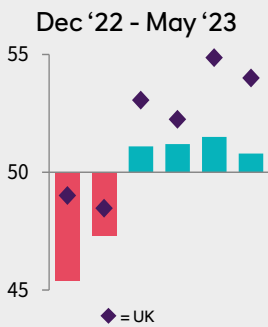


NatWest East Midlands PMI[®]

Softer rise in output, but new order growth sustained in May

East Midlands Business Activity Index



Key findings

Marginal increase in new business drives growth in activity

Further marked rises in costs and charges

Employment continues to expand, but business confidence eases

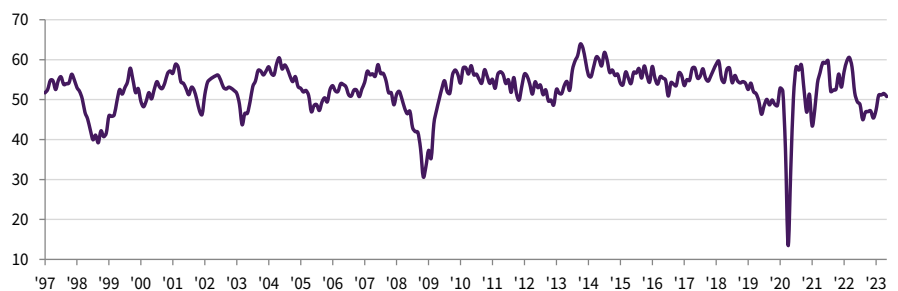
The headline NatWest East Midlands PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – posted 50.8 in May, down slightly from 51.5 in April, to signal only a marginal expansion in output at East Midlands private sector firms. Greater business activity reportedly stemmed from a sustained uptick in new orders. The rise in activity was the fourth in successive months, but was the weakest in this sequence of growth. Moreover, the rate of increase was slower than the UK trend, with only Yorkshire & Humber and Scotland recording softer upturns, while Wales posted a decline.

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

“Firms in the East Midlands continued to register expansions in output and new business in May, however, rates of growth remained muted and only marginal overall amid challenges posed by the cost-of-living crisis and ongoing inflationary concerns. Nonetheless, some resolution to issues faced earlier in the year with regards to firms’ ability to hire meant that employment grew again, as capacity shortages in certain areas were plugged.

“Inflation remained a key concern for firms and their expectations regarding future output levels and demand conditions. Cost pressures were sticky in May, as the latest data signalled a reversal of the recent downward trend in input price inflation. Efforts to drive sales in the face of strain on margins, however, led to a softer uptick in charges.”

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

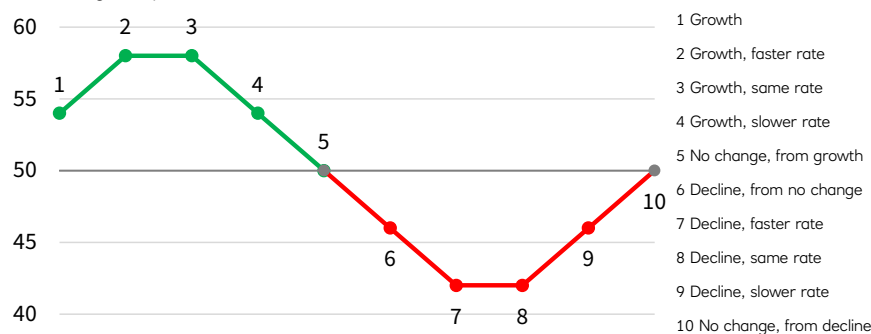
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Quicker but only marginal upturn in new business in May

Private sector firms in the East Midlands registered a fourth successive monthly expansion in new business during May. The pace of growth accelerated to the second-fastest since March 2022, despite being only marginal overall. Anecdotal evidence suggested that greater new orders were due to stronger demand conditions and increased customer referrals.

The rate of expansion was slower than the UK trend, however, despite the pace of growth at the UK level easing.

Business confidence dips to three-month low

Output expectations across the East Midlands private sector remained upbeat in May, as the level of business optimism posted slightly above the long-run series average. Hopes of a pick up in client demand, and planned investment in new products and machinery reportedly drove positive sentiment. Although the degree of confidence slipped to a three-month low, it was broadly in line with the UK average.

Exports

Further solid improvement in export climate in May

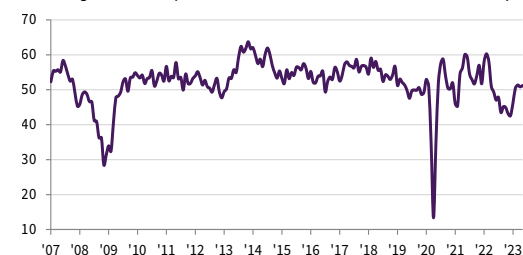
The East Midlands Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East Midlands. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index registered 52.5 in May, down slightly from 53.3 in April. The latest upturn in export conditions for East Midlands firms was the fifth in as many months and solid overall.

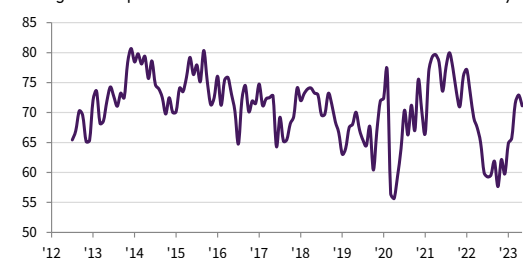
Leading the improvement in the export climate was a sharper expansion in output in the US. Although rising at a softer pace than in April, the remaining four key export markets all recorded greater business activity on the month.

The increase in output in Singapore was steep overall, whilst German firms noted a solid upturn in activity. Companies in France and Hong Kong, however, registered only marginal growth in output.

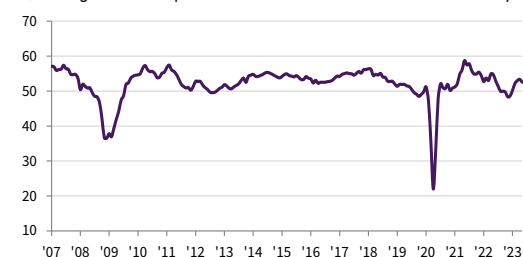
New Business Index
sa, >50 = growth since previous month
51.2
May '23



Future Activity Index
>50 = growth expected over next 12 months
71.1
May '23

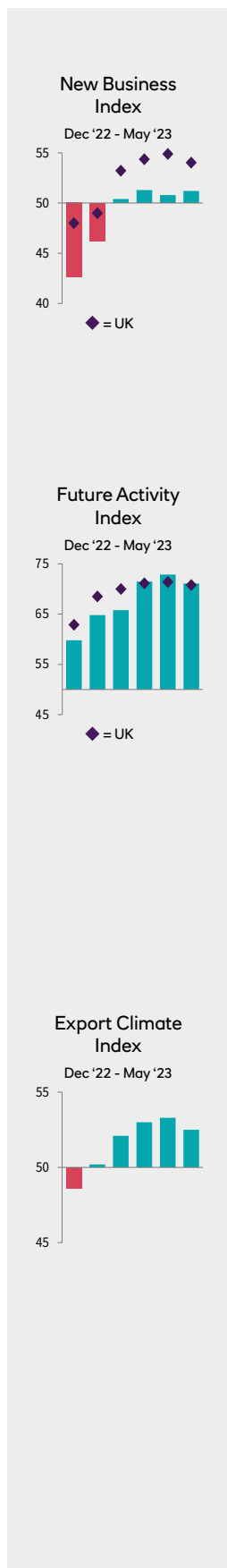


Export Climate Index
sa, >50 = growth since previous month
52.5
May '23



Top export markets, East Midlands

Rank	Market	Weight	Output Index, May '23
1	USA	12.5%	54.3
2	Germany	9.9%	53.9
3	France	9.0%	51.2
4	Singapore	7.5%	55.8
5	Hong Kong	7.1%	52.0



Business capacity

Employment growth slows

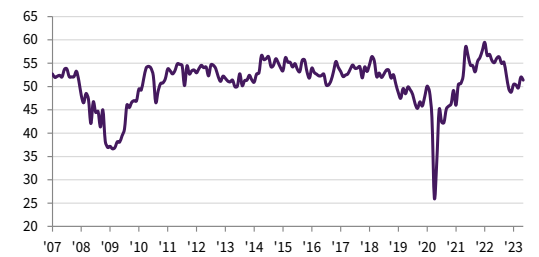
May data signalled a marginal uptick in workforce numbers at East Midlands firms. Alongside reports of greater ease in hiring following increased availability of candidates, companies stated that employment rose amid new business growth. That said, the pace of job creation slowed from that seen in April, reflecting the wider UK trend which also indicated only a marginal rise in staffing numbers.

Employment Index

sa, >50 = growth since previous month

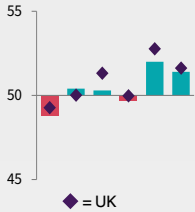
51.4

May '23



Employment Index

Dec '22 - May '23



Further decline in backlogs of work in May

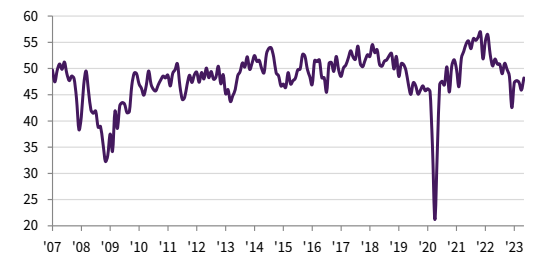
Private sector firms in the East Midlands signalled an eighth successive monthly decrease in the level of outstanding business in May. Survey respondents noted that lower backlogs of work were due to sufficient capacity and muted growth of new orders. The rate of contraction slowed to the weakest since November 2022.

Outstanding Business Index

sa, >50 = growth since previous month

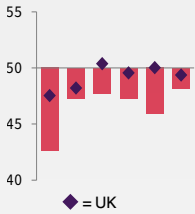
48.2

May '23



Outstanding Business Index

Dec '22 - May '23



The pace of decline was quicker than the UK average, despite softening.



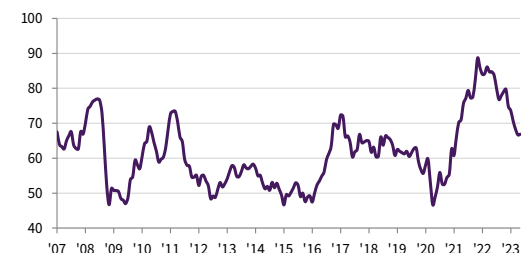
Prices

Second-slowest rise in input costs since February 2021

Cost burdens faced by East Midlands private sector firms continued to increase during May. The rate of inflation picked up fractionally but was the second-slowest since February 2021. Nonetheless, the pace of uptick was sharper than the series average and broadly in line with the trend seen across the UK as a whole.

Hikes in input costs were often linked to greater wage bills and higher prices for some raw materials including timber and concrete.

Input Prices Index
sa, >50 = inflation since previous month
66.9
May '23

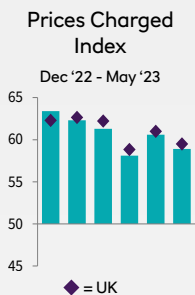
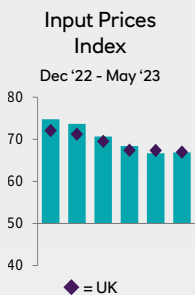
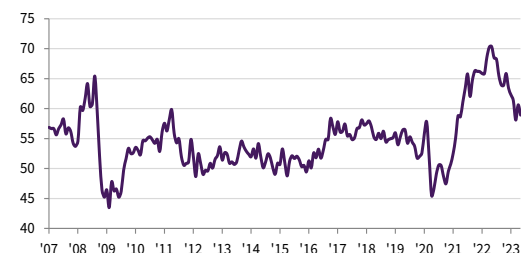


Pace of charge inflation slows in May

May data signalled a softer but still marked uptick in output charges at East Midlands companies. Anecdotal evidence commonly highlighted the pass-through of increased costs to clients as driving the rise in selling prices. Although steeper than the long-run series average, the rate of increase in output prices was slightly weaker than the UK trend.

Some firms noted that efforts to drive new sales sparked a slower rise in charges.

Prices Charged Index
sa, >50 = inflation since previous month
58.9
May '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, May' 23 ⁺
1	Textiles & Clothing	2.09	48
2	Food & Drink	1.41	50
3	Other Manufacturing	1.27	50
4	Mechanical Engineering	1.05	50
5	Timber & Paper	1.02	40
6	Transport	0.92	55
7	Basic Metals	0.87	50
8	Electrical & Optical	0.67	50
9	Chemicals & Plastics	0.58	50

East Midlands specialisation: Services

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

UK sector focus

Transport & Communication

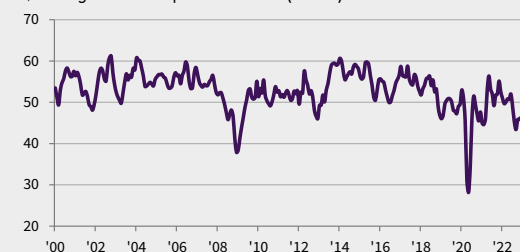
Almost all areas of the UK services economy saw growth in business activity in the three months to May, the only exception being the Transport & Communications sector. Here, activity fell - albeit only slightly - in the latest three-month period, thereby resuming a downward trend after a brief return to growth in Q1.

The survey data pointed to weakness in underlying demand, with inflows of new work in decline. Businesses in the sector reacted to falling workloads by reducing workforce numbers, in line with the trend seen since the end of last year. That said, the latest round of job cuts was only marginal as firms showed greater confidence towards the outlook.

Cost pressures remained historically elevated, although they did at least ease further from the record highs seen in 2022. This was reflected in a slower rise in prices charged, the weakest for almost two-and-a-half years.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Almost all UK nations and regions saw a rise in business activity in May, the only exception being Wales where output fell marginally and for the first time in four months. London once again recorded by far the strongest growth rate, albeit one that was slightly slower than in April. In fact, only the West Midlands saw an acceleration in the rate of expansion in business activity.

Employment

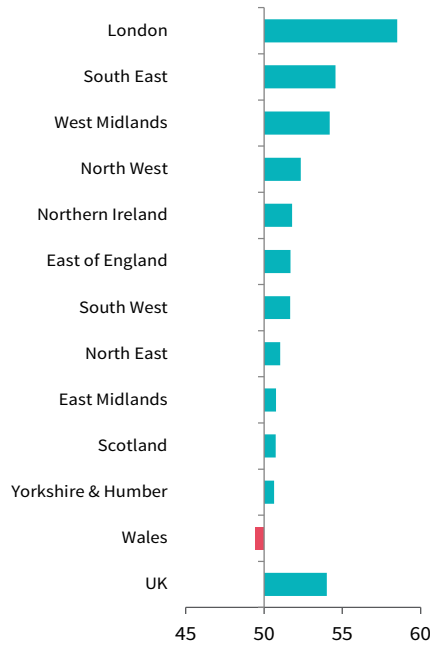
The vast majority of areas monitored by the survey recorded an increase in private sector employment in May. Scotland topped the rankings for job creation for the first time since June 2018, pushing Northern Ireland* into second position. Only the North East and Wales saw decreases in staffing levels, and even there the declines were modest and marginal respectively.

Future Activity

Business expectations remained positive across the board in May, although they weakened in three-quarters of the areas monitored. The West Midlands went against the trend and recorded the strongest overall optimism for the fifth month running. At the other end of the scale, firms in Northern Ireland were the least upbeat towards the outlook.

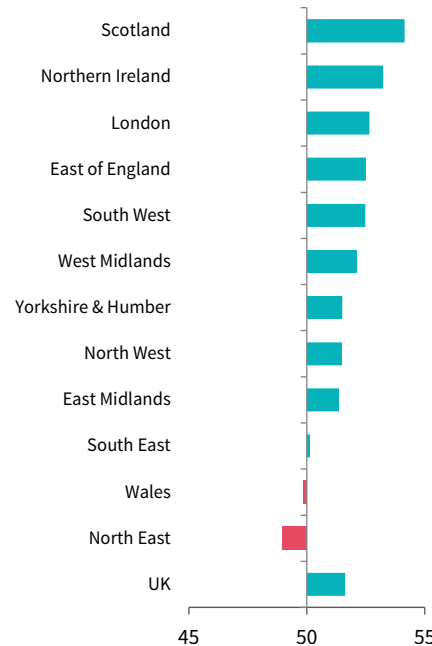
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '22	45.4	42.6	48.6	59.8	48.8	42.6	74.8	63.4
Jan '23	47.3	46.2	50.2	64.8	50.4	47.3	73.7	62.3
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

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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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