

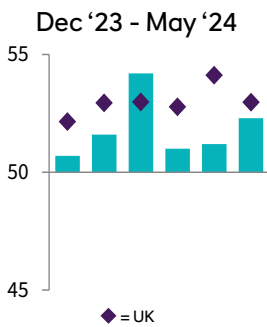


NatWest

NatWest East Midlands PMI[®]

Output growth quickens, but demand softens in May

East Midlands Business Activity Index



Key findings

Activity growth at three-month high, but new order expansion slows

Inflationary pressures soften notably

Fall in employment steepest for eight months

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 52.3 in May, up from 51.2 in April, to signal a modest expansion in output at East Midlands private sector firms. The upturn was linked to a further rise in new orders and a sustained improvement in demand conditions. The rate of growth in activity was the fastest for three months, albeit slightly slower than both the series and UK averages.

Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board:
"East Midlands firms saw a more positive development with regards to output midway through the second quarter, as business activity ticked up at a faster pace. Demand was persistent, with new orders rising further, albeit at a slower rate.
"Encouragingly for firms, cost pressures slackened somewhat from the highs seen throughout most of the last three-and-a-half years. Input prices rose at the slowest rate since November 2020. In a bid to remain competitive and boost sales, the pace of charge inflation also moderated.
"Despite a faster fall in employment following reduced pressure on capacity, private sector firms remained optimistic in the outlook for output over the next year. In fact, business confidence strengthened from April as firms sought to diversify revenue streams and broaden their customer bases."

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

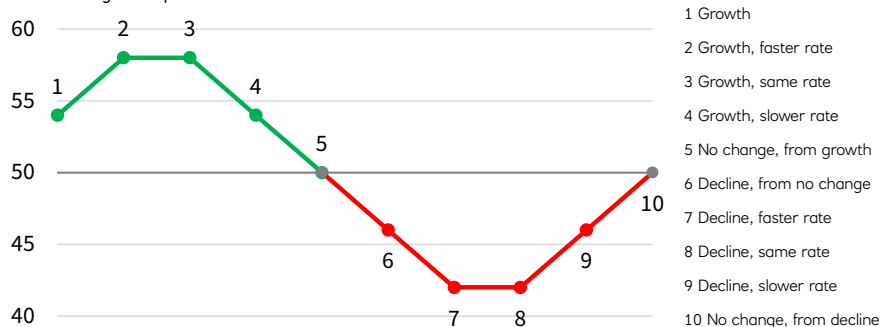
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

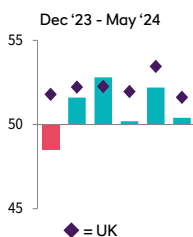
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



New business expansion slows in May

East Midlands private sector firms signalled a fifth successive monthly expansion in new business during May. Anecdotal evidence suggested the rise in new orders was due to sustained customer demand. That said, the pace of growth slowed to only a fractional rate, as some firms highlighted a sluggish sales environment.

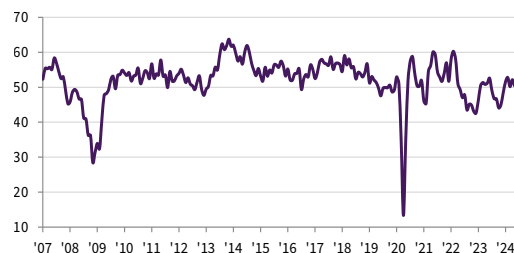
The rate of increase in new orders was slower than both the long-run series trend and UK average.

New Business Index

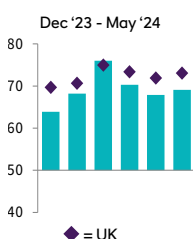
sa, >50 = growth since previous month

50.4

May '24



Future Activity Index



Output expectations improve in May

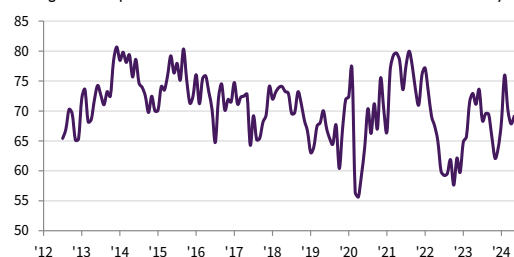
May data signalled further upbeat expectations among East Midlands private sector firms. Companies stated that efforts to diversify revenue streams, greater advertising to bring in new clients and hopes of stronger demand conditions supported optimism. Nonetheless, the degree of confidence remained subdued in the context of the series' history and was lower than the UK average.

Future Activity Index

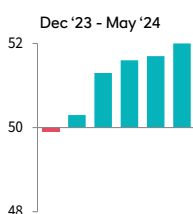
>50 = growth expected over next 12 months

69.1

May '24



Export Climate Index



Exports

Export conditions improve at sharpest rate in a year

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 52.7 in May, up from 51.7 in April to signal a solid upturn in the export climate for East Midlands goods and services. Moreover, the improvement was the greatest in a year.

Stronger export conditions were largely due to sharper upturns in output in three of the five key export destinations, namely Singapore, the US and Germany.

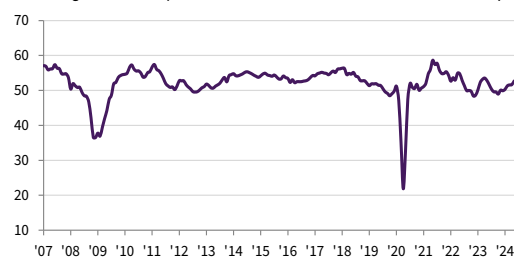
Hong Kong SAR and France, however, saw renewed contractions in business activity midway through the second quarter.

Export Climate Index

sa, >50 = growth since previous month

52.7

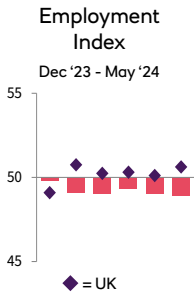
May '24



Top export markets, East Midlands

Rank	Market	Weight	Output Index, May '24
1	USA	14.3%	54.5
2	Germany	10.4%	52.4
3	Hong Kong	10.2%	48.3
4	France	8.8%	48.9
5	Singapore	7.8%	58.2

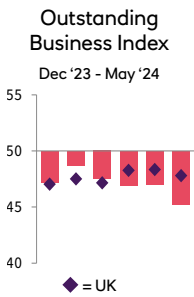
Business capacity



Steepest decline in employment since November 2023

East Midlands private sector firms indicated an eleventh consecutive monthly decrease in employment during May. The rate of decline quickened to the fastest since last November, but was only marginal overall. Redundancies and the non-replacement of voluntary leavers following subdued new order growth reportedly drove job shedding.

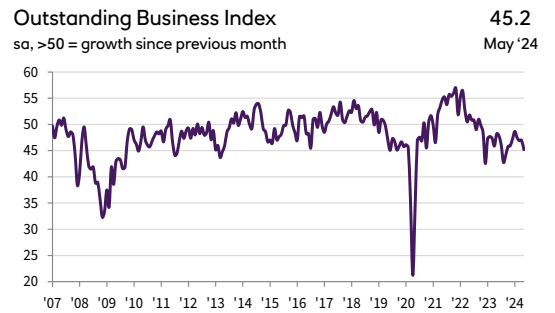
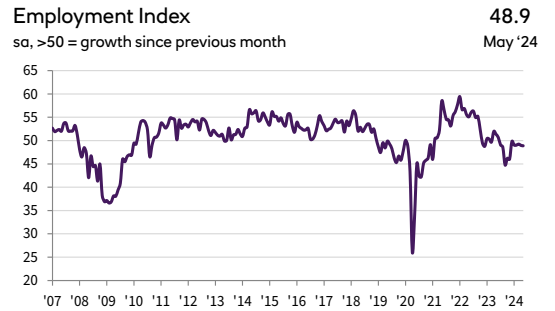
The fall in staffing numbers in the East Midlands contrasted with a slight rise seen at the UK level.



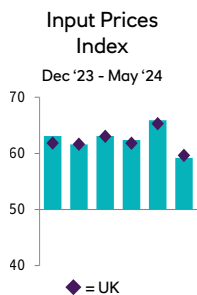
Decline in backlogs of work accelerates in May

May data indicated a faster decrease in backlogs of work at East Midlands firms. The pace of contraction quickened to the sharpest since September 2023 and was strong overall. Moreover, the pace of decline was the second-strongest of the UK regions, slower than only Wales.

Companies noted that muted new order inflows allowed them to work through incomplete business successfully.



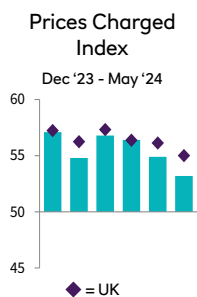
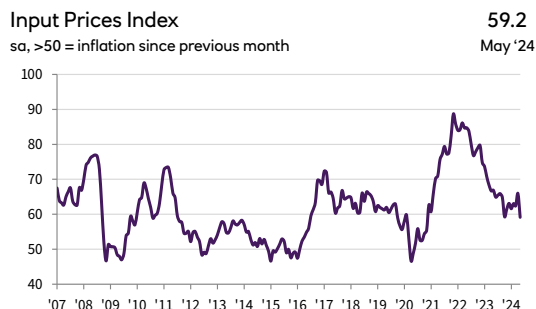
Prices



Slowest rise in input prices since November 2020

Average cost burdens faced by East Midlands firms rose further during May, as higher wage bills and raw material prices pushed up operating expenses. That said, the pace of cost inflation slowed to the weakest since November 2020 and was softer than the long-run series average.

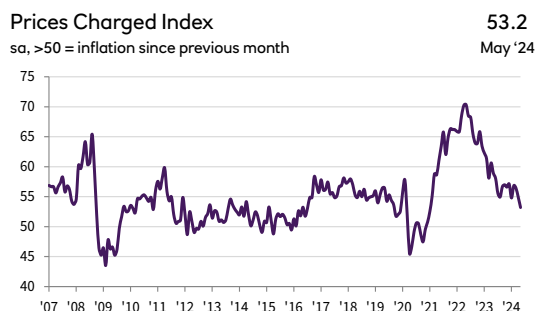
The slower uptick in costs reflected the broader UK trend, however.



Rate of charge inflation softens further in May

East Midlands private sector firms signalled a solid rise in selling prices midway through the second quarter. The rise in output charges was often driven by efforts to pass through higher costs to customers. The rate of charge inflation eased for the third month running, however, and was the slowest since January 2021.

With the exception of Yorkshire & Humber and the North West, the East Midlands saw the weakest rise in selling prices of the 12 monitored UK regions.



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

East Midlands specialisation: Services

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

UK sector focus

Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

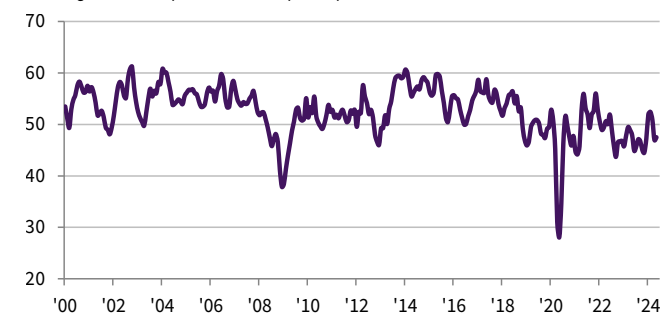
Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

Business Activity Index

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



Employment Index

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

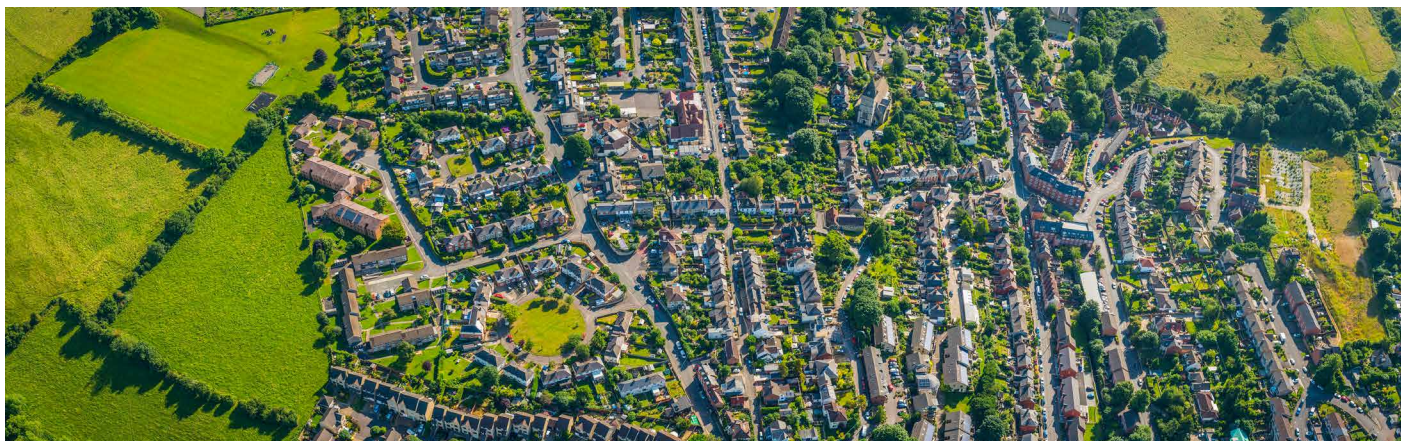


Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '23	50.7	48.5	49.9	63.9	49.8	47.2	63.1	57.1
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

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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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