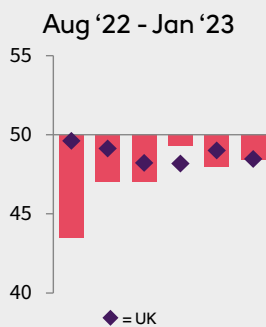




# NatWest East of England PMI<sup>®</sup>

## Expectations bounce in January as new business rises

### East of England Business Activity Index



### Key findings

Rebound in output forecasts at start of 2023

New business expands for first time since May 2022

Input price inflation unchanged on 21-month low

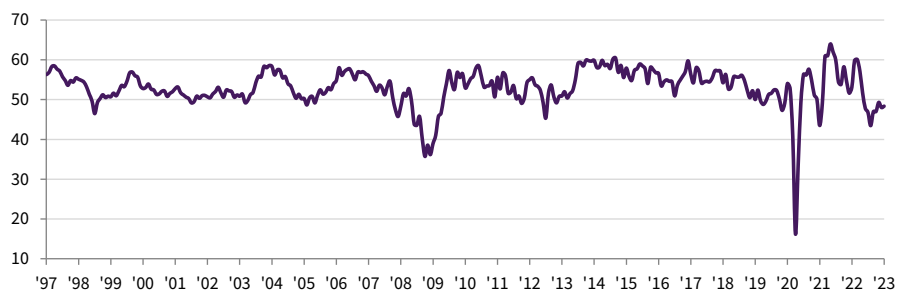
The headline NatWest East of England PMI<sup>®</sup> Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – remained below the no-mark of 50.0 in January at 48.4, up from 48.0 in December and indicating an eighth successive monthly decline in private sector output. The rate of contraction eased since December, however, and was accompanied by a rise in new business. There was also a notable rebound in expectations for the next 12 months at the start of 2023, with confidence at its highest since prior to the Russian invasion of Ukraine in February 2022. Price pressures remained strong and little-changed from December, however, and there was a further drop in employment.

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

*"The East of England's private sector economy made a promising start to 2023. Although total activity fell further, the rate of decline eased and, importantly, new business increased for the first time in eight months. This, combined with only a fractional decline in outstanding business, bodes well for renewed output growth in the near term. The longer term is looking up too, with the Future Activity Index posting its second-largest gain on record to leave overall confidence where it was before the invasion of Ukraine almost a year ago. Less positive was the further drop in employment and stubbornly high price pressures."*

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

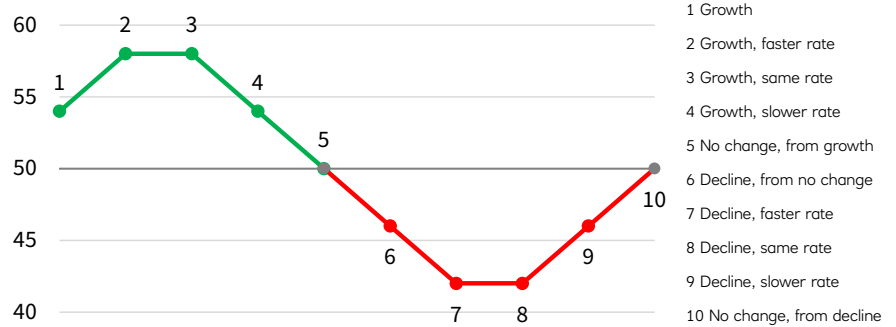
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

### Renewed growth of new business

January data pointed to a renewed increase in new business received across the East of England, following a seven-month run of contraction. The rise in new orders at the start of 2023 reflected growth at service providers, while manufacturing new orders fell further but at a slower pace. A number of firms reported a good start to the year, with sales wins from new and existing clients.

The East of England was one of four regions to post higher new work in January, the others being London, the South East and the North East.

### Sentiment rebounds in January

Overall sentiment among private sector companies across the East of England remained positive in January. Moreover, the degree of confidence strengthened notably since the end of 2022, with the Future Activity Index posting its second-largest one-month gain on record, of 9.1 points. Expectations were the strongest since last February prior to the Russian invasion of Ukraine, and the Index was in line with its long-run trend level since 2012. Manufacturers were more confident than service providers.

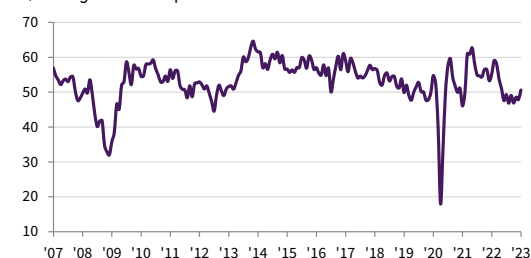
## Exports

### Export market conditions broadly stable in January

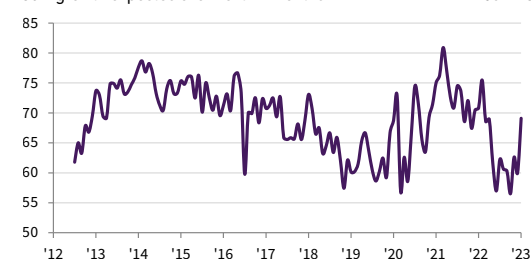
The East of England Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the East of England. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index rose to 49.9 in January, from December's 48.1, signalling a broadly stable export climate for the North East's private sector firms. This followed a five-month downturn in the region's key export markets. Two of the top five export markets – the Netherlands and Ireland – registered growth in output, while Germany posted broadly no change since December and the USA and France both declined further.

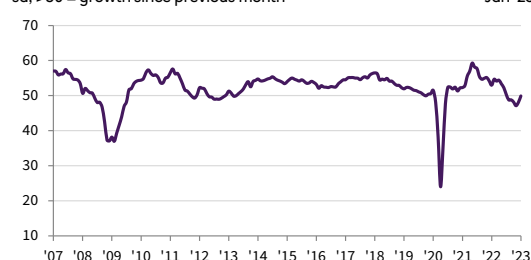
New Business Index 50.6  
sa, >50 = growth since previous month Jan '23



Future Activity Index 69.1  
>50 = growth expected over next 12 months Jan '23



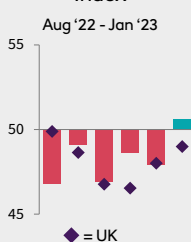
Export Climate Index 49.9  
sa, >50 = growth since previous month Jan '23



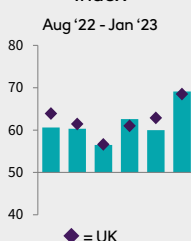
Top export markets, East of England

Rank	Market	Weight	Output Index, Jan '23
1	Netherlands	20.1%	50.7
2	USA	19.1%	46.8
3	Germany	9.7%	49.9
4	France	7.6%	49.1
5	Ireland	5.1%	52.0

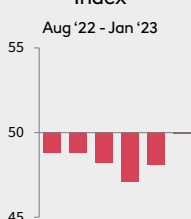
New Business Index



Future Activity Index



Export Climate Index



## Business capacity

### Employment falls for second month running

Private sector employment in the East of England fell for the second month running in January, following a run of uninterrupted growth since February 2021. The rate of job shedding picked up since December, although it remained modest overall and softer than those registered during the pandemic in 2020. Some firms linked lower staffing to the non-replacement of leavers. Across the UK as a whole employment was unchanged in January.

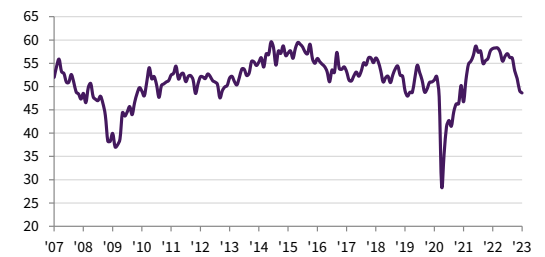
The overall decline in employment reflected cuts at manufacturers, as service providers continued to raise headcounts albeit at the weakest rate of the current two-year sequence.

### Outstanding business declines only marginally

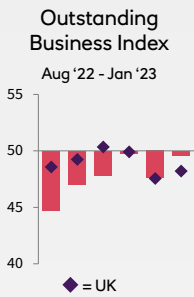
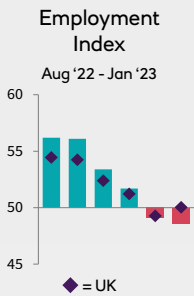
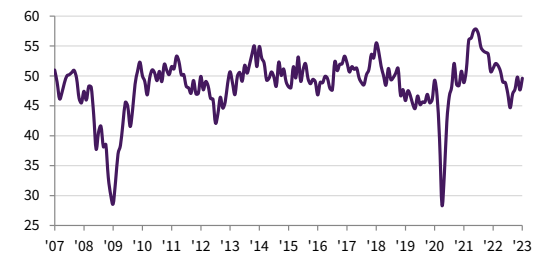
Adjusted for seasonal influences, the Outstanding Business Index posted below the 50.0 neutral value for the ninth month in a row in January. That said, the index rose since December to signal only a marginal rate of decline in backlogs. Moreover, the East of England posted the slowest fall in backlogs among the 11 UK regions to post declines (London saw no change).

Manufacturing backlogs fell at the slowest rate in six months, albeit one that remained strong overall, while a rise in outstanding business was indicated at service providers.

Employment Index  
sa, >50 = growth since previous month  
48.6  
Jan '23



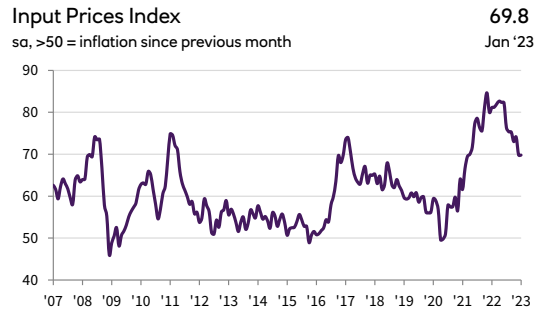
Outstanding Business Index  
sa, >50 = growth since previous month  
49.6  
Jan '23



## Prices

### Input price inflation unchanged from December's 21-month low

Latest data revealed a sharp rise in costs faced by private sector companies in the East of England, with the seasonally adjusted Input Prices Index continuing to run well above its historical average of 58.8. Cost pressures were linked to wages, energy, a wide range of supplies and IT services. That said, the overall rate of inflation was unchanged on December's 21-month low. The Index was well down on its January 2022 level of 81.1. Input price inflation in the East of England was slightly below the UK average.

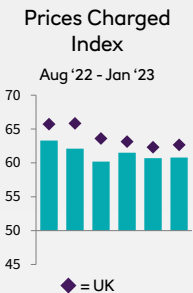
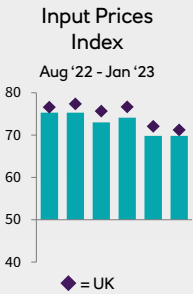
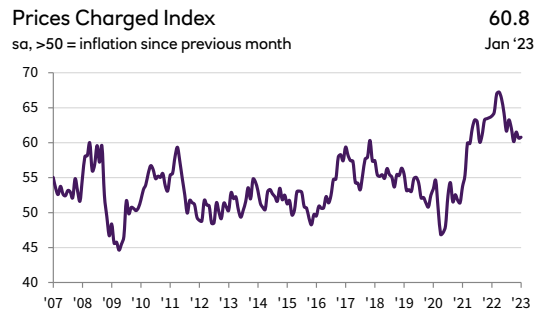


### Charge inflation little-changed since end of 2022

Private sector companies in the East of England raised their charges for the thirty-first successive month in January. The rate of inflation was little-changed from December, remaining well above the long-run trend level but down on the highs registered in 2022.

Manufacturers and service providers increased their charges at broadly similar rates during the opening month of 2023.

Output price inflation in the East of England was the slowest among the 12 regions monitored.



## 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, Jan '23
1	Electrical & Optical	1.30	48
2	Mechanical Engineering	1.26	52
3	Timber & Paper	1.21	42
4	Chemicals & Plastics	1.08	46
5	Other Manufacturing	1.03	49
6	Food & Drink	0.93	54
7	Basic Metals	0.93	47
8	Transport	0.66	45
9	Textiles & Clothing	0.43	44

#### East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '23
1	Transport & Communication	1.17	48
2	Business-to-business Services	1.12	52
3	Hotels, Restaurants & Catering	1.03	51
4	Personal & Community Services	0.94	50
5	Computing & IT Services	0.87	53
6	Financial Intermediation	0.67	46

## UK sector focus

### Personal & Community Services

After seeing activity levels decline in the latter stages of last year, the UK's Personal & Community Services sector started 2023 on a more stable footing. Key to this was a renewed, albeit marginal, upturn in inflows of new businesses in the three months to January.

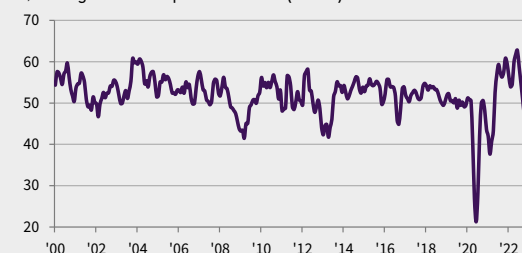
However, with survey data showing a lack of pressure on operating capacity, as evidenced by a marked and accelerated reduction in backlogs of work, firms reduced workforce numbers.

On the cost front, the rate of input price inflation eased only slightly and remained close to the record highs seen in 2022. Of the services sub-sectors mentioned, it was second only to that recorded by Hotels, Restaurants & Catering. Prices charged by Personal & Community Services firms meanwhile rose to the greatest extent since mid-2022.

Positively, expectations towards the year ahead improved, although they remained subdued by historical standards.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

London was alone among the 12 UK regions monitored by the survey in recording higher activity in January. The rate of growth in the capital remained only marginal, however. There were renewed downturns in output in both Wales and the North West, while the steepest decrease in activity was once again recorded in Northern Ireland.

### Employment

Seven of the 12 regions and nations monitored posted a rise in employment in January, up from just four in December. Northern Ireland topped the rankings, registering its steepest rise in workforce numbers for six months, ahead of the West Midlands. The most marked fall in employment was in the North East, as had been the case in the previous survey period.

### Future Activity

January data showed a broad-based improvement in business expectations. The greatest increase in confidence was recorded in the West Midlands, which also saw the strongest overall optimism. Sentiment in Northern Ireland turned positive for the first time in nine months, although it remained lower than in any other region or nation.

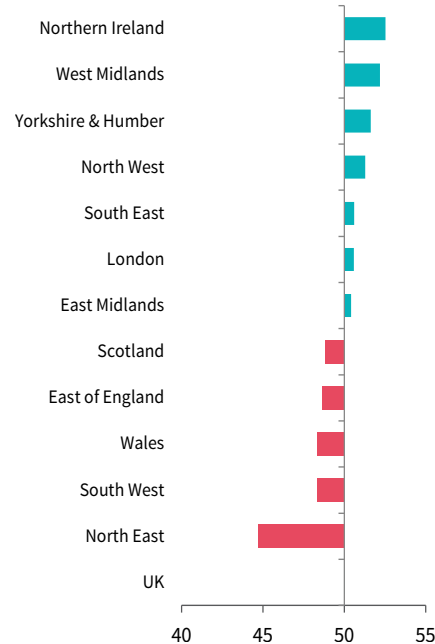
#### Business Activity Index

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



#### Employment Index

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



#### Future Activity Index

>50 = growth expected over next 12 months, Jan '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
Aug '22	43.5	46.8	48.8	60.6	56.2	44.7	75.3	63.3
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

## Contact

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

Maryam Baluch  
Economist  
S&P Global Market Intelligence  
+44 134 432 7213  
[maryam.baluch@spglobal.com](mailto:maryam.baluch@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
+44 796 744 7030  
[sabrina.mayeen@spglobal.com](mailto: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.

### 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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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