

Strong decline in East Midlands business activity according to latest NatWest business survey

The latest NatWest survey of industry leaders showed a strong decline in East Midlands business activity during December.

The bank's monthly PMI Business Activity Index for the region suggested the fastest fall in new orders since May 2020 and a drop in the number of jobs – however it also suggested inflationary pressures had eased.

The survey comes after the Office for National Statistics revealed the UK economy unexpectedly grew in November and reduced the risk of the country entering a recession. The ONS recorded an increase of 0.1 per cent as the services sector remained in growth despite the soaring cost of living.

According to the NatWest business activity survey the regional decline in business activity in December was the second-fastest since January 2021 and quicker than the UK average.

Of the 12 monitored UK regions, only Northern Ireland recorded a sharper decrease in output. The bank said lower activity was linked to weak client demand and a further fall in new orders.

It said the pace of contraction in new orders accelerated for the third month running, and was faster than the UK average.

The downturn in demand was linked to economic uncertainty and the impact of inflation on customer spending.

Business confidence across the East Midlands private sector also dipped at the end of the year, and was below the series and UK averages, however the region's firms remained

optimistic of an increase in output over the coming 12 months. That said, inflation and recession concerns weighed on output expectations.

The survey also revealed that workforce numbers across the East Midlands private sector fell for the second month running in December, at the fastest rate since January 2021, as firms stopped replacing voluntary leavers in an effort to cut costs.

Rashel Chowdhury, of the NatWest Midlands and East regional board, said: “East Midlands private sector companies signalled a dour end to 2022, as activity and new orders shrank at sharper rates.

“Inflationary pressures and the impact on customer spending continued to be felt keenly, with new business contracting at the steepest pace since the initial pandemic lockdown period.

“As a result, backlogs of work dwindled and firms started to report that cost-cutting measures including the non-replacement of voluntary leavers drove job shedding.

“On a more positive note, cost and price pressures eased. Emerging reports of lower prices for some inputs were reflected in less severe hikes in output charges.

“Nonetheless, 2023 is likely to prove another challenging year for East Midlands businesses as the cost-of-living crisis and economic uncertainty threaten to dampened customer demand further.”

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