

11 February 2025

NatWest East of England Growth Tracker

Optimism returns to local businesses
following 2024's dip



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by **S&P Global**

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Key findings

January 2025

Sentiment improves across the East driven by expectation of interest rate cut

Input price inflation accelerates sharply

Output and new orders fall but expectations recover slightly

The NatWest East of England Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





Optimism returns to local businesses following 2024's dip

Businesses in the East of England remained optimistic regarding growth over the next 12 months in January, linked to an expected boost to demand from lower interest rates.

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 below the no-change mark of 50.0 for the third month running, to signal lower output in the region. The Index posted 48.9, unchanged from

December, indicating a further modest rate of contraction.

Similar to the end of 2024, activity continued to fall in January, with private sector companies reporting a second successive fall in the volume of incoming new business. Firms reported that there was less new work due to clients cutting costs and weaker business confidence.

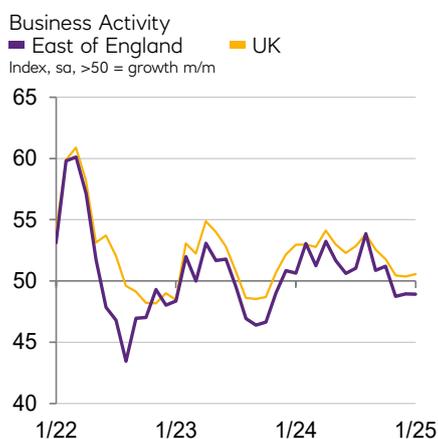
Despite this, the strength of general sentiment across all sectors picked up slightly from December's two-year low, but remained relatively weak.

NatWest East of England Business Activity Index January 2025

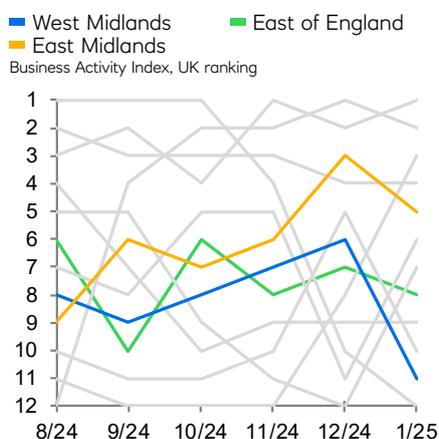
48.9

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 9-29 January



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Comment

Lisa Phillips, Regional Managing Director, Midlands and East, Commercial Mid Markets

"Companies in the East of England continued to navigate a difficult period at the start of 2025. Activity fell for the third month running, albeit only modestly, as new business declined for the third time in four months.

"There were concerns from survey respondents that the upcoming changes to employer NI contributions and increases in the National Minimum Wage have already weighed

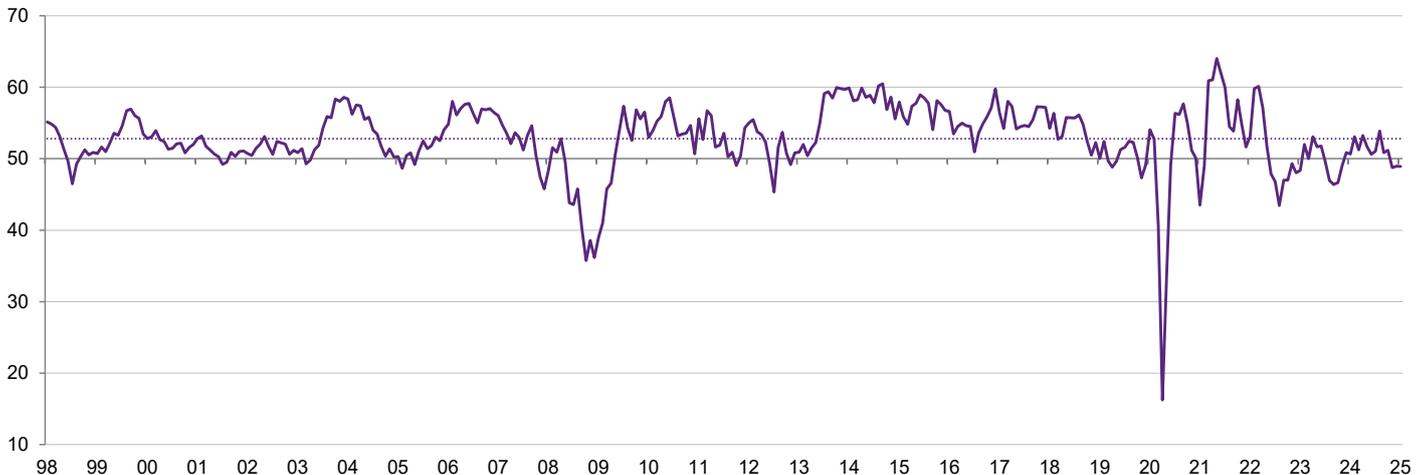
on demand and reduced hiring plans.

"Overall cost pressures picked up notably since December, with the input prices sub-index recording one of the biggest monthly gains on record. As a result, companies raised their charges at the strongest rate for nearly a year.

"The Bank of England's interest rate cut last week means that policy is now less restrictive, with further loosening expected in the year ahead."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Demand and outlook

Steeper drop in new business but 12-month outlook improves slightly

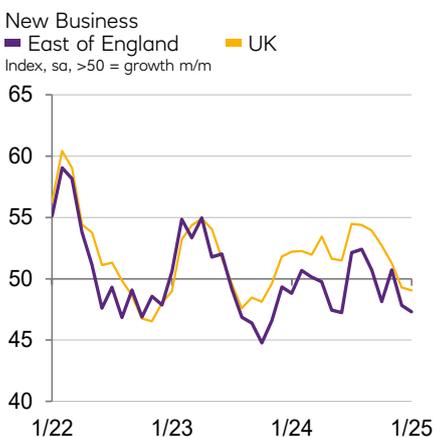
Private sector companies in the East of England reported a second successive fall in the volume of incoming new business in January, the first back-to-back contraction since the second quarter of last year. The latest rate of contraction was the fastest since last June. Firms reported less new work due to clients cutting costs and weaker business confidence in the wake of the Autumn Budget.

Ten out of 12 UK nations and

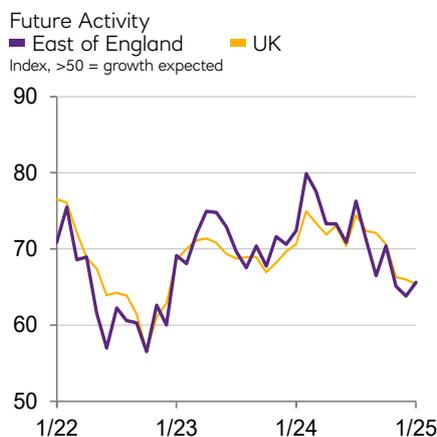
regions registered lower new orders at the start of the year, the exceptions being the North East and London. Overall UK new business fell for the second month running, albeit at a rate that remained marginal despite accelerating slightly.

Businesses in the East of England remained optimistic regarding growth over the next 12 months in January, linked to an expected boost to demand from lower interest rates. The strength of sentiment picked up slightly from December's two-year low, but remained relatively weak. Confidence across the UK as a whole slid to a 25-month low.

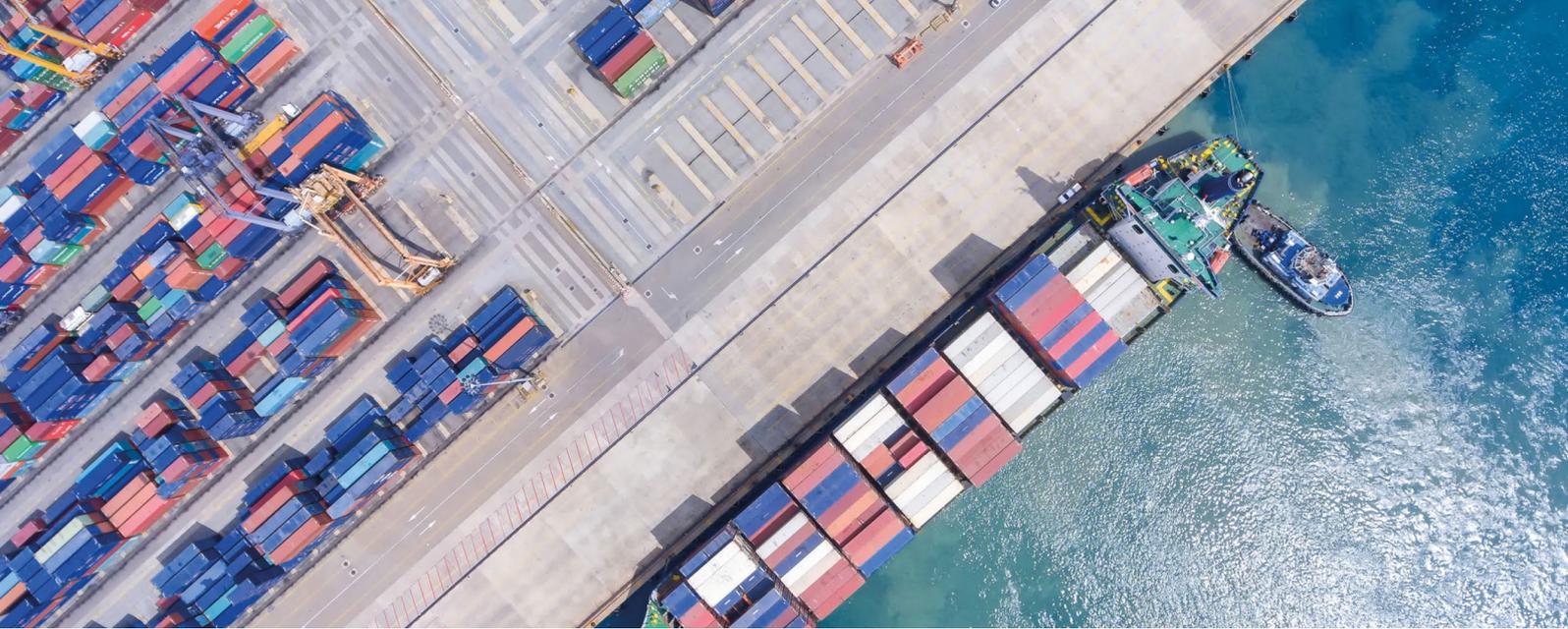
"Businesses in the East of England remained optimistic of growth over the next 12 months in January, linked to a boost to confidence from expected lower interest rates."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



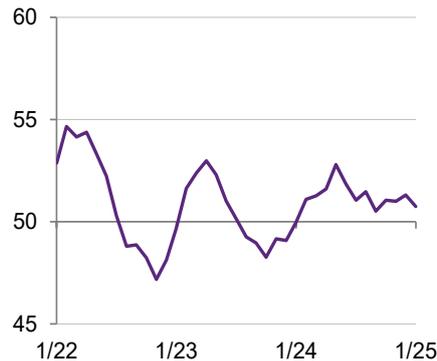
Export markets

Export markets continue to expand at start of 2025

The ECI registered above the critical 50.0 threshold for the twelfth month running in January, signalling overall growth in the East of England's export markets. The latest reading of 50.7, down from December's 51.3, indicated the slowest rate of improvement since last September.

The German private sector grew for the first time since last June, though this was offset by a slower expansion in the US, the largest export market for the East of England.

Export Conditions
Index, sa, >50 = growth m/m



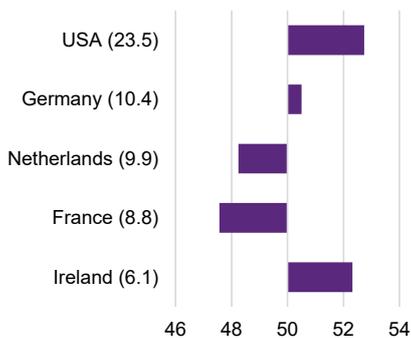
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

The East of England Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the East of England. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, East of England

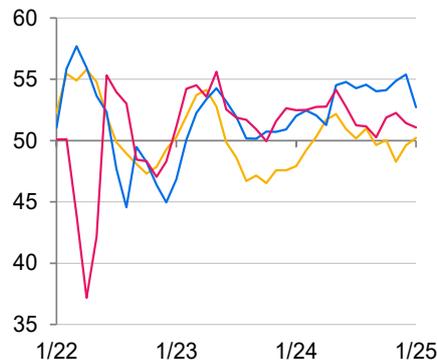
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m

Jan '25



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Jobs and capacity

Private sector employment falls at fastest rate since August 2020

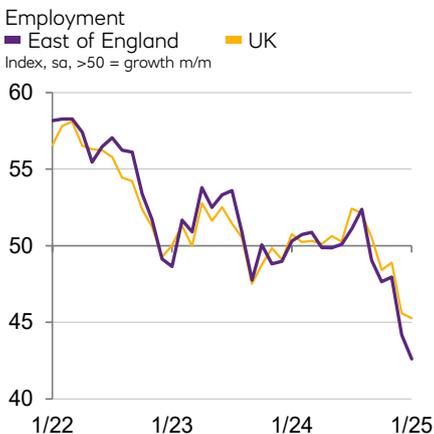
Workforce numbers across the East of England's private sector fell for the fifth month running in January. Companies widely reported not replacing leavers due to upcoming higher labour costs, and some also cut temporary roles.

Moreover, the rate of job shedding accelerated to the fastest since August 2020, and was the second-steepest in the UK, with only the West Midlands recording a sharper cut to workforces in January.

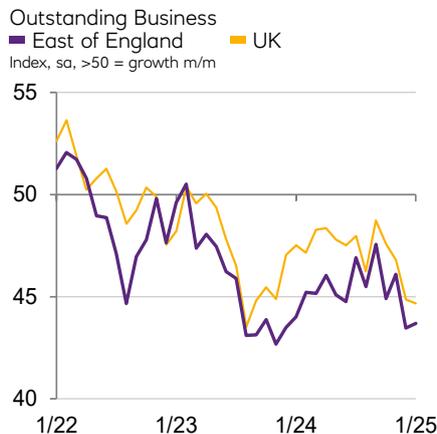
UK private sector employment fell at the fastest rate since November 2020. Northern Ireland remained the only part of the UK to post higher staffing at the start of 2025.

Lower headcounts also reflected increasingly spare capacity in the East of England private sector. Work pending completion fell for the twenty-third month running, and at a marked rate. The North East remained the only UK region to post a rise in outstanding business in January.

"The upcoming changes to employer NI contributions and the increase in the minimum wage have already weighed on demand and reduced employment."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Inflation

Inflationary pressures accelerate notably at start of 2025

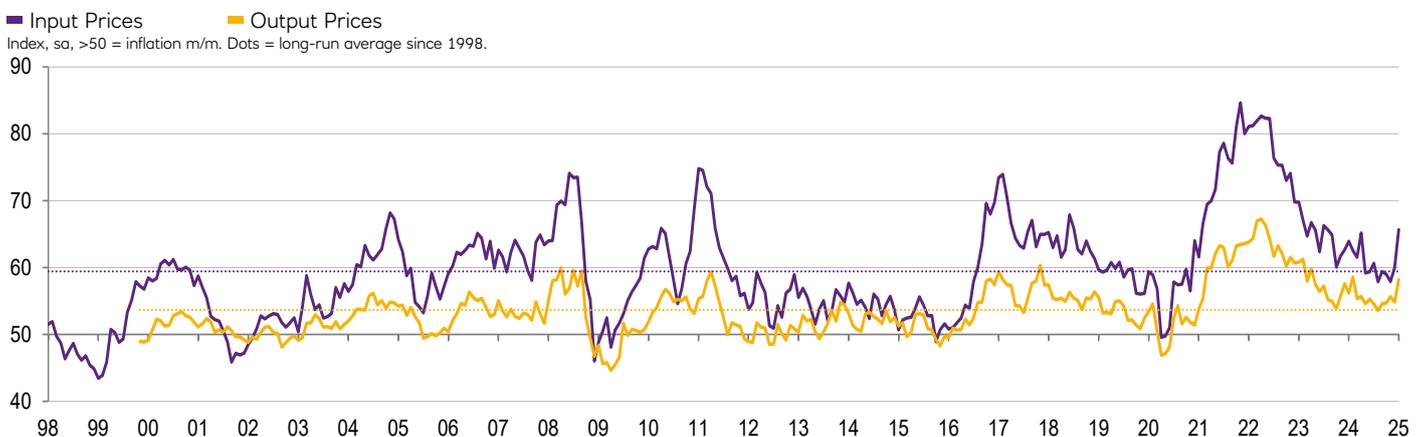
January data signalled much stronger cost pressures at private sector firms in the East of England, with the rate of input price inflation accelerating to a 17-month high. Companies continued to link higher costs to the impact of announcements in the Budget – especially employer NICs. Some also cited the weaker sterling exchange rate, increased raw material prices and shipping rates.

The seasonally adjusted Input Prices Index also posted the largest month-

on-month upward movement in over four years, at 5.8 points, taking it further above its long-run trend level of 59.1 and above the UK figure for January (65.3). The UK rate of input price inflation rose to an 18-month high, with the North East and South West still recording the steepest increases.

To counter rising costs, companies in the East of England raised their own charges at the fastest pace since February 2024. The UK as a whole saw output price inflation rise to an 18-month high.

"Overall cost pressures picked up notably since December, with the input prices sub-index recording one of the biggest monthly gains on record."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

UK Regional Growth Tracker

Business Activity

London was the fastest-growing region for business activity in January, followed by the North East. The only other areas to see increases in output were Wales and the South West, although in both cases rates of expansion were only marginal. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity*.

Employment

For the second month running, all but one of the 12 monitored nations and regions recorded a decrease in employment in January. The exception was once again Northern Ireland, although employment there rose only fractionally and at the slowest rate for over two years. The West Midlands saw the steepest drop in workforce numbers, followed closely by East of England.

Future Activity

Expectations towards growth in the coming year remained positive across the board, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the year-ahead outlook ahead of those in the West Midlands, with both regions going against the general trend and seeing sentiment improve.

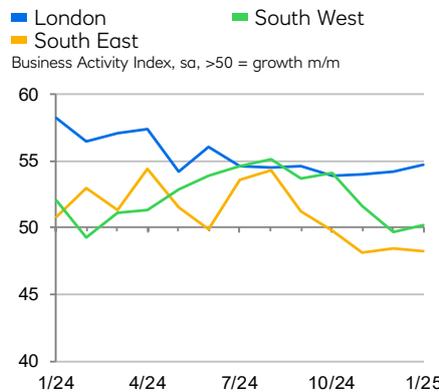
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



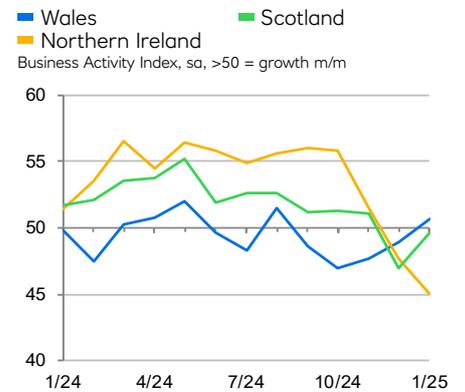
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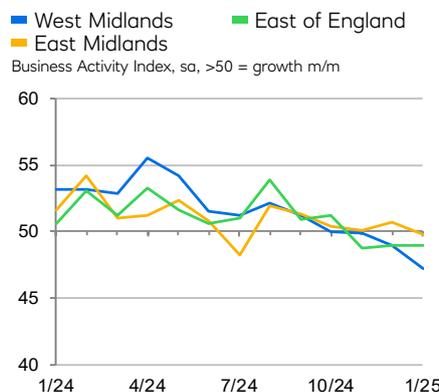
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



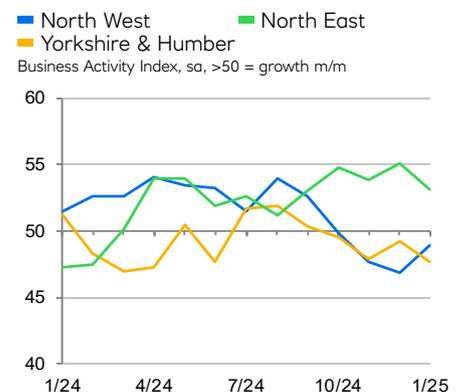
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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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Growth Tracker heat map

January 2025

Darker colour = higher business growth

East of England

Business Activity Index
sa, >50 = growth m/m

48.9



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

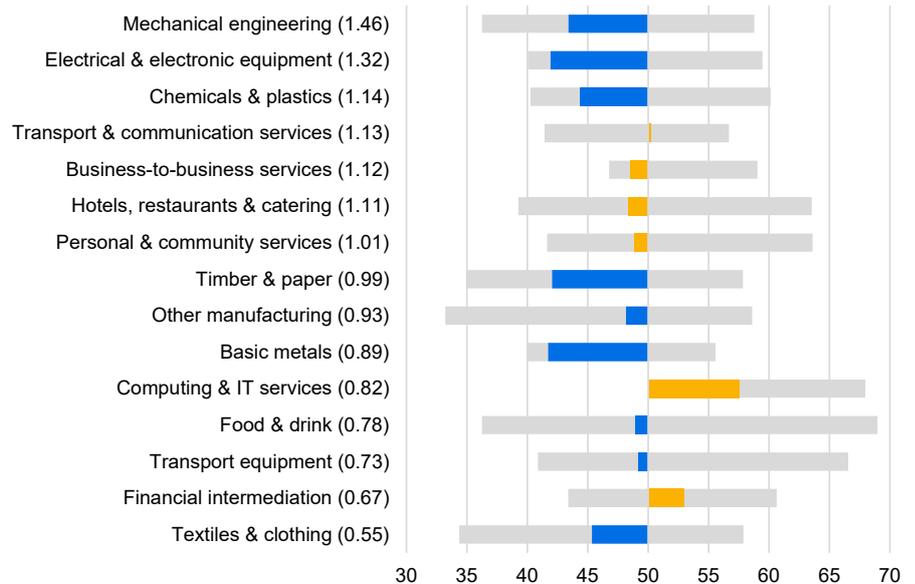
UK sectors

Sector specialisation: East of England

The chart shows UK output indices by sector, ranked by location quotients for the East of England. Location quotients (LQs) 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.

UK sectors ranked by importance to the East of England economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Jan '25



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
 Location quotients for the East of England are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Personal & community services

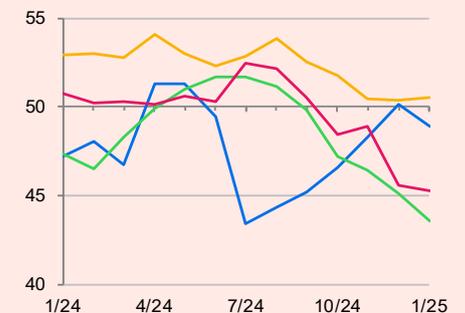
The UK's personal & community services sector underperformed the wider economy in the three months to January. Business activity fell back into contraction following some stability in the latter stages of 2024, weighed down by a marked decline in demand. Qualitative evidence gathered by the PMI surveys highlighted a reduction in confidence and discretionary spending among UK consumers in recent months.

At the same time, businesses in the sector came under pressure from rising costs, including increases in

energy prices and wages. Average prices charged by firms showed a slightly slower rate of inflation, however, pointing to a squeeze on profit margins.

Business confidence towards future growth prospects was meanwhile the lowest on record, excluding the initial phase of the pandemic. The combination of increasing labour costs and muted growth expectations led personal & community services firms to cut workforce numbers at the fastest rate for nearly four years.

Output / Employment
 ■/■ Personal & community services*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
 *Data are smoothed as three-month moving average (3mma).

Methodology

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.

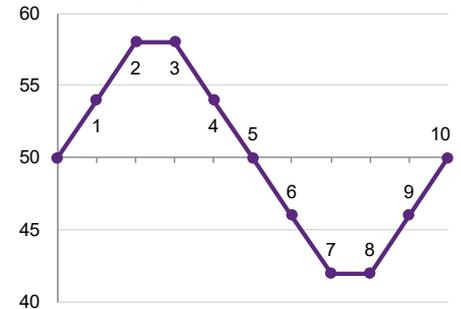
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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 survey methodology, please contact economics@spglobal.com.

Index interpretation

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

Data

East of England manufacturing and services Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
8/24	53.9	52.4	51.5	52.4	45.5	71.2	57.9	53.6
9/24	50.9	50.7	50.5	49.1	47.6	66.5	59.4	54.6
10/24	51.2	48.1	51.1	47.7	44.9	70.4	59.0	54.7
11/24	48.7	50.7	51.0	48.0	46.1	65.1	57.9	55.6
12/24	48.9	47.8	51.3	44.2	43.5	63.8	59.9	54.8
1/25	48.9	47.3	50.7	42.6	43.7	65.6	65.7	58.2

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