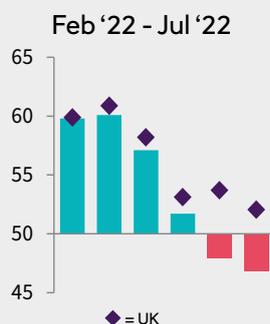


# NatWest East of England PMI<sup>®</sup>

## Quicker contraction in East of England business activity during July

### East of England Business Activity Index



### Key findings

**Business activity falls further amid weakening client demand**

**Further reduction in new orders during July**

**Cost pressures remain intense**

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 – fell in July from 47.9 to 46.8. Moving further below the 50.0 no-change threshold, the index indicated a solid and accelerated deterioration in business activity, as new orders also fell for the second month running. According to anecdotal evidence, weak client appetite, market uncertainty and increased delivery times contributed to the latest downturn. By comparison, private sector output grew modestly at the UK level during July.

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

*"July data signalled a further decrease in business activity across the private sector in the East of England. Additionally, for the second month running, new business inflows also declined in July."*

*"Latest survey data also highlighted cooling inflationary pressures, with average prices charged for goods and services rising at a softer rate. Nonetheless, price increases still remained historically high. Moreover, rising prices impacted client demand as the cost-of-living crisis deepens."*

*"While the second half of the year started on a weak footing, we did see business confidence strengthen to a three-month high. Firms were hopeful that business activity will rise in the coming 12 months, supported by a continued post-pandemic recovery and new products coming to market."*

### 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

### Mild contraction in new orders in July

New orders at private sector firms in the East of England fell during July. While the rate of decrease eased from June, it indicated a second month of contraction after 15 months of successive growth. According to anecdotal evidence, the latest downturn was linked to weak client appetite amid rising prices and less disposable income.

While a contraction in inflows of new business was registered across the East of England, the UK as a whole reported a modest expansion during July.

### Sentiment strengthens to three-month high, but remains historically subdued

July saw expectations across the East of England's private sector strengthen from the recent low in June. Firms pinned positive forecasts on a continued pandemic-related recovery, increased investment, new product launches and improved customer demand. However, the degree of confidence remained weaker than the series average and lower than that seen across the UK as a whole.

## Exports

### Export conditions show weakest improvement in 25 months

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 registered 50.4 in July, down from 52.6 in June. The latest reading indicated the softest improvement in demand conditions across the East of England's export markets in 25 months.

Among the region's top five export markets, China noted the quickest upturn, while there were also modest upticks in activity across France and the Netherlands. Meanwhile, Germany and the US reported contractions in output for the first time since December 2021 and June 2020 respectively.

### New Business Index

sa, >50 = growth since previous month

49.3

Jul '22



### Future Activity Index

>50 = growth expected over next 12 months

62.3

Jul '22



### Export Climate Index

sa, >50 = growth since previous month

50.4

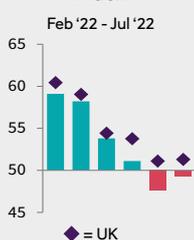
Jul '22



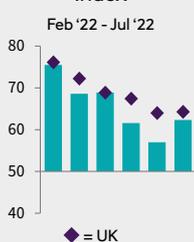
### Top export markets, East of England

Rank	Market	Weight	Output Index, Jul '22
1	USA	15.1%	47.7
2	Germany	10.1%	48.1
3	China	8.1%	54.0
4	France	5.6%	51.7
5	Netherlands	5.6%	51.7

### New Business Index



### Future Activity Index



### Export Climate Index



## Business capacity

### Headcounts rise at a quicker rate in July

July data indicated a rise in staffing levels across private sector firms in the East of England, thereby extending the current run of expansion to 18 months. The rate of job creation quickened to a three-month high and was strong overall. Firms raised workforce numbers to cope with rising business requirements, panel reports showed.

Of the 12 monitored regions, hiring activity was the third-strongest across the East of England, behind the South East and London.

Employment Index **57.1**  
Jul '22



### Capacity pressures ease for the third month running

The level of outstanding business across the East of England's private sector fell for the third month running during July. The rate of reduction quickened from June to register the fastest depletion of backlogs in two years. Additional labour, a lack of new business and order cancellations all contributed to the latest decline.

While the East of England noted a reduction in work-in-hand, a fractional increase in backlogs was observed at the UK level.

Outstanding Business Index **47.1**  
Jul '22



## Prices

### Inflationary pressures cool during July

The rate of input price inflation faced by private sector businesses in the East of England softened notably from that seen in June, to show the weakest rise in average cost burdens in ten months. Nonetheless, upward pressures on operating expenses remained strong, as the respective seasonally adjusted index posted comfortably above the series average. Raw material scarcity, higher transportation costs, rising energy bills and currency fluctuations were all cited as sources of input price inflation.

### Charge inflation weakest in ten months

Latest survey data highlighted a strong rise in average charges for goods and services across the East of England's private sector during July, thereby extending the current bout of output price inflation to 25 months. In line with the trend for input price inflation, the pace of increase in charges, while strong, decelerated for the third month running to signal the softest rise since September 2021.

Of the 12 monitored regions, the East of England noted the softest increase in charges.

Input Prices Index 76.3  
 sa, >50 = inflation since previous month Jul '22



Prices Charged Index 61.7  
 sa, >50 = inflation since previous month Jul '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, Jul '22 <sup>+</sup>
1	Electrical & Optical	1.30	55
2	Mechanical Engineering	1.26	55
3	Timber & Paper	1.21	48
4	Chemicals & Plastics	1.08	48
5	Other Manufacturing	1.03	50
6	Food & Drink	0.93	48
7	Basic Metals	0.93	50
8	Transport	0.66	50
9	Textiles & Clothing	0.43	48

#### East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '22 <sup>+</sup>
1	Transport & Communication	1.17	48
2	Business-to-business Services	1.12	50
3	Hotels, Restaurants & Catering	1.03	48
4	Personal & Community Services	0.94	55
5	Computing & IT Services	0.87	55
6	Financial Intermediation	0.67	50

### UK sector focus

#### Financial Intermediation

The UK's Financial Intermediation sector saw an increase in business activity in the three months to July. However, having been solid throughout the opening half of the year, the rate of growth slowed sharply and was among the softest seen since the current sequence of expansion began in the spring of last year.

The loss of momentum reflected a deepening decline in inflows of new work across the sector, with reports from surveyed firms highlighting the influence market and economic uncertainty, high inflation and rising interest rates. Expectations towards future activity deteriorated accordingly, dropping to their lowest in over two years.

On the price front, Financial Intermediation firms raised charges at a near-record rate in the three months to July, with underlying cost pressures close to the highest seen in over 25 years of data collection.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

Eight of the 12 monitored UK regions recorded higher business activity in July, the lowest number since February 2021 (four). London saw by far the strongest growth, but even here the rate of expansion slowed, as was the case in six other areas. Northern Ireland\* remained at the bottom of the rankings, while lower output was also seen in the North East, East of England and East Midlands.

### Employment

Rates of job creation generally remained robust across the UK in July. In fact, four regions even saw slightly faster increases in employment than the month before, including the South East which moved to the top of the rankings. The North East once again went against the broader trend, registering another marginal decline in workforce numbers, its third in the past four months.

### Future Activity

Firms' expectations for future activity remained positive for the most part in July, with only those in Northern Ireland anticipating a decline in output over the next 12 months. Businesses in Yorkshire & Humber were the most optimistic about the outlook, despite confidence in the region have weakened from the previous month. Expectations also fell in the West Midlands, South East, East Midlands and South West.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jul '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
Feb '22	59.8	59.1	54.2	75.5	58.3	52.1	81.2	64.4
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

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### About NatWest

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.

### About S&P Global

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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.

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

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