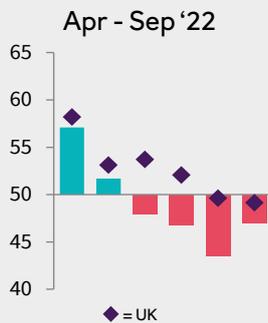




NatWest East of England PMI[®]

Business activity declines at softer pace in September

East of England Business Activity Index



Key findings

Private sector output falls at slower rate amid weaker drop in sales

Input costs continue to rise sharply

Future output expectations 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 - rose from 43.5 in August to 47.0 in September. This signalled a softer, but still strong reduction in private sector output across the region. Business activity has now declined in each of the past four months, with the latest fall predominantly linked to a weaker UK economic outlook and lower intakes of new business. There were also reports of component shortages having weighed on performance in the manufacturing sector.

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

"Business activity and new orders continued to decline across the East of England's private sector in September, though we did see rates of reduction ease compared to August."

"Firms often mentioned that the gloomier economic outlook and high inflation were key factors weighing on output and demand at the end of the third quarter. Furthermore, the latest survey showed that cost pressures remain stubbornly high amid the ongoing cost-of-living crisis."

"A bright spot was employment, with firms in the region outperforming all other UK areas in terms of job creation as companies continued to fill vacancies and boost operating capacity."

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

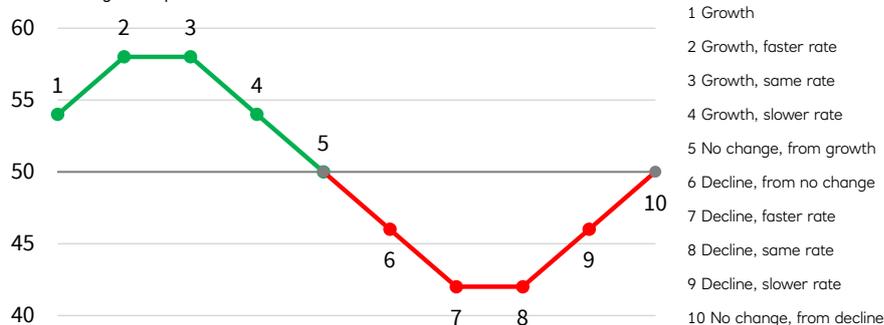
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Softer reduction in new orders

Adjusted for seasonal variation, the New Business Index signalled a fourth successive monthly decline in total new orders placed with private sector firms in the East of England in September. The pace of reduction softened from August's 19-month record, however, and was only marginal. Furthermore, it was weaker than the rate of decline seen at the national level, which accelerated on the month.

Where lower intakes of new work were recorded, firms often mentioned that a weaker economic outlook and rising costs had dampened customer demand.

Business confidence remains relatively subdued

Although private sector businesses in the East of England remained optimistic that output would rise over the next 12 months, the level of positive sentiment slipped to a three-month low in September. Business confidence was also weaker than the series trend, and slightly below that seen across the UK as a whole.

While company expansion plans, new product releases and expectations of more normal market conditions supported growth forecasts, recessionary fears, high inflation and interest rate hikes dampened overall confidence.

Exports

Export climate worsens slightly again in September

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 was little-changed from August's reading of 49.0 at 49.1 in September, signalling a second successive monthly deterioration in export conditions. That said, the rate of decline remained marginal overall.

Germany and the Netherlands saw the steepest reductions in output, with activity falling at the quickest rates since May 2020 and June 2020, respectively. France, on the other hand, registered an increase in output, though growth was mild overall.

New Business Index

sa, >50 = growth since previous month

49.1

Sep '22



Future Activity Index

>50 = growth expected over next 12 months

60.3

Sep '22



Export Climate Index

sa, >50 = growth since previous month

49.1

Sep '22



Top export markets, East of England

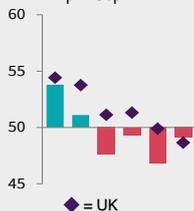
Rank	Market	Weight	Output Index, Sep '22
1	USA*	15.1%	49.3
2	Germany	10.1%	45.7
3	China**	8.1%	53.0
4	France	5.6%	51.2
5	Netherlands	5.6%	46.4

*September 'flash' data.

**August data. Due to a later release date, September data for China were not available for inclusion in the ECI.

New Business Index

Apr - Sep '22



Future Activity Index

Apr - Sep '22



Export Climate Index

Apr - Sep '22



Business capacity

Employment Index



Employment growth edges down to four-month low

The seasonally adjusted Employment Index pointed to an increase in staffing levels across the East of England's private sector for the twentieth month running in September. Though marked and comfortably above the series average, the rate of job creation slipped to its lowest since May. Firms that added to their payrolls often mentioned hiring new staff to plan for future growth and efforts to expand capacity.

Notably, the East of England saw the strongest rate of employment growth of all 12 monitored UK regions.

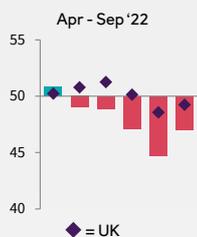
Employment Index

sa, >50 = growth since previous month

56.1
Sep '22



Outstanding Business Index



Outstanding business falls at softer pace

As has been the case since May, the level of work-in-hand (but not yet completed) at private sector companies in the East of England declined during September. The pace of reduction softened from August's 26-month record, but was nonetheless solid overall.

The rate of backlog depletion also remained sharper than that seen at the national level. When explaining the latest drop in outstanding work, businesses often cited weaker customer demand and reduced inflows of new orders.

Outstanding Business Index

sa, >50 = growth since previous month

47.0
Sep '22



Prices

Input costs continue to increase rapidly

The rate of input price inflation across the East of England's private sector held steady at August's 15-month low in September, but nevertheless remained rapid overall. Higher expenses were frequently linked to greater costs for energy, raw materials, transport and labour.

Cost burdens also rose at an historically sharp pace across the UK as a whole, and one that continued to exceed that seen in the East of England.

Slightly softer rise in prices charged

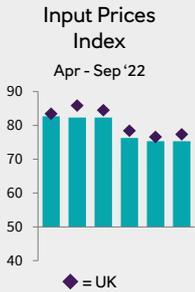
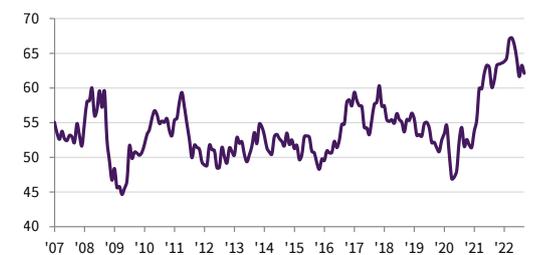
Private sector firms operating in the East of England continued to raise their average selling prices during September, thereby stretching the current period of inflation to 27 months. The pace of increase eased slightly from August but remained among the sharpest seen in the series history. Firms that hiked their fees often mentioned passing through higher expenses to clients amid efforts to protect their operating margins.

The rate of output charge inflation in the East of England continued to lag behind the UK-wide trend, however.

Input Prices Index
sa, >50 = inflation since previous month
75.3
Sep '22



Prices Charged Index
sa, >50 = inflation since previous month
62.1
Sep '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, Sep '22 ⁺
1	Electrical & Optical	1.30	52
2	Mechanical Engineering	1.26	48
3	Timber & Paper	1.21	46
4	Chemicals & Plastics	1.08	45
5	Other Manufacturing	1.03	50
6	Food & Drink	0.93	46
7	Basic Metals	0.93	46
8	Transport	0.66	48
9	Textiles & Clothing	0.43	47

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep '22 ⁺
1	Transport & Communication	1.17	48
2	Business-to-business Services	1.12	47
3	Hotels, Restaurants & Catering	1.03	46
4	Personal & Community Services	0.94	47
5	Computing & IT Services	0.87	52
6	Financial Intermediation	0.67	50

UK sector focus

Business-to-Business Services

The UK's large Business-to-Business Services sector suffered a downturn in activity in the three months to September, latest PMI data showed. Output levels fell, albeit only slightly, for the first time since the third national lockdown at the start of 2021.

High inflation and waning confidence among customers acted as headwinds to growth, according to surveyed businesses. With rising interest rates forecast to further dampen demand, firms' expectations towards future activity fell to the lowest for almost two-and-a-half years.

Employment continued to rise across the sector. However, whilst still solid by historical standards, the pace of job creation slowed to the weakest since early-2021.

On the price front, rates of both input cost and output charge inflation remained elevated but maintained a steady decline from their recent record highs in Q2.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Nine of the 12 monitored regions recorded lower levels of business activity in September. The fastest rates of contraction were seen in Northern Ireland* and the South West. London was the best-performing region, despite seeing growth slow to a 20-month low, ahead of Yorkshire & Humber. Business activity in the South East was unchanged on the month, after having fallen slightly in August.

Employment

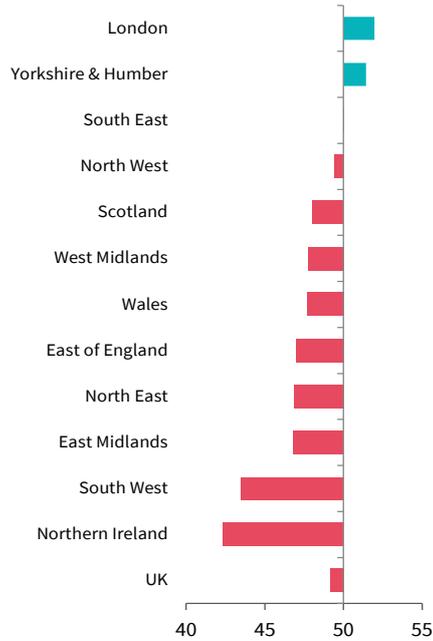
Although employment rose in most regions in September, rates of job creation slowed in the majority of cases. This included the East of England, which nevertheless topped the rankings ahead of the South East. Workforce numbers fell in the North East for the fourth month running, whilst the South West recorded its first decline since February 2021.

Future Activity

Business confidence towards future output fell across three-quarters of the surveyed regions in September. Yorkshire & Humber recorded the strongest optimism, despite seeing the greatest reduction in expectations from the previous month. Business sentiment was generally positive, with the exception of Northern Ireland and the North East.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Sep '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
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
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

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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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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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