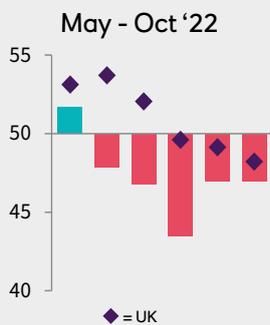




NatWest East of England PMI[®]

Business activity contracts amid quicker reduction in new orders during October

East of England Business Activity Index



Key findings

New orders fall at quicker pace

Growth in employment eases to slowest in 20 months

Price pressures soften

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 – was unchanged from September’s reading of 47.0 in October, thereby, extending the current run of contraction to five successive months. The fall in regional business activity was accompanied by a quicker downturn in new orders, as surveyed businesses reported difficult market conditions as a result of the cost of living crisis suppressing client activity. Reduced business requirements also resulted in the softest rise in employment since February 2021. Amid a bleak economic outlook, business confidence plummeted to a record-low.

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

“After another month of weak performance, firms across the East of England once again revised down their output expectations, which hit a survey-low during October. A looming recession, an unfavourable exchange rate, inflationary pressures and the cost of living crisis meant that firms reported another round of contraction, with business activity and new orders continuing to shrink.

“Accordingly, firms recruited additional staff at the weakest pace in 20 months. At the same time, backlogs of work fell for the sixth consecutive month. The data consequently suggests that hiring activity will further weaken and we could even see employment fall as the downturn across the region deepens, putting a further squeeze on demand for goods and services.”

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 orders fall at faster rate

New business received at private sector firms across the East of England contracted strongly during October. Adjusted for seasonality, the respective index ticked down from September, posting below the neutral 50.0 threshold for the fifth successive month. Depressed market conditions and reduced client activity were commonly linked to the latest fall.

The pace of decrease in new business across the East of England was broadly in line with that seen at the UK level.

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

46.9
Oct '22



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

56.5
Oct '22



Outlook expectations weaken to record low

October's data revealed diminishing business expectations across the East of England's private sector. Although firms anticipated activity levels to increase in the coming 12 months, the degree of confidence plunged to a record-low during the latest survey period. The threat of recession and growing inflation weighed on output expectations.

Output expectations across the East of England were roughly in line with those observed for the UK as a whole.

Exports

Further deterioration in export market conditions

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 below the neutral 50.0 threshold for the third successive month, with the latest reading of 48.5 in October, down from 49.1 in September, signalling a quicker deterioration in export markets conditions.

Of the top five export markets, conditions worsened across the US, Germany, China and the Netherlands, while output remained broadly unchanged from September across France.

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

48.5
Oct '22



Top export markets, East of England

Rank	Market	Weight	Output Index, Oct '22
1	USA	15.1%	48.2
2	Germany	10.1%	45.1
3	China	8.1%	48.3
4	France	5.6%	50.2
5	Netherlands	5.6%	45.6



Business capacity

Employment Index

May - Oct '22



Growth in employment softest in 20 months

October data pointed to yet another increase in staffing levels across East of England's private sector, thereby extending the current sequence of expansion to 21 months. However, the rate of job creation ticked down from September to signal the slowest expansion since February 2021, reflective of the recent reductions in new orders.

Nonetheless, private sector firms across the East of England raised payroll numbers at a stronger pace than that recorded for the UK as a whole for the fifth month running.

Employment Index

sa, >50 = growth since previous month

53.4

Oct '22



Outstanding Business Index

May - Oct '22



Contraction in outstanding business eases to weakest in four months

As has been the case for the last six months, levels of unfinished work at private sector firms across the East of England fell during October. While the rate of depletion continued to ease from August's recent record, it was solid overall and indicative of ongoing spare capacity in the region. Surveyed business noted that fewer new orders allowed them to work through backlogs.

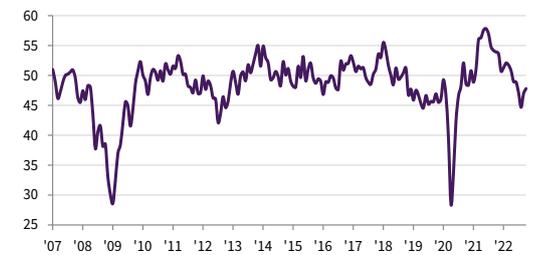
At the UK level, the overall volume of incomplete business rose for the first time in three months, albeit the rate of accumulation was only fractional.

Outstanding Business Index

sa, >50 = growth since previous month

47.8

Oct '22



Prices

Input cost inflation moderates

For a twenty-ninth consecutive month, average cost burdens rose across the East of England's private sector during October. However, the rate of inflation, while still historically elevated, softened on the month to the weakest overall since May 2021. Anecdotal evidence attributed the increase in input costs to greater energy and material prices and higher wage demands. Moreover, the weakening of the pound further exacerbated import costs.

Of the 12 monitored UK regions, the rate of input price inflation was the second-slowest, behind that recorded for the South West of England.

Rate of increase in prices charged eases to 14-month low

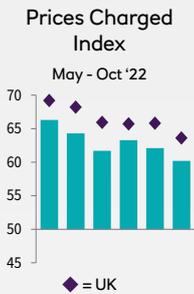
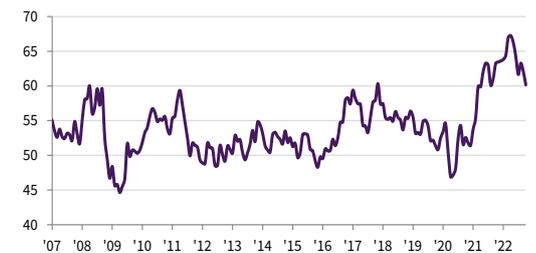
East of England private sector companies increased their output prices during October. However, while the respective seasonally adjusted index posted well above the 50.0 no-change mark, it fell for the second successive month to signal the weakest rise in output prices since August 2021. The slower rise in prices charged mirrored the trend seen for cost burdens.

Of the 12 monitored UK regions, only the South West recorded a softer rate of inflation than that seen in the East of England.

Input Prices Index
sa, >50 = inflation since previous month
73.0
Oct '22



Prices Charged Index
sa, >50 = inflation since previous month
60.2
Oct '22



UK Sector PMI

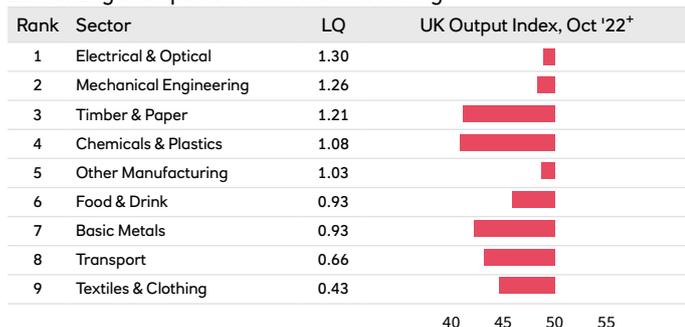
Sector specialisation: East of England

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.

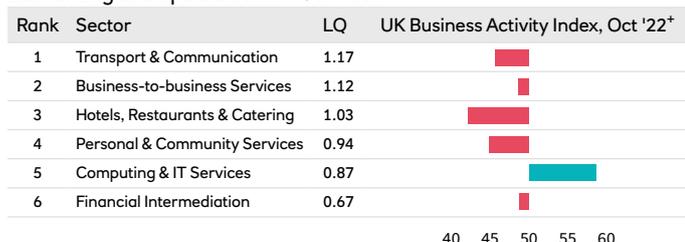
Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised 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



East of England specialisation: Services



UK sector focus

Transport

UK Transport manufacturers reported a steep and accelerated reduction in output levels in the three months to October, latest PMI data showed. The sector's performance was its worst since the initial COVID-related shutdowns in early-2020.

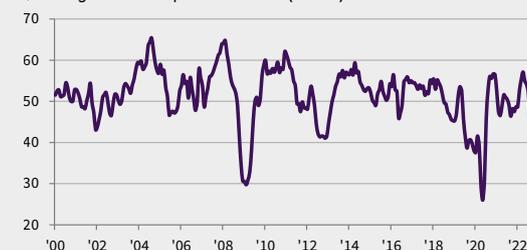
Alongside a softening of demand, which was evidenced by a fall in inflows of new orders, the reduction in production reflected shortages of materials and parts. Surveyed firms continued to report longer lead times on inputs, albeit with the incidence of delays having shown some improvement from the record levels a year earlier.

Cost pressures remained historically high, and even intensified slightly in the three months to October.

Despite these challenges, producers of Transport goods were more upbeat about the outlook for output than those in any other manufacturing sector. As such, they continued to add to workforce numbers.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

October saw a fall in business activity across all 12 monitored regions, the first time this has been the case since the third national lockdown in January 2021. The South West posted the steepest decline, followed by Northern Ireland* and the North East respectively. London's fall in activity was only marginal, but nonetheless its first for over a year-and-a-half.

Employment

Employment continued to rise across almost every region during October, the only exception being the North East where workforce numbers fell for a fifth straight month. However, in most cases, rates of job creation slowed. This included the South East - the region at the top of the rankings for employment growth.

Future Activity

Business expectations, although often still positive, weakened in most cases in October. Firms in Northern Ireland and the North East even noted increased pessimism towards the outlook. Business confidence in the South West was unchanged from September's record low, while Scotland went against the broader trend and registered the strongest optimism for three months.

Business Activity Index
sa, >50 = growth since previous month, Oct '22



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



Future Activity Index
>50 = growth expected over next 12 months, Oct '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
May '22	51.7	51.1	52.9	61.6	55.5	49.0	82.3	66.3
Jun '22	47.9	47.6	52.6	57.0	56.5	48.9	82.3	64.3
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

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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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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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