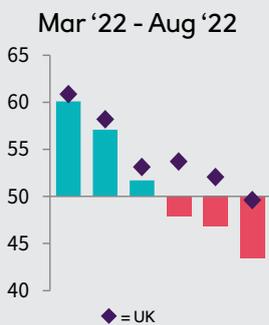


# NatWest East of England PMI<sup>®</sup>

## Third consecutive month of contraction in private sector activity during August

### East of England Business Activity Index



### Key findings

Sharp fall in private sector activity

Quicker downturn in new orders

Business expectations remain relatively subdued

The headline NatWest East of England PMI<sup>®</sup> 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 – printed 43.5 during August, down from 46.8 in July. The latest figure signalled a third consecutive month of contraction in private sector activity, and the rate of decrease was the joint-fastest since May 2020. According to anecdotal evidence, weak client demand and cautious customer spending resulted to fewer sales and a further drop in inflows of new business.

John Maude, NatWest Midlands & East Regional Board, commented:

*"Latest PMI data revealed a further contraction in business activity across the East of England during August, as recessionary fears and inflationary pressures restrained customer demand. Moreover, a drop in new orders resulted in a lack of pressure on operating capacity, as backlogs fell at the quickest pace in 26 months, while growth in employment moderated during August."*

*"We did notice input price inflation ease, as the pace of increase softened to a 15-month low. However, upward pressure on prices and, as a result, output charges, remains stubbornly high, threatening demand as the cost-of-living crisis worsens."*

*"A slowdown in the market is becoming more apparent. Concerns are also rising of the downturn gaining momentum as confidence levels across surveyed business remain subdued in the context of historical data."*

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](mailto:economics@ihsmarkit.com).

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New orders contract at quickest pace in 19 months

For the third successive month, new orders placed at private sector firms across the East of England fell during August. The rate of contraction quickened on the month, measuring the fastest since January 2021 and was solid overall. According to anecdotal evidence, loss in client appetite and a market slowdown were behind the latest fall.

Moreover, the pace of reduction across the East of England outpaced the UK-wide average.

### Degree of confidence falls from July

Business sentiments remained subdued in comparison to the series average across the East of England's private sector. Fears of recession and lower sales in the coming 12 months weighed on the level of positive sentiment which slipped from July's three-month high.

The degree of optimism across the East of England also registered weaker than that seen across the UK as a whole.

## Exports

### Export conditions deteriorate for the first time since June 2020

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 below the no-change mark of 50.0 for the first time in 26 months, to 49.0 in August, signalling a mild deterioration in the overall health of the East of England's export markets.

Of the top five export markets, only China and France reported growth. That said, both the countries recorded softer upturns compared to July. The Netherlands reported its first contraction in over two years. Meanwhile, Germany and the US posted faster rates of decrease during August.

**New Business Index** 46.8  
Aug '22  
sa, >50 = growth since previous month



**Future Activity Index** 60.6  
Aug '22  
>50 = growth expected over next 12 months



**Export Climate Index** 49.0  
Aug '22  
sa, >50 = growth since previous month



Top export markets, East of England

| Rank | Market      | Weight | Output Index, Aug '22 |
|------|-------------|--------|-----------------------|
| 1    | USA         | 15.1%  | 44.6                  |
| 2    | Germany     | 10.1%  | 46.9                  |
| 3    | China       | 8.1%   | 53.0                  |
| 4    | France      | 5.6%   | 50.4                  |
| 5    | Netherlands | 5.6%   | 49.4                  |

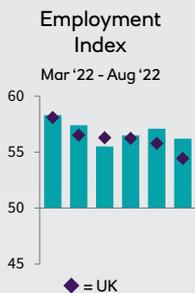


## Business capacity

### Workforce numbers expand at the slowest pace in six months

August data revealed an increase in employment at private sector firms in the East of England, thereby, extending the run of expansion to 19 months. Firms raised staffing levels in anticipation of higher demand. However, the rate of job creation eased on the month, registering the second-softest in nine months.

Employment Index **56.2**  
 sa, >50 = growth since previous month  
 Aug '22



### Backlogs of unfinished work fall at quickest pace in 26 months

For the fourth month running, capacity pressures eased across the East of England's private sector as backlogs of unfinished work fell sharply during August. Moreover, the rate of depletion quickened on the month, registering the fastest since June 2020. Firms noted that reduced sales and a fall in demand allowed companies to complete unfinished works.

Outstanding Business Index **44.7**  
 sa, >50 = growth since previous month  
 Aug '22



Of the 12 monitored regions, the rate of backlog depletion in the East of England was the third-most severe across the UK, behind the South West and the North East.



## Prices

### Inflationary pressures further ease in August

Private sector companies across the East of England reported a rise in average cost burdens during August, thereby, stretching the current bout of inflation to 27 months. While the rate of inflation registered faster than the series average, it did ease for the second consecutive month, recording the weakest incline in input price since May 2021. Cost burdens continued to emanate from higher energy and transport prices. Panellists also noted that material shortages added to the upward pressure.

The pace of input price inflation in the East of England was the third-weakest among the 12 UK regions, behind the West Midlands and the South West.

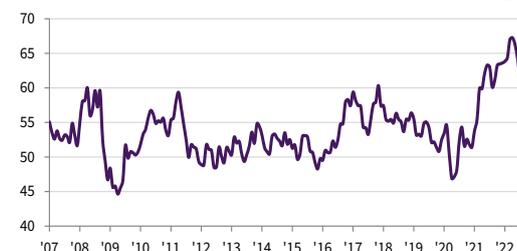
### Output price inflation accelerates from July

As has been the case for the last 26 months, private sector firms in the East of England passed on higher input prices to their clients by way of increased output charges during August. While the pace of charge inflation quickened on the month, it was still the second-softest since October 2021.

Input Prices Index 75.3  
 sa, >50 = inflation since previous month Aug '22



Prices Charged Index 63.3  
 sa, >50 = inflation since previous month Aug '22



## 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 '22* |
|------|------------------------|------|---------------------------|
| 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 '22* |
|------|--------------------------------|------|--------------------------------------|
| 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

### Timber & Paper

Latest UK PMI data showed a sustained downturn in activity across the Timber & Paper sector. Output levels fell sharply in the three months to August, maintaining a period of contraction stretching back a year.

Inflows of new orders decreased at an even faster rate, thereby leading to markedly reduced levels of outstanding business and a near-record build-up of finished goods. By contrast, pre-production inventories returned to contraction.

Positively, delays in the receipt of inputs were the lowest in almost two-and-a-half years. The easing of supply-chain pressures was further reflected in a moderation in the rate of input price inflation, down the lowest since the start of 2021, although it still remained elevated by historical standards. Similarly, there was a further sharp, albeit notably slower, rise in output prices across the sector.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

Just three out of the 12 monitored UK regions recorded a rise in business activity in August. Growth in London was solid but eased notably since July, whilst both the North West and Yorkshire & Humber recorded only modest rates of expansion. Activity fell elsewhere, with the steepest declines registered in the North East and East of England.

### Employment

Despite signs of weakness in activity and demand, almost all regions recorded a rise in employment in August. The only exception was the North East, where workforce numbers fell for the third month running. Rates of job creation not only slowed, however, but they varied widely, with a further steep rise in workforce numbers in London contrasting with only marginal growth in the South West.

### Future Activity

The majority of regions recorded a drop in business confidence towards the outlook in August. The three highest-ranked areas, Yorkshire & Humber, the South East and London, went against the broader trend and recorded improved sentiment, as did the East Midlands (ranked eighth). Expectations turned negative in the North East, while firms in Northern Ireland\* grew more pessimistic.

Business Activity Index

sa, >50 = growth since previous month, Aug '22



Employment Index

sa, >50 = growth since previous month, Aug '22



Future Activity Index

>50 = growth expected over next 12 months, Aug '22



\* 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 '22 | 60.1              | 58.2         | 53.4           | 68.6             | 58.3       | 51.7                 | 82.0         | 67.0           |
| Apr '22 | 57.1              | 53.8         | 53.3           | 68.9             | 57.4       | 50.8                 | 82.7         | 67.3           |
| May '22 | 51.7              | 51.1         | 52.9           | 61.6             | 55.5       | 49.0                 | 82.3         | 66.3           |
| Jun '22 | 47.9              | 47.6         | 52.6           | 57.0             | 56.5       | 48.9                 | 82.3         | 64.3           |
| Jul '22 | 46.8              | 49.3         | 50.4           | 62.3             | 57.1       | 47.1                 | 76.3         | 61.7           |
| Aug '22 | 43.5              | 46.8         | 49.0           | 60.6             | 56.2       | 44.7                 | 75.3         | 63.3           |

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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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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.

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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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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