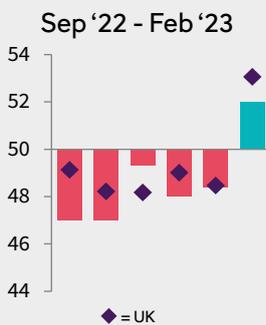


# NatWest East of England PMI<sup>®</sup>

## Output rises for first time in nine months in February

### East of England Business Activity Index



### Key findings

Sharpest rise in new business since March 2022

Input price inflation at two-year low

Backlogs rise for first time in ten months

The headline NatWest East of England PMI<sup>®</sup> 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 to 52.0 in February, from 48.4 in January, signalling renewed growth in private sector output. It was the first expansion in nine months, although the rate of expansion was moderate and below both the long-run average for the East Midlands and overall UK growth in February. More positively, new business growth accelerated, driving renewed job creation and higher backlogs, while cost pressures eased further. Overall price pressure remained high, however, as charges for goods and services continued to rise sharply, suggesting firms were looking to recover margins.

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

*"February data provided further signs of a recovery in the East of England's private sector economy, despite ongoing uncertainty around a possible recession and how much further interest rates need to rise to tame inflation. New business rose for the second month running and at a faster rate than the long-run average, leading to the first increase in overall activity since May 2022. Employment and outstanding work also rose, the latter for the first time in ten months. Looking at prices, input cost inflation eased further to a two-year low but remained well above the long-run average which, combined with a stubbornly high rate of output price inflation, clouded the outlook somewhat."*

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

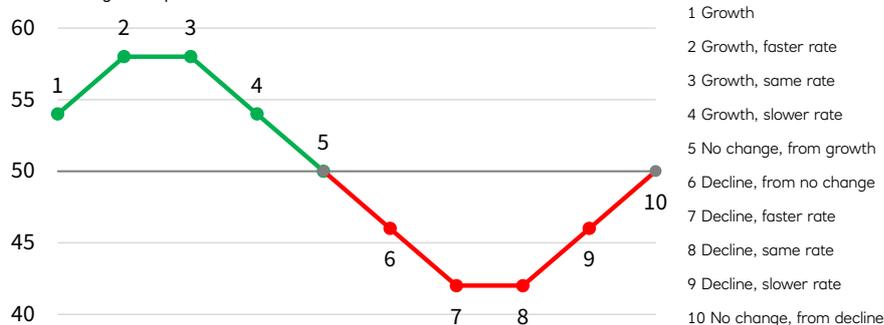
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business growth accelerates

The volume of new work received by private sector firms in the East of England rose for the second month running in February, following a seven-month downturn. Moreover, the rate of growth accelerated to the fastest since March 2022 and was above the long-run average (since 1997). Growth in demand in February was broad-based across manufacturing and services.

Of 11 UK regions to record higher new work in February, the East of England posted the second-fastest rate of growth behind London. Wales was the only region to see demand weaken since January.

### Confidence eases but remains higher than 2022 average

Overall sentiment among private sector companies across the East of England remained positive in February, despite easing since the start of 2023. The Future Activity Index was the second-highest in ten months, but slightly below its long-run average (since 2012) of 69.1. Confidence remained stronger at manufacturers than service providers.

The outlook in the East of England slipped below the UK trend in February, which improved to an 11-month high.

## Exports

### Export market conditions improve in February

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 51.6 in February, from 49.9 in January, signalling a modest improvement in the export climate for the East of England's private sector firms. This followed a six-month downturn in the region's key export markets. Four of the top five export markets – the Netherlands, Germany, France and Ireland – registered growth in output, while the USA posted broadly no change since January.

### New Business Index

sa, >50 = growth since previous month

54.8

Feb '23



### Future Activity Index

>50 = growth expected over next 12 months

68.1

Feb '23



### Export Climate Index

sa, >50 = growth since previous month

51.6

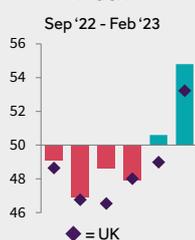
Feb '23



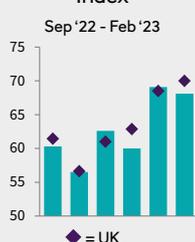
### Top export markets, East of England

Rank	Market	Weight	Output Index, Feb '23
1	Netherlands	20.1%	50.4
2	USA	19.1%	50.1
3	Germany	9.7%	50.7
4	France	7.6%	51.7
5	Ireland	5.1%	54.5

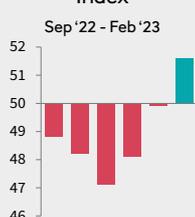
### New Business Index



### Future Activity Index



### Export Climate Index



## Business capacity

### Workforce growth resumes in February

Having declined in December and January after a 22-month run of growth, private sector employment in the East of England rose in February. The rate of job creation was moderate overall and among the slowest over the past two years, although the seasonally adjusted Employment Index posted slightly above its long-run average of 51.1. The overall increase in February was primarily driven by recruitment at service providers.

The rate of job creation in the East of England in February was slightly sharper than the average for the UK as a whole.

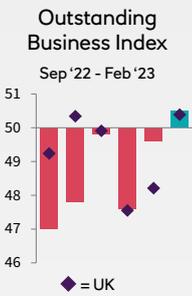
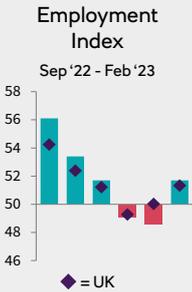
### Stronger demand leads to renewed growth in backlogs

The seasonally adjusted Outstanding Business Index rose above the no-change mark of 50.0 in February, indicating a renewed increase in backlogged work at private sector companies. Pressure on capacity rose due to faster growth in new business and despite the increase in staffing. Previously, backlogs had fallen every month since May 2022. That said, the rate of growth was only marginal.

Employment Index  
sa, >50 = growth since previous month  
51.7  
Feb '23



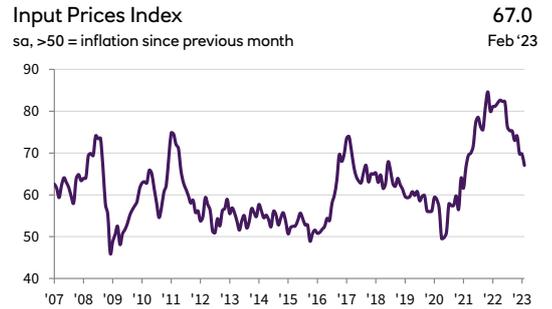
Outstanding Business Index  
sa, >50 = growth since previous month  
50.5  
Feb '23



## Prices

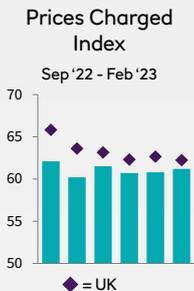
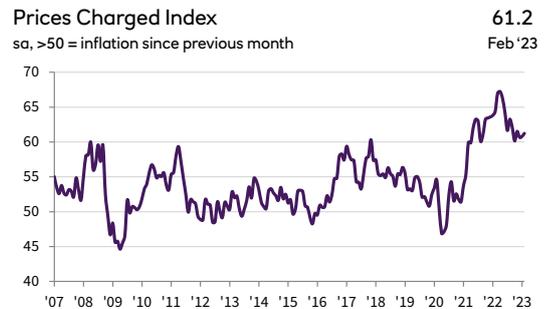
### Slowest rise in input costs for two years

February data signalled the resumption of a downward trajectory in cost inflation in the East of England, although input prices continued to increase sharply overall. The rate of input price inflation eased for the sixth time in ten months to a two-year low, but remained well above the long-run series average. As has been evident since the second half of 2022, cost pressures remained steeper at service providers than manufacturers. Anecdotal evidence mentioned higher energy, wages, transport and meat prices.



### Output price inflation holds at elevated rate

Although cost pressures eased further in February, private sector firms continued to recover margins by raising their own prices at a historically marked rate. Charges rose for the thirty-second successive month, and at a rate that remained stronger than any registered prior to May 2021. That said, the rate of inflation was weaker than it had been one year ago. Sector data signalled that prices charged for services rose by more than manufacturing output prices.



## 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, Feb '23
1	Electrical & Optical	1.30	50
2	Mechanical Engineering	1.26	52
3	Timber & Paper	1.21	42
4	Chemicals & Plastics	1.08	48
5	Other Manufacturing	1.03	51
6	Food & Drink	0.93	55
7	Basic Metals	0.93	50
8	Transport	0.66	48
9	Textiles & Clothing	0.43	45

#### East of England specialisation: Services

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

## UK sector focus

### Other Manufacturing

The UK's 'Other Manufacturing' sector - which comprises mainly consumer goods such as furniture, jewellery, sports items and household ceramics - saw a rise in production levels in the three months to February, following several months of declining output. Production was supported by easing supply constraints - the incidence of delivery delays having fallen sharply compared to the situation a year ago - which enabled businesses to catch up on backlogs of work.

Underlying demand continued to exhibit a weak trend, however, as underscored by a sustained decrease in new orders. That said, the rate of decline slowed in the three months to February and firms became more optimistic about the outlook.

Cost pressures in the sector meanwhile eased from the record high levels observed over the previous two years. Selling price inflation nevertheless remained historically elevated.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

February saw a rise in business activity across all but one of the regions and nations monitored by the survey. The North East was the only exception, although output there did at least stabilise after a seven-month sequence of contraction. London recorded by far the strongest activity growth, registering its best performance since last July, with the South East a distant second place.

### Employment

The number of areas recording an increase in employment rose from seven in January to ten in February, with the South West, East of England and Scotland each seeing renewed job creation. Northern Ireland was at the top of the rankings for workforce growth for a second straight month. Further decreases in employment were meanwhile recorded in both Wales and the North East.

### Future Activity

There was an improvement in business confidence in two-thirds of areas in February. The most marked upswings in sentiment were in Northern Ireland and Scotland, although these two remained towards the bottom end of the scale for overall levels optimism. Expectations were highest in the West Midlands, as was the case in January, and lowest in the North East, which saw confidence wane slightly.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Feb '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
Sep '22	47.0	49.1	48.8	60.3	56.1	47.0	75.3	62.1
Oct '22	47.0	46.9	48.2	56.5	53.4	47.8	73.0	60.2
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

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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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