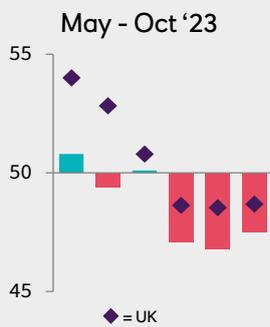




NatWest East Midlands PMI[®]

New orders fall at sharpest pace in 2023 so far

East Midlands Business Activity Index



Key findings

Faster decrease in new business sparks further drop in output

Cost pressures ease notably, but selling price inflation ticks higher

Employment falls again, as pressure on capacity dissipates

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 47.5 in October, up from 46.8 in September, to signal a third consecutive monthly decline in output at firms in the East Midlands. Although slowing to a modest pace, the rate of contraction was sharper than the UK average. Lower output was commonly attributed to weak domestic and international client demand, as new orders fell at a quicker pace. Manufacturers and service providers alike recorded a drop in activity.

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

“East Midlands firms remained in the doldrums during October, as business activity fell further on the back of a worsening demand environment. The contraction in new orders accelerated for the third month running as international and domestic demand conditions dwindled.

“Firms remained in retrenchment mode as job shedding continued amid burgeoning spare capacity. Cost cutting efforts and adjustments to staffing numbers following lower new order inflows look unlikely to abate as business confidence in the year-ahead outlook for output slid to the lowest since the start of the year.

“On a more positive note, cost pressures waned. Increases in input prices were the weakest for almost three years as supplier discounts were offered. Nonetheless, in a bid to protect profit margins, selling prices rose at the fastest pace for four months.”

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

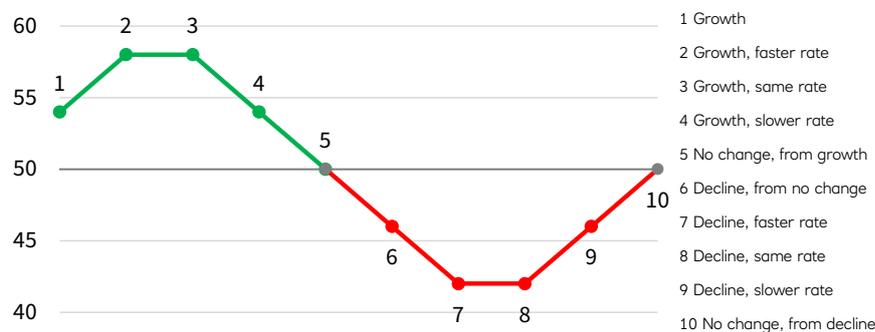
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Sharpest drop in new orders for ten months

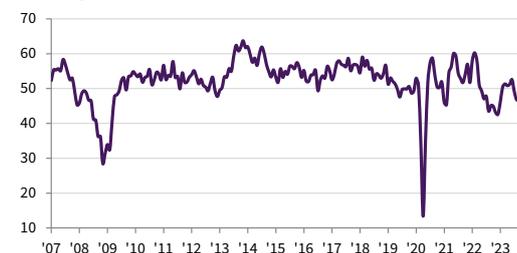
Private sector firms in the East Midlands registered a steep decrease in new business during October. The rate of decline quickened to the sharpest in 2023 so far, and was the third-fastest of the 12 monitored UK regions, slower than only Yorkshire & Humber and Wales. Anecdotal evidence linked the drop in new orders to weak client demand and the impact of high interest rates on customer spending.

New Business Index

sa, >50 = growth since previous month

44.1

Oct '23



Business confidence weakest since January

East Midlands firms indicated further expectations of increased output over the coming year in October. The degree of confidence slipped to the lowest in nine months, however, and was weaker than the UK average. Companies hoped that greater investment in marketing and the release of new products would boost activity. Nonetheless, subdued domestic and international demand conditions dampened optimism, according to panellists.

Future Activity Index

>50 = growth expected over next 12 months

65.6

Oct '23



Exports

Strongest decline in export conditions in 2023 so far

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 48.8 at the start of the fourth quarter, down from 49.4 in September. The latest data signalled a third successive monthly decline in export conditions, and one that was the sharpest since December 2022.

Although output grew in the USA and Singapore, with the rate of expansion quickening slightly in the former, lower activity in Germany, France and Hong Kong SAR weighed on the export climate.

French firms registered a sharp decline in output, while companies in Germany and Hong Kong SAR recorded faster drops in business activity than in September.

Export Climate Index

sa, >50 = growth since previous month

48.8

Oct '23



Top export markets, East Midlands

Rank	Market	Weight	Output Index, Oct '23
1	USA	12.5%	50.7
2	Germany	9.9%	45.9
3	France	9.0%	44.6
4	Singapore	7.5%	55.1
5	Hong Kong	7.1%	48.7



Business capacity

Solid contraction in employment

October data signalled a fourth successive monthly decline in workforce numbers at firms in the East Midlands. Lower employment reportedly stemmed from the non-replacement of voluntary leavers to save costs, and the end of temporary contracts amid a drop in new orders. The rate of job shedding eased from September, but remained sharper than the average seen across the UK as a whole. Moreover, only the North East and Wales recorded faster declines in headcounts.

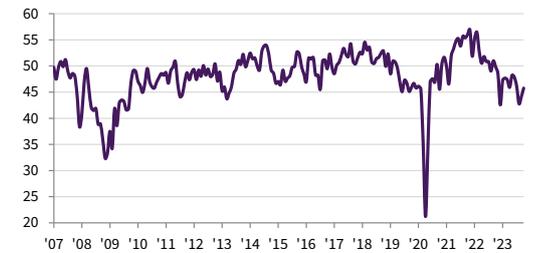
Employment Index 46.2
 sa, >50 = growth since previous month Oct '23



Further sharp drop in outstanding business

East Midlands firms recorded another monthly decrease in backlogs of work at the start of the fourth quarter. The contraction was linked to lower new order inflows and sufficient capacity to work through incomplete business. The rate of decline eased, however, to the slowest for three months and was slightly weaker than the UK average.

Outstanding Business Index 45.8
 sa, >50 = growth since previous month Oct '23



Prices

Input Prices Index
May - Oct '23



Slowest rise in input prices for almost three years

October data indicated a further steep rise in cost burdens faced by East Midlands businesses. Higher wage bills, alongside increased raw material prices, reportedly drove inflation. That said, the rate of increase slowed to the softest since November 2020 as firms noted reductions in some component costs and lower energy prices.

Cost inflation continued to be led by the service sector, as manufacturers saw unchanged input prices.

Input Prices Index

sa, >50 = inflation since previous month

59.3

Oct '23



Prices Charged Index
May - Oct '23



Selling prices rise at fastest pace in four months

Private sector firms in the East Midlands registered a sharp increase in output charges during October. The rate of inflation picked up again and was the quickest since June. Despite subdued demand conditions, firms noted the pass-through of higher costs to customers.

The quicker rise in selling prices seen in the East Midlands reflected the wider UK trend, but the pace of inflation in the region was faster than the UK average.

Prices Charged Index

sa, >50 = inflation since previous month

57.0

Oct '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, Oct '23 ⁺
1	Textiles & Clothing	2.09	48
2	Food & Drink	1.41	55
3	Other Manufacturing	1.27	48
4	Mechanical Engineering	1.05	50
5	Timber & Paper	1.02	42
6	Transport	0.92	48
7	Basic Metals	0.87	48
8	Electrical & Optical	0.67	48
9	Chemicals & Plastics	0.58	48

East Midlands specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct '23 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.13	48
3	Personal & Community Services	1.11	50
4	Business-to-business Services	1.07	48
5	Computing & IT Services	0.91	55
6	Financial Intermediation	0.49	50

UK sector focus

Mechanical Engineering

The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

Employment

Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland*, North West and East of England also seeing increases.

Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

Business Activity Index

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



Employment Index

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



Future Activity Index

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

Contact

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

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

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0)-7967-447030
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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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 trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc 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.