

11 February 2025

NatWest UK Regional Growth Tracker

Companies report sharp increase in prices and costs as 2025 opens for business



NatWest

PMI[®]

by **S&P Global**

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Key findings

January 2025

Businesses in all regions feel effects of inflationary pressures in January

London and North East drive economic growth for country

Northern Ireland remains the most resilient labour market

The NatWest UK Regional 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 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





Comment

Sebastian Burnside, NatWest Chief Economist, commented:

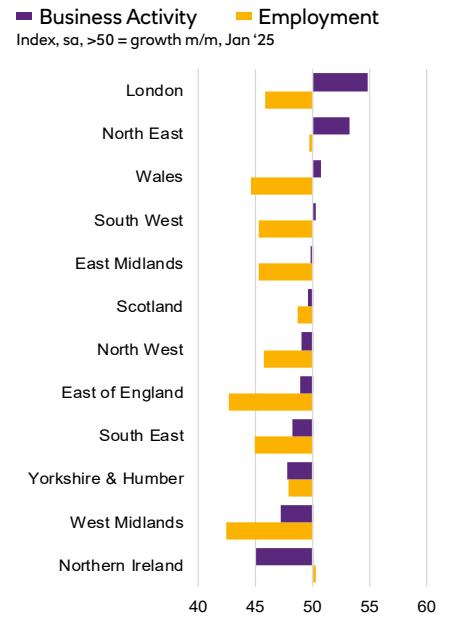
"London started 2025 as it ended 2024 – as the regional driver for growth for the UK. The North East, Wales and South West also enjoyed a positive start to the new year but in other areas, elevated price pressures are having an effect.

"Firms in every region of the UK reported rising cost pressures in January, as well as indicating steep increases in prices charged for goods and services too.

"The Bank of England appears to agree; last week it raised its inflation forecast to 3.7%. But whilst the Monetary Policy Committee hopes this rise is temporary, increasing wages, national insurance contributions and energy costs risk inflation staying higher for longer.

"Against this backdrop demand has held up strongest in London and the

North East, whilst Northern Ireland has the most resilient labour market, with job creation continuing for 25 consecutive months."



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

The Business Activity and Employment indices are diffusion indices calculated from companies' responses to questions on monthly changes in the volume of business activity and employment, respectively. The indices vary between 0 and 100 and are 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 indices are seasonally adjusted.

Data compiled 9-29 January



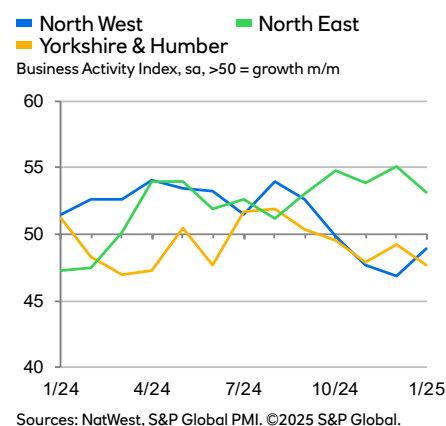
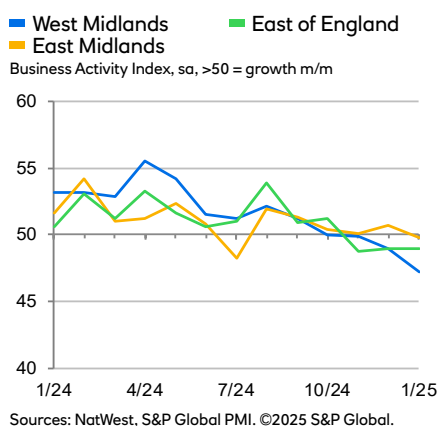
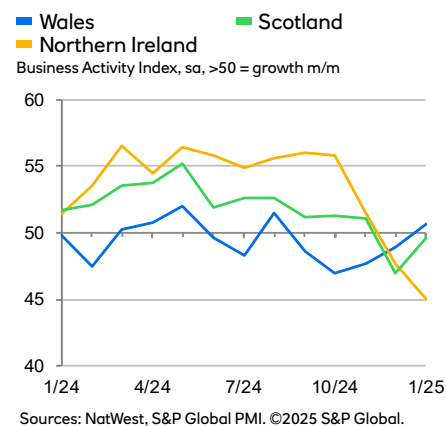
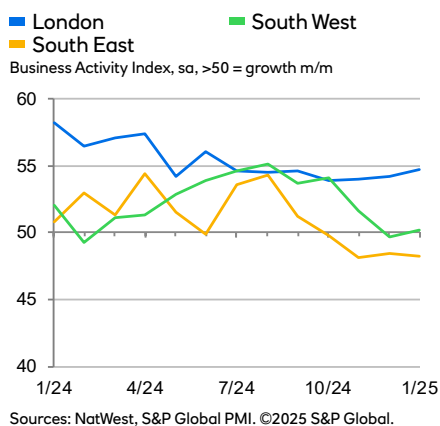
Business activity

Four of the 12 UK nations and regions recorded business activity growth in January, up from three in December.

The NatWest Regional Growth Tracker Business Activity Index is the first fact-based indicator of regional economic health published each month, tracking the monthly change in the output of goods and services across the private sector. A reading above 50 signals growth, and the further above the 50 level the faster the expansion signalled.

As in December, London and the North East were the key drivers of activity growth throughout January, followed by Wales and South West with businesses there declaring increases in output during the first four weeks of 2025. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity*.

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



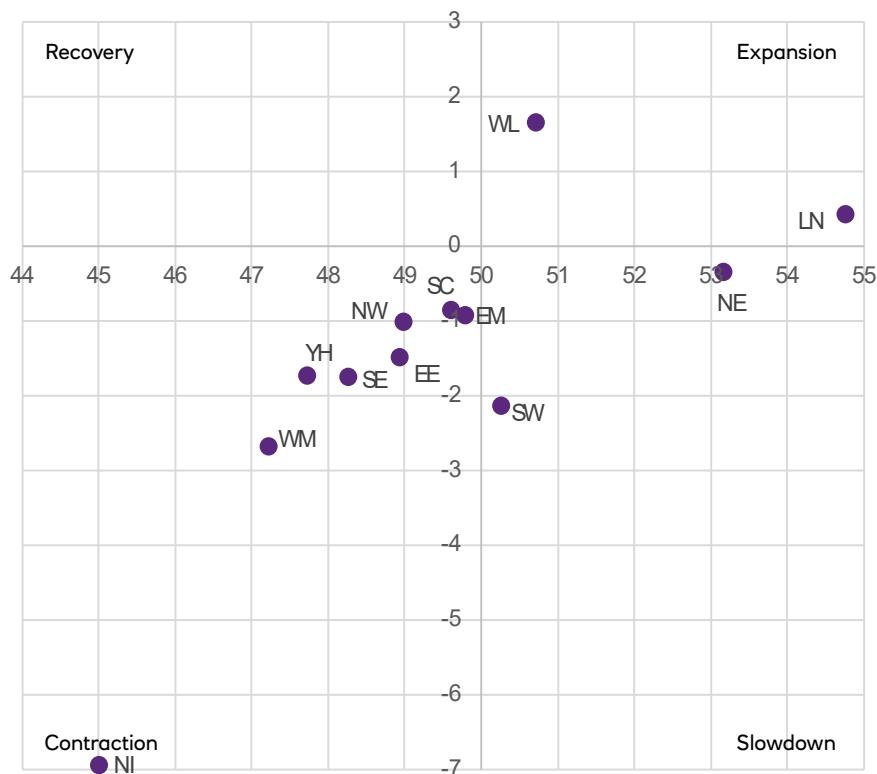


Business cycle by nation and region

Business Activity

X axis = Business Activity Index, sa, >50 = growth m/m, Jan '25

Y axis = Change in Index compared with six-month average



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

LN London
SE South East
SW South West

EE East of England
EM East Midlands
WM West Midlands

NW North West
NE North East
YH Yorkshire & Humber

SC Scotland
WL Wales
NI Northern Ireland

In a typical business cycle, regions will move in a clockwise direction through the four quadrants in the chart to the left.

Expansion

Regions are **expanding**, and at a **faster rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the highest regions are seeing the greatest acceleration in growth over the past six months.

Slowdown

Regions are **expanding**, but at a **slower rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the lowest regions are seeing the greatest deceleration in growth over the past six months.

Contraction

Regions are **contracting**, and at a **faster rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the lowest regions are seeing the greatest acceleration in the rate of contraction over the past six months.

Recovery

Regions are **contracting**, but at a **slower rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the highest regions are seeing the greatest deceleration in the rate of contraction over the past six months.

Growth Tracker heat map

January 2025

Darker colour = higher business growth

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

London	54.8
North East	53.1
Wales	50.7
South West	50.2
East Midlands	49.8
Scotland	49.6
North West	49.0
East of England	48.9
South East	48.2
Yorkshire & Humber	47.7
West Midlands	47.2
Northern Ireland	45.0



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



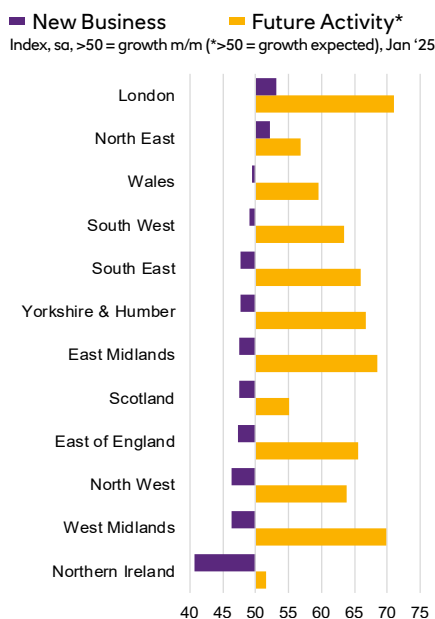
Demand and outlook

New business growth confined to London and North East

As was the case in December, London and the North East were the only areas to record a rise in new business during the opening month of the year. Demand decreased elsewhere, and rates of decline accelerated in most cases. This included Northern Ireland, which registered the steepest overall drop in inflows of new work, and one that was the sharpest since December 2022.

Expectations remain positive but ease in most areas

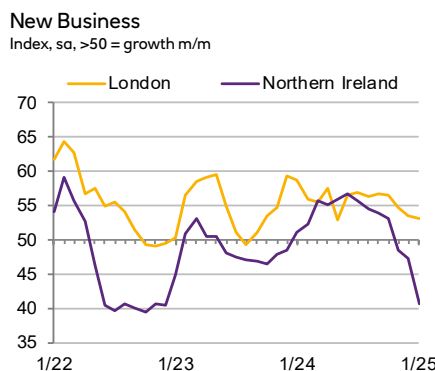
Expectations towards growth in the coming year remained positive across the board in January, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the outlook ahead of those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



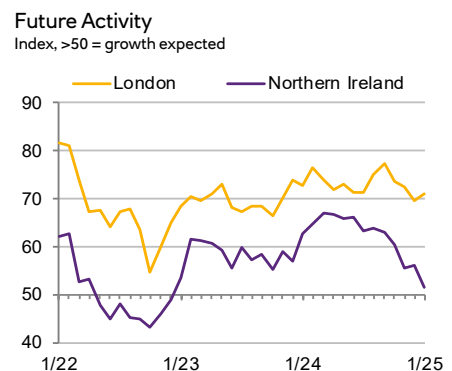
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Demand has held up strongest in London and the North East"

Sebastian Burnside,
NatWest Chief Economist



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



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



Employment and capacity

Employment falls everywhere except in Northern Ireland

All but one of the 12 monitored nations and regions recorded a decrease in employment for the second month running 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.

Declining backlogged orders signal general lack of pressure on capacity

Backlogs of work (i.e. new orders or projects awaiting completion) fell almost universally at the start of the first quarter. Firms in Northern Ireland recorded the most marked drop in outstanding business, followed by those in the North West. Only the North East showed signs of increasing capacity pressures, registering a fourth successive monthly rise in work-in-hand.

■ Employment ■ Outstanding Business
Index, sa, >50 = growth m/m, Jan '25

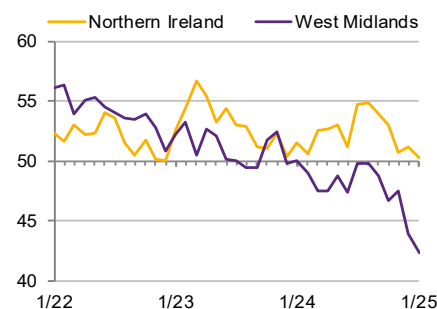


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Northern Ireland has the most resilient labour market, with job creation continuing for 25 consecutive months"

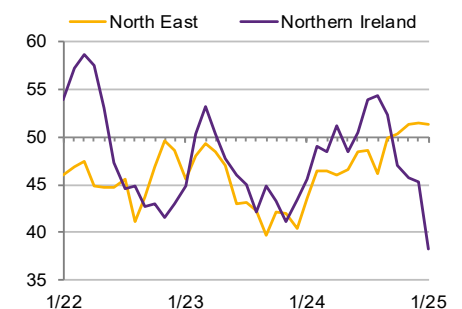
Sebastian Burnside, NatWest Chief Economist

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



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

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



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



Inflation

Cost pressures intensify across the UK

Businesses in all parts of the UK faced increased cost pressures in January. The fastest rate of input price inflation was recorded in the North East, where it reached the quickest since March 2023. Businesses in Wales recorded the slowest cost increases, though even there the pace of inflation was above the long-run series average.

South West sees highest rate of output price inflation

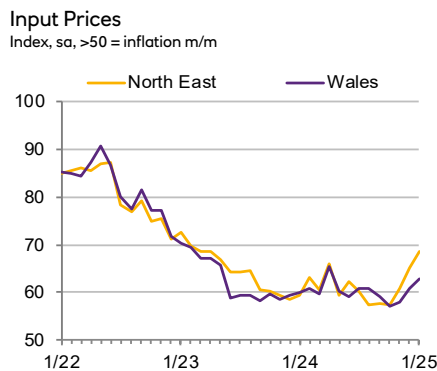
January saw faster increases in prices charged for goods and services across most nations and regions. The South West and East of England recorded the highest rates of output price inflation, respectively, while the greatest acceleration was registered in the West Midlands. The North East was the one exception, posting a fractionally slower increase in prices charged than the month before.



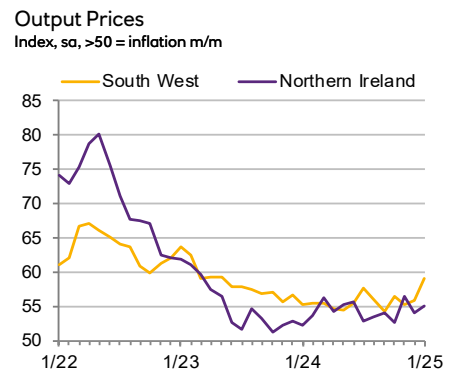
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"Firms in every region of the UK reported rising cost pressures in January, as well as indicating steep increases in prices charged for goods and services too"

Sebastian Burnside,
NatWest Chief Economist



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Methodology

The NatWest UK Regional Growth Tracker data are compiled by S&P Global from responses to questionnaires sent to companies that participate in S&P Global's UK PMI surveys. S&P Global compiles data for Scotland, Wales, Northern Ireland and nine English regions*.

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.

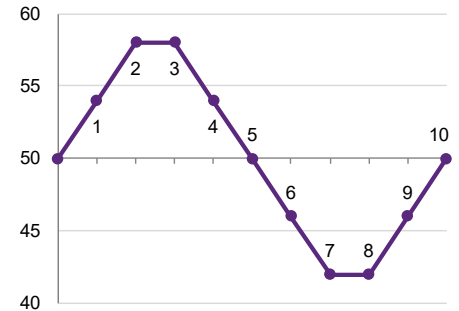
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index is comparable to the UK Composite Output Index.

For further information on the survey methodology, please contact economics@spglobal.com.

*International Territorial Level 1 definitions.

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

Manufacturing and services

Index, sa, 50 = no change over previous month. *50 = no change over next 12 months. Jan '25

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.8	53.0	71.0	45.9	48.4	65.5	57.9
South East	48.2	47.7	65.9	44.9	43.5	65.3	58.1
South West	50.2	49.1	63.4	45.2	45.7	66.8	59.1
East of England	48.9	47.3	65.6	42.6	43.7	65.7	58.2
East Midlands	49.8	47.5	68.4	45.2	45.1	64.9	57.1
West Midlands	47.2	46.3	69.8	42.4	41.6	63.9	57.7
Yorkshire & Humber	47.7	47.7	66.7	47.8	42.9	64.3	56.9
North West	49.0	46.4	63.9	45.7	40.2	63.4	57.6
North East	53.1	52.1	56.8	49.7	51.4	68.6	56.9
Scotland	49.6	47.5	55.0	48.6	45.2	64.3	56.6
Wales	50.7	49.3	59.5	44.6	41.6	62.9	56.7
Northern Ireland	45.0	40.6	51.6	50.3	38.3	66.5	55.1

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