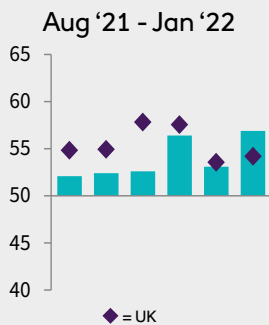


NatWest East Midlands PMI[®]

Business activity growth quickens to six-month high in January

East Midlands Business Activity Index



Key findings

Output expansion accelerates amid faster rise in new business

Employment growth quickens to series high

Price pressures ease slightly

The headline NatWest East Midlands 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 – registered 56.9 in January, up from 53.1 in December. The latest index reading was the highest since July 2021 and signalled a sharp expansion in business activity across the East Midlands private sector. The upturn was reportedly due to stronger client demand and efforts to clear backlogs of work. The rise in output was the second-fastest of the 12 monitored UK regions, behind only London.

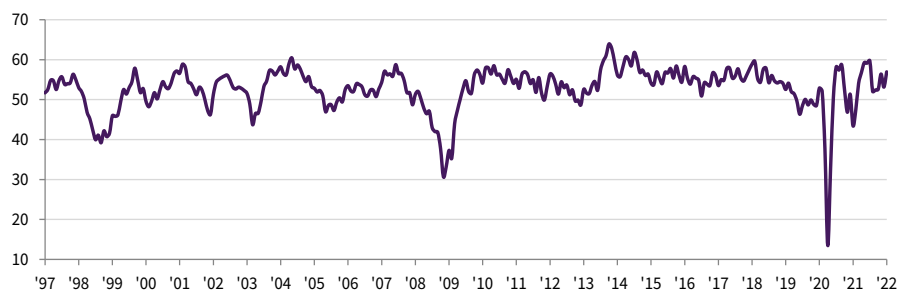
John Maude, NatWest Midlands & East Regional Board, commented:

“January data signalled renewed growth momentum at the start of 2022, as output and new orders rose at a faster pace. The sharp expansions in activity and client demand supported an accelerated rise in workforce numbers. Despite the rate of job creation quickening to reach a series record, supply chain disruption and staff illness due to COVID-19 hampered efforts to clear backlogs of work which grew at a strong pace. Optimism regarding the outlook for output over the coming year also ticked higher amid hopes that the impact of COVID-19 variants will be reduced going forward.

“At the same time, price pressures eased in January. Although still substantial, increases in input costs and output charges moderated.”

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 IHS Markit from responses to questionnaires sent to East Midlands companies that participate in IHS Markit'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

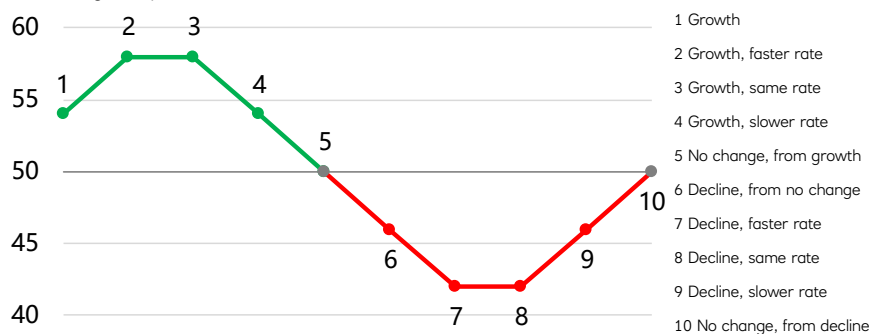
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East Midlands Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

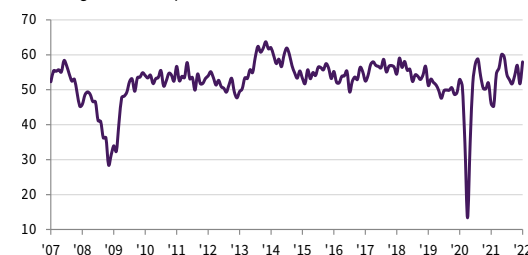


Demand and outlook

New orders expand at fastest pace since June 2021

Private sector firms in the East Midlands registered a sharp upturn in new business at the start of 2022. The rise in new orders was the fastest for seven months and the second-quickest of the 12 monitored UK regions. Anecdotal evidence suggested the expansion was due to a recovery in client demand following a drop in COVID-19 cases as January progressed.

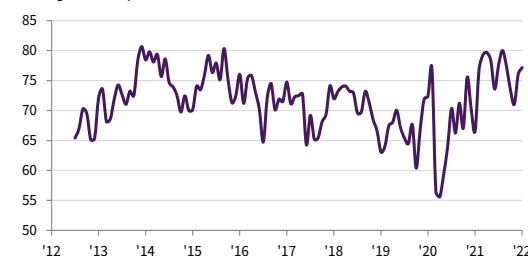
New Business Index
sa, >50 = growth since previous month
58.0
Jan '22



Business confidence strengthens again in January

January data signalled an improvement in output expectations for the year ahead across the East Midlands private sector. Business confidence was strong overall and the most marked for four months. Positive sentiment reportedly stemmed from hopes of a further recovery in client demand and a reduction in the impact of any future COVID-19 variants.

Future Activity Index
>50 = growth expected over next 12 months
77.2
Jan '22



Exports

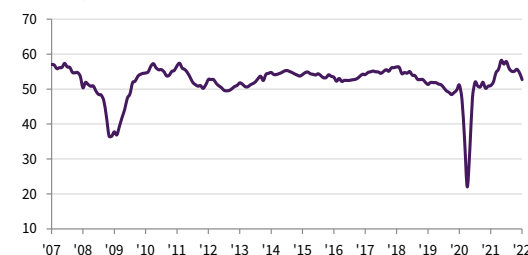
Export climate improves at slowest pace for 11 months in January

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 52.7 in January, down from 54.7 in December, indicating the softest improvement in export conditions since February 2021.

The slower overall improvement in the export climate for East Midlands firms was driven by the softest upturn in US private sector output for 18 months. Although German firms signalled a renewed expansion in activity, output growth slowed in France and Singapore. Meanwhile, business activity in Hong Kong fell for the first time since March 2021.

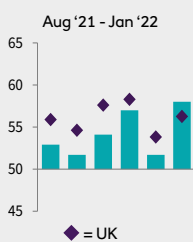
Export Climate Index
sa, >50 = growth since previous month
52.7
Jan '22



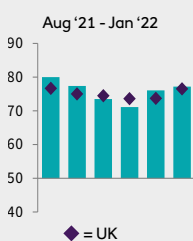
Top export markets, East Midlands

Rank	Market	Weight	Output Index, Jan '22
1	USA	12.8%	51.1
2	Germany	10.7%	53.8
3	Hong Kong	7.9%	48.7
4	Singapore	7.4%	56.8
5	France	7.1%	52.7

New Business Index



Future Activity Index



Export Climate Index

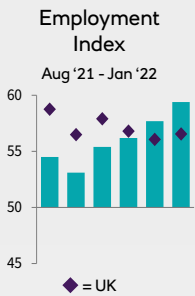
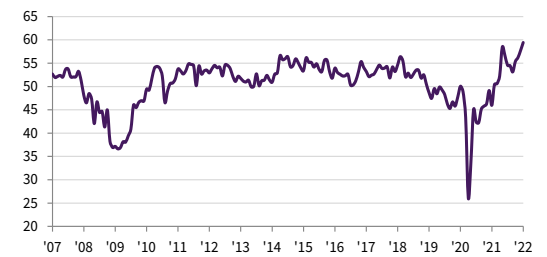


Business capacity

Fastest rise in employment on record in January

Firms in the East Midlands recorded a marked uptick in job creation during January, as the pace of employment growth accelerated to a series record high. The rate of increase in workforce numbers was also the quickest of the 12 monitored UK regions. Greater staffing numbers were linked to a faster rise in new business and a need for increased capacity.

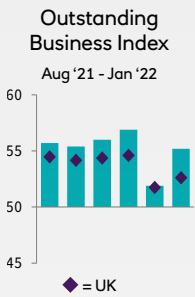
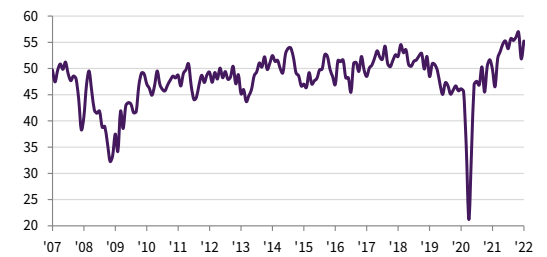
Employment Index 59.4
 sa, >50 = growth since previous month Jan '22



Backlogs of work expand at strong pace at the start of the year

The level of outstanding business at East Midlands firms increased again in January, thereby extending the current sequence of growth which began in March 2021. The rate of expansion quickened to a strong pace and was the second-fastest of the 12 monitored UK regions (behind only Wales). Higher backlogs of work were linked to delays in the delivery of key inputs, and staff shortages due to COVID-19 infections.

Outstanding Business Index 55.2
 sa, >50 = growth since previous month Jan '22

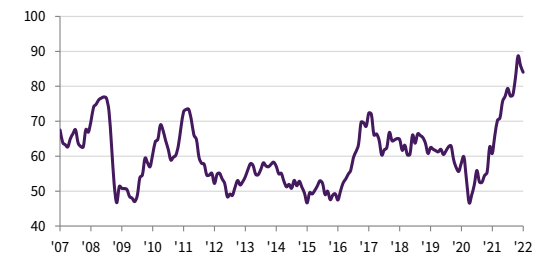


Prices

Further marked rise in input costs

January data signalled another substantial increase in input prices at East Midlands private sector firms. Higher cost burdens were attributed to greater energy, raw material and labour bills. The rate of cost inflation softened again, however, and was the slowest for three months. The pace of increase was quicker than the UK average.

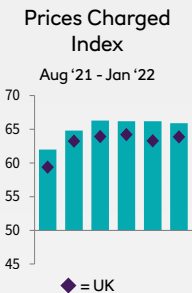
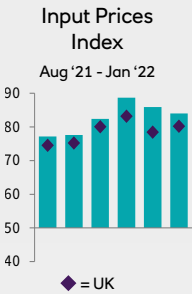
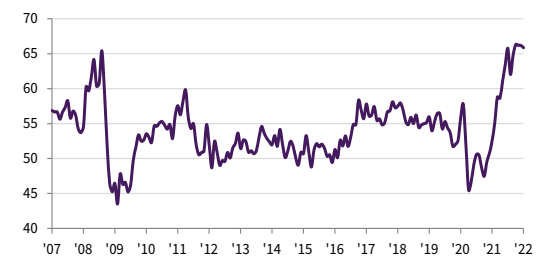
Input Prices Index 84.0
sa, >50 = inflation since previous month Jan '22



Output charges rise at softest pace for four months in January

Private sector firms in the East Midlands registered a marked rise in output charges at the start of the year. The rate of output price inflation was broadly in line with that seen since last October, but eased slightly to a four-month low. Nonetheless, the substantial rise in selling prices was linked to the pass-through of higher costs to clients.

Prices Charged Index 65.9
sa, >50 = inflation since previous month Jan '22



UK Sector PMI

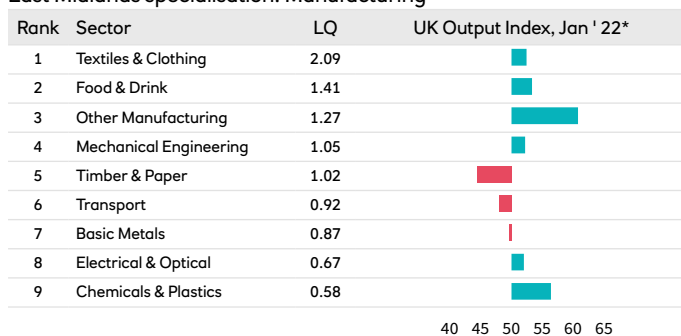
Sector specialisation: East Midlands

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.

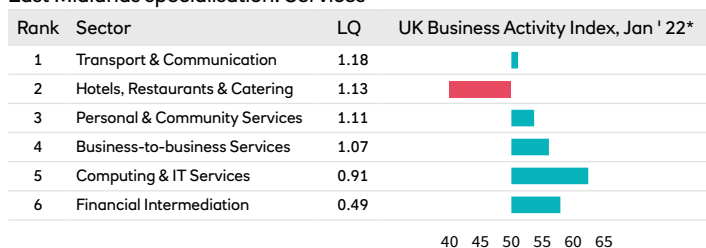
Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised 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



East Midlands specialisation: Services



UK sector focus

Other Personal & Community Services

The resurgence in COVID cases linked to the Omicron variant and renewed virus containment measures acted as a break on growth in the UK's Other Personal & Community Services sector – which includes private healthcare and education, alongside leisure and recreation and other personal services – in the three months to January.

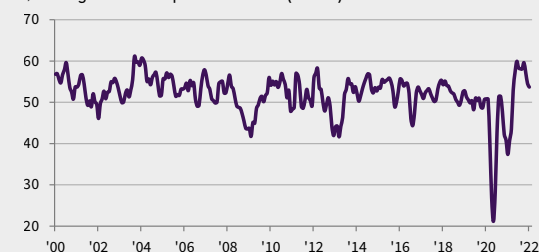
Activity growth moderated to the slowest since last spring and was below the average for the services economy as a whole over the same period.

Staff shortages were another headwind to the sector, as firms reported difficulty retaining employees and finding replacements. Employment fell against the wider trend in the UK economy, with the rate of decline even gathering pace.

Latest data meanwhile pointed to further challenges on the cost front, as input prices rose at a near-record rate in the three months to January.

Output Index

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



UK Regional PMI overview

Business Activity

Business activity rose across almost all UK regions in January, and at a faster rate in most cases. London continued to lead growth despite being one of the few areas to have lost momentum. Northern Ireland* saw the greatest upswing in performance, rising six places in the rankings to fifth overall. The North East recorded the only fall in output, its third in as many months.

Employment

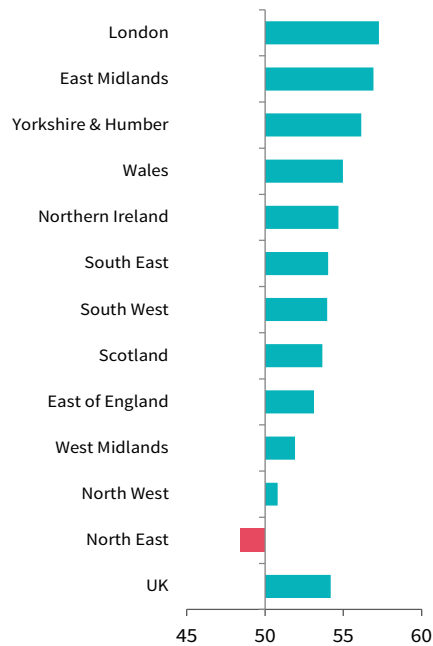
All 12 monitored regions recorded a rise in private sector employment in January, the ninth month in a row in which this has been the case. The East Midlands topped the rankings for job creation for the first time since March 2018, ahead of the East of England and North West respectively. The slowest increase in employment was in the North East, where workforce growth eased to near-stagnation.

Future Activity

Businesses operating in London showed the greatest optimism towards the 12-month outlook for activity, followed closely by their counterparts in Yorkshire & Humber. Expectations improved in nine out of the 12 monitored regions, most notably in the North West. Northern Ireland remained at the foot of the rankings despite also seeing business confidence strengthen since December.

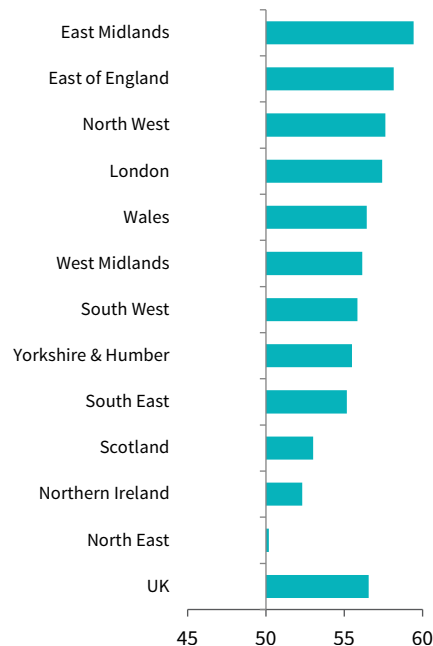
Business Activity Index

sa, >50 = growth since previous month, Jan '22



Employment Index

sa, >50 = growth since previous month, Jan '22



Future Activity Index

>50 = growth expected over next 12 months, Jan '22



* 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
Aug '21	52.1	52.9	55.9	80.0	54.5	55.7	77.2	62.0
Sep '21	52.4	51.7	55.1	77.4	53.1	55.4	77.6	64.8
Oct '21	52.6	54.1	55.1	73.5	55.4	56.0	82.4	66.3
Nov '21	56.4	57.0	55.7	71.1	56.2	56.9	88.7	66.2
Dec '21	53.1	51.7	54.7	76.1	57.7	51.9	85.9	66.2
Jan '22	56.9	58.0	52.7	77.2	59.4	55.2	84.0	65.9

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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 IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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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