East Midlands business activity sees solid decline in November

Business activity in the East Midlands continued to fall in November, with new orders down and costs up, according to NatWest.

The bank's <u>monthly survey of industry leaders</u> suggests the region also saw the first recorded decrease in employment since January 2021 — echoing latest Government figures — which was put down to growing redundancies and people leaving not being replaced.

The monthly East Midlands PMI Business Activity Index suggested the region suffered an economic decline last month that was only outpaced by Scotland, the South West and Northern Ireland.

Those surveyed said the downturn was driven by weak client demand and pressure on customer's disposable incomes amid the cost-of-living crisis. Inflationary pressures also contributed.

The rate of contraction in new orders quickened for the second month running and was the fastest since May 2020. With the exception of Northern Ireland, the region registered the strongest decrease in client demand of the 12 monitored UK areas.

However the bank said the November data signalled a stronger degree of confidence among East Midlands firms regarding the outlook for output over the coming year.

The level of positive sentiment was greater than the UK average and was the highest since May. That said, output

expectations were weaker than the series trend.

Businesses said that average input costs — including raw materials, staff, energy, fuel and rent — rose markedly again in November, with the pace of increase accelerating at a sharper rate in the East Midlands than anywhere else.

As a result the cost of products sold rose at its fastest rate since July.

Rashel Chowdhury, who sits on the NatWest Midlands and East Regional Board, said: "East Midlands firms recorded further contractions in output and new orders as squeezes on customer spending and disposable incomes placed strain on demand conditions.

"New business fell at a sharper rate, with business activity propped up temporarily by reports of clearing backlogs of work. Subdued expectations for future demand and sales, alongside efforts to cut business outgoings, were reflected in the first month of job shedding since January 2021.

"Worryingly, inflationary pressures ticked higher midway through the fourth quarter. Cost burdens and selling prices rose at the fastest pace since July as hikes in supplier and energy prices were passed through to customers where possible.

"The cost-of-living crisis and pressure on company cashflow is likely to hamper demand further as customers move away from non-essential purchases."

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