



NatWest East of England PMI[®]

East of England employment falls as downturn in activity quickens

East of England Business Activity Index



Key findings

Business activity contracts in December

Lacklustre demand results in a fall in new work

Headcounts drop for the first time in 23 months

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 – signalled a quickening downturn in regional business activity as the latest reading registered 48.0 in December, down from 49.3 in November. Moreover, the latest decrease in private sector activity extended the current run of contraction to seven months as firms cited lower demand from clients. Companies also noted a deepening contraction in new business. The ongoing downturn across the region resulted in the first cutback in workforce numbers in 23 months.

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

"2022 ended with the downturn in East of England business activity deepening, as new orders fell for the seventh straight month. Furthermore, the economic slowdown and growing uncertainty about the outlook seeped into hiring decisions. Companies were reluctant to replace leavers amid reports of resignations, thus marking the first monthly reduction in employment since January 2021. Additionally, the continued depletion of backlogs will further restrain hiring as firms adjust to falling demand."

"Optimism across the region’s private sector weakened on the month, as fewer firms expected activity to rise in the coming year. Concerns regarding demand, recession risks and the cost of living crisis weighed on sentiment and indicate further challenging business conditions across the region in 2023."

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

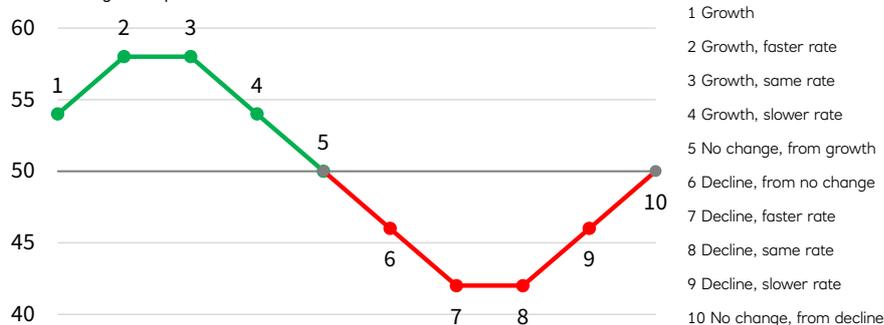
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

New business contraction quickens

December data pointed to a decrease in new business received across the East of England, thereby extending the current run of contraction to seven consecutive months. The downturn in new orders gathered pace amid a broad-based decrease across both goods producers and service providers. The drop in new work was linked to market uncertainty and inflation dampening client demand.

New Business Index

sa, >50 = growth since previous month

47.9

Dec '22



New Business Index

Jul - Dec '22



Sentiment weakens from November's seven-month high

Overall sentiment among private sector companies across the East of England remained positive in December. Panellists attributed growth prospects to greater investment planned for the year ahead and mentions of new projects in the pipeline. That said, the degree of confidence weakened from November's seven-month high, primarily due to a loss in confidence across the service sector. Moreover, growth expectations across the East of England were below the historical average and weaker than those seen at the UK level.

Future Activity Index

>50 = growth expected over next 12 months

60.0

Dec '22



Future Activity Index

Jul - Dec '22



Exports

Export market conditions deteriorate in December

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.

For the fifth month running, the Export Climate Index printed below the 50.0 no-change mark. However, edging slightly up from 47.8 in November to 48.5 in December, demand conditions across the region's export markets fell at a slightly softer pace.

Of the top five export markets, the US reported the quickest downturn in output, while the softest rate of reduction was registered across France.

Export Climate Index

sa, >50 = growth since previous month

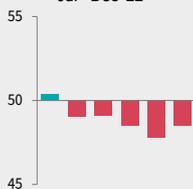
48.5

Dec '22



Export Climate Index

Jul - Dec '22



Top export markets, East of England

Rank	Market	Weight	Output Index, Dec '22
1	USA	15.1%	45.0
2	Germany	10.1%	49.0
3	China	8.1%	48.3
4	France	5.6%	49.1
5	Netherlands	5.6%	46.2

Business capacity

Employment Index
Jul - Dec '22



Employment falls for the first time in 23 months in December

Private sector employment in the East of England fell in December, thereby ending a run of uninterrupted growth since January 2021. Adjusted for seasonality, the respective index indicated a mild round of job cuts, as modest growth in workforce numbers across the service sector was offset by a sharp decline at goods producers. Firms mentioned that a drop in demand and efforts to reduce costs resulted in the non-replacement of leavers.

Similarly, job cuts were also seen at a national level, marking the first decrease in 22 months.

Employment Index

sa, >50 = growth since previous month

49.1

Dec '22



Outstanding Business Index
Jul - Dec '22



Outstanding business falls at the quickest pace in three months

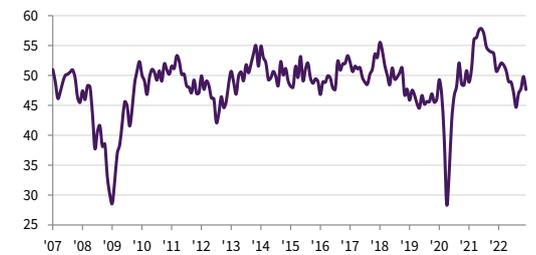
Adjusted for seasonal influences, the Outstanding Business Index posted below the 50.0 neutral value for the eighth month in a row in December. The rate of reduction quickened to the fastest since last September and was solid overall. A number of firms noted that shorter delivery times and a drop in demand allowed them to work through outstanding business.

Outstanding Business Index

sa, >50 = growth since previous month

47.6

Dec '22



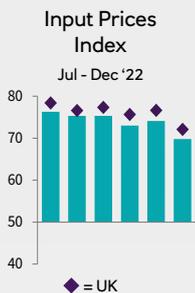
Prices

Input price inflation moderates to 21-month low

December data revealed a sharp rise in costs faced by private sector companies in the East of England, with the latest increase again stronger than the historical average. Higher utility bills, general inflation and rising wages were behind the hike in input prices. That said, the overall rate of inflation eased to a 21-month low.

Of the 12 monitored regions, only the North West saw a slower rise in average cost burdens than the East of England.

Input Prices Index **69.8**
Dec '22

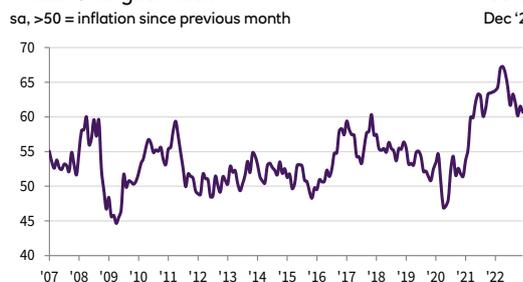


Charge inflation remains elevated

Selling prices rose for the thirtieth successive month across the East of England in December. The rate of inflation was slightly weaker than that seen in November, but still historically elevated.

Only the North West recorded a weaker rate of charge inflation than the East of England.

Prices Charged Index **60.7**
Dec '22



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 '22*
1	Electrical & Optical	1.30	50
2	Mechanical Engineering	1.26	52
3	Timber & Paper	1.21	40
4	Chemicals & Plastics	1.08	45
5	Other Manufacturing	1.03	48
6	Food & Drink	0.93	52
7	Basic Metals	0.93	48
8	Transport	0.66	48
9	Textiles & Clothing	0.43	45

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '22*
1	Transport & Communication	1.17	48
2	Business-to-business Services	1.12	48
3	Hotels, Restaurants & Catering	1.03	48
4	Personal & Community Services	0.94	48
5	Computing & IT Services	0.87	52
6	Financial Intermediation	0.67	48

UK sector focus

Chemicals & Plastics

Chemicals & Plastics manufacturing saw a sharp drop in output in the three months to December, making it one of the UK's worst-performing sectors in the final quarter of 2022.

The result reflected a deepening decline in new orders, led by rapidly falling international demand. The trend in new export orders was in fact the weakest in the entire series history stretching back to 1996.

Accordingly, businesses across the sector were firmly in retrenchment mode, scaling down not only workforce numbers but also purchasing activity and inventories. Amid easing supply bottlenecks, input price inflation was at its lowest in over two years.

Looking ahead, expectations among Chemicals & Plastics firms towards future activity were historically subdued.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Of the 12 UK regions and nations monitored, only Wales and London recorded a rise in business activity in December, while the North West saw no change. This nevertheless represented an improvement from the broad-based decline seen in November. Northern Ireland* meanwhile moved to the bottom of the rankings, having seen a sharp and accelerated fall in output.

Employment

The number of areas of the UK reporting falling employment levels increased from just two in November to seven in December. The steepest reduction in headcounts was in the North East. By contrast, the North West saw the fastest rate of job creation, with the South East, West Midlands and Wales also posting further, albeit marginal, rises in workforce numbers.

Future Activity

Business sentiment towards future activity generally remained subdued in December, with expectations in all regions and nations remaining below their respective historical series averages. That said, confidence improved in most areas. This included the South East, which topped the rankings ahead of Yorkshire & Humber. Only in Northern Ireland did pessimists outnumber optimists.

Business Activity Index

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



Employment Index

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



Future Activity Index

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



* 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 '22	46.8	49.3	50.4	62.3	57.1	47.1	76.3	61.7
Aug '22	43.5	46.8	49.0	60.6	56.2	44.7	75.3	63.3
Sep '22	47.0	49.1	49.1	60.3	56.1	47.0	75.3	62.1
Oct '22	47.0	46.9	48.5	56.5	53.4	47.8	73.0	60.2
Nov '22	49.3	48.6	47.8	62.6	51.7	49.8	74.1	61.5
Dec '22	48.0	47.9	48.5	60.0	49.1	47.6	69.8	60.7

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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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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.

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.

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