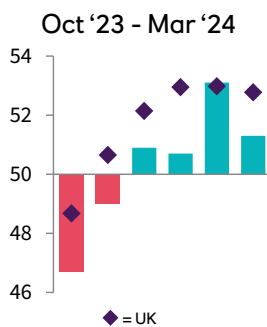




NatWest East of England PMI[®]

Output growth and optimistic outlook maintained despite flat new business

East of England Business Activity Index



Key findings

New business broadly unchanged in March

Outlook for activity among highest on record

Inflationary pressures ease

Private sector output in the East of England rose further in March and companies remained strongly confident regarding the next 12 months, despite a stalling in demand during the month. 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 March to signal growth of output in the region for the fourth month running. The Index posted 51.3, down from 53.1 in February, indicating modest growth that was slightly below the UK average.

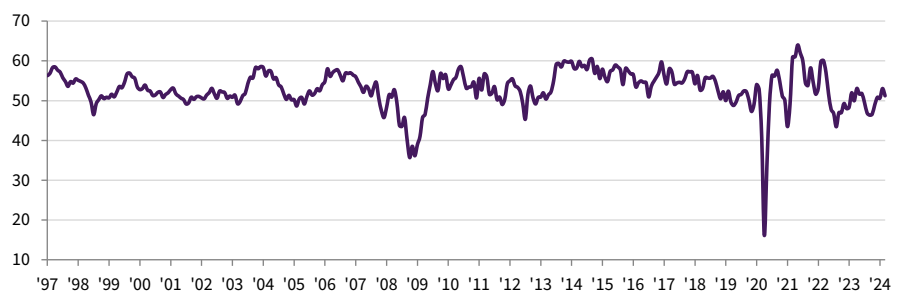
New business was broadly unchanged following February's resumption in growth, but the 12-month outlook for activity remained among the highest on record. Employment growth was maintained and input price inflation was the second-lowest in over three years.

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

"Although output growth eased in March due to a pause in new business growth, companies in the East of England remain bullish on their prospects for the coming months with the Future Activity Index remaining close to its record high. The prevailing view is that falling inflation and interest rates will stimulate demand, possibly aided by a post-election bounce. Both price indices moved lower in March, and they may descend below their long-run trend levels in the next month or two."

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

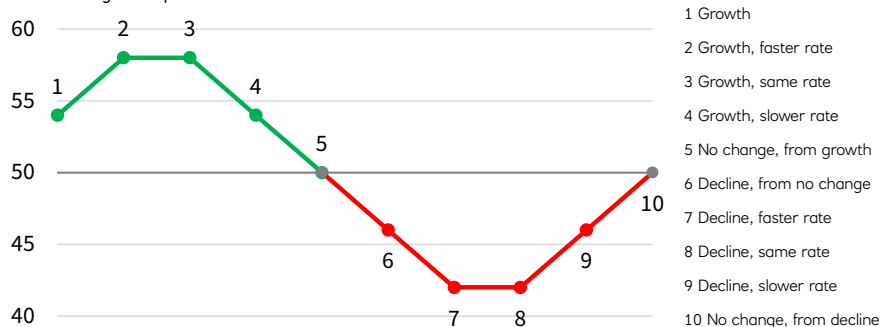
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

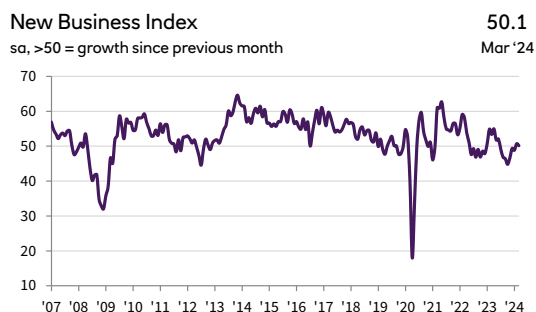
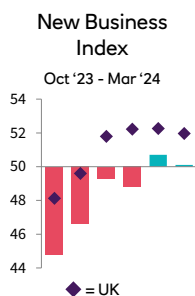
50.0 = no change since previous month



Demand and outlook

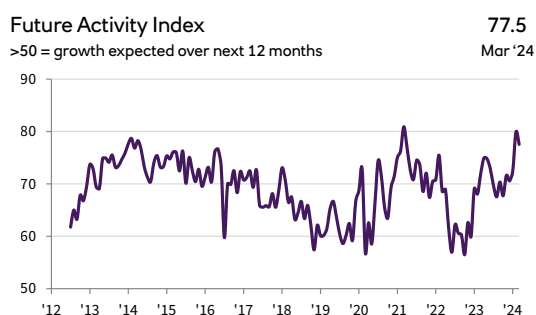
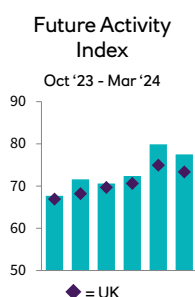
Level of new work little-changed from February

Having risen for the first time in eight months in February, the volume of incoming new business received by private sector firms in the East of England was almost unchanged in March. This contrasted with sustained growth in demand across the UK as a whole, where all nations and regions recorded increases except for Yorkshire & Humber and the North East.



Expectations remain among strongest on record

Although demand was flat in March, companies remained strongly positive in their expectations for output growth over the next 12 months. The Future Activity Index posted the sixth-highest reading since it was first compiled in mid-2012, and the second-highest in three years. Confidence was linked to lower inflation and interest rates leading to a rise in disposable incomes, as well as new products, export growth and a possible domestic post-election bounce.



The East of England ranked third among the 12 UK regions and nations in the latest period, behind the West Midlands and South East.

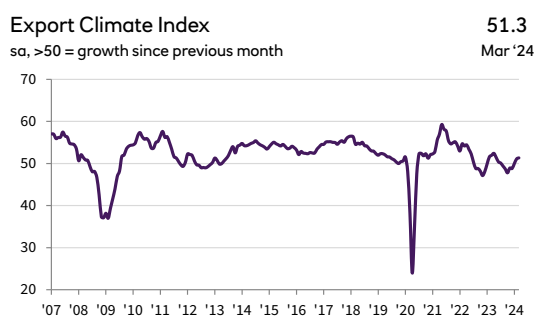
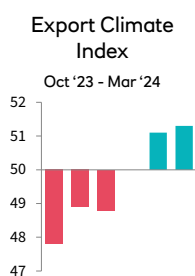
Exports

Export markets continue to improve in March

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 sustained improvement in export demand conditions for firms in the East of England in March. The Index rose to 51.3, indicating further modest growth in output across the region's export markets.

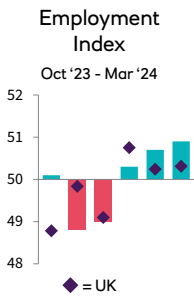
Among the top five international markets, output rose in the US, Netherlands and Ireland, but fell in France and Germany.



Top export markets, East of England

Rank	Market	Weight	Output Index, Mar '24
1	Netherlands	20.1%	50.3
2	USA	19.1%	52.1
3	Germany	9.7%	47.7
4	France	7.6%	48.3
5	Ireland	5.1%	53.2

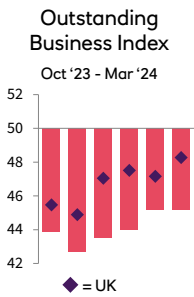
Business capacity



Employment growth strengthens slightly

Private sector employment in the East of England rose for the third month running in March. The rate of staff creation remained modest, but strengthened slightly to the highest in seven months. Recruitment was partly linked to an expected pick-up in demand.

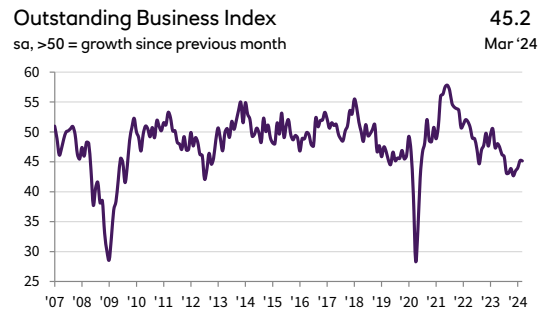
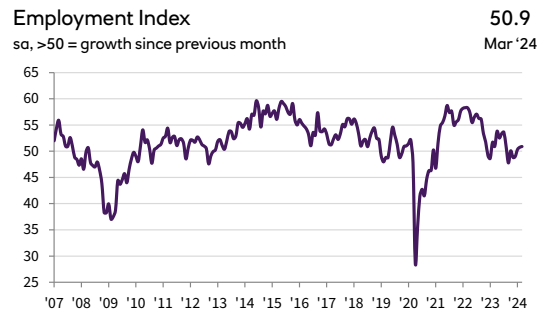
The East of England posted a stronger rise in employment than the UK as a whole in March. In fact, only Northern Ireland and the South East recorded greater increases in jobs than the East of England in the latest period.



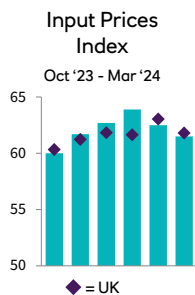
Slower drop in backlogs

Private sector firms in the East of England private sector economy continued to work through their existing order books in March. The rate of backlog depletion was strong, but unchanged from February when it was the softest for seven months. Incomplete workloads have fallen 22 times in the past 23 months.

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

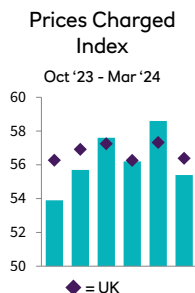
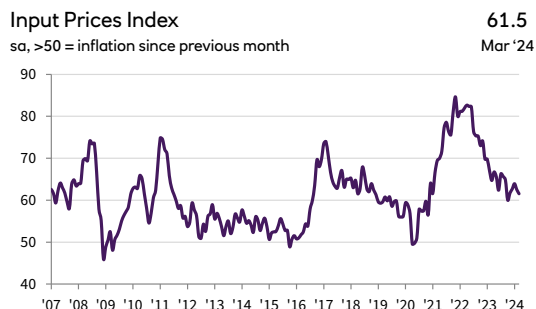


Prices



Input price inflation second-weakest in over three years

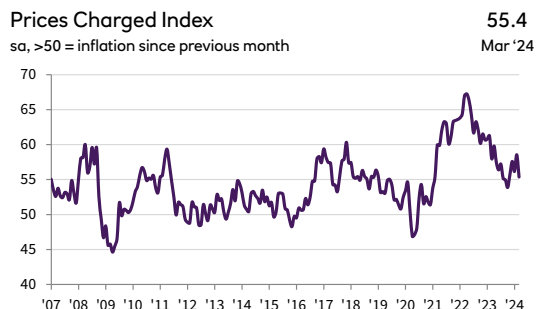
Cost pressures in the East of England remained strong overall in March, but the rate of input price inflation eased further to the second-weakest since November 2020. Labour costs were the main source of inflationary pressure, along with shipping linked to the ongoing crisis in the Red Sea. The overall rate of inflation remained above the long-run survey trend, and was broadly in line with the UK average.



Slower rise in output prices

Private sector firms in the East of England continued to raise their prices for goods and services in March, passing on greater cost burdens to customers. The rate of inflation remained stronger than the long-run average, but slowed since February and was among the weakest over the past three years.

Across the UK, London posted the strongest rate of output price inflation, and Scotland 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, Mar '24 ⁺
1	Electrical & Optical	1.33	48
2	Mechanical Engineering	1.24	52
3	Chemicals & Plastics	1.11	52
4	Other Manufacturing	1.01	50
5	Timber & Paper	1.01	52
6	Food & Drink	0.93	50
7	Basic Metals	0.79	48
8	Transport	0.71	47
9	Textiles & Clothing	0.43	45

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '24 ⁺
1	Transport & Communication	1.22	52
2	Hotels, Restaurants & Catering	1.13	55
3	Business-to-business Services	1.09	52
4	Personal & Community Services	1.04	48
5	Computing & IT Services	0.91	52
6	Financial Intermediation	0.65	52

UK sector focus

Hotels, Restaurants & Catering

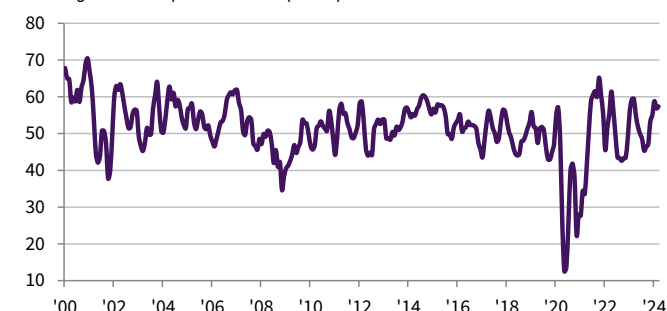
The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

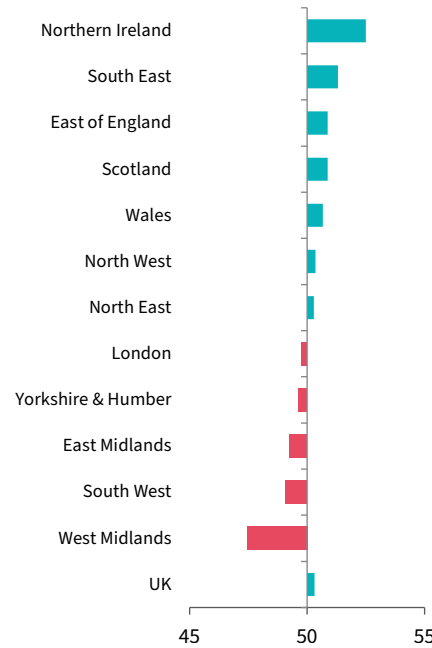
Business Activity Index

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



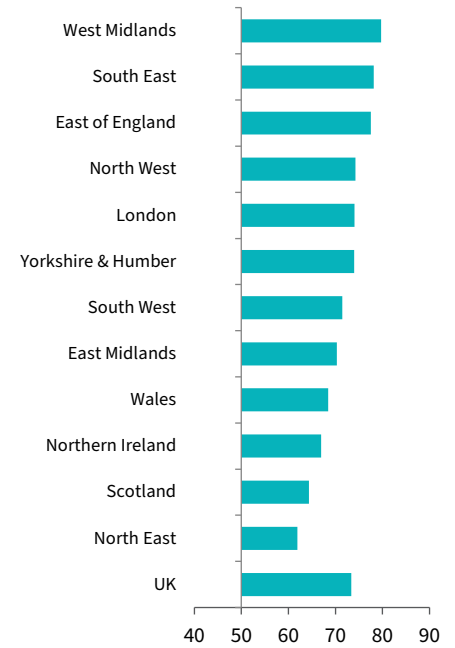
Employment Index

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

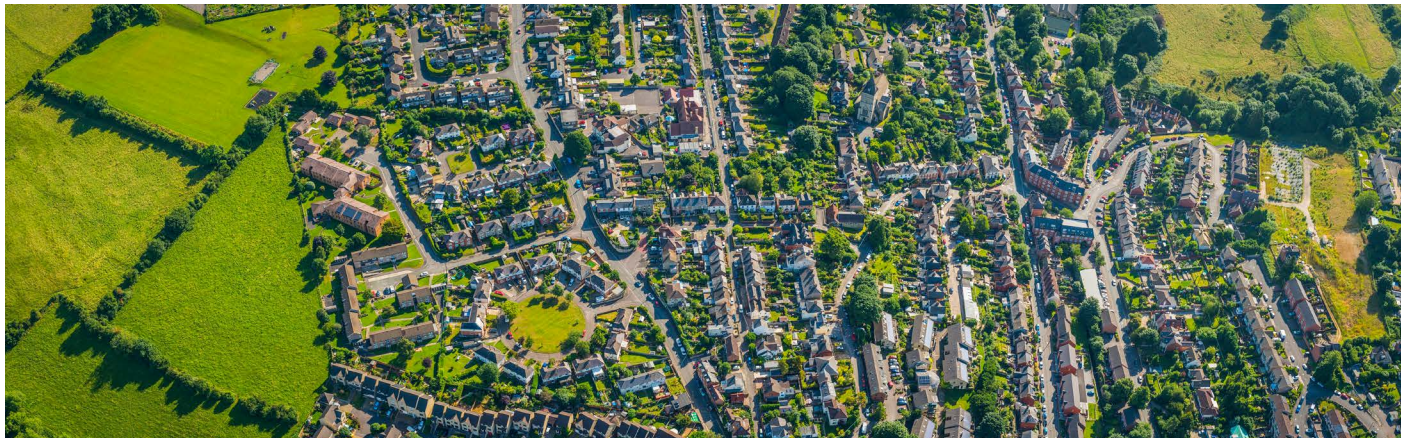


Future Activity Index

>50 = growth expected over next 12 months, Mar '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
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
Mar '24	51.3	50.1	51.3	77.5	50.9	45.2	61.5	55.4

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