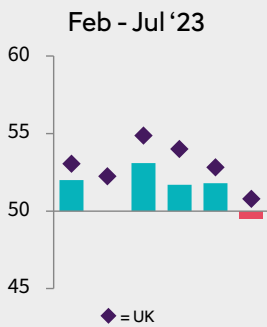


NatWest East of England PMI[®]

Output falls for first time since January

East of England Business Activity Index



Key findings

First decline in new business in 2023 so far

Inflationary pressures strengthen

Solid rise in employment

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 – fell below the crucial no-change mark of 50.0 in July to 49.5, from 51.8 in June. This signalled an overall decline in private sector activity, the first since January. The drop in output in the East of England mainly reflected lower incoming new work for the first time in 2023 so far, linked to economic uncertainty, rising interest rates, a weak housing market and inflation. July data also signalled an upturn in inflationary pressures and a weaker 12-month outlook. More positively, employment rose solidly.

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

"The July PMI data were largely disappointing with output and new orders both falling, and inflationary pressures rising. Demand weakened for the first time in 2023 so far, generating an overall decline in business activity even though outstanding business was cleared at the fastest rate in nearly a year. The East of England was not alone in seeing new business fall, however, with nine other UK regions posting declines in July as only London and the West Midlands registered growth in new work.

"Worryingly, input price inflation accelerated to a three-month high in July and was broadly in line with the average for the first half of 2023, adding to the sense that prices and interest rates will remain stubbornly high for longer than previously expected."

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

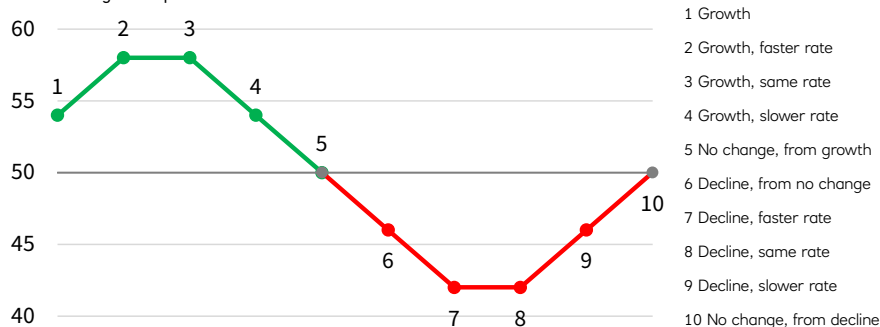
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

New business falls for first time since December

Private sector firms in the East of England reported the first monthly decline in new business volumes in 2023 so far in July. Companies linked weak demand to economic uncertainty, rising interest rates, a weak housing market and inflation. The rate of decline was only marginal, however, and broadly in line with the UK trend.

Manufacturers and service providers experienced falling demand in July, and at broadly similar rates.

Expectations weakest since February

Private sector firms in the East of England remained confident of rising output over the next 12 months at the start of the second half of 2023. The strength of sentiment eased to a five-month low, however, and was only just above the series average (since 2012). High interest rates and persistent inflation undermined confidence.

The East of England posted the fourth-strongest expectations among the 12 UK regions in July, behind the South East, West Midlands and Yorkshire & Humber.

Exports

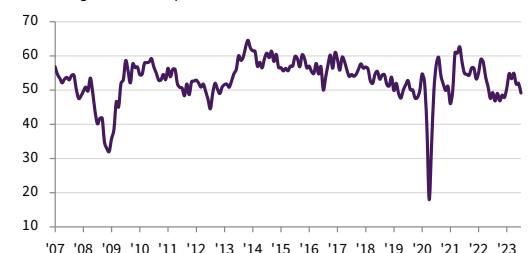
Export conditions stagnate in July

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.

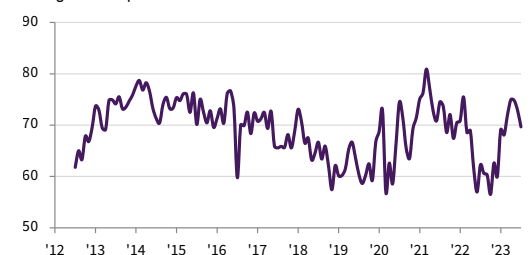
The Export Climate Index fell to 50.1 in July, from 50.4 in June, signalling almost no improvement in the export climate for firms in the East of England. This followed growth in output among the region's top export markets over the previous five months.

Of the five largest export markets, output fell in France, the Netherlands and Germany. This was countered by growth in the US, while Ireland posted no change in activity since June.

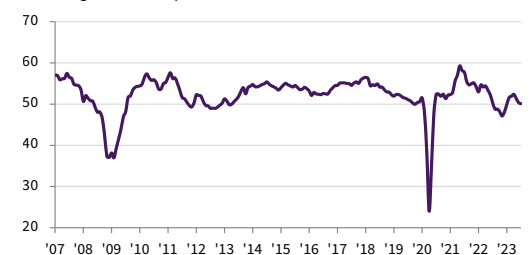
New Business Index
sa, >50 = growth since previous month
Jul '23



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



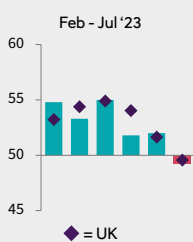
Export Climate Index
sa, >50 = growth since previous month
Jul '23



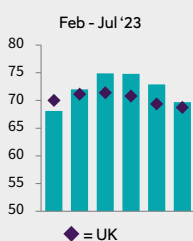
Top export markets, East of England

Rank	Market	Weight	Output Index, Jul '23
1	Netherlands	20.1%	48.3
2	USA	19.1%	52.0
3	Germany	9.7%	48.5
4	France	7.6%	46.6
5	Ireland	5.1%	50.0

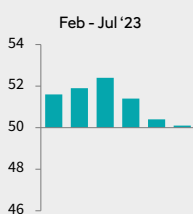
New Business Index
Feb - Jul '23



Future Activity Index
Feb - Jul '23



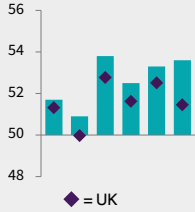
Export Climate Index
Feb - Jul '23



Business capacity

Employment Index

Feb - Jul '23



Employment rises for sixth consecutive month

Private sector employment in the East of England rose for the sixth successive month in July. The rate of growth was the second-fastest in ten months and strong in the context of historic survey data.

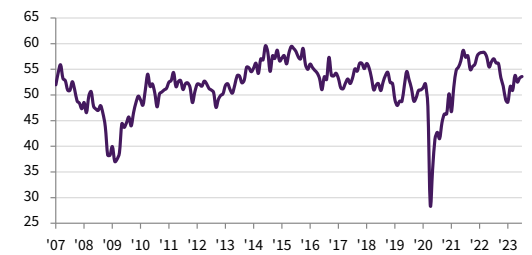
Recruitment was again notably strong at service providers, although manufacturing workforces increased for the fourth straight month.

Employment Index

sa, >50 = growth since previous month

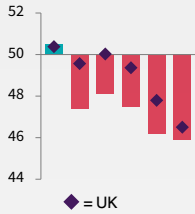
53.6

Jul '23



Outstanding Business Index

Feb - Jul '23



Fastest backlog clearance in nearly a year

The decline in new work in July enabled a faster drop in outstanding business.

Private sector firms in the East of England cut backlogs for the fourteenth time in 15 months, and at the fastest rate since August 2022.

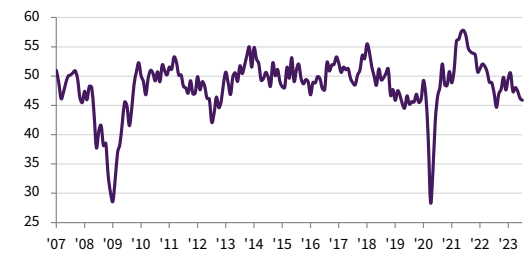
The East of England continued to register a steeper drop in work-in-hand than the UK average in July.

Outstanding Business Index

sa, >50 = growth since previous month

45.9

Jul '23

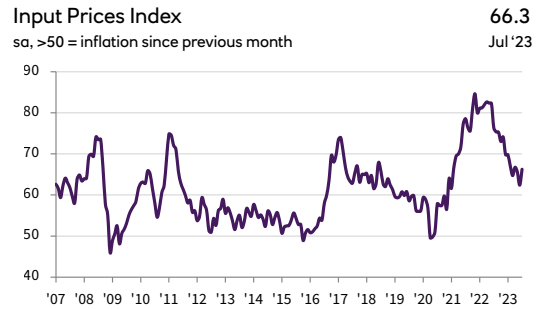


Prices

Input price inflation rises in July

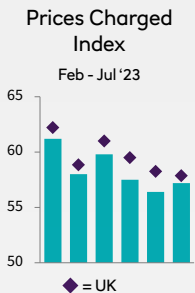
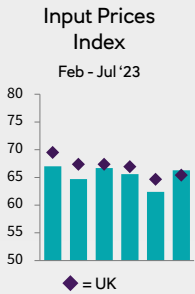
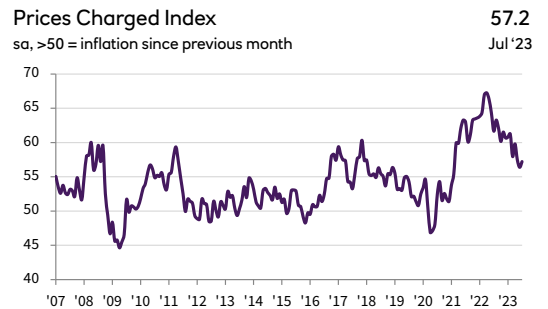
There was a faster rise in average input prices in the East of England's private sector economy in July, as the seasonally adjusted Input Prices Index rose to a three-month high. Service providers continued to report much stronger cost pressures than goods producers, mainly linked to wages.

The overall rate of inflation was well above the long-run average, and greater than the UK trend for the first time since January 2022.



Stronger rise in charges

Prices set by private sector firms for goods and services rose for the thirty-seventh consecutive month in July. The rate of inflation remained above the long-run survey average and strengthened compared with June, although it was the second-slowest in nearly two-and-a-half years. The East of England continued to post a softer rate of charge inflation than the UK average.



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, Jul '23
1	Electrical & Optical	1.30	55
2	Mechanical Engineering	1.26	50
3	Timber & Paper	1.21	48
4	Chemicals & Plastics	1.08	50
5	Other Manufacturing	1.03	52
6	Food & Drink	0.93	52
7	Basic Metals	0.93	48
8	Transport	0.66	55
9	Textiles & Clothing	0.43	52

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '23
1	Transport & Communication	1.17	55
2	Business-to-business Services	1.12	50
3	Hotels, Restaurants & Catering	1.03	48
4	Personal & Community Services	0.94	52
5	Computing & IT Services	0.87	55
6	Financial Intermediation	0.67	60

UK sector focus

Financial Intermediation

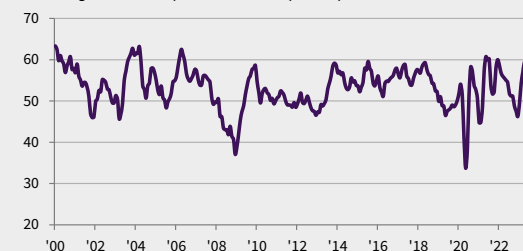
The UK's Financial Intermediation sector displayed strong growth in the three months to July, recording one of the fastest rates of increase in business activity since the global financial crisis. The upturn in performance followed a notable slowdown in the second half of 2022.

Growth was the strongest among the six services sub-sectors monitored by the survey and fuelled by a steep increase in inflows of new business in recent months. With firms' backlogs of work increasing, they continued to take on staff at a historically strong rate and were optimistic about the year-ahead outlook for activity.

Input costs in the sector continued to rise steeply, however, growing at the fastest rate in 2023 so far. This in turn led to a sharp and accelerated increase in prices charged. The rate of output price inflation was surpassed only by that seen in the Hotels, Restaurants and Catering sector.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Only half of the 12 monitored regions and nations recorded growth in business activity in July. London posted the strongest rate of expansion but saw a notable loss of momentum as growth slowed to a six-month low. The South East and Northern Ireland* fell the joint-most places in the rankings as both returned to contraction territory, though the steepest overall decline in activity was recorded in the North East.

Employment

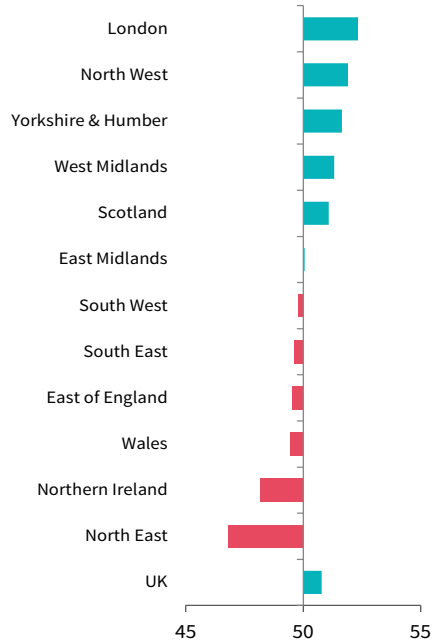
The strongest rate of job creation in July was seen in the South West, followed by the East of England and then London. Northern Ireland also posted a solid rise in workforce numbers. At the other end of the scale, there were renewed declines in staffing levels in both the East Midlands and North East, while no change in employment in the West Midlands ended a 28-month sequence of growth in the region.

Future Activity

Trends in business confidence were mixed, with half of the 12 monitored areas registering an improvement in sentiment and the rest seeing a decline. The West Midlands, South East and Yorkshire & Humber topped the rankings and were among those that saw expectations rise since June. Firms in Scotland were the least optimistic about the year-ahead outlook, with sentiment there hitting a six-month low.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jul '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
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
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

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NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

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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