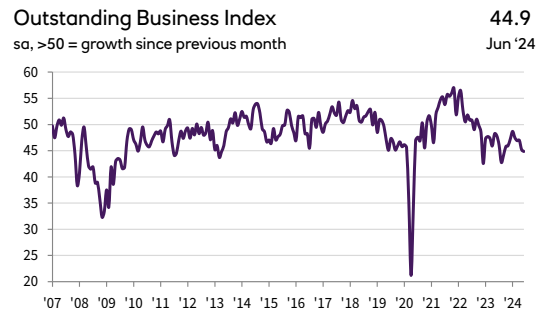
Decline in employment quickens in June

East Midlands private sector companies recorded a twelfth successive monthly decrease in workforce numbers midway through the year. The pace of job shedding accelerated to the sharpest since November 2023 and was solid overall. The region was one of only three to register a decline in employment (others were the South West and West Midlands) in contrast with the UK trend which signalled a fractional uptick in headcounts.



Steepest fall in backlogs of work since September 2023

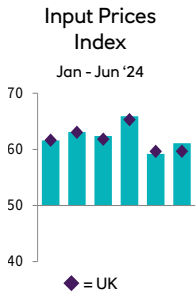
East Midlands private sector firms registered a further decrease in outstanding business in June, thereby extending the current sequence of decline seen since October 2022. The pace of contraction quickened to the fastest since last September and was sharp overall. Panellists noted that lower backlogs of work were due to reduced new orders and sufficient capacity.



The rate of depletion was stronger than the UK trend, with only Yorkshire & Humber, the East of England and Wales seeing steeper declines.



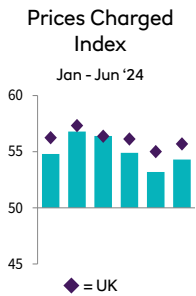
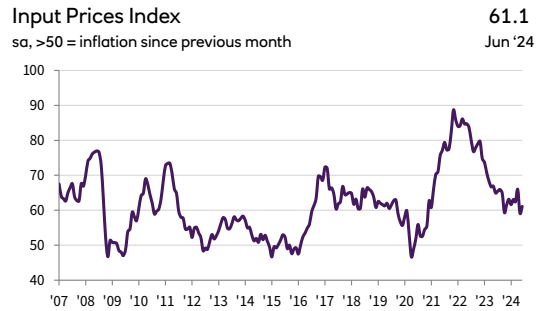
Prices



Marked increase in input costs in June

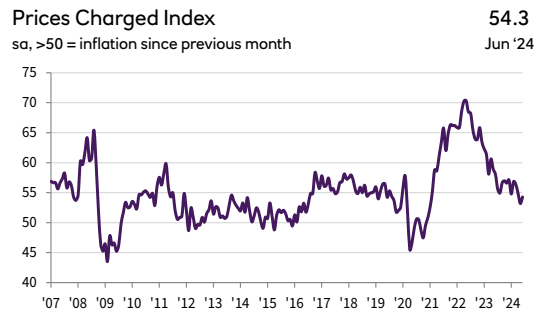
East Midlands companies signalled a further substantial rise in operating expenses midway through 2024. The pace of inflation quickened from May. Higher input costs were commonly linked to greater raw material prices, including for metals.

The pace of increase in input prices was sharper than the UK average.



Output charges rise at quicker pace in June

East Midlands businesses indicated a sharper uptick in selling prices in June, with the pace of inflation accelerating from May. The rate of increase was broadly in line with the long-run series average despite being softer than the UK trend. Companies often noted that the pass-through of greater costs to customers drove the latest uplift in output charges.



UK Sector

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

East Midlands specialisation: Services

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

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

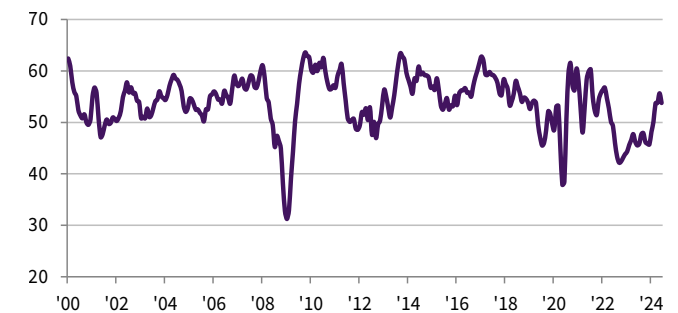
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

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



* 3-month moving average



UK Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

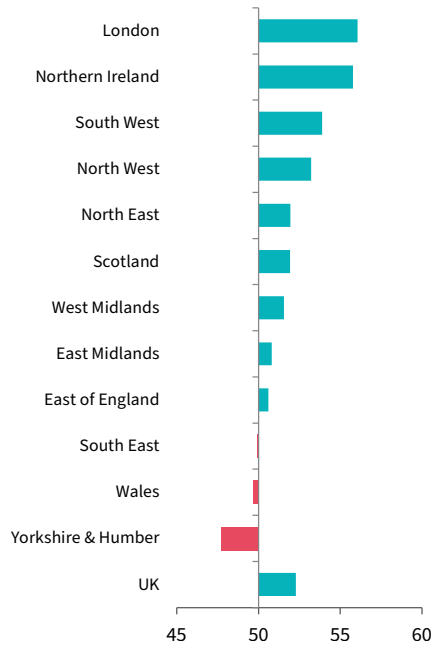
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

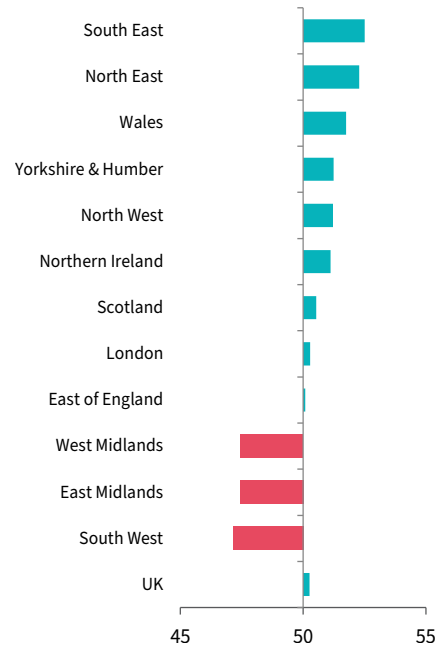
Business Activity Index

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



Employment Index

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

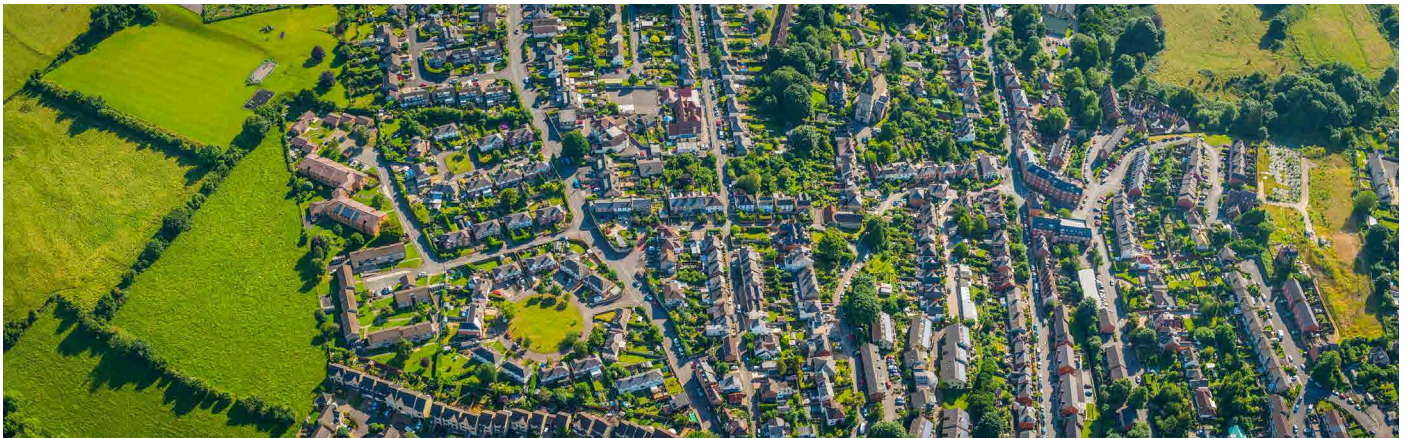


Future Activity Index

>50 = growth expected over next 12 months, Jun '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
Jan '24	51.6	51.6	50.3	68.2	49.1	48.7	61.6	54.8
Feb '24	54.2	52.8	51.3	76.0	49.0	47.5	63.1	56.8
Mar '24	51.0	50.2	51.6	70.3	49.3	46.9	62.4	56.4
Apr '24	51.2	52.2	51.7	67.9	49.0	47.0	65.9	54.9
May '24	52.3	50.4	52.7	69.1	48.9	45.2	59.2	53.2
Jun '24	50.8	47.2	51.7	68.8	47.4	44.9	61.1	54.3

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