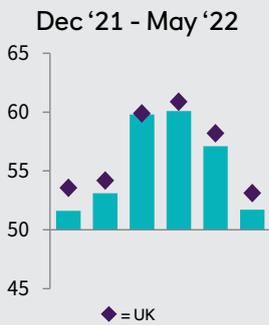




NatWest East of England PMI[®]

Private sector output growth eases to five-month low

East of England Business Activity Index



Key findings

Output growth softens amid weaker rise in new orders

Business expectations drop to two-year low

Rates of input cost and output price inflation stay close to record highs

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 – fell from 57.1 in April to 51.7 during May. This signalled a slowdown in the rate of growth for the second month running, with the latest reading indicating the weakest expansion in activity since December last year.

John Maude, NatWest Midlands & East Regional Board, commented:

"May data signalled a noticeable loss of growth momentum across the private sector in the East of England. Activity growth was modest, as the rate of expansion slowed to the second-weakest in the current sequence of growth that began in March 2021. New business received across the East of England's private sector also recorded a slower expansion. Additionally, though the rate of job creation eased to the slowest since September 2021, hiring activity remained strong, with firms increasing employment levels for the sixteenth successive month."

"Looking at the prices data, inflationary pressures eased slightly, with the rates of increase in input prices and output charges softening since April. However, price pressures remained among the fastest on record as firms reported rising energy, labour and material costs."

The slowdown across the East of England's private sector was reflective of the growing global uncertainty and persistent inflationary pressures. Unsurprisingly, the 12-month outlook slipped to a two-year low, posting below the series average."

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

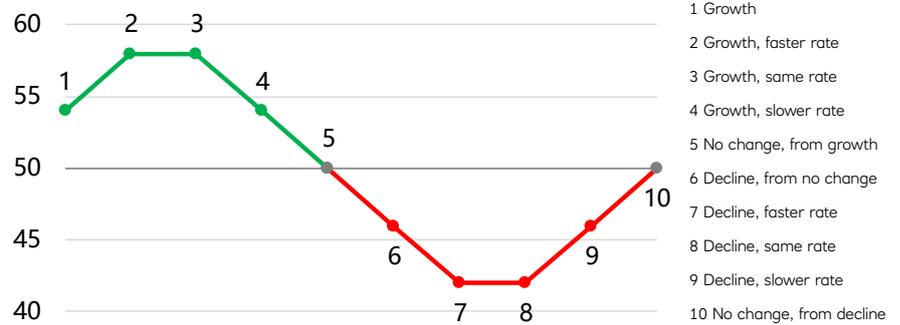
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Growth in new business softest in 15 months

The East of England's private sector saw a moderate rise in inflows of new business in May. Where an increase was noted, firms reported that the pandemic recovery resulted in strengthened client demand and improved market conditions. However, the respective seasonally adjusted index dropped for the third month running, posting the lowest reading in the current sequence of expansion that began in March 2021.

Moreover, the rate of increase across the East of England registered below the UK-wide average.

Confidence slips to two-year low

May data showed that private sector firms in the East of England were upbeat regarding the 12-month outlook for activity. Firms linked optimism to improving market conditions, new client wins, launches of new products and the strengthening client demand. That said, the degree of confidence fell from the preceding survey period to the lowest since May 2020, with firms highlighting concerns towards the increasingly uncertain economic situation.

The Future Activity Index for the East of England scored below that seen across the UK as a whole.

Exports

Export conditions improve, but at a softer rate

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 posted 52.9 in May, down from 53.3 in May. The ECI fell for the third month running, indicating slower growth in demand across the East of England's export markets.

Among the region's top five export destinations, the pace of increase was sharpest in France, with modest expansions also seen across Germany, the US and the Netherlands. However, the rate of growth softened across all four markets. Elsewhere, output decreased across China for the third successive month, but the rate of contraction eased since April.

New Business Index
sa, >50 = growth since previous month

51.1
May '22



Future Activity Index
>50 = growth expected over next 12 months

61.6
May '22



Export Climate Index
sa, >50 = growth since previous month

52.9
May '22



Top export markets, East of England

Rank	Market	Weight	Output Index, May '22
1	USA	15.1%	53.6
2	Germany	10.1%	53.7
3	China	8.1%	42.2
4	France	5.6%	57.0
5	Netherlands	5.6%	53.1



Business capacity

Softest expansion in payroll numbers since September 2021

Private sector firms across the East of England raised employment levels strongly during May. The pace of growth eased for the second month running to the slowest in eight months, but remained greater than the series average. Firms often noted increasing staffing levels to meet growing business activity.

The rate of job creation across the East of England was softer than that recorded at the UK level, however.

Employment Index
sa, >50 = growth since previous month
55.5
May '22

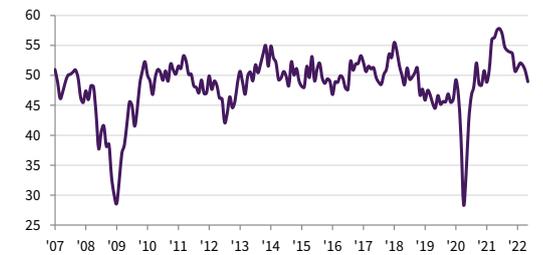


Volumes of unfinished orders contract for first time in 16 months

Latest survey data indicated a fall in work outstanding across the East of England's private sector. The decline in backlogs was modest overall, but nevertheless ended a run of expansion that began in February last year. Panellists listed an array of reasons for the downturn, including higher prices deterring customers and reduced supply-chain volatility.

The East of England was one of only three areas to record a decline, alongside the North East and Wales.

Outstanding Business Index
sa, >50 = growth since previous month
49.0
May '22



Prices

Input Prices Index
Dec '21 - May '22



Rate of input price inflation remains among fastest on record

May data signalled a further steep rise in average cost burdens among the East of England's private sector firms. The rate of input price inflation was at a near-record high. The surge in operating expenses was attributed to rising energy, labour and material costs, supply shortages, and the war in Ukraine.

Of the 12 monitored regions, the East of England registered the second-weakest rate of input price inflation, with Scotland noting the softest rise in costs.

Input Prices Index

sa, >50 = inflation since previous month

82.3
May '22



Prices Charged Index
Dec '21 - May '22



Rise in output charges softens to three-month low

Charges levied by firms rose sharply across the East of England during May. The rate of output price inflation eased from the survey-high posted in the previous month but remained among the fastest on record. According to surveyed businesses, increased costs were often passed onto customers.

Although strong, the pace of charge inflation across the private sector in the East of England was the second-slowest among the 12 monitored regions, behind the South West.

Prices Charged Index

sa, >50 = inflation since previous month

66.3
May '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, May '22 ⁺
1	Electrical & Optical	1.30	58
2	Mechanical Engineering	1.26	55
3	Timber & Paper	1.21	48
4	Chemicals & Plastics	1.08	52
5	Other Manufacturing	1.03	55
6	Food & Drink	0.93	48
7	Basic Metals	0.93	58
8	Transport	0.66	55
9	Textiles & Clothing	0.43	48

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '22 ⁺
1	Transport & Communication	1.17	52
2	Business-to-business Services	1.12	55
3	Hotels, Restaurants & Catering	1.03	60
4	Personal & Community Services	0.94	60
5	Computing & IT Services	0.87	58
6	Financial Intermediation	0.67	55

UK sector focus

Transport & Communication

The UK's Transport & Communication sector saw only a modest rise in business activity in the three months to May. Although the rate of growth was the fastest seen since the three months to January, it was the slowest among the six services-related sectors monitored by the survey.

Businesses in the Transport & Communication sector faced subdued demand conditions, with latest data showing a slight decline in inflows of new work, in line with the trend seen throughout most of 2022 so far. A marginal drop in employment in the three months to May contrasted with jobs growth elsewhere across the service sector and partly reflected comparatively low business confidence.

Cost pressures meanwhile remained elevated, with the rate of input price inflation staying close to its recent peak. Businesses looked to offset some of the burden via an unprecedented rise in output prices.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Latest data showed a general slowdown in growth across the UK regions in May, with nine out of the 12 monitored areas recording a weaker rise in business activity. London once again topped the rankings in terms of business activity growth, ahead of Wales and Scotland. Elsewhere, output declined in the West Midlands, Northern Ireland* and the North East.

Employment

London led a broad-based rise in employment in May. The rate of job creation in the capital even ticked up slightly, as was the case in four other areas (namely the South East, West Midlands, Scotland and Northern Ireland). The North East remained at the bottom of the rankings, although it did see a fractional increase in workforce numbers, following a decline in April.

Future Activity

Firms in Yorkshire & Humber recorded the strongest optimism towards future activity. Here, business confidence recovered somewhat since April, as was also the case for the North West, which ranked second overall. Seven of the 12 monitored areas saw a decline in expectations, however, including Northern Ireland where sentiment turned negative for the first time since October 2020.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '21	51.6	53.3	54.2	70.5	57.7	50.7	80.0	63.6
Jan '22	53.1	55.1	52.2	70.8	58.2	51.3	81.1	63.8
Feb '22	59.8	59.1	54.2	75.5	58.3	52.1	81.2	64.4
Mar '22	60.1	58.2	53.4	68.6	58.3	51.7	82.0	67.0
Apr '22	57.1	53.8	53.3	68.9	57.4	50.8	82.7	67.3
May '22	51.7	51.1	52.9	61.6	55.5	49.0	82.3	66.3

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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.

ihsmarkit.com/products/pmi.html

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