

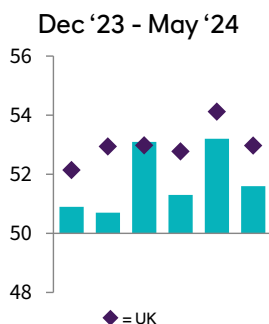


NatWest

NatWest East of England PMI[®]

Output growth slows as new business falls

East of England Business Activity Index



Key findings

Fastest drop in new work since last November

Employment remains broadly stable

Input price inflation returns to long-run trend level

Private sector output in the East of England rose only modestly in May as incoming new work fell, according to the latest NatWest PMI[®] data. The 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 to signal growth of output in the region for the sixth month running. The Index fell to 51.6, from April’s 53.2, indicating only a modest rate of expansion that was below the UK average (53.0).

The East of England was the only UK region to record a fall in new business in May, and at the fastest rate since last November. Employment held steady, however, and companies remained confident of growth over the next 12 months. Input price inflation slowed to a three-and-a-half year low and was in line with the long-run survey trend.

Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board:

"A drop in new work was a concern in May, with the East of England the only UK region to post an outright decline in demand. But overall growth of output was maintained and employment held broadly stable, so it is too early to predict a return to the weakness seen during the second half of last year. Companies remain relatively upbeat regarding the year-ahead outlook, expecting inflation to ease further and interest rates to start falling. A post-election boost to demand is also possible. Encouragingly, price pressures eased notably in May, with a steep drop in input cost inflation returning it to the 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

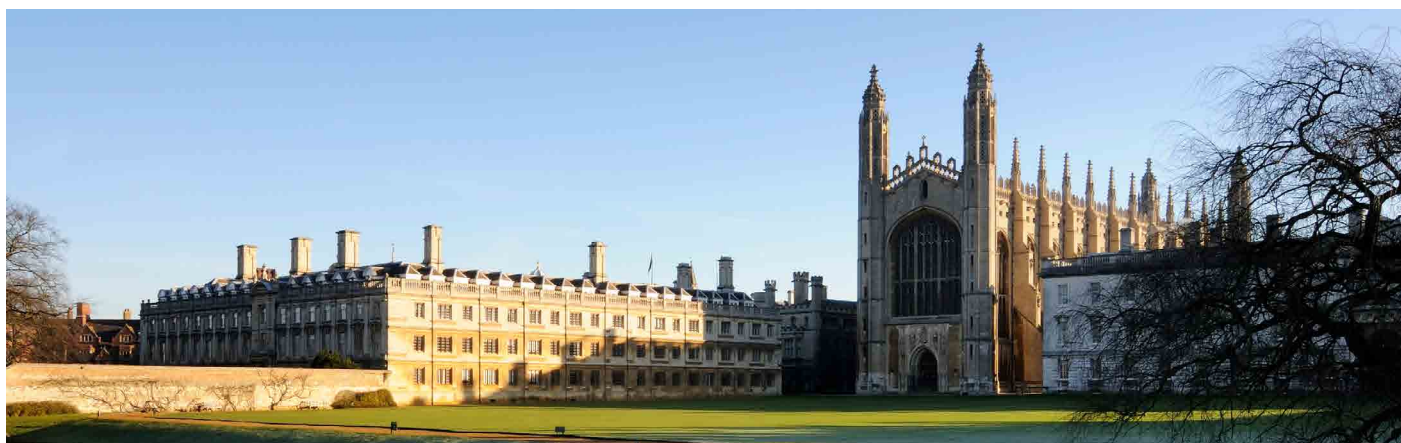
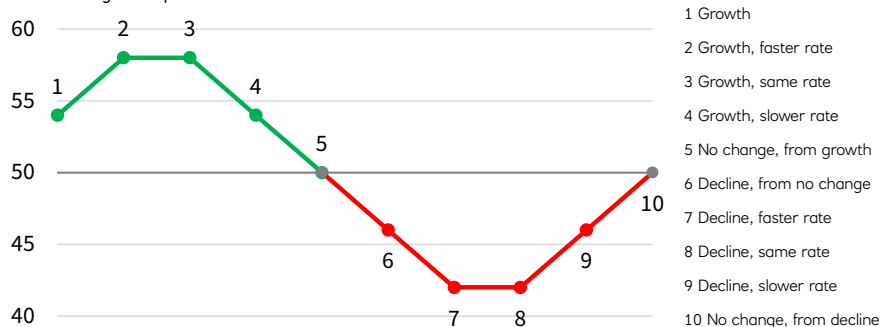
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

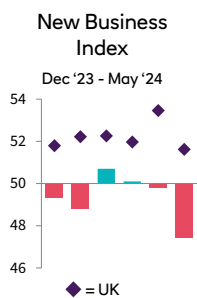
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



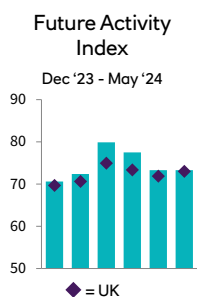
Demand and outlook



Declining new orders contrasts with rest of UK

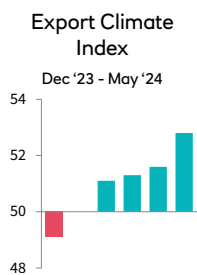
The volume of incoming new business received by private sector firms in the East of England fell at the fastest rate since last November in May. Demand has contracted nine times in the past 11 months. Firms reported delays in completing new contracts, high interest rates deterring customers and challenging conditions in the agricultural sector.

The East of England was the only UK region to post lower new work in May. The overall increase at the UK level was, however, the slowest in the current six-month upturn.



Expectations remain relatively strong

Companies remained positive in their expectations for output growth over the next 12 months. Confidence was linked to lower interest rates and inflation, a recovery in the housing market, new products and a potential post-election rebound in demand. The Future Activity Index was unmoved on April's three-month low but remained above its long-run trend level of 69.5. The East of England was the fifth most optimistic UK region in May, down from third place in April.



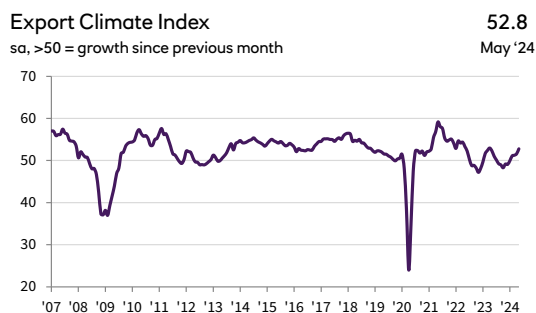
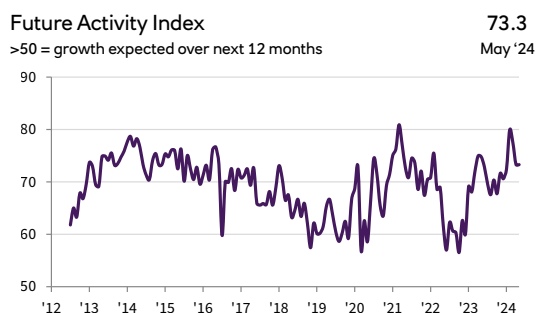
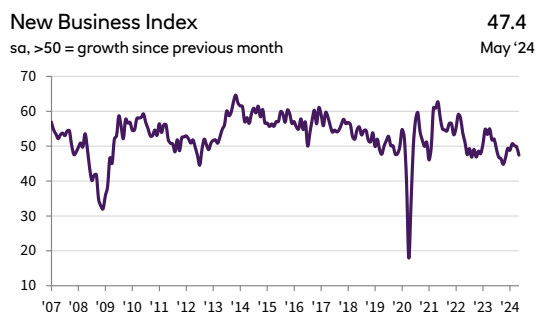
Exports

Export conditions post strongest improvement in 13 months

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 the best improvement in export demand conditions for firms in the East of England for 13 months in May. The Index rose to 52.8, indicating a fourth successive month of growth in output across the region's export markets.

Four of the region's top five international markets registered higher output in May, led by the Netherlands and the US. France posted a modest decline in output.

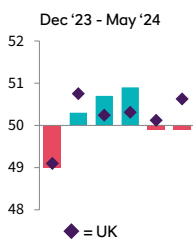


Top export markets, East of England

Rank	Market	Weight	Output Index, May '24
1	USA	23.5%	54.5
2	Germany	10.4%	52.4
3	Netherlands	9.9%	55.1
4	France	8.8%	48.9
5	Ireland	6.1%	52.5

Business capacity

Employment Index



Employment remains broadly unchanged in May

Private sector employment in the East of England remained little-changed compared with one month earlier in May, contrasting with jobs growth throughout the first quarter of 2024. Some firms reported recruitment linked to new work and efforts to build spare capacity, while others reported not replacing leavers and pressure to reduce costs due to weak demand.

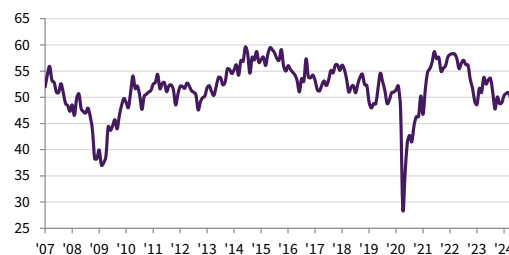
Across the UK as a whole, private sector employment rose for the fifth month running, albeit only slightly.

Employment Index

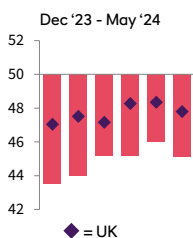
sa, >50 = growth since previous month

49.9

May '24



Outstanding Business Index



Faster decline in outstanding work

Private sector firms in the East of England private sector economy worked through their existing order books at a faster rate in May, reflecting a drop in new work during the month. The rate of decline was the sharpest since January and stronger than the trend over the past two years.

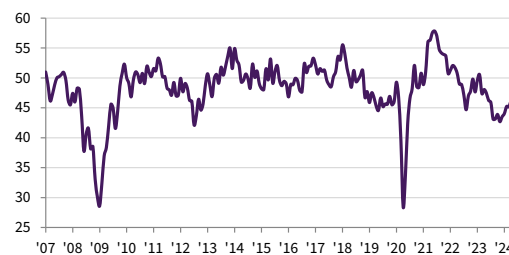
Among the 12 UK nations and regions, only Wales recorded a steeper drop in backlogs than the East of England in May.

Outstanding Business Index

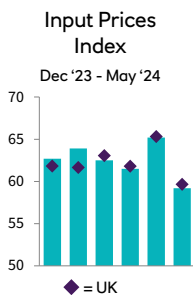
sa, >50 = growth since previous month

45.1

May '24



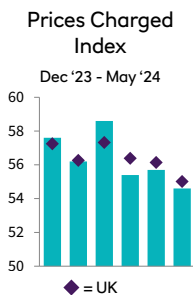
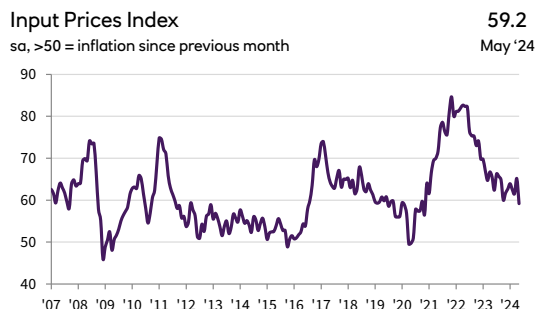
Prices



Input price inflation returns to long-run average

May data signalled a sharp slowdown in the rate of input cost inflation. The seasonally adjusted Input Prices Index posted the fifth largest month-on-month drop on record, taking it to a three-and-a-half year low and broadly in line with the long-run average of 59.1. That said, firms still reported a wide range of sources of cost pressures, including wages, shipping, commodities and IT.

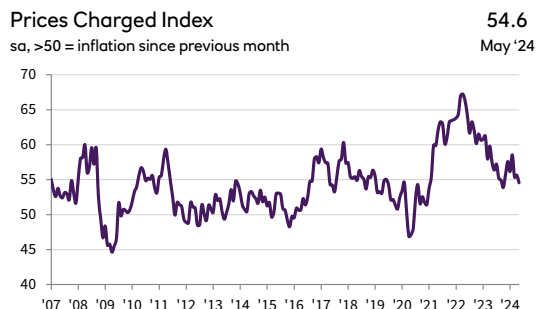
The rate of inflation in the East of England was slightly below the UK average in May.



Weaker rise in output prices

Private sector firms in the East of England continued to pass on greater cost burdens to customers in May through higher charges. The rate of inflation eased to a seven-month low, but remained above the long-run average.

Across the UK, the South East posted the strongest rate of output price inflation, and the North West the weakest.



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 '24*
1	Electrical & Optical	1.33	55
2	Mechanical Engineering	1.24	55
3	Chemicals & Plastics	1.11	55
4	Other Manufacturing	1.01	55
5	Timber & Paper	1.01	55
6	Food & Drink	0.93	55
7	Basic Metals	0.79	55
8	Transport	0.71	55
9	Textiles & Clothing	0.43	55

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '24*
1	Transport & Communication	1.22	55
2	Hotels, Restaurants & Catering	1.13	55
3	Business-to-business Services	1.09	55
4	Personal & Community Services	1.04	55
5	Computing & IT Services	0.91	55
6	Financial Intermediation	0.65	55

UK sector focus

Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

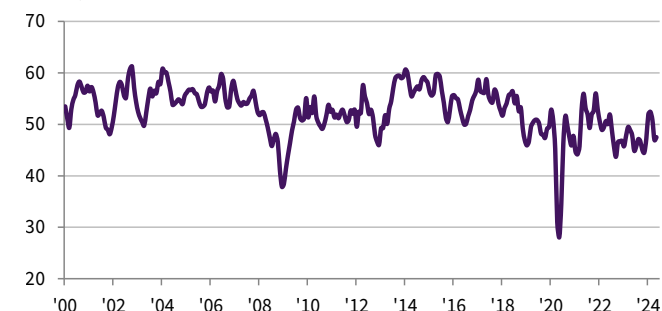
Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

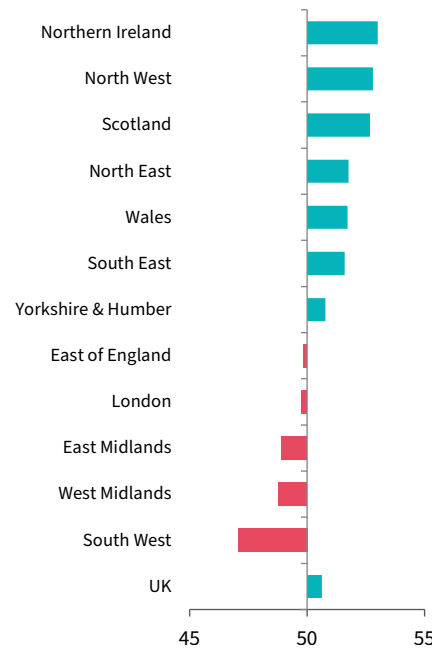
Business Activity Index

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



Employment Index

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

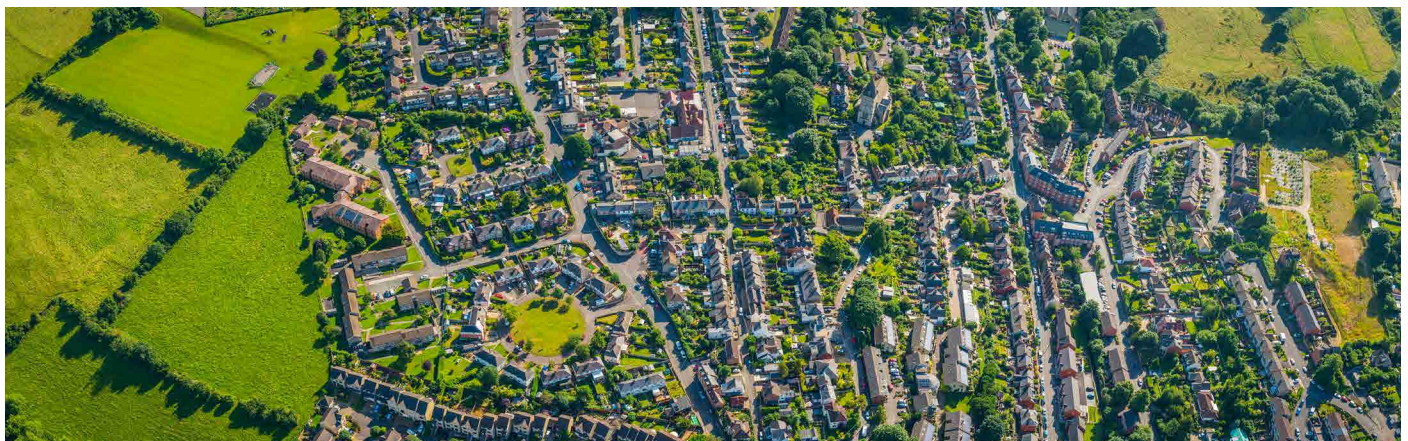


Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '23	50.9	49.3	49.1	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
Feb '24	53.1	50.7	51.1	79.9	50.7	45.2	62.5	58.6
Mar '24	51.3	50.1	51.3	77.5	50.9	45.2	61.5	55.4
Apr '24	53.2	49.8	51.6	73.3	49.9	46.0	65.2	55.7
May '24	51.6	47.4	52.8	73.3	49.9	45.1	59.2	54.6

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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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