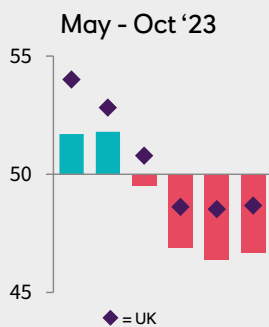


NatWest East of England PMI[®]

Fastest fall in new business for over three years

East of England Business Activity Index



Key findings

Demand declines for fourth straight month in October

Employment stabilises following September's decrease

Weakest inflationary pressures in nearly three years

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 fourth successive monthly decline in activity in October. At 46.7, the index was little-changed from September's 46.4 and indicated a further solid rate of contraction that remained sharper than the UK average (48.7). Moreover, new business fell at the fastest rate since May 2020, and the 12-month outlook moderated. Companies linked lower activity to weak demand resulting from high inflation and interest rates. More positively, employment stabilised following September's decline and input price inflation slowed notably to the weakest in nearly three years.

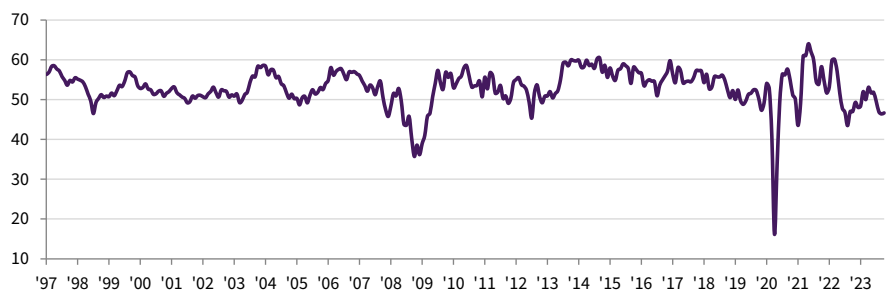
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"The fastest fall in new business for over three years was a stern warning that the current downturn in output in the East of England has further to run. Excluding the pandemic lockdowns, October was the worst month for private sector demand since July 2012. The latest anecdotal evidence again linked weak demand to high inflation and the impact of elevated interest rates, particularly on the housing sector."

"Companies continue to report that wages are driving cost pressures, although overall input price inflation slowed further in October to the weakest in nearly three years. A similar slide in November would take input price inflation below its long-run survey 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

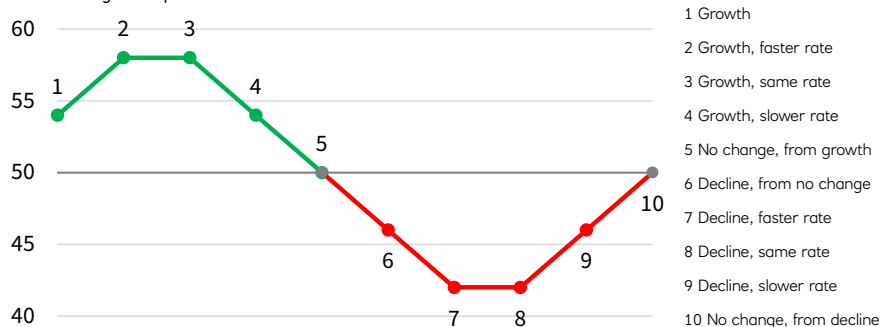
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Downturn in new work continues to accelerate

Private sector firms in the East of England reported a fourth successive monthly decline in new business volumes in October. Firms linked weak demand to high interest rates impacting the housing market and persistently strong inflation. The rate of contraction quickened for the third month running to the fastest since May 2020, and was much stronger than the UK average.

Manufacturers continued to report a much steeper decline in new orders than service providers.

Outlook softens in October

Private sector firms in the East of England remained confident of rising output over the next 12 months in October. Sentiment moderated over the month, however, and was the second-weakest in 2023 so far.

Expectations in the East of England were slightly stronger than the UK average in October, as has been the case seven times in the past eight months.

Exports

Key European markets drive export weakness

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.

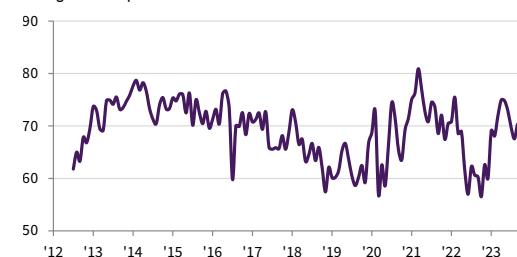
The Export Climate Index signalled a third successive monthly deterioration in export demand conditions for firms in the East of England in October. Moreover, at 47.8, down from 48.7 in September, the Index pointed to the steepest downturn since November 2022.

Output fell sharply in three of the region's largest European markets: the Netherlands, Germany and France. Ireland posted a marginal decline in activity since September and the US a slight increase.

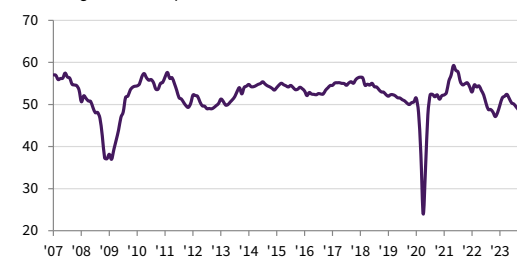
New Business Index
sa, >50 = growth since previous month
44.8
Oct '23



Future Activity Index
>50 = growth expected over next 12 months
67.7
Oct '23



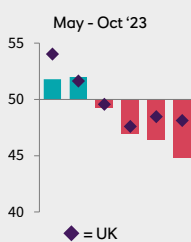
Export Climate Index
sa, >50 = growth since previous month
47.8
Oct '23



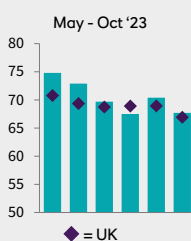
Top export markets, East of England

Rank	Market	Weight	Output Index, Oct '23
1	Netherlands	20.1%	42.3
2	USA	19.1%	50.7
3	Germany	9.7%	45.9
4	France	7.6%	44.6
5	Ireland	5.1%	49.7

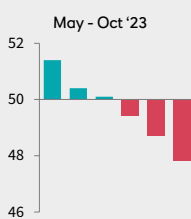
New Business Index



Future Activity Index



Export Climate Index



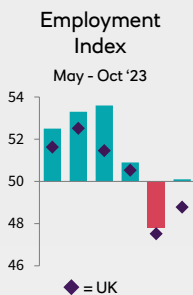
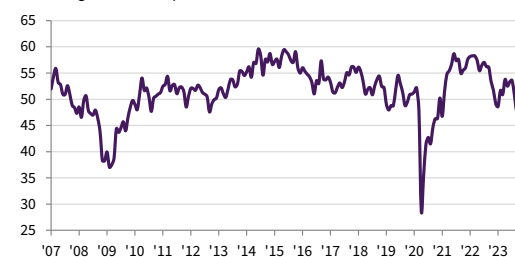
Business capacity

Employment stabilises following September's fall

Private sector employment in the East of England stabilised in October, following a decline for the first time in eight months in September. Hiring growth in the services sector was broadly offset by job cuts at manufacturers.

The employment picture in the East of England compared favourably with the UK trend in October, where a second successive fall was recorded.

Employment Index 50.1
sa, >50 = growth since previous month Oct '23

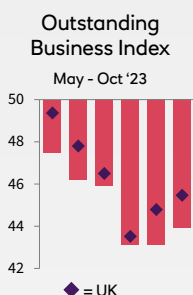
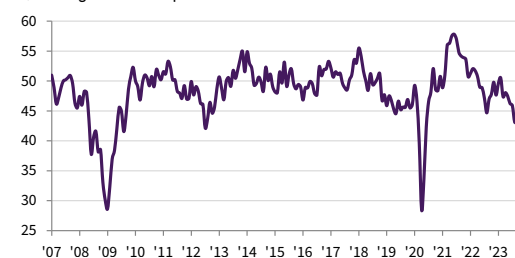


Rate of backlog depletion eases from three-year record

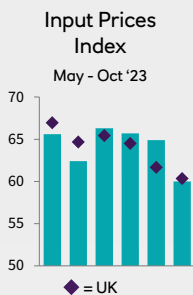
The level of outstanding business in the East of England private sector economy continued to decline in October, reflecting the sustained drop in new work. The rate of backlog depletion eased from the three-year record of the prior two months, but remained strong. Incomplete workloads have fallen 17 times in the past 18 months.

The East of England posted a steeper drop in backlogs than the UK as a whole in October.

Outstanding Business Index 43.9
sa, >50 = growth since previous month Oct '23



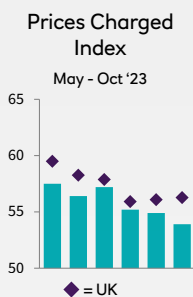
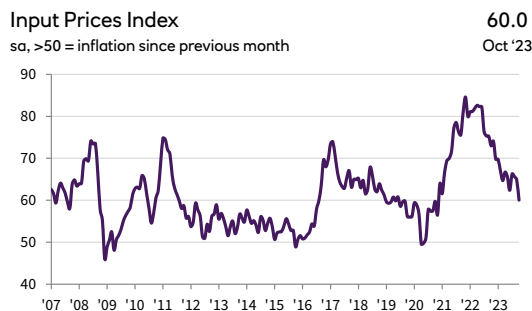
Prices



Input price inflation slows to near-three-year low

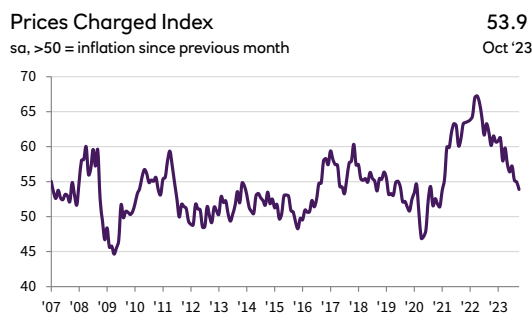
Average input prices continued to rise strongly in October, with the seasonally adjusted Input Prices Index remaining above its long-run trend level of 59.0. Companies linked cost pressures to wages and high interest rates. That said, the rate of inflation slowed notably in October to the weakest since November 2020. It was broadly in line with the UK average during the month.

As has been the case for well over a year, cost pressures were stronger at service providers than manufacturers.



Slowest rise in charges since January 2021

Prices set by private sector firms for goods and services rose in October, extending the current sequence of inflation to three years and four months. The rate of inflation remained above the long-run survey average but eased to the weakest since January 2021. Output price inflation in the East of England remained below the UK average.



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

East of England specialisation: Services

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

UK sector focus

Mechanical Engineering

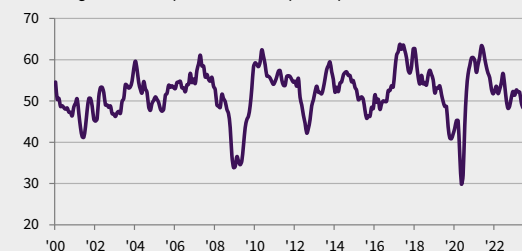
The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

Employment

Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland*, North West and East of England also seeing increases.

Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

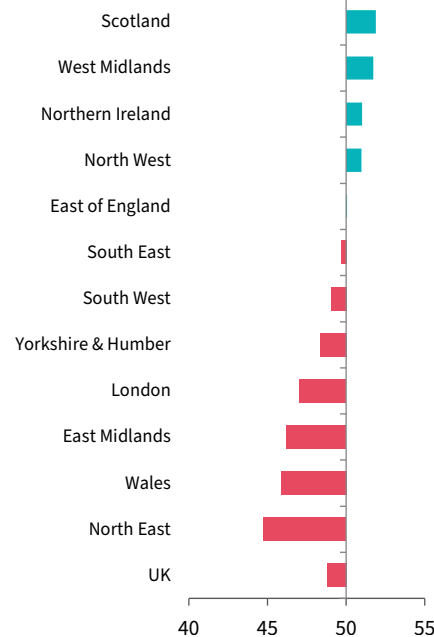
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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
May '23	51.7	51.8	51.4	74.8	52.5	47.5	65.6	57.5
Jun '23	51.8	52.0	50.4	72.9	53.3	46.2	62.4	56.4
Jul '23	49.5	49.2	50.1	69.7	53.6	45.9	66.3	57.2
Aug '23	46.9	46.9	49.4	67.5	50.9	43.1	65.7	55.2
Sep '23	46.4	46.4	48.7	70.4	47.8	43.1	64.9	54.9
Oct '23	46.7	44.8	47.8	67.7	50.1	43.9	60.0	53.9

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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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