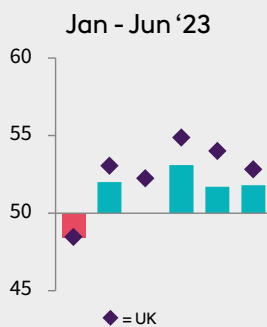




NatWest East of England PMI[®]

Growth sustained at modest pace in June

East of England Business Activity Index



Key findings

Activity rises for fourth time in five months

New business expansion remains moderate

Slowest rise in input prices since start of 2021

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 – posted 51.8 in June, little-changed from 51.7 in May, signalling an ongoing modest expansion in output in the region's private sector economy. Growth has been registered since April, but in each month the East of England has underperformed the national trend. On the other hand, employment rose solidly and the East of England was more confident regarding the 12-month outlook than most areas. Inflationary pressures eased further to the weakest in nearly two-and-a-half years.

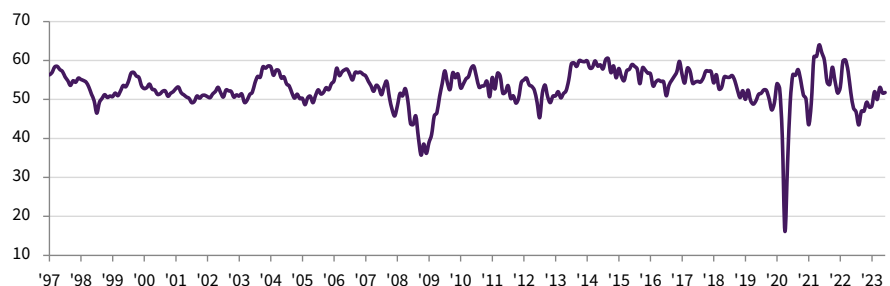
Rashel Chowdhury, NatWest Midlands and East Regional Board, commented:

"Output in the East of England rose again in June, with the region completing a full quarter of growth in Q2 for the first time since the first quarter of 2022. That said, the rate of expansion remained modest and below the UK trend. Companies reported weak customer demand constrained by high prices and interest rates."

"PMI data are clearly showing that inflation peaked some time ago and eased further in June, but also that cost pressures remain stubbornly high in the dominant services sector. Companies remain upbeat about the 12-month growth outlook, but it is looking like it will take some time for lower inflation to translate into a revival in demand."

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

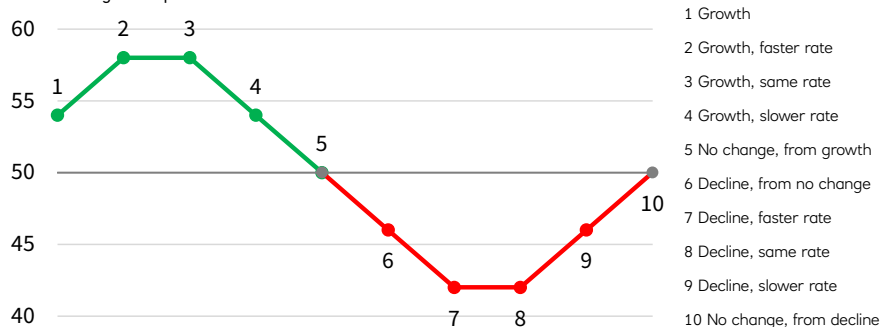
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as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

Private sector firms in the East of England reported a sixth successive monthly expansion in new business volumes in June. The rate of growth was broadly in line with the UK average but little-changed from May's modest pace.

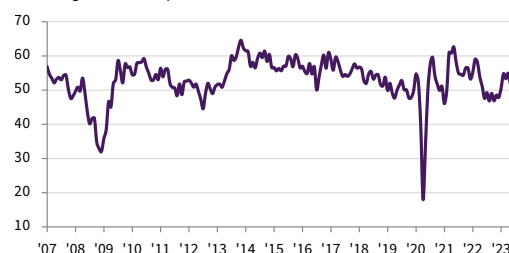
A rise in manufacturing new orders for the first time in over a year was countered by a slower increase in demand for services.

Expectations remain relatively strong

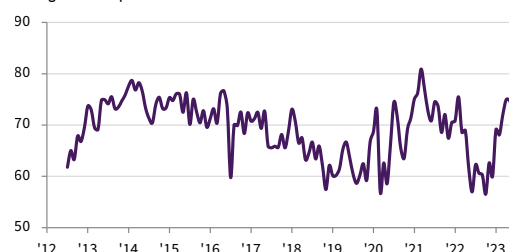
Private sector firms in the East of England remained confident of rising output over the next 12 months at the mid-point of 2023. The strength of sentiment eased to a three-month low but was still above the series average (since 2012).

The East of England posted the fourth-strongest sentiment among the 12 UK regions in June, behind the South East, West Midlands and East Midlands.

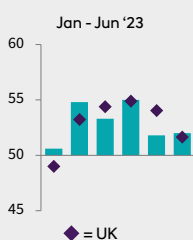
New Business Index
sa, >50 = growth since previous month
52.0
Jun '23



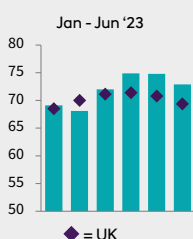
Future Activity Index
>50 = growth expected over next 12 months
72.9
Jun '23



New Business Index

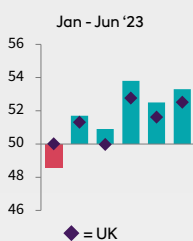


Future Activity Index



Business capacity

Employment Index



Employment rises for fifth consecutive month

Private sector employment in the East of England rose for the fifth successive month in June. The rate of growth was the second-fastest in eight months and above the long-run average.

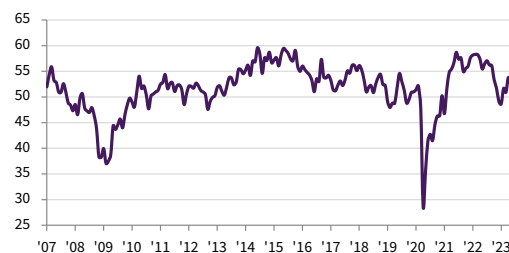
Recruitment was again driven by service providers, although manufacturing workforces increased at the fastest rate in nine months.

Employment Index

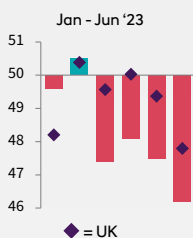
sa, >50 = growth since previous month

53.3

Jun '23



Outstanding Business Index



Fastest backlog clearance in ten months

Private sector firms in the East of England continued to make inroads into outstanding work. Backlogs have declined every month since May 2022 except for a slight increase in February. Moreover, the latest fall was the strongest since August 2022.

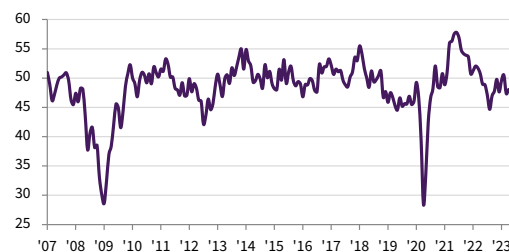
The East of England registered a steeper drop in backlogs than the UK average in June.

Outstanding Business Index

sa, >50 = growth since previous month

46.2

Jun '23



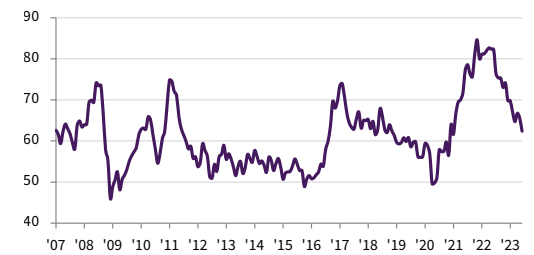
Prices

Service providers continue to face wage pressures

There was another sharp rise in average input prices in the East of England's private sector economy in June. The services sector remained the main source of rising costs, as manufacturing reported the slowest rate of input price inflation in over three years. Wage pressures were widely mentioned.

The overall rate of inflation was the weakest in 29 months, but still well above the long-run average.

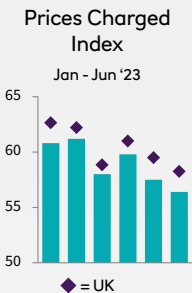
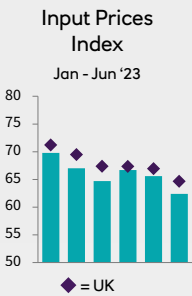
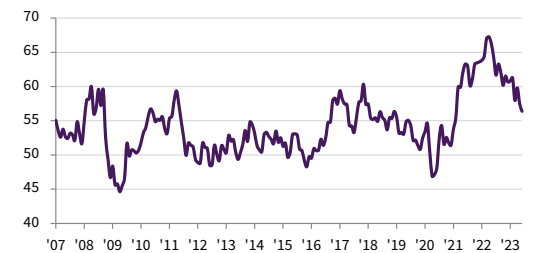
Input Prices Index 62.4
sa, >50 = inflation since previous month Jun '23



Slowest rise in charges since February 2021

Prices set by private sector firms for goods and services rose for the thirty-sixth consecutive month in June. The rate of inflation remained above the long-run survey average, but was the slowest since February 2021. The East of England posted the second-slowest rate of charge inflation among the 12 UK regions, ahead of Northern Ireland.

Prices Charged Index 56.4
sa, >50 = inflation since previous month Jun '23



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 '23 |
|------|------------------------|------|--------------------------|
| 1 | Electrical & Optical | 1.30 | 55 |
| 2 | Mechanical Engineering | 1.26 | 50 |
| 3 | Timber & Paper | 1.21 | 45 |
| 4 | Chemicals & Plastics | 1.08 | 50 |
| 5 | Other Manufacturing | 1.03 | 50 |
| 6 | Food & Drink | 0.93 | 50 |
| 7 | Basic Metals | 0.93 | 50 |
| 8 | Transport | 0.66 | 55 |
| 9 | Textiles & Clothing | 0.43 | 50 |

East of England specialisation: Services

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

UK sector focus

Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

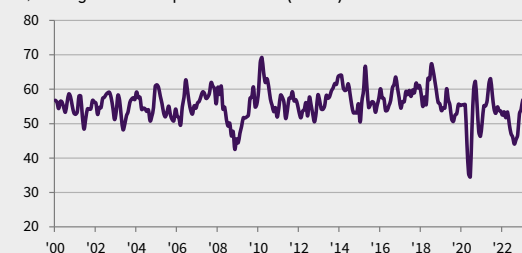
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index

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



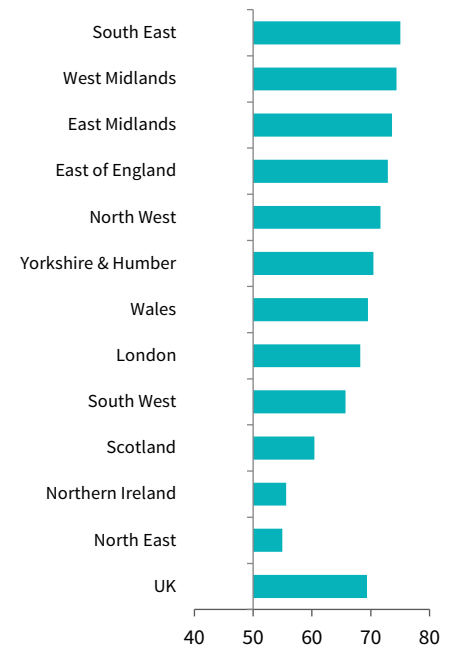
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Jan '23 | 48.4 | 50.6 | 49.9 | 69.1 | 48.6 | 49.6 | 69.8 | 60.8 |
| 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 |

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