

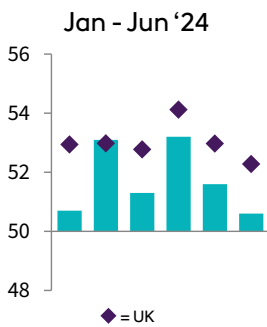


NatWest

NatWest East of England Growth Tracker

Further drop in demand leads to near-stalling of growth in June

East of England Business Activity Index



Key findings

Fastest decline in new work since last November

Weakest rise in total activity over same period

Input price inflation remains at three-and-a-half year low

Private sector output growth in the East of England continued to slow in June, according to the latest NatWest Growth Tracker data. The NatWest East of England Growth Tracker 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 seventh month running. The Index fell to 50.6 however, from May’s 51.6, indicating only a marginal rate of expansion that was below the UK average (52.3).

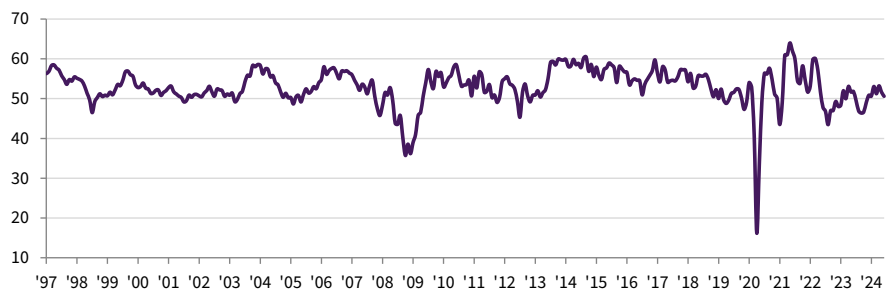
The East of England registered a further loss of new business, completing a full quarter of decline, and at the fastest rate since last November. Employment remained broadly flat and companies were less confident of growth over the next 12 months, although sentiment remained relatively strong as interest rates are expected to fall. Input price inflation remained at a three-and-a-half year low and broadly in line with the long-run survey trend.

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

"Although new business continued to fall in June, there is anecdotal evidence that demand will recover somewhat after the election. Overall activity continued to rise and business expectations towards the 12-month outlook remained stronger than the long-run trend, as firms expect a fall in interest rates soon. Input price inflation was little-changed from May's three-and-a-half year low."

East of England Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sectors](#)
- [UK Regional Growth Tracker](#)
- [Data summary](#)
- [Contact](#)

About the East of England Growth Tracker report

The NatWest East of England Growth Tracker 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.

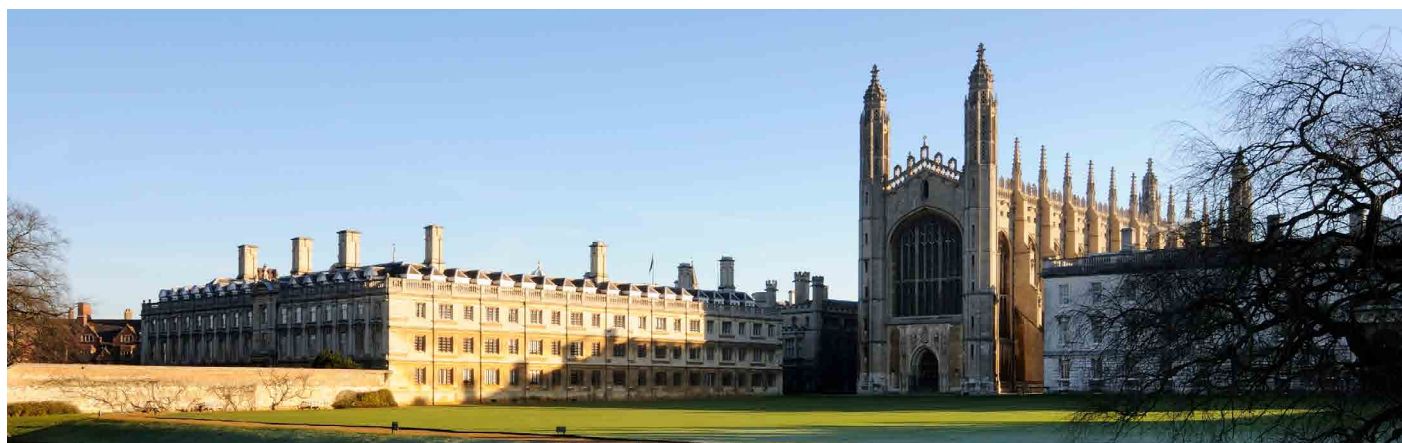
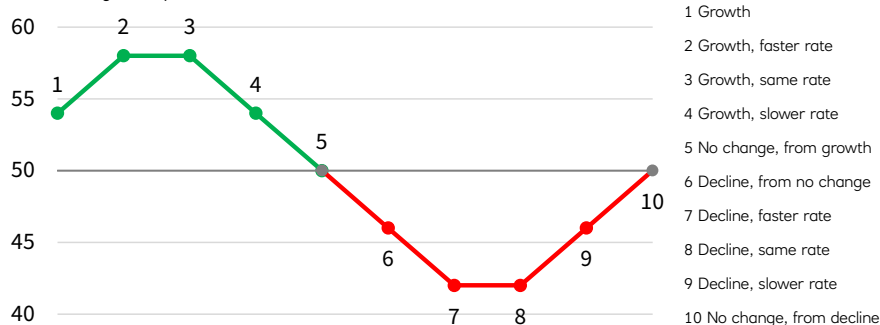
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index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

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.

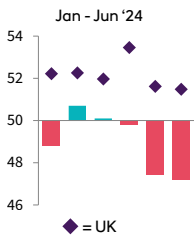
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

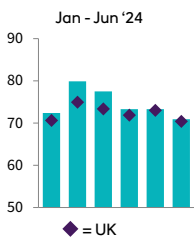


Further slide in new business in June

The volume of incoming new business received by private sector firms in the East of England fell for the third month running in June, and at the fastest rate since last November. Some firms reported that projects had been put on hold and a reluctance to spend among customers in the lead up to the General Election.

Having been the only UK region to post lower new work in May, the East of England was joined by five other regions in recording a decline in June. The overall increase at the UK level was the slowest in the current seven-month upturn.

Future Activity Index



Expectations weakest in 2024 so far

Companies remained positive in their forecasts for over the next 12 months. Confidence was linked to new products, falling interest rates, lower inflation, exports, new technology and a recovery in demand following the election.

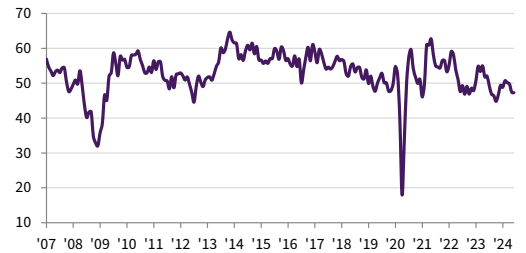
The Future Activity Index eased to the lowest level of 2024 so far, but remained above its long-run trend level of 69.5. Sentiment in the East of England was broadly in line with the UK average.

New Business Index

sa, >50 = growth since previous month

47.2

Jun '24

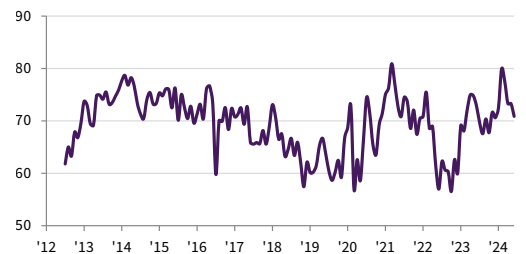


Future Activity Index

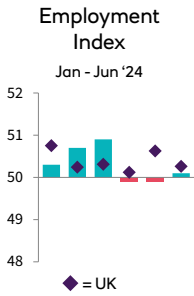
>50 = growth expected over next 12 months

70.9

Jun '24



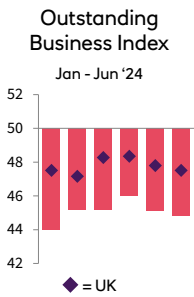
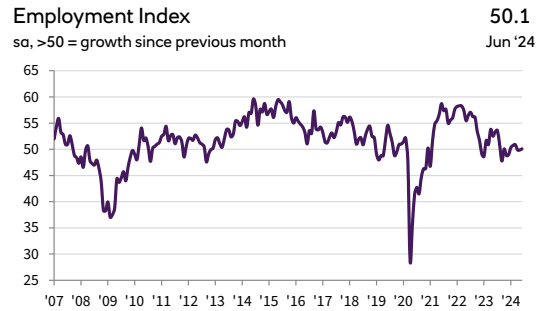
Business capacity



Employment remains broadly flat

Private sector employment in the East of England completed a full quarter of almost no change in June, contrasting with jobs growth throughout the first quarter of 2024. Some firms reported not replacing leavers during the month, while others attributed hiring to demand, apprentices and temporary cover.

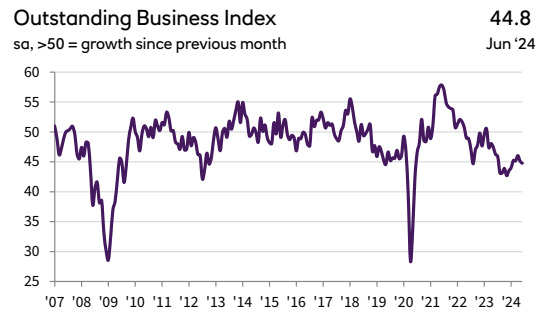
Across the UK as a whole, private sector employment rose for the sixth month running, albeit only marginally.



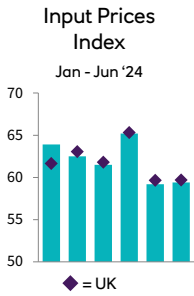
Faster decline in outstanding work

Private sector firms in the East of England private sector economy continued to complete their existing order books in June, as has been the case every month since March 2023. 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 Yorkshire & Humber recorded a steeper drop in backlogs than the East of England mid-way through 2024.



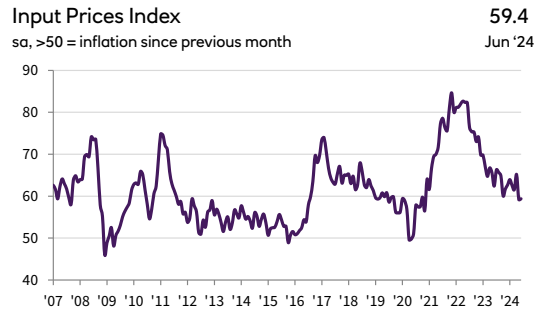
Prices



Input price inflation remains at three-and-a-half year low

June data signalled that the rate of input cost inflation remained close to May's recent low. The seasonally adjusted Input Prices Index was little-changed on the 42-month low registered in May, leaving it still broadly in line with the long-run average of 59.1 and fractionally below the UK trend (59.7).

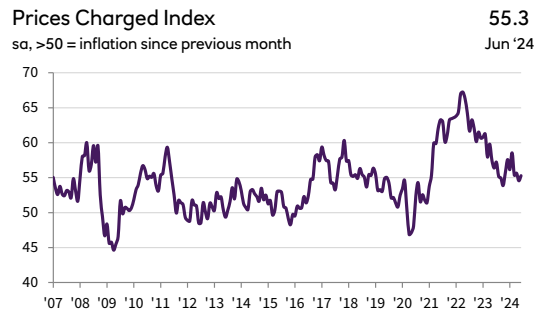
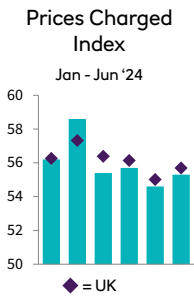
Reported sources of cost pressures included wages, shipping, IT, metals and foodstuffs.



Charges continue to rise strongly

Private sector firms in the East of England continued to pass on greater cost burdens to customers in June through higher charges. The rate of inflation picked up slightly from May's seven-month low, and remained above the long-run average.

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



UK Sectors

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, Jun '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	50
8	Transport	0.71	50
9	Textiles & Clothing	0.43	50

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '24 ⁺
1	Transport & Communication	1.22	55
2	Hotels, Restaurants & Catering	1.13	50
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

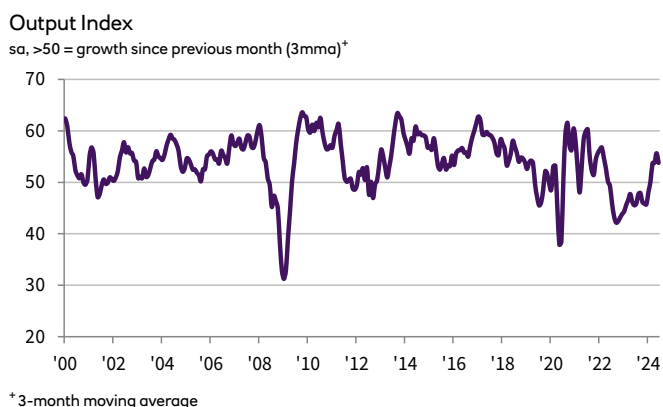
Chemicals & Plastics

The UK’s Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.



UK Regional Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

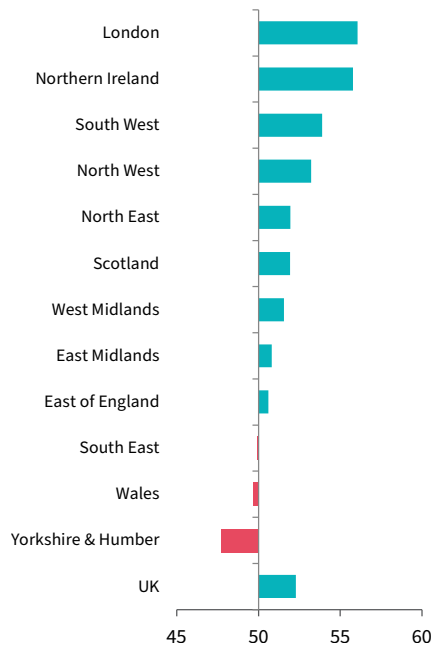
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

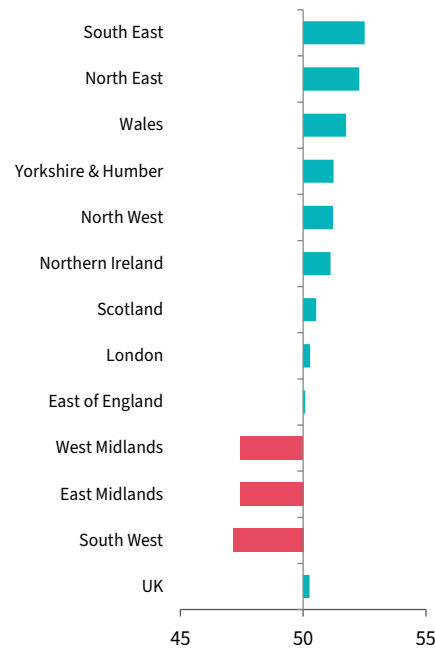
Business Activity Index

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



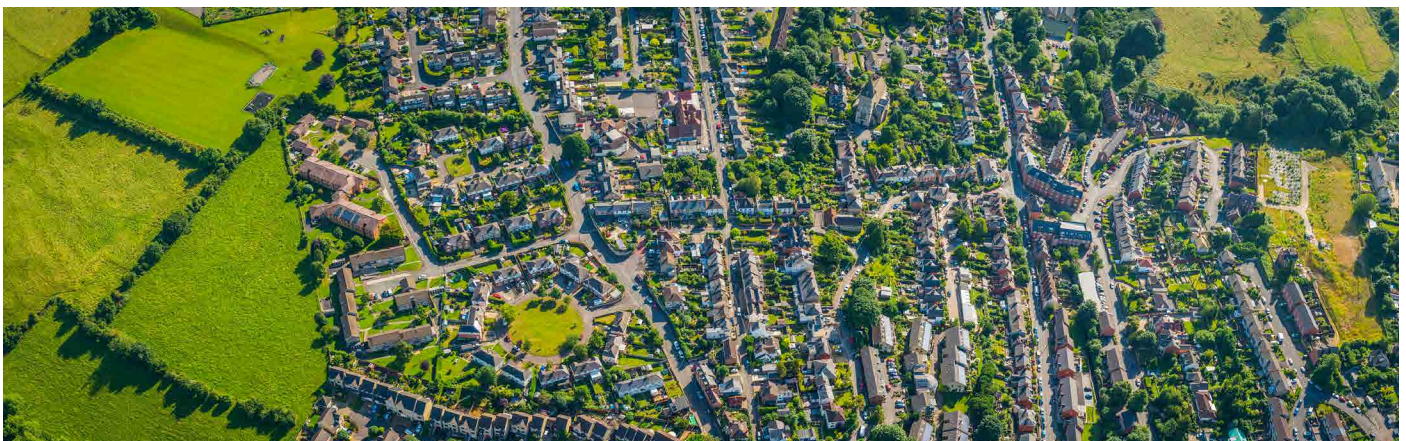
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '24



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
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
Jun '24	50.6	47.2	51.8	70.9	50.1	44.8	59.4	55.3

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