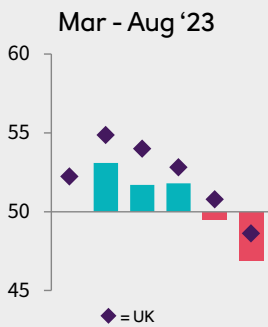


NatWest East of England PMI[®]

Fastest drop in output for a year in August

East of England Business Activity Index



Key findings

Steeper declines in new and outstanding work

Weakest outlook in year-to-date

Charge inflation eases to 31-month low but cost pressures remain high

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 below the crucial no-change mark of 50.0 at 46.9 in August, down from 49.5 in July. This signalled a second consecutive monthly decline in private sector activity and the fastest contraction since August 2022. Firms reported that high interest rates, inflation and a cooling economy were weighing on customer spending. Levels of both new and outstanding business fell at steeper rates, while jobs growth slowed to a crawl. More positively, output price inflation eased to a 31-month low as firms faced fierce competition for business, despite cost pressures remaining stubbornly high.

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

"The August PMI data continued to head south, with all indices falling since July. The decline in output was among the steepest since the pandemic, and the fastest since July 2012 prior to it. It looks like high interest rates and inflation are starting to have a real impact on demand, with new business dropping sharply and firms reporting fierce competition for business. This helped to lower output price inflation during the month, but firms' input prices continued to rise sharply, especially in the service sector."

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

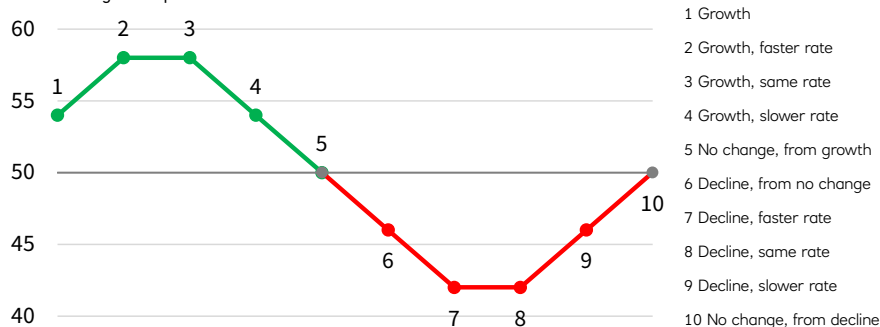
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Steeper drop in new work in August

Private sector firms in the East of England reported a second successive monthly decline in new business volumes in August. Moreover, the rate of contraction accelerated to a ten-month record and was faster than the UK average. Anecdotal evidence partly attributed weaker demand to rising interest rates affecting spending.

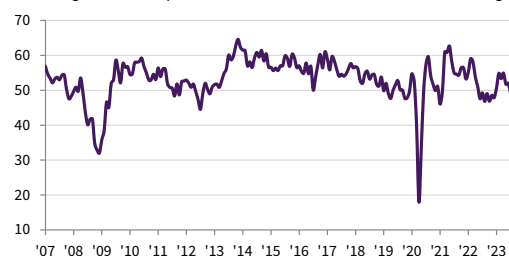
Manufacturers and service providers both experienced falling demand in August, with the former reporting a steeper drop in new orders.

Expectations hit new 2023 low

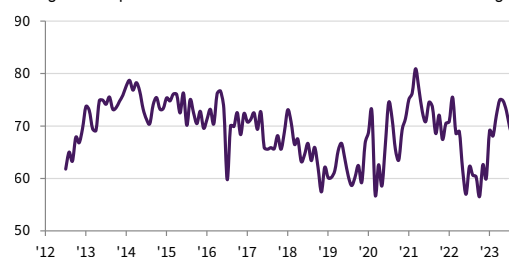
Private sector firms in the East of England remained confident of rising output over the next 12 months in August. The strength of sentiment eased to the lowest in 2023 so far, however, and was below the series average (since 2012). Interest rates, inflation, labour shortages and Brexit were all cited as undermining confidence.

The East of England posted a weaker outlook than all other English regions except the North East, but stronger sentiment than in Scotland, Wales and Northern Ireland.

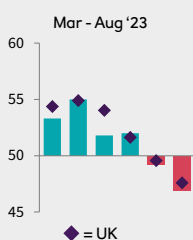
New Business Index
sa, >50 = growth since previous month
46.9
Aug '23



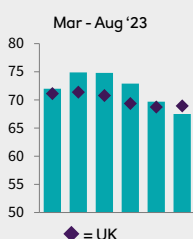
Future Activity Index
>50 = growth expected over next 12 months
67.5
Aug '23



New Business Index



Future Activity Index



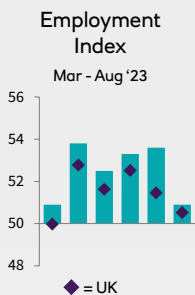
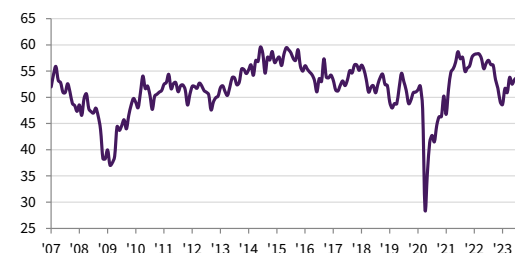
Business capacity

Employment rises only marginally

Private sector employment in the East of England rose for the seventh successive month in August. Firms reported investing in trainees and apprentices as well as replacement hires.

The rate of growth was the joint-weakest over this sequence, but slightly faster than the UK average. Recruitment was again comparatively strong at service providers, although both main sectors posted slower increases in August.

Employment Index 50.9
sa, >50 = growth since previous month Aug '23

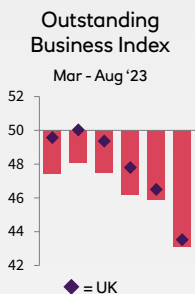
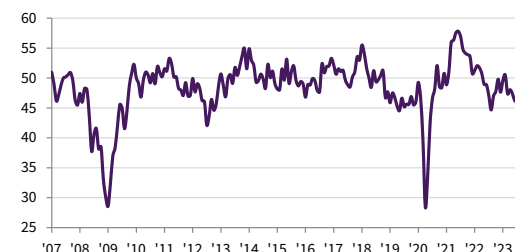


Sharpest decline in backlogs in over three years

The faster drop in new business in August resulted in the steepest decline in backlogged work in over three years. Outstanding business has fallen 15 times in the past 16 months.

The East of England registered a drop in work-in-hand that was broadly in line with the UK average in August.

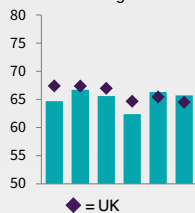
Outstanding Business Index 43.1
sa, >50 = growth since previous month Aug '23



Prices

Input Prices Index

Mar - Aug '23



Input price inflation holds at elevated level

The rate of inflation in average input prices in the East of England's private sector economy held at a strong level, as the seasonally adjusted Input Prices Index was broadly in line with its 2023 average. As has been the case for the past year, service providers faced steeper cost pressures than manufacturers.

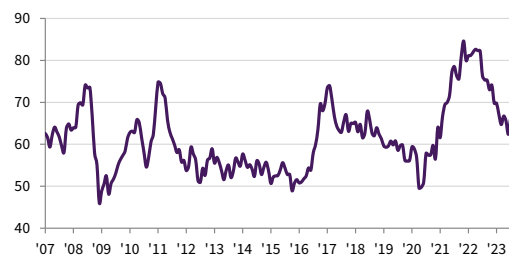
The overall rate of inflation remained well above the long-run average, and slightly greater than the UK trend.

Input Prices Index

sa, >50 = inflation since previous month

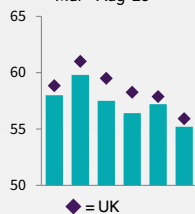
65.7

Aug '23



Prices Charged Index

Mar - Aug '23



Weakest rise in charges since January 2021

Prices set by private sector firms for goods and services rose for the thirty-eighth consecutive month in August. The rate of inflation remained above the long-run survey average but eased to the slowest since January 2021. A number of firms reported increasing competition on price over a shrinking pool of business.

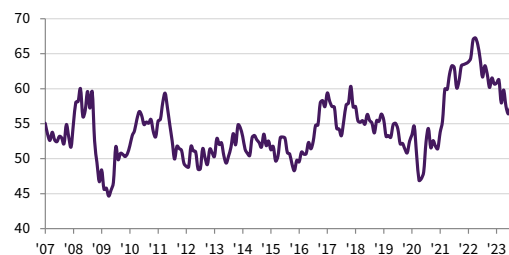
The East of England continued to post a slightly softer rate of charge inflation than the UK average.

Prices Charged Index

sa, >50 = inflation since previous month

55.2

Aug '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, Aug '23
1	Electrical & Optical	1.30	
2	Mechanical Engineering	1.26	
3	Timber & Paper	1.21	
4	Chemicals & Plastics	1.08	
5	Other Manufacturing	1.03	
6	Food & Drink	0.93	
7	Basic Metals	0.93	
8	Transport	0.66	
9	Textiles & Clothing	0.43	

East of England specialisation: Services

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

UK sector focus

Electrical & Optical

There was a sharp decrease in output across the UK's Electrical & Optical sector in the three months to August. The rate of contraction was the quickest seen since the initial pandemic-related shutdowns in spring 2020 and by far the fastest among the nine manufacturing sectors monitored.

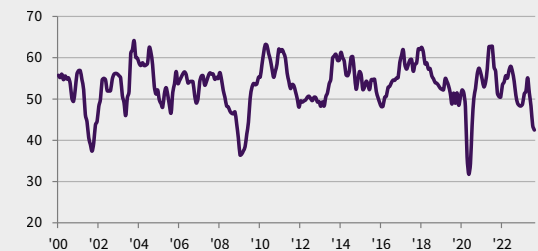
The downturn was driven by a deepening decline in new orders, with export sales falling particularly sharply. With firms reporting a rapid depletion of backlogs of work, job creation in the sector eased to the slowest for over two-and-a-half years.

On the supply side, firms faced a sustained shortening of delivery times on purchases, albeit with the rate of improvement easing. Input cost inflation meanwhile ticked up slightly, but it remained close to its recent three-year low. Output price inflation exhibited an almost identical trend.

Expectations towards future output remained subdued by historical standards despite inching up.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Of the 12 monitored regions and nations, only Wales and London recorded growth in business activity in August. Even here, however, the rates of expansion were marginal. Output was unchanged in Scotland and the West Midlands, while all remaining areas recorded contractions. The steepest decline in activity was seen in Northern Ireland*, followed by the South West.

Employment

The majority of areas recorded a rise in employment in August, although rates of job creation often slowed. Northern Ireland recorded the most marked rise in workforce numbers despite the pace of hiring there slowing to a seven-month low. The North East saw a notable drop in staffing levels, while there were more modest declines in the East Midlands, Wales and West Midlands.

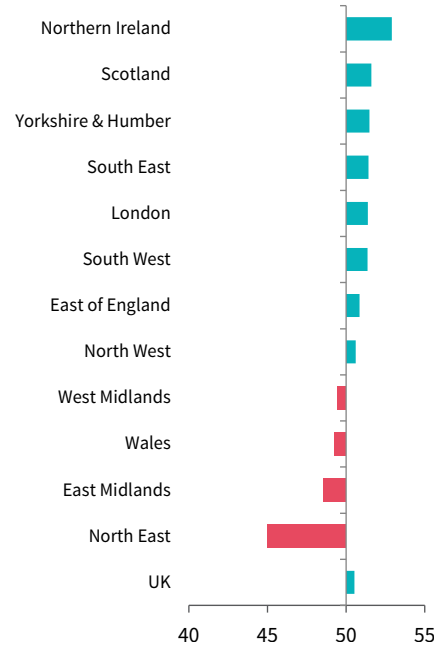
Future Activity

There were varying trends in business expectations, with confidence towards future activity rising in just under half of cases in August. The West Midlands topped the rankings for a second month running and saw sentiment improve to the joint-highest since January 2022. By contrast, the North East recorded the greatest loss of confidence as well as the lowest overall degree of optimism.

Business Activity Index
sa, >50 = growth since previous month, Aug '23



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



Future Activity Index
>50 = growth expected over next 12 months, Aug '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
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
Jun '23	51.8	52.0	50.4	72.9	53.3	46.2	62.4	56.4
Jul '23	49.5	49.2	50.1	69.7	53.6	45.9	66.3	57.2
Aug '23	46.9	46.9	49.4	67.5	50.9	43.1	65.7	55.2

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