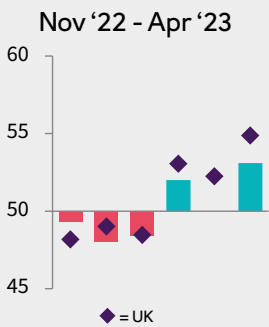


NatWest East of England PMI[®]

Solid rise in private sector output in April as demand strengthens

East of England Business Activity Index



Key findings

Activity increases for only second time in 11 months

Stronger new business expansion lifts output expectations

Inflationary pressures pick up

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 – posted 53.1 in April, signalling renewed growth in output following no change in March (50.0). Firms reported a revival in new work, increased capacity and new products. The latest increase in activity was only the second in the past 11 months, but solid overall and in line with the long-run survey average. Service providers drove the overall increase in activity, which was below the UK average (54.9).

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

"There were definite signs of economic recovery in the East of England at the start of the second quarter after an extended period of weakness. Growth of output resumed and was running in line with the long-run survey average, while the increases in new business and jobs were both above-par. Companies were increasingly confident about the future despite the ongoing cost of living crisis and stubbornly high inflation, reporting the strongest output expectations since February 2022, before the Russian invasion of Ukraine.

"The rebound in activity brought with it renewed inflationary pressure, however, as input price inflation accelerated on the month for only the second time in the past year. This in turn led to a faster rise in output prices as firms protected margins."

East of England Business Activity Index

sa, >50 = growth since previous month



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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

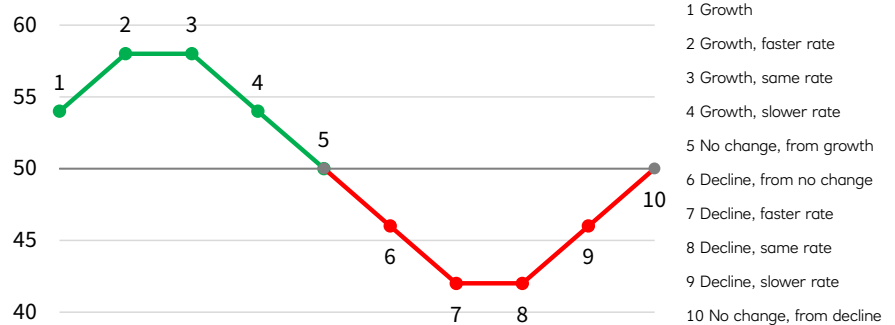
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Index interpretation

50.0 = no change since previous month



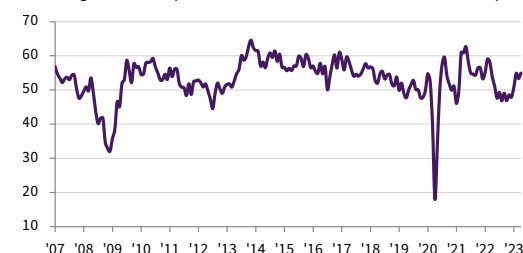
Demand and outlook

Fastest rise in new business since March 2022

The level of demand faced by firms in the East of England increased in April, sustaining the 2023 upturn after a downturn throughout the second half of 2022. New commercial strategies, clients and products were all mentioned. Moreover, the rate of growth in new business accelerated to a 13-month high and was above the long-run series average.

The overall increase in new work masked another fall in manufacturing new orders, but these fell only slightly in April.

New Business Index
sa, >50 = growth since previous month
55.0
Apr '23

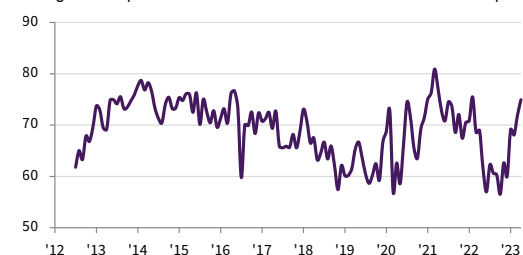


Optimism strengthens to 14-month high

The business outlook in the East of England continued to recover from last October's record low in April, linked to signs that inflation had peaked and returning market stability. Companies were the most optimistic since February 2022, and the Future Activity Index was above its long-run trend level of 69.2 (since 2012).

Service providers drove the improvement in sentiment since March, although manufacturers remained more upbeat on output overall.

Future Activity Index
>50 = growth expected over next 12 months
74.9
Apr '23



Exports

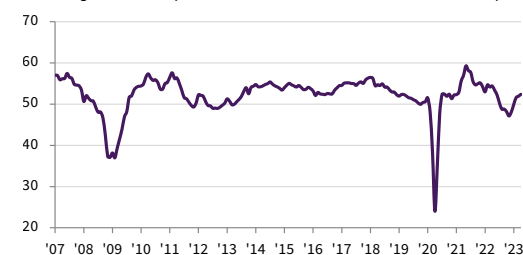
Export climate strengthens at start of second quarter

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 rose to 52.4 in April, from 51.9 in March, signalling the strongest improvement in the export climate for firms in the East of England in nearly a year.

The region's largest market – the Netherlands – registered another fall in output in April. But this was more than offset by increases in the USA, Germany, France and Ireland. Growth rates accelerated since March in all of these markets except France.

Export Climate Index
sa, >50 = growth since previous month
52.4
Apr '23



Top export markets, East of England

Rank	Market	Weight	Output Index, Apr '23
1	Netherlands	20.1%	47.7
2	USA	19.1%	53.4
3	Germany	9.7%	54.2
4	France	7.6%	52.4
5	Ireland	5.1%	53.5

New Business Index
Nov '22 - Apr '23

◆ = UK

Future Activity Index
Nov '22 - Apr '23

◆ = UK

Export Climate Index
Nov '22 - Apr '23

Business capacity

Rate of job creation accelerates in April

Private sector employment in the East of England rose for the third month running in April, having contracted in December and January. Moreover, the rate of job creation accelerated to the fastest since September 2022, and was above the UK average.

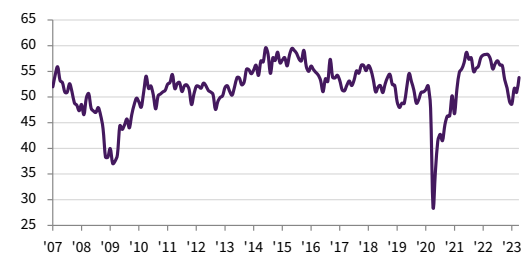
Service providers continued to drive overall hiring, while manufacturers posted a slight increase in jobs for the first time in six months.

Firms continue to deplete backlogged work

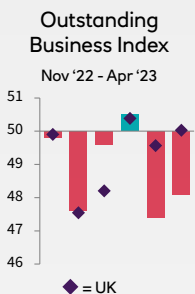
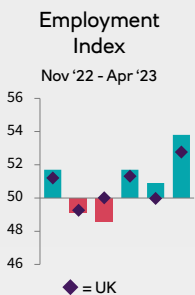
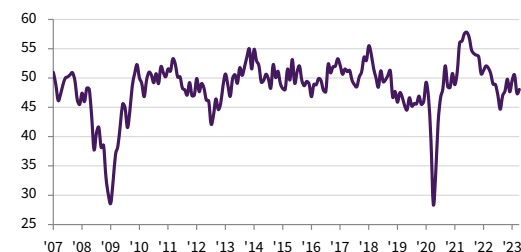
Although demand strengthened in April, the volume of outstanding business held by private sector firms in the East of England fell further. Backlogs have declined every month since May 2022 except for a slight increase in February.

The East of England was one of eight UK regions to record falling backlogs. London registered a strong rise in incomplete work in April.

Employment Index 53.8
sa, >50 = growth since previous month Apr '23

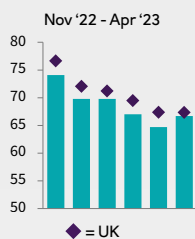


Outstanding Business Index 48.1
sa, >50 = growth since previous month Apr '23



Prices

Input Prices Index



Input cost inflation ticks up

April data signalled another sharp rise in average input prices in the East of England's private sector economy. Wages, energy, IT and food prices were all highlighted. Although still well down on November 2021's peak and the levels seen in 2022, the rate of inflation accelerated over the month for only the second time in a year. The seasonally adjusted Input Prices Index was the second-lowest since February 2021 but still well above the long-run average of 58.9.

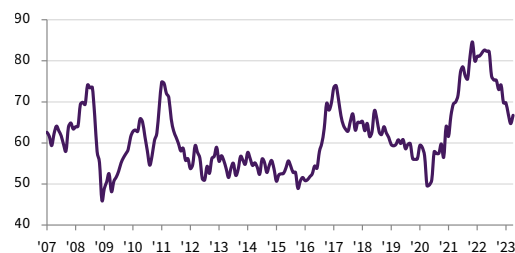
Continuing the recent trend, input price inflation was steeper at service providers than manufacturers.

Input Prices Index

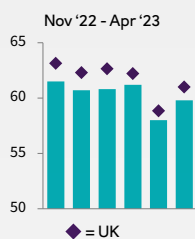
sa, >50 = inflation since previous month

66.7

Apr '23



Prices Charged Index



Stronger rise in output charges in April

Charges levied for goods and services rose for the thirty-fourth consecutive month in April, as firms continued to pass on higher input costs to customers. The rate of inflation accelerated since March and remained well above the long-run survey trend.

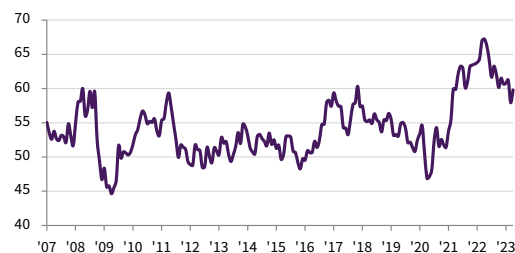
The East of England registered the third-weakest rate of charge inflation among the 12 UK regions, however, with only Northern Ireland and the South West posting slower increases in April.

Prices Charged Index

sa, >50 = inflation since previous month

59.8

Apr '23



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, Apr '23
1	Electrical & Optical	1.30	
2	Mechanical Engineering	1.26	
3	Timber & Paper	1.21	
4	Chemicals & Plastics	1.08	
5	Other Manufacturing	1.03	
6	Food & Drink	0.93	
7	Basic Metals	0.93	
8	Transport	0.66	
9	Textiles & Clothing	0.43	

East of England specialisation: Services

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

UK sector focus

Basic Metals

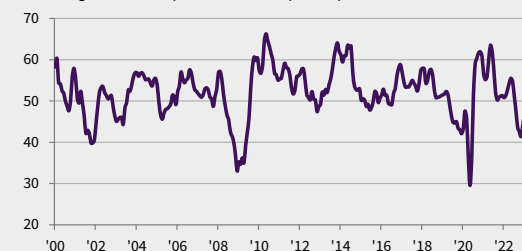
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland*) where the pace of expansion slowed.

Employment

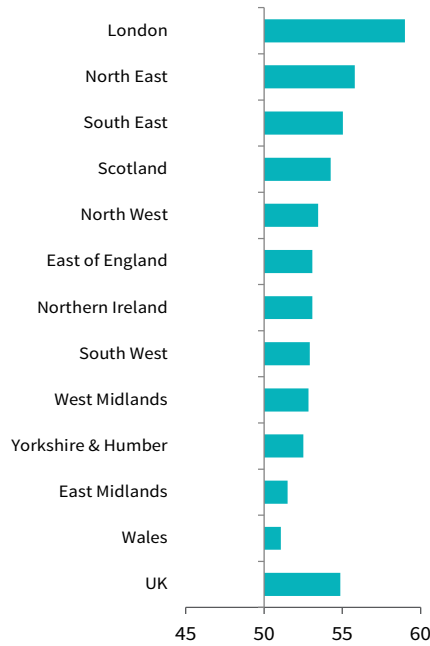
Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

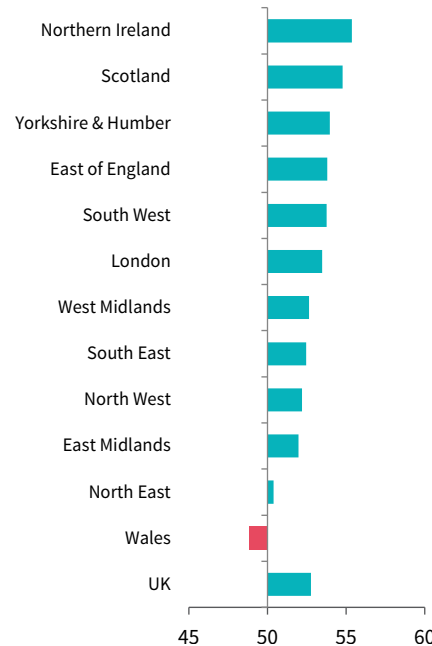
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Apr '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
Nov '22	49.3	48.6	47.1	62.6	51.7	49.8	74.1	61.5
Dec '22	48.0	47.9	48.1	60.0	49.1	47.6	69.8	60.7
Jan '23	48.4	50.6	49.9	69.1	48.6	49.6	69.8	60.8
Feb '23	52.0	54.8	51.6	68.1	51.7	50.5	67.0	61.2
Mar '23	50.0	53.3	51.9	72.0	50.9	47.4	64.7	58.0
Apr '23	53.1	55.0	52.4	74.9	53.8	48.1	66.7	59.8

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About NatWest

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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.

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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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