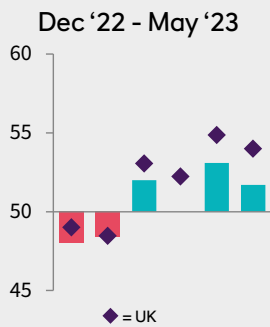




NatWest East of England PMI[®]

Private sector growth slows in May, but outlook remains positive

East of England Business Activity Index



Key findings

Softer increases in activity and new work

Outlook remains strong, driving further solid job creation

Charges increase at slowest rate since February 2021

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 – posted 51.7 in May, down from 53.1 in April, signalling slower growth in output. Expansion was maintained for the third time in four months, but at a modest rate below the long-run series trend as growth in new business weakened. More positively, jobs growth was maintained at a solid pace and the 12-month outlook remained relatively strong. Inflationary pressures resumed an easing trend, having previously ticked up in April.

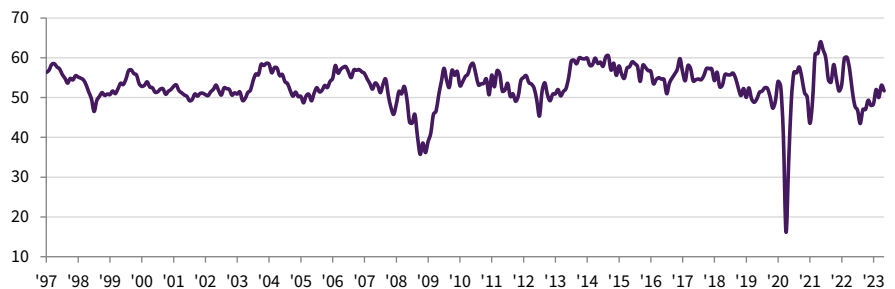
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"In line with the wider UK trend, growth of output and new work in the East of England lost some momentum in May as high inflation and rising interest rates stifled demand. New business increased at the slowest rate since January."

"More encouragingly, the 12-month outlook remained relatively strong as firms expect an easing of inflation to stimulate demand later in the year. It was a relief to see rates of input and output price inflation both resume an easing trend in May following April's uptick in price pressures. Notably, the East of England posted the second-weakest increase in charges for goods and services of all 12 UK regions in the latest survey."

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

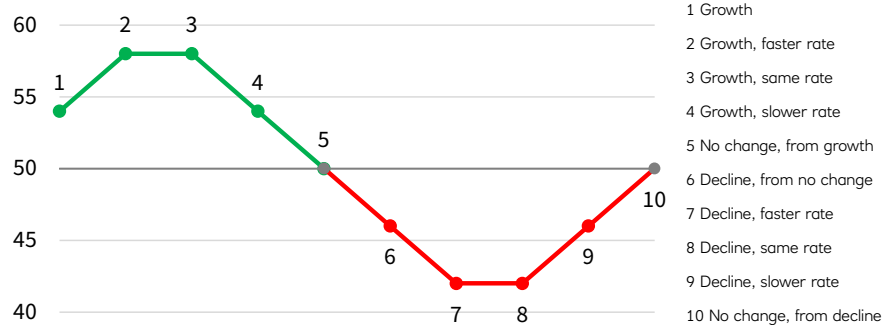
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Private sector firms in the East of England reported a fifth successive monthly expansion in new business volumes in May. The rate of expansion slowed to a modest pace, however, and slipped below the UK average. Some firms commented that high interest rates and inflation had deterred new business, as well as excess stocks at clients.

Growth in demand for services eased since April and manufacturing new orders fell at a faster rate.

Optimism holds close to April's recent peak

May data signalled overall confidence among private sector firms of rising output over the next 12 months. Moreover, the strength of sentiment was little-changed on April's 14-month high and above the series average (since 2012). Companies widely reported expectations of an uplift in the economy once inflation falls further and interest rates have peaked.

Exports

Improvement in export climate softens in May

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 fell to 51.4 in May, from 52.4 in April, signalling the softest improvement in the export climate for firms in the East of England of the current four-month upturn.

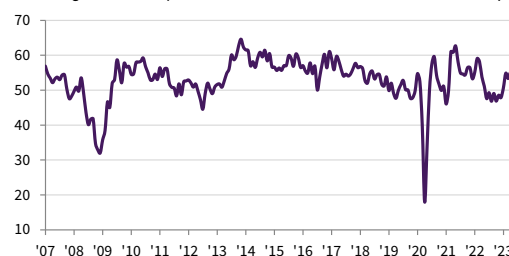
The region's largest market – the Netherlands – registered a steep fall in output in May. The US and Germany posted solid increases in activity, while more modest expansions were seen in Ireland and France.

New Business Index

sa, >50 = growth since previous month

51.8

May '23

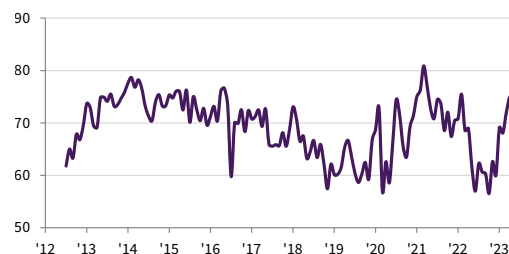


Future Activity Index

>50 = growth expected over next 12 months

74.8

May '23

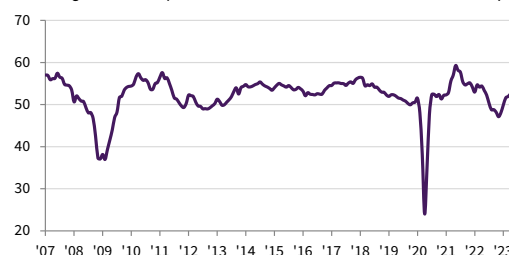


Export Climate Index

sa, >50 = growth since previous month

51.4

May '23



Top export markets, East of England

Rank	Market	Weight	Output Index, May '23
1	Netherlands	20.1%	44.2
2	USA	19.1%	54.3
3	Germany	9.7%	53.9
4	France	7.6%	51.2
5	Ireland	5.1%	51.9

New Business Index
Dec '22 - May '23

Future Activity Index
Dec '22 - May '23

Export Climate Index
Dec '22 - May '23

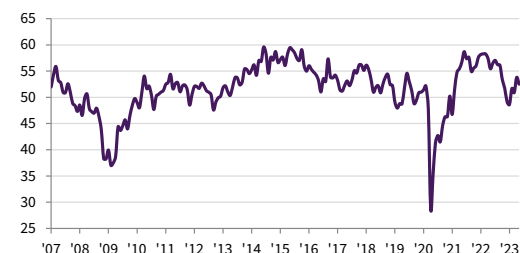
Business capacity

Workforce continues to expand solidly in May

Private sector employment in the East of England rose for the fourth consecutive month in May, following a brief two-month period of job shedding at the turn of the year. The rate of growth slowed from April's robust pace but remained stronger than both the long-run and UK averages.

Recruitment was again driven by service providers, although a mild upturn in manufacturing workforces was also sustained.

Employment Index 52.5
sa, >50 = growth since previous month May '23

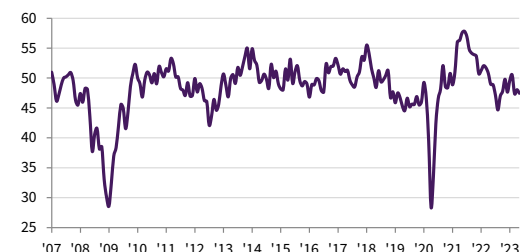


Incomplete work falls further

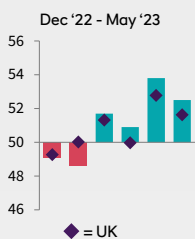
The volume of outstanding business held by private sector firms in the East of England fell further in May. Backlogs have declined every month since May 2022 except for a slight increase in February.

The East of England was one of ten UK regions to record falling backlogs. London and the South East were the only areas to register higher incomplete work in May.

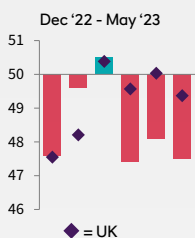
Outstanding Business Index 47.5
sa, >50 = growth since previous month May '23



Employment Index



Outstanding Business Index



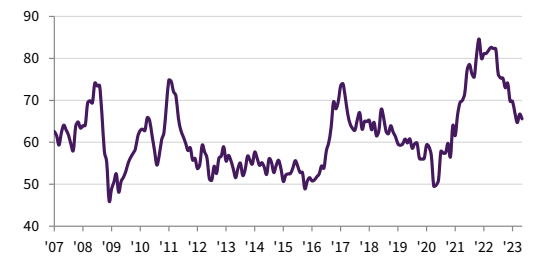
Prices

Input cost inflation resumes downward trend

May data signalled another sharp rise in average input prices in the East of England's private sector economy. Continuing the recent trend, input price inflation was steeper at service providers than manufacturers, heavily linked to wage pressures.

Having picked up slightly in April, the rate of inflation moderated and was the second-weakest in 28 months. The seasonally adjusted Input Prices Index was, however, still well above the long-run average of 58.9.

Input Prices Index 65.6
sa, >50 = inflation since previous month May '23

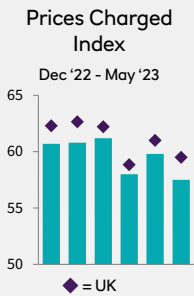
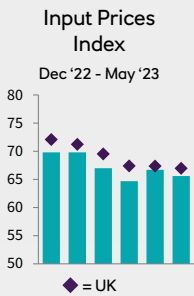
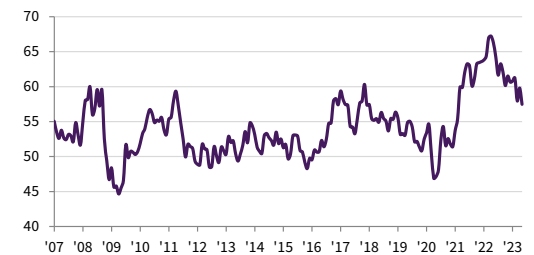


Weaker rise in output charges in May

Charges levied for goods and services rose for the thirty-fifth consecutive month in May. Having picked up in April, the rate of inflation decelerated to a 27-month low. The East of England registered the second-weakest rate of charge inflation among the 12 UK regions, with only Northern Ireland posting a slower increase in May.

Charge inflation remained well above the long-run survey trend, however, as firms continued to pass on higher input costs to customers.

Prices Charged Index 57.5
sa, >50 = inflation since previous month May '23



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 '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	50
7	Basic Metals	0.93	50
8	Transport	0.66	55
9	Textiles & Clothing	0.43	50

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '23
1	Transport & Communication	1.17	50
2	Business-to-business Services	1.12	55
3	Hotels, Restaurants & Catering	1.03	55
4	Personal & Community Services	0.94	55
5	Computing & IT Services	0.87	60
6	Financial Intermediation	0.67	60

UK sector focus

Transport & Communication

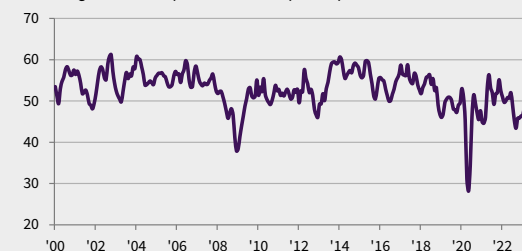
Almost all areas of the UK services economy saw growth in business activity in the three months to May, the only exception being the Transport & Communications sector. Here, activity fell - albeit only slightly - in the latest three-month period, thereby resuming a downward trend after a brief return to growth in Q1.

The survey data pointed to weakness in underlying demand, with inflows of new work in decline. Businesses in the sector reacted to falling workloads by reducing workforce numbers, in line with the trend seen since the end of last year. That said, the latest round of job cuts was only marginal as firms showed greater confidence towards the outlook.

Cost pressures remained historically elevated, although they did at least ease further from the record highs seen in 2022. This was reflected in a slower rise in prices charged, the weakest for almost two-and-a-half years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Almost all UK nations and regions saw a rise in business activity in May, the only exception being Wales where output fell marginally and for the first time in four months. London once again recorded by far the strongest growth rate, albeit one that was slightly slower than in April. In fact, only the West Midlands saw an acceleration in the rate of expansion in business activity.

Employment

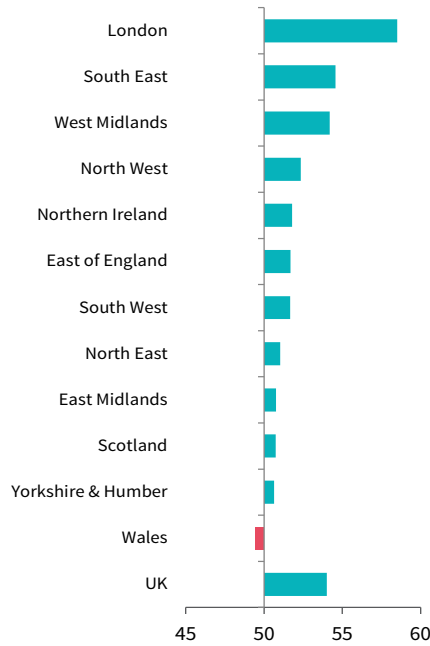
The vast majority of areas monitored by the survey recorded an increase in private sector employment in May. Scotland topped the rankings for job creation for the first time since June 2018, pushing Northern Ireland* into second position. Only the North East and Wales saw decreases in staffing levels, and even there the declines were modest and marginal respectively.

Future Activity

Business expectations remained positive across the board in May, although they weakened in three-quarters of the areas monitored. The West Midlands went against the trend and recorded the strongest overall optimism for the fifth month running. At the other end of the scale, firms in Northern Ireland were the least upbeat towards the outlook.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '22	48.0	47.9	48.1	60.0	49.1	47.6	69.8	60.7
Jan '23	48.4	50.6	49.9	69.1	48.6	49.6	69.8	60.8
Feb '23	52.0	54.8	51.6	68.1	51.7	50.5	67.0	61.2
Mar '23	50.0	53.3	51.9	72.0	50.9	47.4	64.7	58.0
Apr '23	53.1	55.0	52.4	74.9	53.8	48.1	66.7	59.8
May '23	51.7	51.8	51.4	74.8	52.5	47.5	65.6	57.5

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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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