

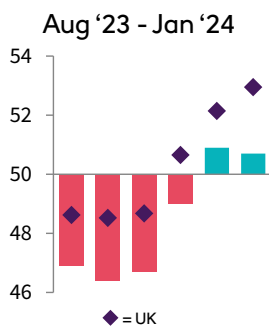


NatWest

NatWest East of England PMI[®]

Weak output growth maintained in January

East of England Business Activity Index



Key findings

Activity supported by existing workloads as new business falls

Input price inflation at four-month high

Business expectations strengthen, driving job creation

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 – remained above the no-change mark of 50.0 in January to signal sustained growth of output in the region. The Index posted 50.7, little-changed from 50.9 in December, indicating only the second expansion of the past seven months. The rate of growth was marginal, however, and the weakest of the ten UK nations and regions to record expansion.

Companies supported output by completing outstanding business, as new orders continued to fall. The 12-month outlook strengthened, however, with firms on average the most optimistic since last June. This drove a renewed increase in employment during the month, despite stronger cost pressures.

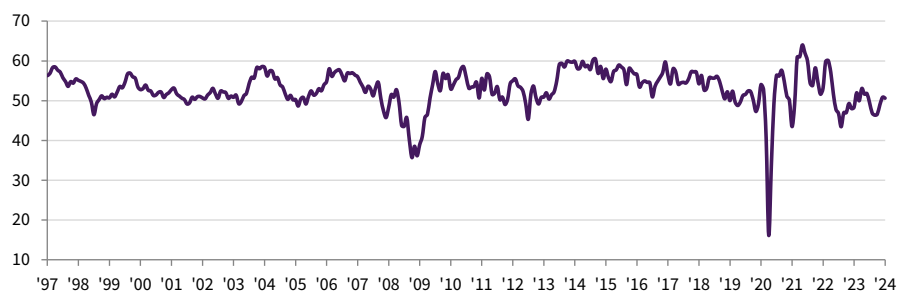
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"The East of England eked out another rise in output in January, but remained among the weakest-performing UK nations and regions. This reflects a lack of new order growth since midway through last year, with firms increasingly reliant on existing workloads."

"Companies are, however, increasingly upbeat around the 12-month outlook and added to workforces for the first time in three months. This confidence may yet be undermined by the recent rise in cost pressures, with input price inflation accelerating for the third month running in January, and output price inflation remaining well above the long-run average."

East of England Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

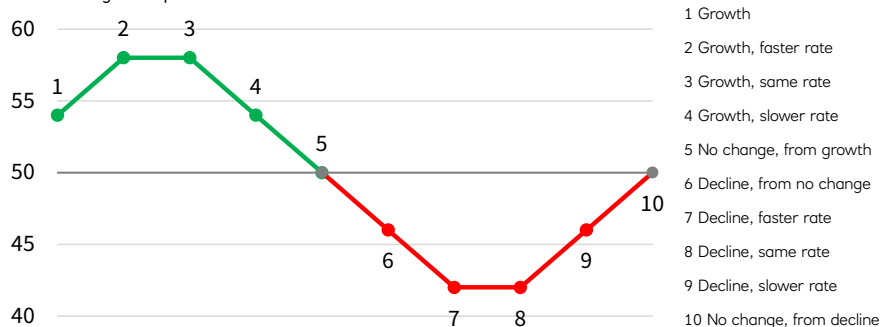
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

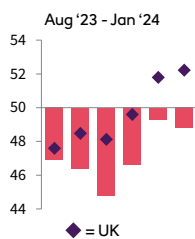
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

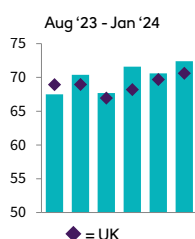


New orders fall for seventh straight month

Private sector firms in the East of England reported a seventh successive monthly decline in new business volumes in January. The rate of contraction accelerated since the end of 2023, but was still modest overall. New orders fell across both manufacturing and services.

The UK as a whole posted a rise in new business for the second month running. London continued to outperform, with five other areas recording modest growth at the start of the year.

Future Activity Index



Expectations brighten

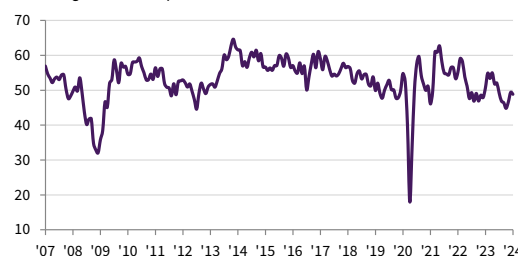
Companies were increasingly positive in their expectations for output growth in January. Confidence was the strongest since last June, and above the long-run trend since 2012. The East of England ranked fourth among the 12 UK regions and nations in the latest period.

New Business Index

sa, >50 = growth since previous month

48.8

Jan '24

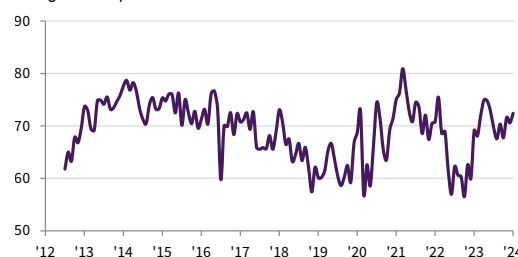


Future Activity Index

>50 = growth expected over next 12 months

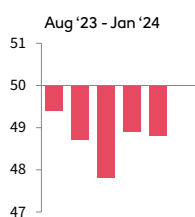
72.4

Jan '24



Exports

Export Climate Index



Export markets stabilise at start of 2024

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 broad stabilisation in export demand conditions for firms in the East of England in January. The Index rose from 48.8 in December to 50.0, indicating no change in output across the region's export markets.

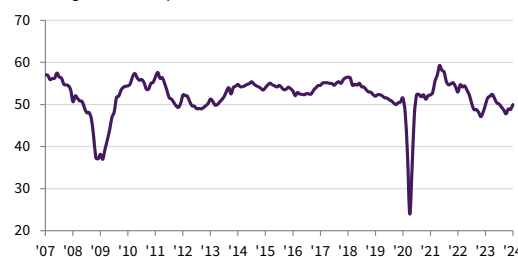
Among the top five export markets, output rose in the US and Ireland, but fell in France, Germany and the Netherlands.

Export Climate Index

sa, >50 = growth since previous month

50.0

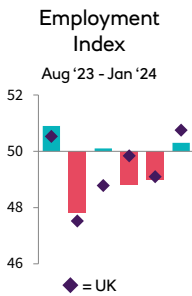
Jan '24



Top export markets, East of England

Rank	Market	Weight	Output Index, Jan '24
1	Netherlands	20.1%	48.2
2	USA	19.1%	52.0
3	Germany	9.7%	47.0
4	France	7.6%	44.6
5	Ireland	5.1%	50.7

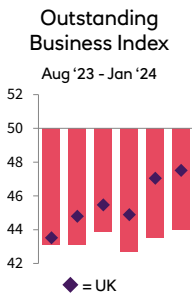
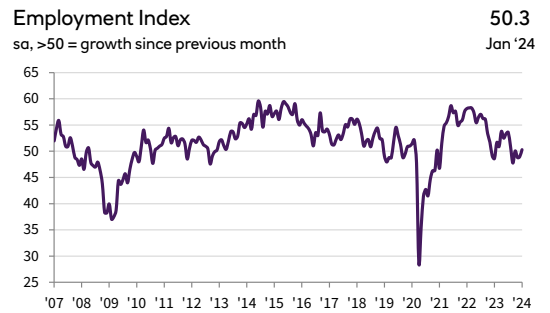
Business capacity



Fractional rise in employment

Private sector employment in the East of England rose for the first time in three months in January. That said, the rate of staff creation was only marginal.

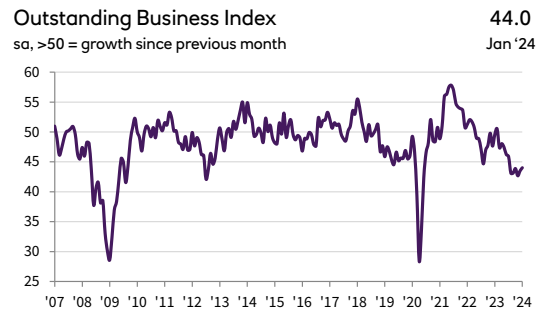
The East of England was among seven English regions and UK nations to record jobs growth at the start of the year, with the UK as a whole posting the first rise in five months. London and Scotland remained the strongest-performing in terms of jobs growth.



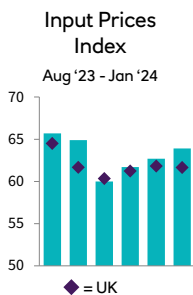
Slower drop in backlogs

The level of outstanding business in the East of England private sector economy continued to decline in January, reflecting a further drop in new work. The rate of backlog depletion was strong, but eased further to the weakest since last July. Incomplete workloads have fallen 20 times in the past 21 months.

The East of England continued to post a steeper drop in backlogs than the UK as a whole in January.



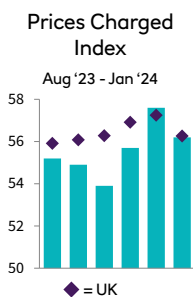
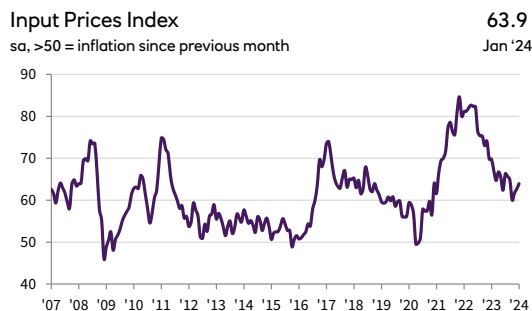
Prices



Input price inflation at four-month high

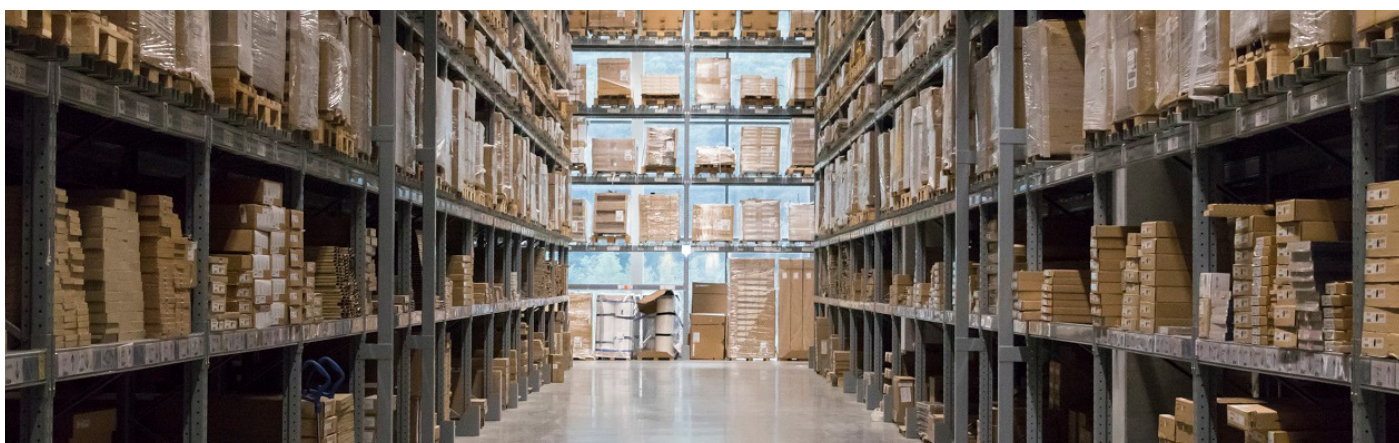
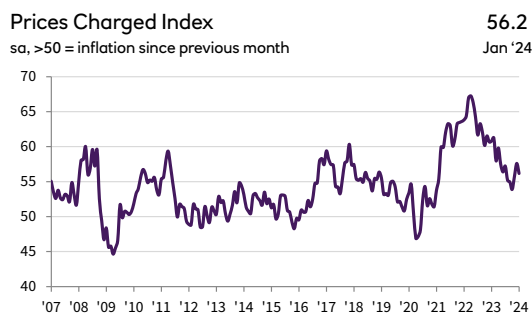
Average input prices continued to rise strongly in January, with the seasonally adjusted Input Prices Index remaining above its long-run trend level of 59.0. Cost pressures remained much greater at service providers than manufacturers.

The rate of inflation accelerated further from last October's 35-month low to the highest since last September, but was still among the weakest in the past three years. It was, however, the second-highest in the UK during the month, behind London.



Charge inflation remains elevated

Prices set by private sector firms for goods and services rose in January, extending the current sequence of inflation to three years and seven months. The rate of inflation eased from December's eight-month high, but remained well above the long-run trend. Output price inflation in the East of England was broadly in line with the UK average in January.



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 '24 ⁺
1	Electrical & Optical	1.33	48
2	Mechanical Engineering	1.24	52
3	Chemicals & Plastics	1.11	48
4	Other Manufacturing	1.01	45
5	Timber & Paper	1.01	48
6	Food & Drink	0.93	52
7	Basic Metals	0.79	48
8	Transport	0.71	58
9	Textiles & Clothing	0.43	50

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '24 ⁺
1	Transport & Communication	1.22	52
2	Hotels, Restaurants & Catering	1.13	58
3	Business-to-business Services	1.09	52
4	Personal & Community Services	1.04	48
5	Computing & IT Services	0.91	58
6	Financial Intermediation	0.65	58

UK sector focus

Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

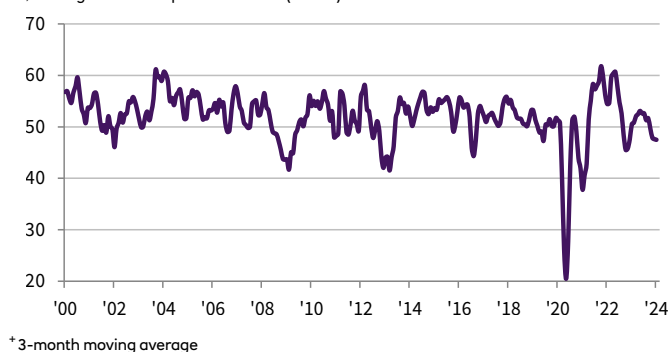
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

Output Index

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



UK Regional PMI overview

Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

Employment

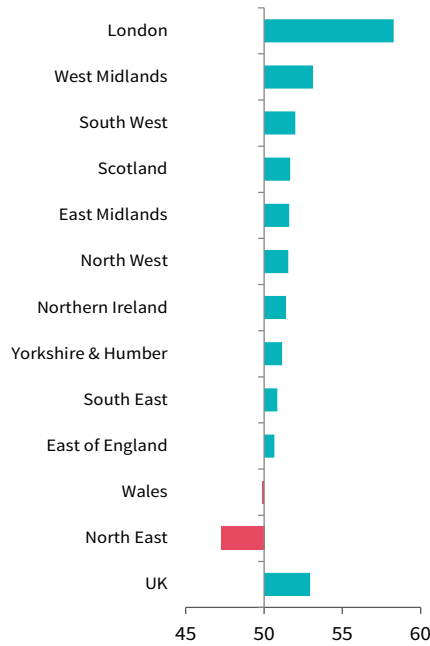
January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

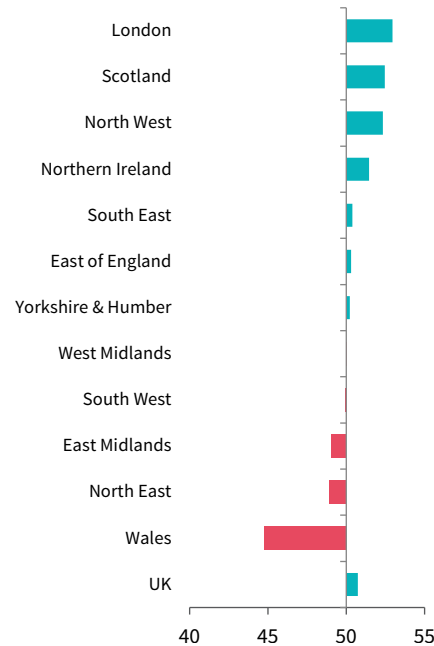
Business Activity Index

sa, >50 = growth since previous month, Jan '24



Employment Index

sa, >50 = growth since previous month, Jan '24



Future Activity Index

>50 = growth expected over next 12 months, Jan '24



* 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 '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
Nov '23	49.0	46.6	48.9	71.6	48.8	42.7	61.7	55.7
Dec '23	50.9	49.3	48.8	70.6	49.0	43.5	62.7	57.6
Jan '24	50.7	48.8	50.0	72.4	50.3	44.0	63.9	56.2

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About NatWest

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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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