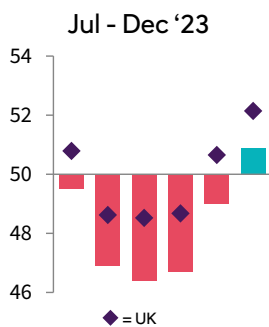




NatWest East of England PMI[®]

Output growth resumes at end of 2023

East of England Business Activity Index



Key findings

First expansion in business activity since last June

Inflationary pressures continue to edge higher

Outlook steady as firms hope for lower inflation and interest rates in 2024

The headline NatWest East of England 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 – rose above the no-change mark of 50.0 in December to signal renewed growth of output in the region. The Index posted 50.9, up from 49.0 in November, indicating the first expansion in six months. The rate of growth was weak, however, and softer than the UK average. Companies mainly raised output by completing outstanding business, as new orders continued to fall.

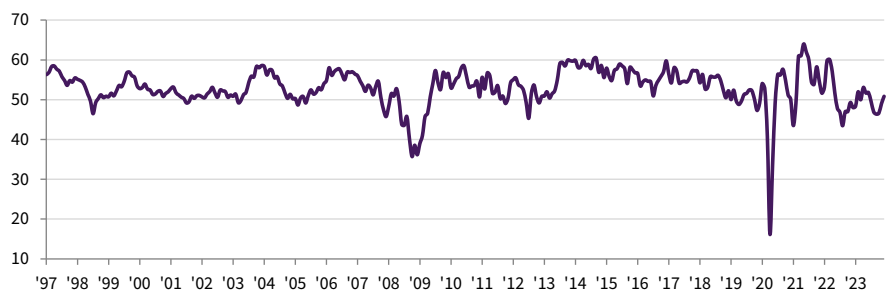
The outlook for 2024 remained positive despite uncertainty surrounding the looming General Election, as firms hope for a boost to demand from lower inflation and eventual interest rate cuts. Price pressures picked up further in December, but remained well below the trends since 2021.

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

"There was some cheer in the final batch of PMI data for 2023 as output rose for the first time in six months and new business intakes showed signs of stabilising. With inflation falling faster than expected, companies are optimistic of a take-off in demand in 2024 once interest rates start to decline, although there could be turbulence from the looming General Election. That said, workloads are still heavily supported by the completing of outstanding business, and private sector employment fell again. Moreover, both price indices rose further in December, raising a question mark over how quickly wider inflation will fall in the coming months."

East of England 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 of England PMI[®] report

The NatWest East of England PMI[®] is compiled by S&P Global from responses to questionnaires sent to East of England 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

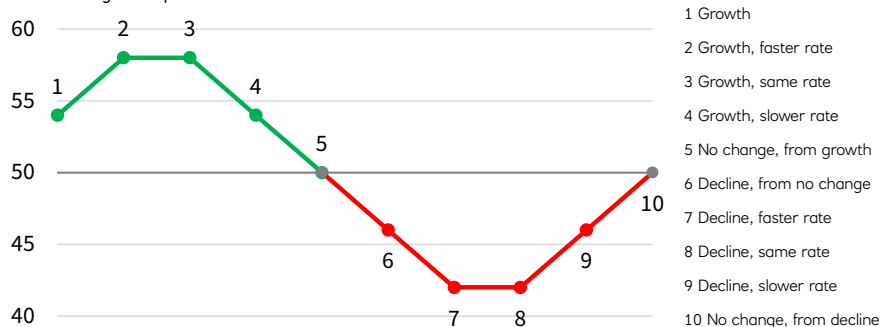
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

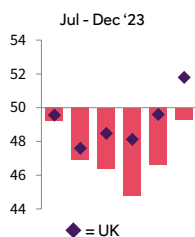
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

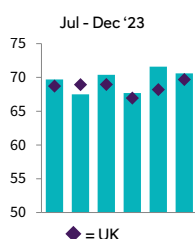


New business shows signs of stabilising

Private sector firms in the East of England reported a sixth successive monthly decline in new business volumes in December. The rate of contraction slowed noticeably since November, however, and was the weakest over this sequence. Manufacturers continued to report a steeper decline in new orders than service providers, but both sectors posted slower contractions.

The UK as a whole posted a rise in new business for the first time since last June, but this largely reflected a sharp increase in London as eight other areas besides the East of England posted falls.

Future Activity Index



Expectations hold steady

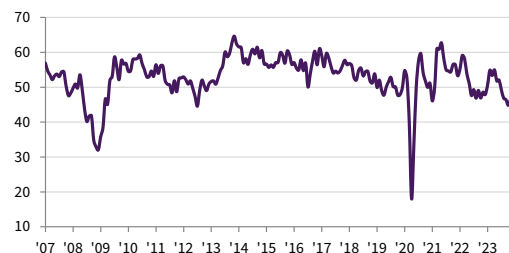
Companies remained positive in their expectations for output growth in December, with companies hoping for a demand boost from lower inflation and interest rates in 2024. Confidence was much stronger than it had been in December 2022, and was broadly in line with the long-run trend since 2012. The East of England ranked fourth among the 12 UK regions and nations in the latest period.

New Business Index

sa, >50 = growth since previous month

49.3

Dec '23

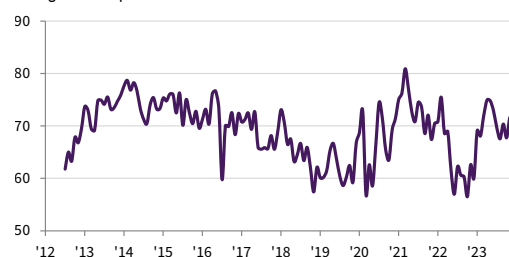


Future Activity Index

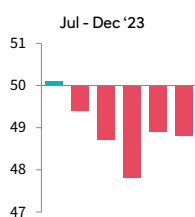
>50 = growth expected over next 12 months

70.6

Dec '23



Export Climate Index



Exports

Downturn in export markets eases

The East of England Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East of England. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index signalled a fifth successive monthly deterioration in export demand conditions for firms in the East of England in December. The Index was little-changed at 48.8, indicating a modest rate of decline.

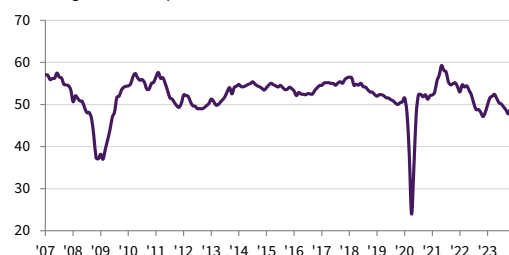
Among the top five export markets, output fell in France, the Netherlands and Germany, partially offset by rising activity in Ireland and the US.

Export Climate Index

sa, >50 = growth since previous month

48.8

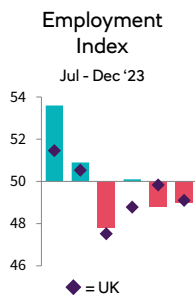
Dec '23



Top export markets, East of England

Rank	Market	Weight	Output Index, Dec '23
1	Netherlands	20.1%	44.7
2	USA	19.1%	50.9
3	Germany	9.7%	47.4
4	France	7.6%	44.8
5	Ireland	5.1%	51.5

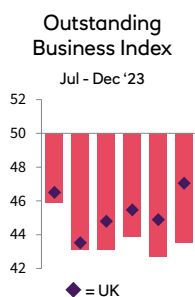
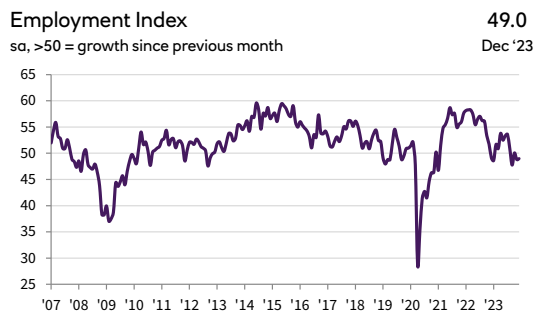
Business capacity



Employment falls for third time in four months

Private sector employment in the East of England declined in December, the third contraction in four months. That said, the rate of staff shedding remained only marginal.

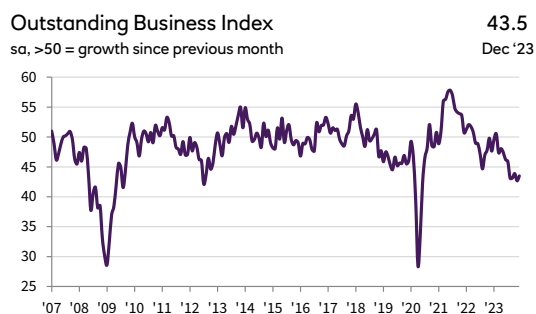
The East of England was among eight English regions and UK nations to record job losses at the end of the year, with another fractional decline indicated at the UK level. Scotland and London were the strongest-performing in terms of jobs growth.



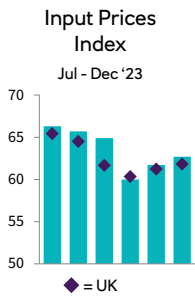
Further sharp drop in backlogs

The level of outstanding business in the East of England private sector economy continued to decline in December, reflecting a further drop in new work. The rate of backlog depletion was strong, but eased slightly since November. Incomplete workloads have fallen 19 times in the past 20 months.

The East of England continued to post a steeper drop in backlogs than the UK as a whole in December.



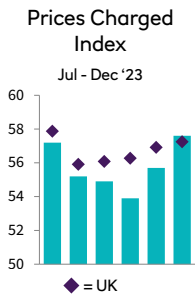
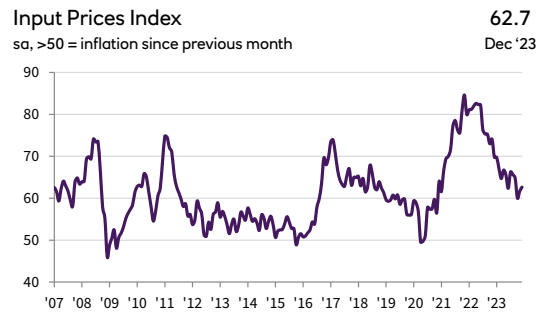
Prices



Input price inflation rises to three-month high

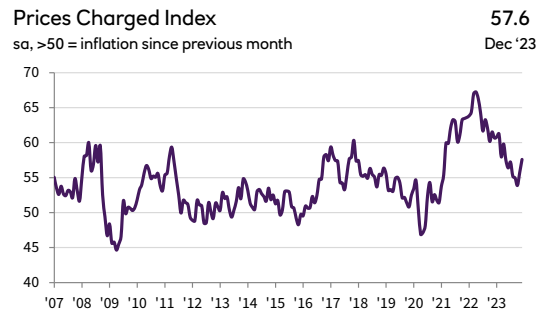
Average input prices continued to rise strongly in December, with the seasonally adjusted Input Prices Index remaining above its long-run trend level of 59.0.

The rate of inflation accelerated further from October's 35-month low to the highest since September, but was still among the weakest in the past three years. It was, however, the third-highest in the UK during the month, behind neighbouring London and the East Midlands. Cost pressures were much greater at service providers than manufacturers.



Charge inflation at eight-month high

Prices set by private sector firms for goods and services rose in December, extending the current sequence of inflation to three-and-a-half years. The rate of inflation remained above the long-run survey average and accelerated to an eight-month high. Output price inflation in the East of England was the third-highest in the UK at the end of 2023, behind London and the South East.



UK Sector PMI

Sector specialisation: East of England

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 of England, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

East of England specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Dec '23
1	Electrical & Optical	1.30	48
2	Mechanical Engineering	1.26	47
3	Timber & Paper	1.21	46
4	Chemicals & Plastics	1.08	45
5	Other Manufacturing	1.03	44
6	Food & Drink	0.93	52
7	Basic Metals	0.93	48
8	Transport	0.66	53
9	Textiles & Clothing	0.43	51

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '23
1	Transport & Communication	1.17	48
2	Business-to-business Services	1.12	50
3	Hotels, Restaurants & Catering	1.03	52
4	Personal & Community Services	0.94	48
5	Computing & IT Services	0.87	55
6	Financial Intermediation	0.67	52

UK sector focus

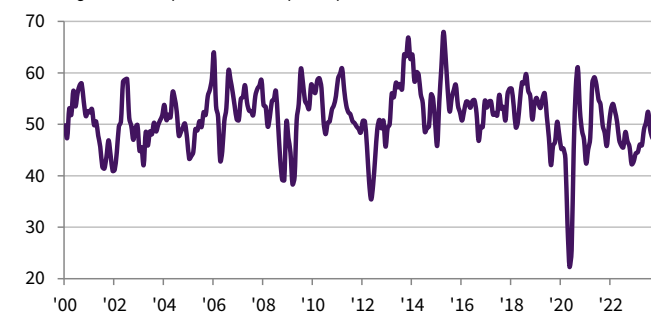
Textiles & Clothing

The UK's Textiles & Clothing sector saw a slight increase in production volumes in the three months to December. It was one of only three manufacturing sub-sectors monitored by PMI data to record growth, alongside Food & Drink and Transport. The result represented a marked turnaround from the solid rate of contraction seen in the opening quarter of 2023.

Driving the upturn was a strong increase in new orders, which in part reflected improved demand from abroad in recent months. Firms reacted by upping the pace of job creation to the one of the quickest rates in the past five years. They also continued to build up stocks of both purchases and finished goods.

On the price front, latest data showed a sustained rebound in input costs following a decline during the middle part of 2023. Average factory gate charges meanwhile rose modestly, and at one of the slowest rates in the past three years.

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Seven of the 12 monitored regions and nations recorded higher business activity in December, the most since last June. Growth was once again led by London, where output rose sharply during the month. At the other end of the scale, the North East recorded the most marked fall in output, followed by Wales.

Employment

Labour market trends worsened in most cases in December. Just three areas saw employment rise, the fewest since last September, with rates of growth slowing in both Scotland and Northern Ireland*. For the second month running, Wales posted the sharpest drop in workforce numbers – its fastest since January 2021.

Future Activity

Business expectations improved in the majority of cases as 2023 drew to a close. This included the West Midlands, which topped the rankings ahead of the South East. The most marked upswing in confidence was in Wales, followed by the North East. Firms in Northern Ireland were the least optimistic about the year-ahead outlook.

Business Activity Index

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



Employment Index

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

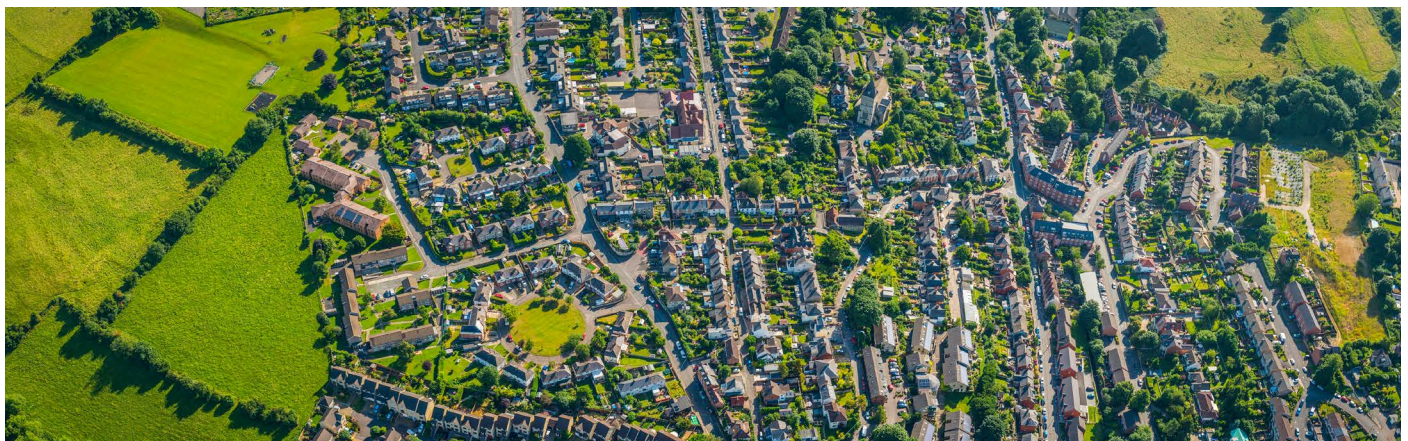


Future Activity Index

>50 = growth expected over next 12 months, Dec '23



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

East of England

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
Jul '23	49.5	49.2	50.1	69.7	53.6	45.9	66.3	57.2
Aug '23	46.9	46.9	49.4	67.5	50.9	43.1	65.7	55.2
Sep '23	46.4	46.4	48.7	70.4	47.8	43.1	64.9	54.9
Oct '23	46.7	44.8	47.8	67.7	50.1	43.9	60.0	53.9
Nov '23	49.0	46.6	48.9	71.6	48.8	42.7	61.7	55.7
Dec '23	50.9	49.3	48.8	70.6	49.0	43.5	62.7	57.6

Contact

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

Trevor Balchin
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-065
trevor.balchin@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
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.
www.spglobal.com

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.