

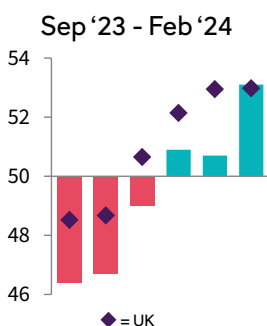


NatWest

NatWest East of England PMI[®]

Private sector expansion strengthens as confidence surges

East of England Business Activity Index



Key findings

Joint-fastest increase in output in 22 months

Expectations second-highest on record

First rise in new business for eight months

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 further above the no-change mark of 50.0 in February to signal faster growth of output in the region. The Index posted 53.1, up from 50.7 in January, indicating the joint-strongest growth in 22 months (matching the expansion in April 2023). The rate of growth was broadly in line with the UK average.

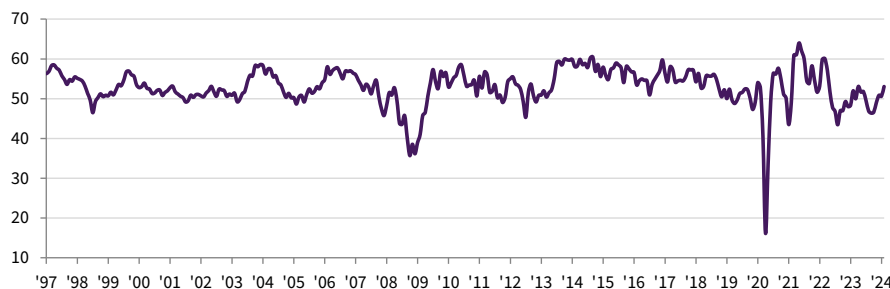
New business rose for the first time in eight months, and the 12-month outlook for activity surged to the second-highest on record. Employment growth was sustained and input price inflation eased for the first time in four months, although charge inflation hit a 10-month high.

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

"The East of England moved up a gear in February, as renewed new business growth boosted output. Moreover, the 12-month outlook for growth was the second-highest since the expectations series began in 2012. Companies are widely anticipating an economic recovery spurred by lower inflation and interest rates. Cost pressures eased for the first time in four months but charges were raised at the strongest pace since last April, so price pressures still have some way to go to return their long-run trends."

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

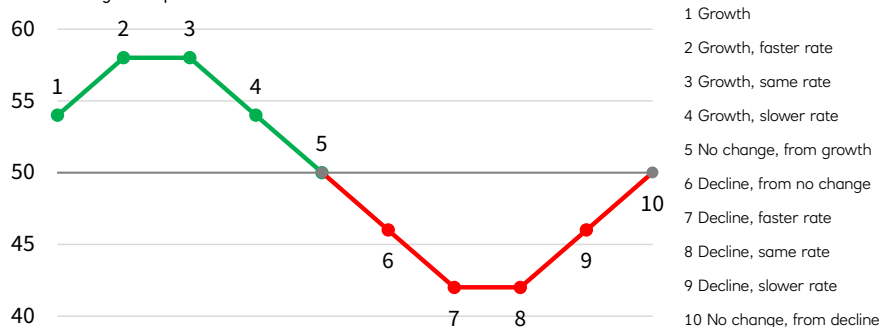
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

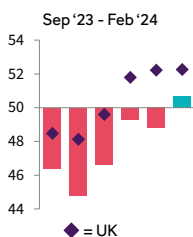
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



New work increases for first time since mid-2023

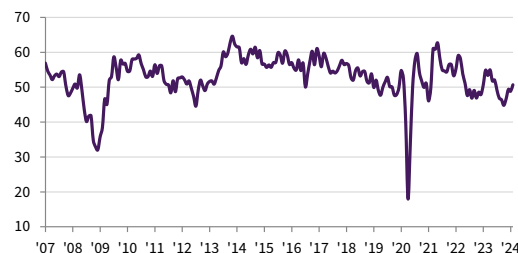
Private sector firms in the East of England reported a first monthly expansion in new business volumes in eight months in February, linked to new clients and greater confidence due to the recent peak in interest rates. The rate of expansion was only marginal, however, and the weakest among the nine UK nations and regions posting growth. London continued to see the fastest growth, while Wales, the North East and Yorkshire & Humber were the only areas to post declines.

New Business Index

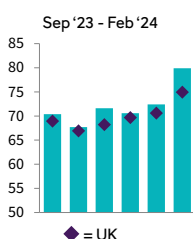
sa, >50 = growth since previous month

50.7

Feb '24



Future Activity Index



Expectations second-highest on record

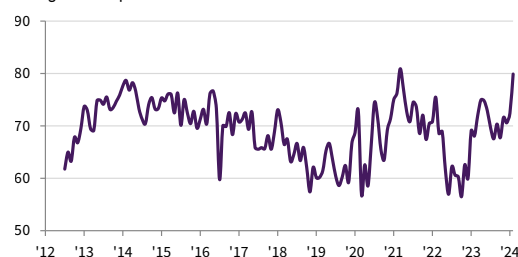
Companies were strongly positive in their expectations for output growth in February, linked to hopes of an economic recovery as interest rates and inflation fall. The Future Activity Index posted the second-highest reading since it was first compiled in mid-2012, with only March 2021 seeing a stronger level of confidence.

Future Activity Index

>50 = growth expected over next 12 months

79.9

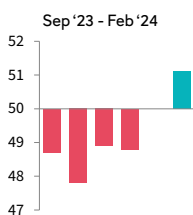
Feb '24



The East of England ranked second among the 12 UK regions and nations in the latest period, with only the South East registering a stronger outlook.

Exports

Export Climate Index



Export markets improve in February

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 an overall improvement in export demand conditions for firms in the East of England in February. The Index rose from 50.0 in January to 51.1, indicating modest growth in output across the region's export markets.

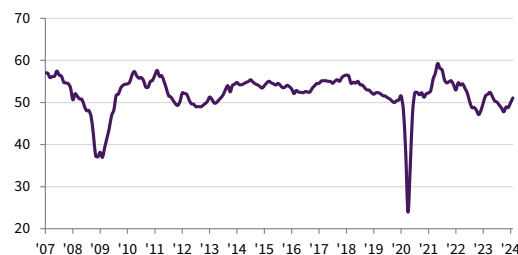
Among the top five international markets, output rose in the US and Ireland, but fell in France, Germany and the Netherlands.

Export Climate Index

sa, >50 = growth since previous month

51.1

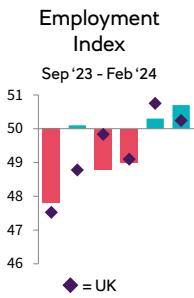
Feb '24



Top export markets, East of England

Rank	Market	Weight	Output Index, Feb '24
1	Netherlands	20.1%	49.7
2	USA	19.1%	52.5
3	Germany	9.7%	46.3
4	France	7.6%	48.1
5	Ireland	5.1%	54.4

Business capacity

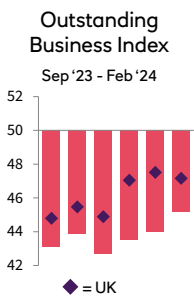
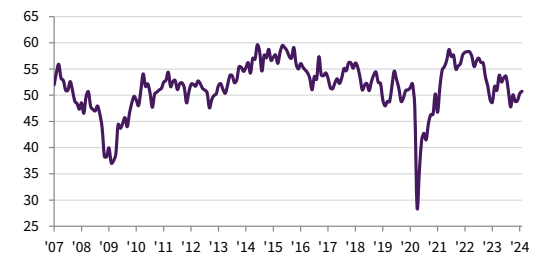


Further marginal rise in employment

Private sector employment in the East of England rose for the second month running in February. The rate of staff creation accelerated slightly since January, but remained only marginal.

The East of England was among six English regions and UK nations to record jobs growth, with the UK as a whole posting only a fractional increase. Scotland and London remained the strongest-performing in terms of jobs growth.

Employment Index
sa, >50 = growth since previous month
50.7
Feb '24

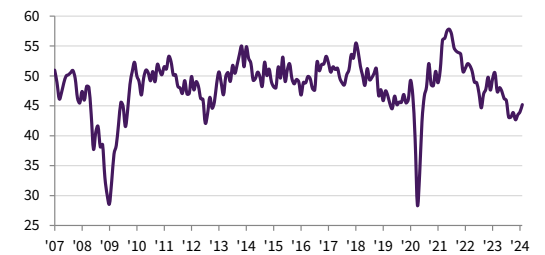


Slower drop in backlogs

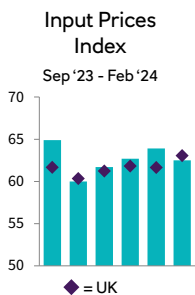
The level of outstanding business in the East of England private sector economy continued to decline in February, despite a rise in new work. The rate of backlog depletion was strong, but eased further to the weakest since last July. Incomplete workloads have fallen 21 times in the past 22 months.

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

Outstanding Business Index
sa, >50 = growth since previous month
45.2
Feb '24



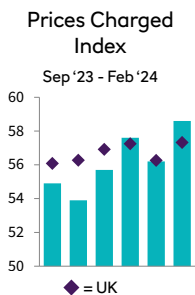
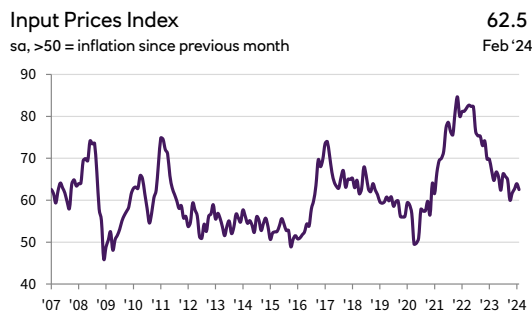
Prices



Input price inflation eases for first time in four months

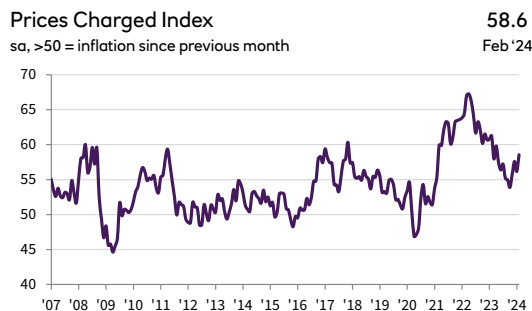
Average input prices continued to rise strongly in February, with the seasonally adjusted Input Prices Index remaining above its long-run trend level of 59.0. Cost pressures remained stronger at service providers than manufacturers. Wages and higher supplier rates due to shipping disruption in the Red Sea were mentioned.

The rate of inflation eased for the first time since last October, however, and was among the lowest in the past three years. It was also slightly below the UK average. Input cost inflation was highest in London, and lowest in Northern Ireland.



Charge inflation rises to 10-month high

Prices set by private sector firms for goods and services rose in February, extending the current sequence of inflation to three years and eight months. The rate of inflation accelerated to a 10-month high, and remained well above the long-run trend. Output price inflation in the East of England was the second-highest in the UK, behind London.



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, Feb '24 ⁺
1	Electrical & Optical	1.33	55
2	Mechanical Engineering	1.24	55
3	Chemicals & Plastics	1.11	50
4	Other Manufacturing	1.01	45
5	Timber & Paper	1.01	50
6	Food & Drink	0.93	50
7	Basic Metals	0.79	50
8	Transport	0.71	55
9	Textiles & Clothing	0.43	45

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '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	50
5	Computing & IT Services	0.91	55
6	Financial Intermediation	0.65	55

UK sector focus

Transport Manufacturing

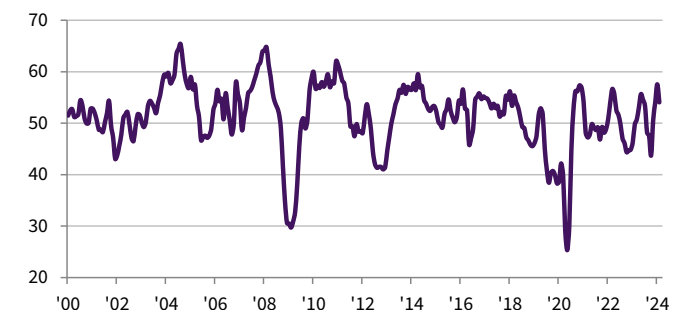
Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

Business Activity Index

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



Employment Index

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

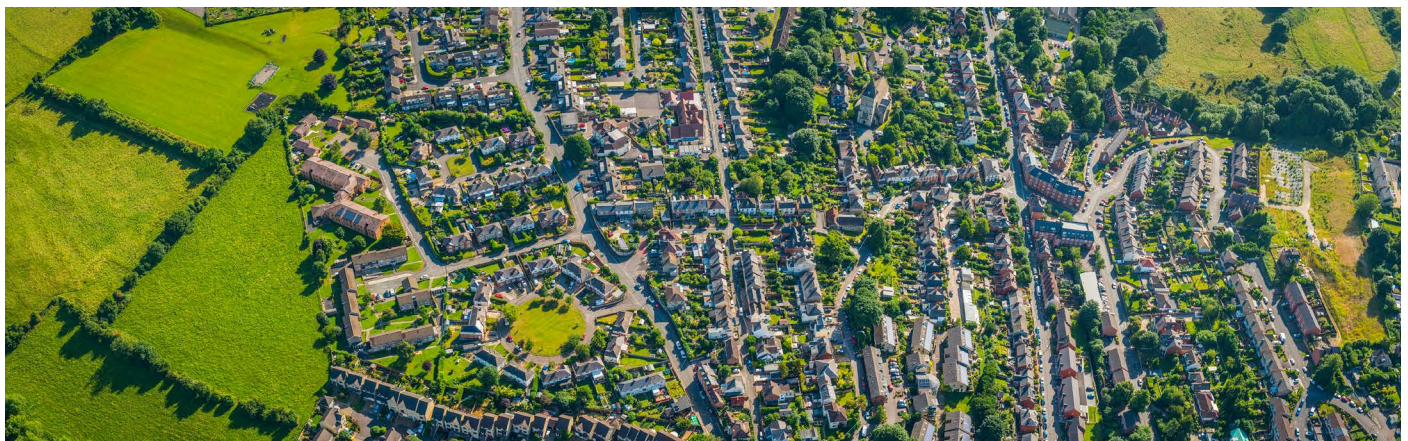


Future Activity Index

>50 = growth expected over next 12 months, Feb '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
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
Feb '24	53.1	50.7	51.1	79.9	50.7	45.2	62.5	58.6

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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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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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