

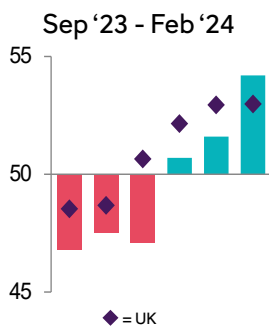


NatWest

NatWest East Midlands PMI[®]

Business activity growth quickens to fastest since April 2022

East Midlands Business Activity Index



Key findings

Stronger rise in output supported by faster uptick in new orders

Inflationary pressures pick up

Business confidence highest since January 2022

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 54.2 in February, up notably from 51.6 in January, to signal a solid expansion in output at firms in the East Midlands. The rate of growth was the sharpest since April 2022, with companies highlighting that stronger client demand and increased investment helped spur the accelerated rise in activity. Moreover, of the 12 monitored UK regions, only London saw a steeper upturn in output.

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

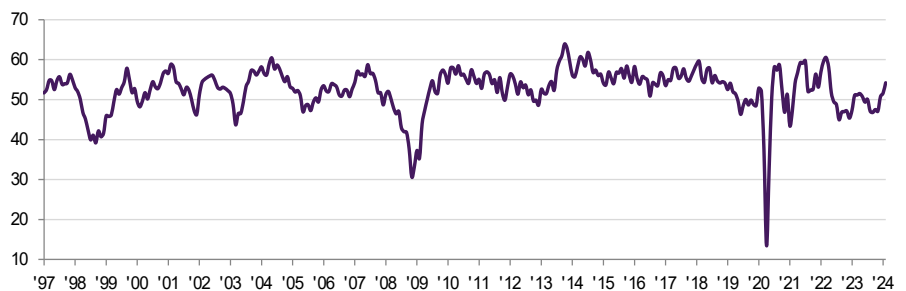
"East Midlands firms saw a further improvement in the health of the private sector during February, as rates of output and new order growth accelerated. Moreover, the region was one of the strongest performers across the UK.

"More robust client demand spurred the sharpest rise in new business for almost two years. Firms remained conscious of cost pressures, however, as this, alongside sufficient capacity to process incoming orders, led to a further fall in employment. Jobs were shed at the sharpest pace since last November.

"Lower employment was not indicative of weaker business confidence in the year-ahead outlook, as optimism strengthened to the highest since early-2022. Greater sentiment was expressed despite renewed upwards momentum in rates of inflation. Transportation and shipping costs continued to be a key driver of increases in expenses, which were in turn passed through to clients where possible."

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

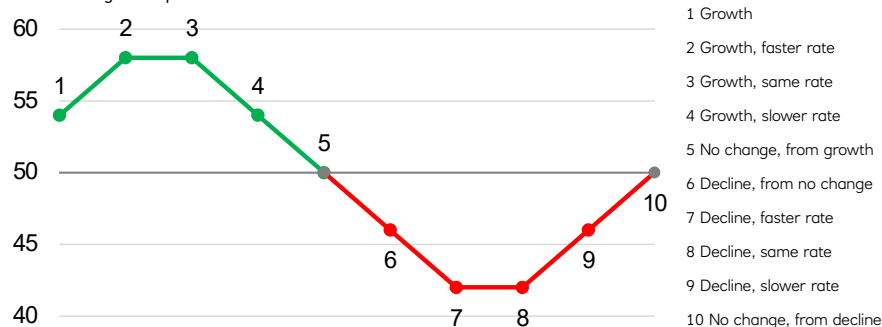
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

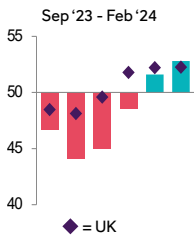
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



Fastest rise in new business since March 2022

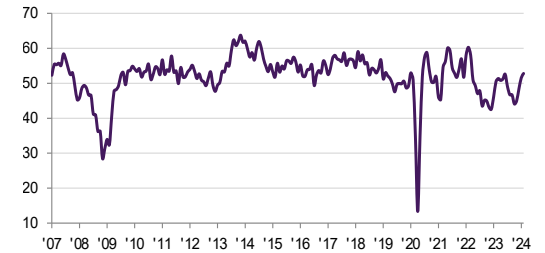
East Midlands private sector firms recorded a second successive monthly increase in new orders during February. The rate of growth quickened to a solid pace that was the fastest in almost two years. The expansion was sharper than both the long-run series and UK averages. Anecdotal evidence suggested that the upturn was linked to stronger client demand and the acquisition of new customers.

New Business Index

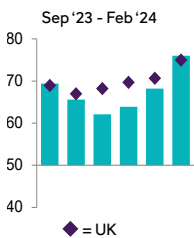
sa, >50 = growth since previous month

52.8

Feb '24



Future Activity Index



Output expectations strongest since early-2022

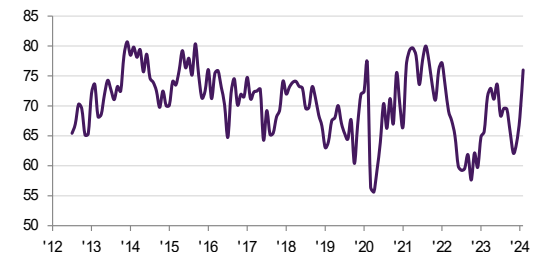
February data signalled more upbeat expectations regarding the outlook for output at East Midlands companies. The degree of confidence picked up notably to the highest since January 2022. Stronger business confidence was attributed to investment in new product and service lines, increased marketing and hopes of further upticks in new business.

Future Activity Index

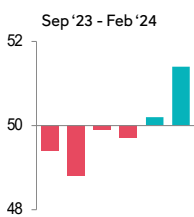
>50 = growth expected over next 12 months

76.0

Feb '24



Export Climate Index



Export conditions improve at sharpest pace since June 2023

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 51.4 in February, up from 50.2 in January to signal a marginal upturn in export conditions and one that was the strongest since mid-2023.

Supporting the improvement in the export climate for East Midlands firms were faster rises in output in key export markets including the USA and Singapore. French companies registered a slower fall in activity, meanwhile.

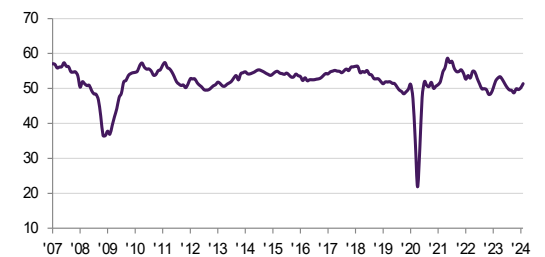
That said, businesses in Germany and Hong Kong SAR recorded contractions in output, with the pace of decline seen in Germany quickening to the fastest in four months.

Export Climate Index

sa, >50 = growth since previous month

51.4

Feb '24

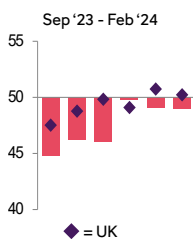


Top export markets, East Midlands

Rank	Market	Weight	Output Index, Feb '24
1	USA	12.5%	52.5
2	Germany	9.9%	46.3
3	France	9.0%	48.1
4	Singapore	7.5%	58.1
5	Hong Kong	7.1%	49.2

Business capacity

Employment Index



Employment falls at quickest pace for three months

Staffing numbers at East Midlands firms continued to decline during February, with job shedding gaining pace. Although only marginal, the rate of contraction in employment was the fastest for three months and contrasted with the UK average which pointed to a fractional rise in workforce numbers.

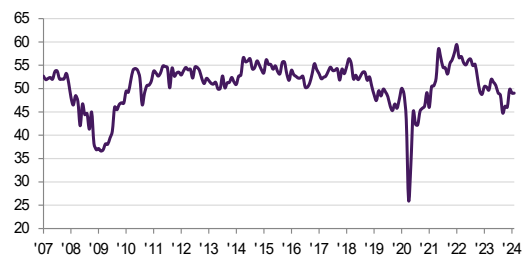
Lower employment was in part due to the non-replacement of voluntary leavers due to cost considerations.

Employment Index

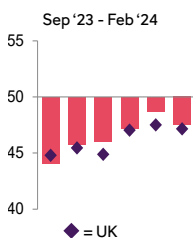
sa, >50 = growth since previous month

49.0

Feb '24



Outstanding Business Index



Modest decrease in outstanding business in February

Private sector firms in the East Midlands recorded a further drop in the level of incomplete business midway through the first quarter. The pace of decline quickened from January and was moderate overall. Businesses noted sufficient capacity to process incoming new work.

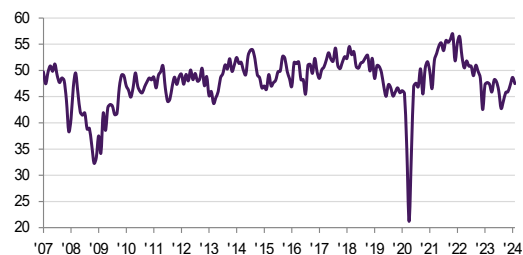
The fall in backlogs of work was driven by manufacturers who registered a sharp decrease in work-in-hand.

Outstanding Business Index

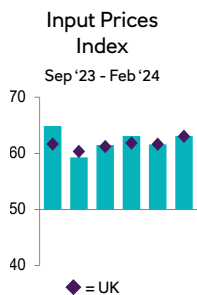
sa, >50 = growth since previous month

47.5

Feb '24



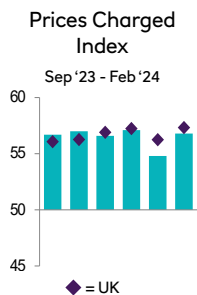
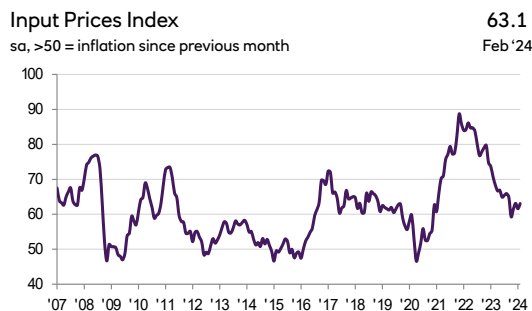
Prices



Rate of cost inflation accelerates in February

Input prices faced by East Midlands firms increased at a marked pace during February, with the rate of inflation ticking higher. The uptick in cost burdens was the joint-fastest since September 2023 and broadly in line with the UK average.

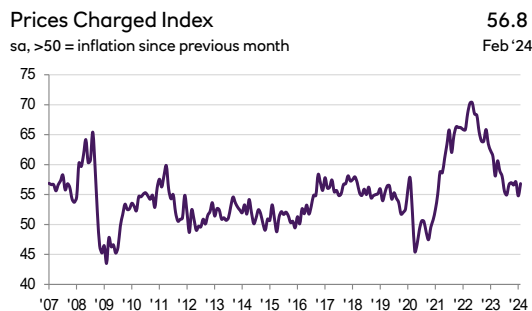
Higher input prices were linked to additional shipping and transportation costs, alongside increased supplier charges.



Quicker rise in selling prices in February

East Midlands businesses registered a faster uptick in output charges during February. The rise in selling prices was steep overall and accelerated notably from January to post above the series average. Anecdotal evidence commonly stated that higher output prices were due to the pass-through of greater costs to customers.

The pace of charge inflation was slightly softer than the UK average, however.



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, Feb '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, Feb '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	

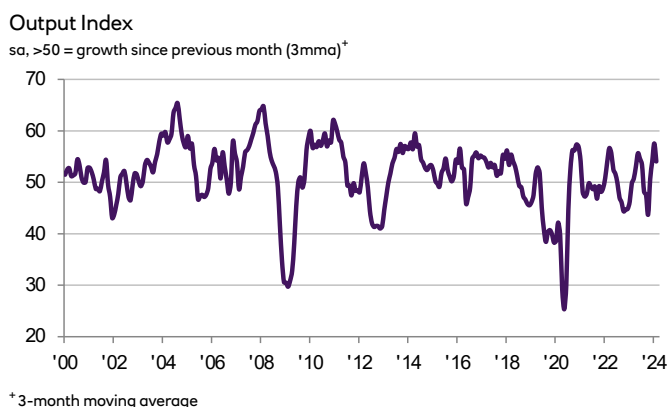
UK sector focus

Transport Manufacturing

Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.



UK Regional PMI overview

Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

Business Activity Index

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



Employment Index

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

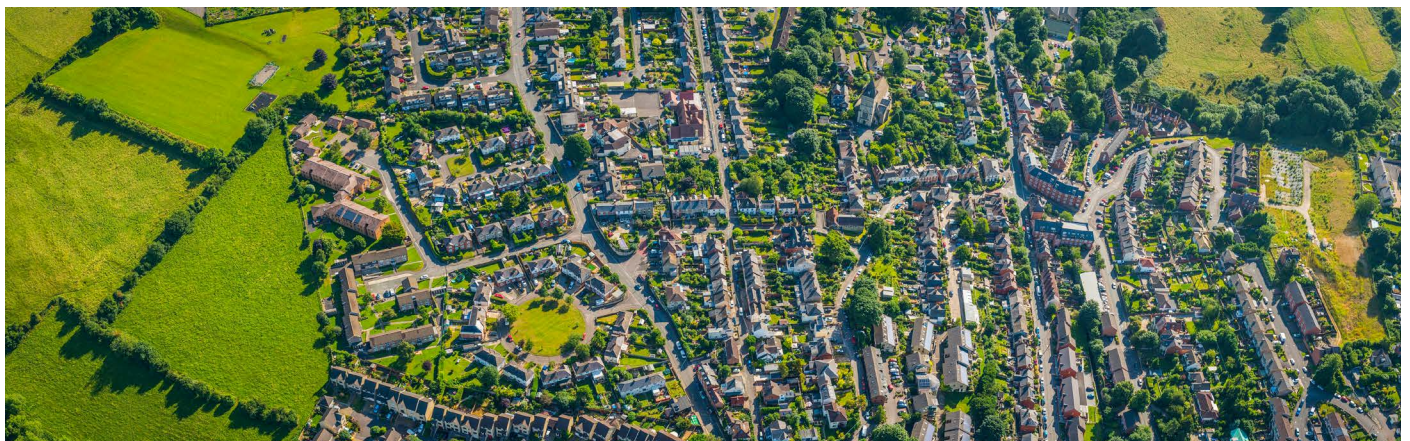


Future Activity Index

>50 = growth expected over next 12 months, Feb '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
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
Nov '23	47.1	45.0	49.9	62.1	46.0	46.0	61.5	56.6
Dec '23	50.7	48.5	49.7	63.9	49.8	47.2	63.1	57.1
Jan '24	51.6	51.6	50.2	68.2	49.1	48.7	61.6	54.8
Feb '24	54.2	52.8	51.4	76.0	49.0	47.5	63.1	56.8

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