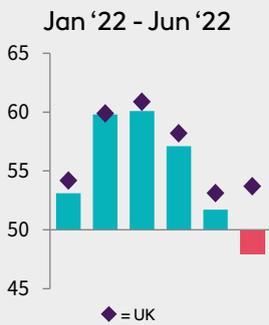


NatWest East of England PMI[®]

Private sector output contracts for first time in 16 months

East of England Business Activity Index



Key findings

Contraction in output amid fresh fall in new orders

Business confidence slumps to second-lowest on record

Cost pressures remain intense

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 - signalled a fresh contraction in business activity, as the respective seasonally adjusted index slipped below the 50.0 no-change mark for the first time since February 2021. A drop in new orders was also registered during June, with the rate of decline the quickest since January 2021. Concerns over rising costs and an economic slowdown weighed on business confidence, which slipped to the second-lowest on record.

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

"After witnessing slowdowns in business activity growth since April, June data signalled the first contraction of output across the East of England since February 2021. The drop in output coincided with a fresh fall in new orders. Panellists blamed reduced client activity, recessionary fears and rising inflation.

"Despite the contractions in output and new orders, hiring activity remained strong, with firms increasing employment for the seventeenth month running. At the same time, backlogs of work decreased for the second consecutive month, to suggest an easing of capacity pressures across the private sector.

"However, the deterioration in demand conditions and rising costs dampened business confidence. Latest data indicated that optimism was the second-lowest on record, behind only March 2020 when the first pandemic related lockdowns hit the UK."

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

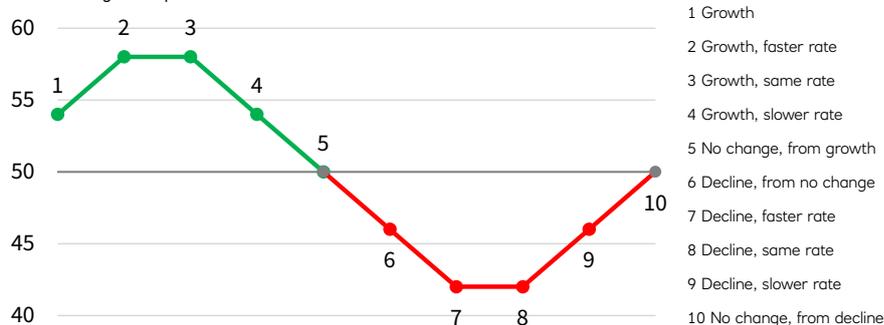
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as 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 orders fall for first time in 16 months

June data revealed a fresh contraction in new incoming business across the East of England's private sector. The respective seasonally adjusted index fell for the fourth consecutive month, with the latest reading dipping below the neutral 50.0 threshold for the first time since February 2021. Companies often noted that reduced client activity, growing inflation and the slowdown in the economy had dampened new business.

Of the 12 monitored UK regions, the East of England was one of five that noted a contraction in new work during June.

Business confidence index hits second-lowest on record

Business confidence remained in positive territory during June, with companies generally expecting an increase in output over the coming 12 months. That said, optimism slumped to the second-lowest level on record, behind only that seen after the initial COVID-19 outbreak in early-2020. Loss of new work and inflationary pressures induced fears of an economic recession and weighed on overall sentiment.

Business confidence across the East of England was weaker than that at the UK level.

Exports

Export conditions improve at slowest rate in five 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 scored 52.6 in June, down slightly from 52.9 in May. While export conditions continued to strengthen, the latest reading signalled the softest improvement in demand conditions since January.

All of the East of England's top five export markets noted an expansion of output during June. The quickest increase was seen in China, where activity rebounded after three months of contraction. Growth was also seen across France, the US, Netherlands and Germany, though rates of increase eased since May in each case.

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

47.6
Jun '22



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

57.0
Jun '22



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

52.6
Jun '22



Top export markets, East of England

Rank	Market	Weight	Output Index, Jun '22
1	USA	15.1%	52.3
2	Germany	10.1%	51.3
3	China	8.1%	55.3
4	France	5.6%	52.5
5	Netherlands	5.6%	52.1



Business capacity

Employment growth picks up in June

Staffing levels increased for the seventeenth successive month across private sector firms in the East of England during June. The rate of expansion quickened from May and was sharp. Nonetheless, the upturn was the second-slowest seen over the past seven months. Anecdotal evidence indicated that firms had hired additional staff to increase business capacity.

The rate of job creation across the East of England was slightly stronger than that seen at the national level.

Employment Index

sa, >50 = growth since previous month

56.5

Jun '22



Rate of backlog depletion quickens

Private sector firms across the East of England noted a contraction in outstanding work for the second straight month in June. The rate of reduction was only fractionally quicker than that seen in May and mild, but was nonetheless the joint-fastest seen since November 2020. Higher staffing levels, increased productivity and fewer new orders had allowed firms to work through backlogs, according to panellists.

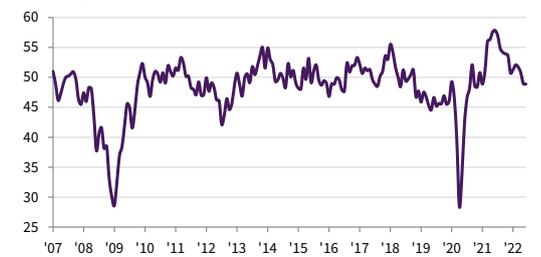
While the East of England noted a reduction in work outstanding, a modest increase in backlogs of work was seen across the UK as a whole.

Outstanding Business Index

sa, >50 = growth since previous month

48.9

Jun '22



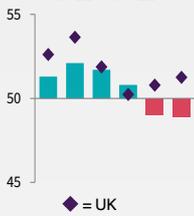
Employment Index

Jan '22 - Jun '22



Outstanding Business Index

Jan '22 - Jun '22



Prices

Input price inflation holds close to record-high

Continuing the trend which has been observed for the past 25 months, input prices rose during June. The rate of input price inflation was unchanged from May, indicating yet another rapid rise in average cost burdens. The latest surge in prices was blamed on rising wages and commodity prices amid shortages of labour and supplies, with the war in Ukraine also exerting upward pressure on costs.

While the rate of cost inflation was substantial across the East of England, the increase was the second-weakest of all 12 monitored UK regions, behind only Scotland.

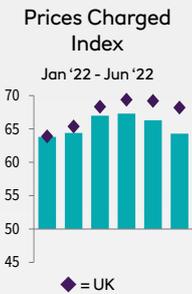
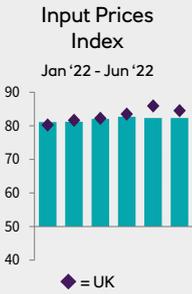
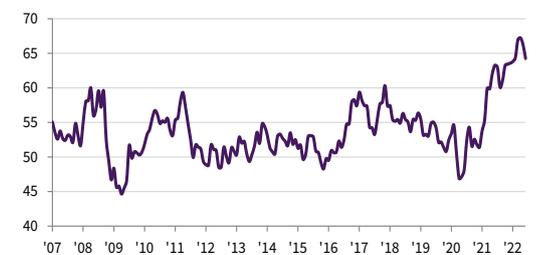
Softest increase in output charges for five months

In line with rising prices, private sector firms across the East of England raised their prices charged, thereby extending the current bout of inflation to two years in June. Though sharp and well above the series average, the rate of increase eased to the softest since January. The rise in charges levied across the East of England was also the weakest seen of all 12 monitored UK regions.

Input Prices Index 82.3
sa, >50 = inflation since previous month Jun '22



Prices Charged Index 64.3
sa, >50 = inflation since previous month Jun '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, Jun '22 ⁺
1	Electrical & Optical	1.30	58
2	Mechanical Engineering	1.26	57
3	Timber & Paper	1.21	48
4	Chemicals & Plastics	1.08	50
5	Other Manufacturing	1.03	53
6	Food & Drink	0.93	48
7	Basic Metals	0.93	56
8	Transport	0.66	53
9	Textiles & Clothing	0.43	48

East of England specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '22 ⁺
1	Transport & Communication	1.17	52
2	Business-to-business Services	1.12	53
3	Hotels, Restaurants & Catering	1.03	51
4	Personal & Community Services	0.94	58
5	Computing & IT Services	0.87	58
6	Financial Intermediation	0.67	53

UK sector focus

Textiles & Clothing

Latest data showed a decline in production levels across the UK's Textiles & Clothing sector during the second quarter. It was one of three manufacturing categories (out of nine monitored) to record lower output, alongside Timber & Paper and Food & Drink.

Weaker underlying demand was a driving factor, with inflows of new work falling in the three months to June. This was despite a slight upturn in export sales over the same period.

Cost pressures continued to build across the Textiles & Clothing sector during the second quarter, reaching a near-record high. With many firms looking to pass on at least part of the burden to customers, output price inflation quickened to a rate unseen for over two decades.

Positively, and despite waning business confidence, employment in the sector continued to rise, with the rate of job creation quickening to a 12-month high.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Regional performances varied markedly in terms of business activity in June. London led the growth rankings by some margin with a steep and accelerated rise in output. However, three areas recorded lower business activity, one being Northern Ireland*, where output fell for the second month running and at the quickest rate since February 2021.

Employment

Employment rose in almost every region in June, the only exception being the North East. Here, staffing numbers fell - albeit fractionally - for the second time in the past three months. London recorded the strongest rate of job creation, as has been the case in each month since February. Five areas recorded a slower rate of employment growth than the month before, however.

Future Activity

Firms' expectations for activity in the year ahead generally worsened in June. Of the 12 monitored areas, only the West Midlands and Wales recorded stronger business confidence. Despite seeing sentiment weaken, Yorkshire & Humber remained the most optimistic region. Expectations were lowest in Northern Ireland, where they turned more pessimistic.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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
Jan '22	53.1	55.1	52.2	70.8	58.2	51.3	81.1	63.8
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

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