

14 January 2025

# NatWest East of England Growth Tracker

Companies freeze recruitment ahead of  
increased employment costs



NatWest

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by **S&P Global**

14 January 2025

# NatWest East of England Growth Tracker

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# Key findings

December 2024

**Recruitment freezes result in largest net reduction in employment in over four years**

**Confidence weakens as new business falls**

**Cost pressures pick up, but weakest in UK**

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](http://www.natwest.com/business/insights/economics)





# Companies freeze recruitment ahead of increased employment costs

Private sector output of goods and services in the East of England decreased for the second month running in December, according to the latest NatWest Growth Tracker data. The latest survey also signalled that recruitment freezes and impending cost increases linked to higher employer National Insurance contributions led to the fastest net decline in workforce numbers in over four years at the end of 2024.

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 to signal lower output in the region. The Index posted 48.9, little-changed from November’s 48.7, indicating only a modest rate of contraction. Prior to November, output had risen for 11 consecutive months.

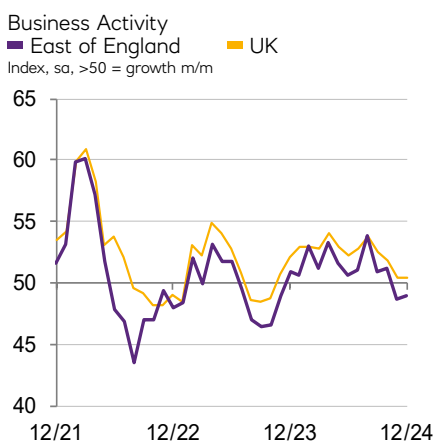
Only three UK regions posted higher output in December: the North East, London and the East Midlands.

## NatWest East of England Business Activity Index December 2024

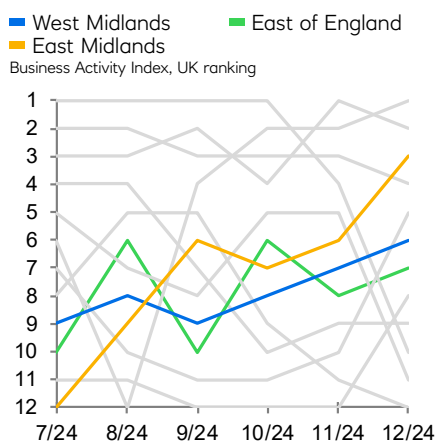
# 48.9

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 5-19 December



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

"Private sector businesses in the East of England faced increasingly challenging business conditions at the end of 2024. The latest data indicate that confidence has weakened as a result of the Autumn Budget, particularly concerning upcoming

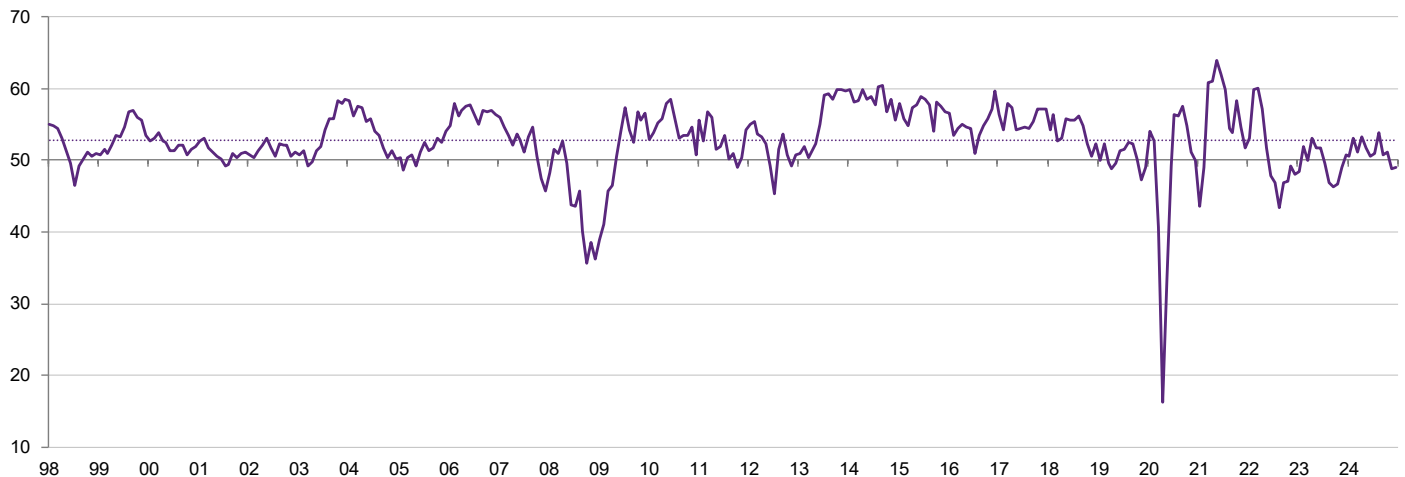
changes to employer National Insurance contributions. This has led to recruitment freezes as businesses assess the impact on their investment plans, resulting in the biggest net drop in employment in the region for over four years. New business fell for the second time in three months, and total activity declined for the second month running. That said, the overall

rate of contraction remained modest and softer than the previous downturn during the second half of 2023."

"Although cost pressures rose in December, the East of England recorded the slowest rate of input price inflation of all 12 UK nations and regions."

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

## New business slips back into contraction as confidence weakens

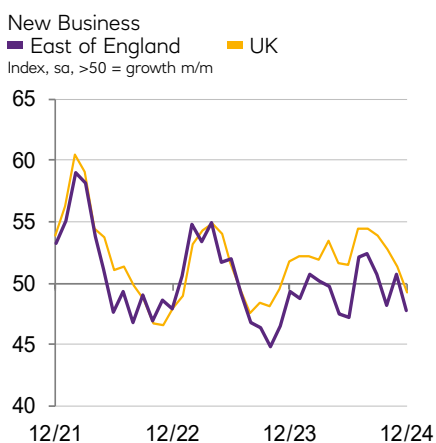
Private sector companies in the East of England reported a fall in the volume of incoming new business in December. Over the course of 2024, demand weakened on six occasions. The latest rate of contraction was the fastest since June.

Ten out of 12 UK nations and regions registered lower new

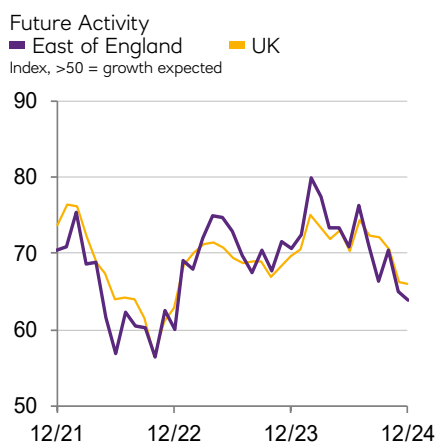
orders at the end of the year, the exceptions being the North East and London. Overall UK new business fell for the first time since November 2023.

Businesses in the East of England remained optimistic of growth over the next 12 months in December. That said, sentiment was the weakest in two years. Confidence across the UK as a whole also slid to a two-year low.

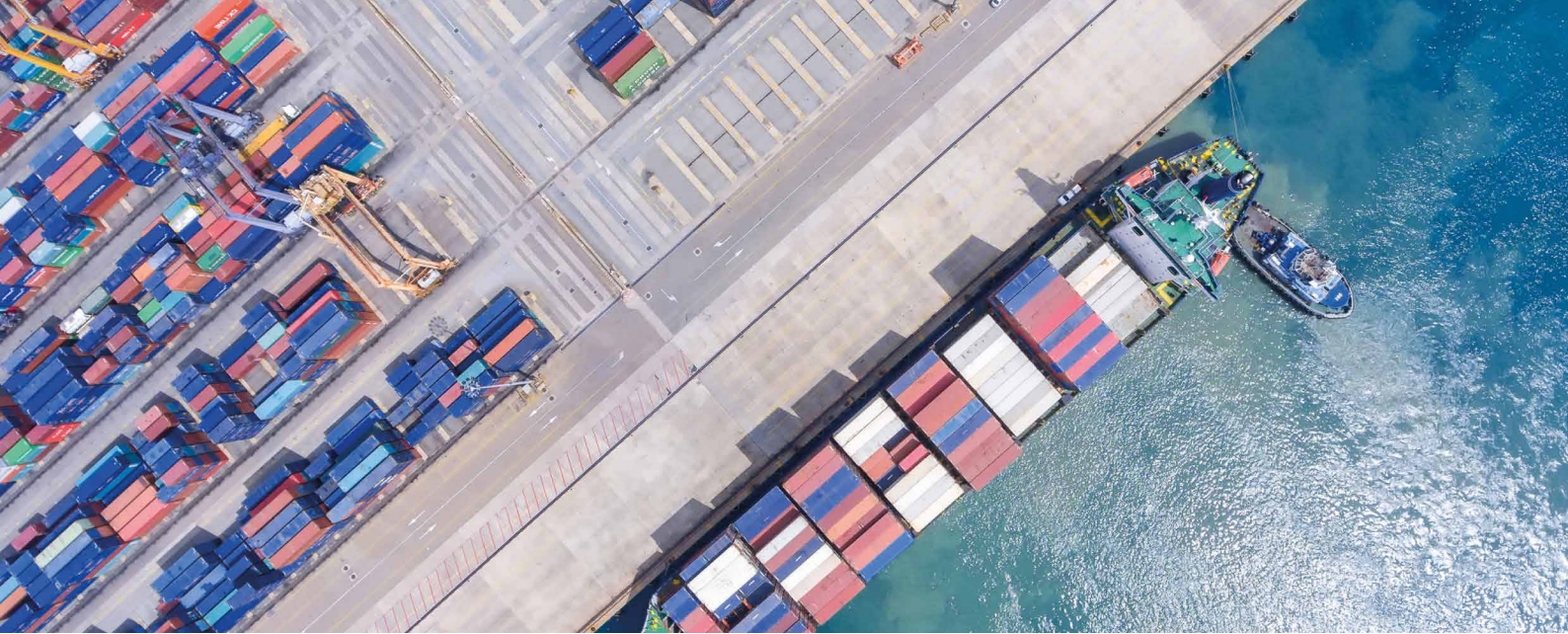
"Confidence has weakened as a result of the Autumn Budget, particularly concerning upcoming changes to employer National Insurance contributions."



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



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

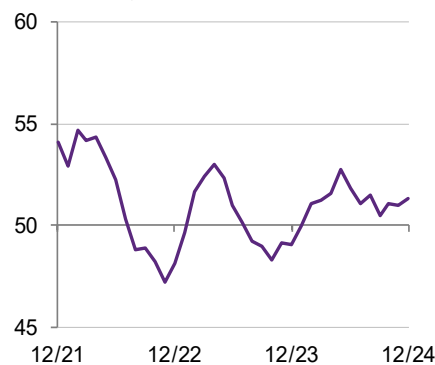


# Export markets

## Export conditions strengthen slightly at end of 2024

The ECI registered above the critical 50.0 threshold for the eleventh month running in December, signalling overall growth in the East of England's export markets. The latest reading of 51.3, up from 51.0 in November, indicated the strongest rate of improvement since August. The US and Ireland were the primary drivers of growth in export markets while Germany, France and the Netherlands contracted further, albeit at slower rates.

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



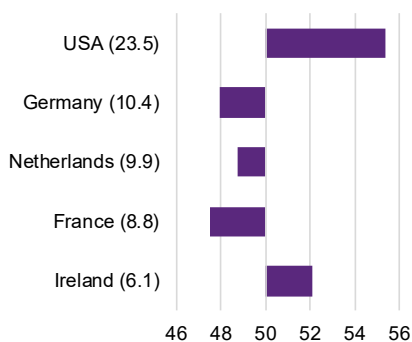
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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

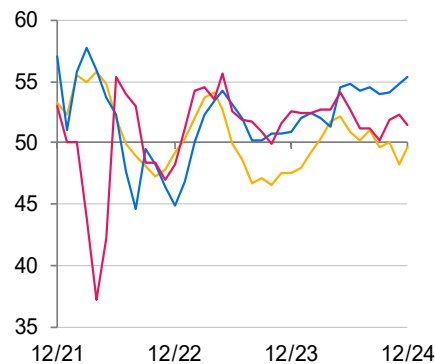
Dec '24



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

## Output

Legend: Eurozone (yellow), US (blue), China (red)  
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 in over four years

Workforce numbers across the East of England's private sector fell for the fourth month running in December. Companies continued to link reduced headcounts, including through recruitment freezes, to an increasingly risk averse environment following announcements in the Autumn Budget related to employer NI increases. Moreover, the rate of job shedding accelerated to the fastest since August 2020.

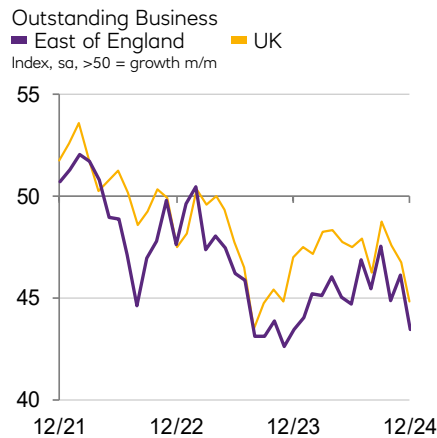
UK private sector employment fell at the fastest rate since January 2021. Only Northern Ireland recorded higher staffing at the end of 2024.

Lower headcounts also reflected spare capacity in the East of England private sector. Work pending completion fell for the twenty-second month running, and at the fastest rate since December 2023. Across the UK, only the North East recorded a rise in outstanding business in December.

"Recruitment freezes and impending cost increases linked to higher employer NI contributions led to the fastest net decline in jobs in over four years."



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



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





# Inflation

## Input prices rise at strongest rate since July, but weakest in UK

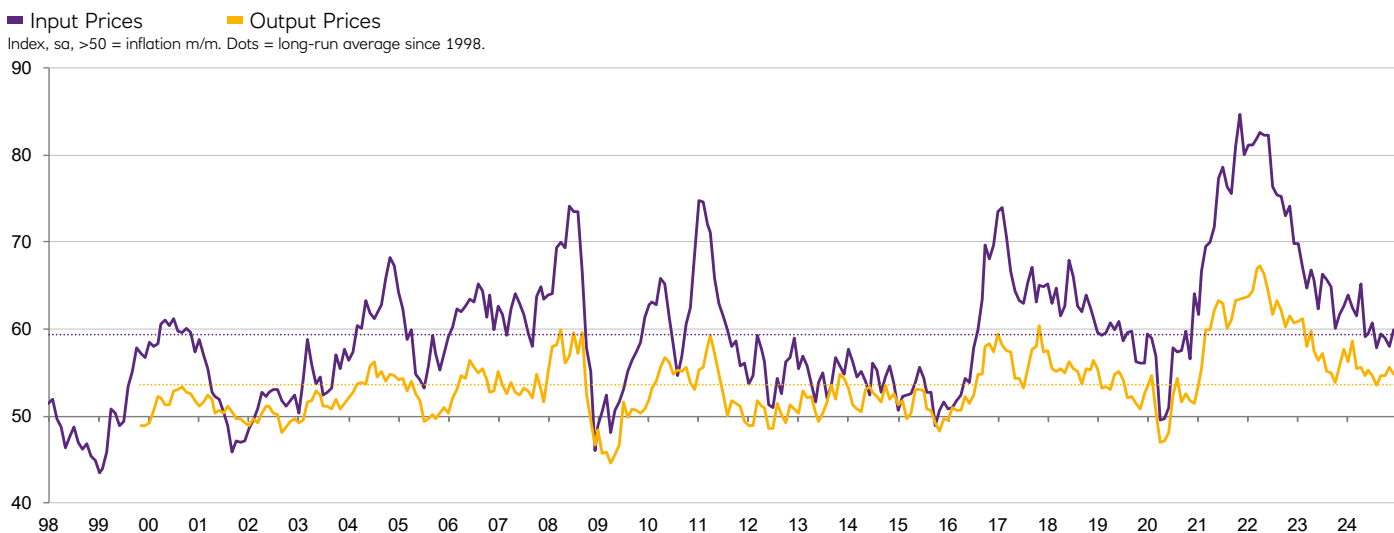
December data signalled strengthening cost pressures at private sector firms in the East of England, with the rate of input price inflation accelerating to a five-month high. The seasonally adjusted Input Prices Index also edged above its long-run trend level of 59.1. Companies linked higher costs to wages, shipping, and IT services. Some noted that suppliers had passed

on rising payroll costs announced in the recent Autumn Budget.

Cost pressures in the East of England were the weakest in the UK, however. The UK rate of input price inflation rose to an eight-month high, with the North East and South West recording the steepest increases.

Companies in the East of England raised their own charges at a slower pace than in November, but one that remained historically elevated. The UK as a whole saw output price inflation rise to a six-month high.

"Although cost pressures rose in December, the East of England recorded the slowest rate of input price inflation of all 12 UK nations and regions."



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

# UK Regional Growth Tracker

## Business Activity

The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

## Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

## Future Activity

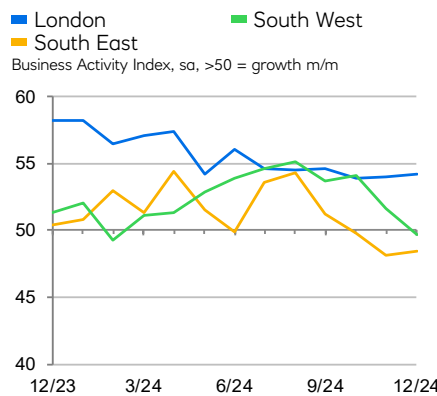
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



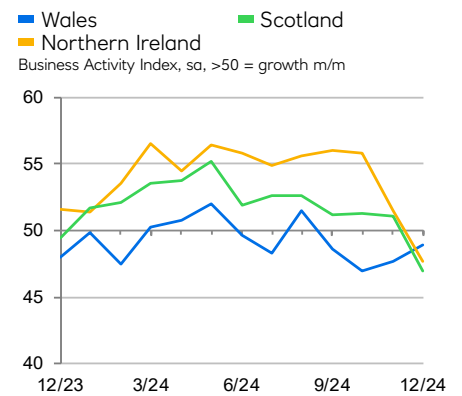
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



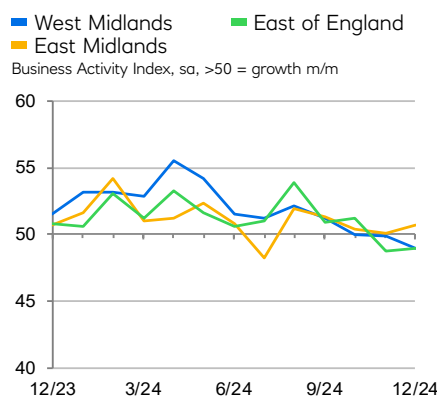
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



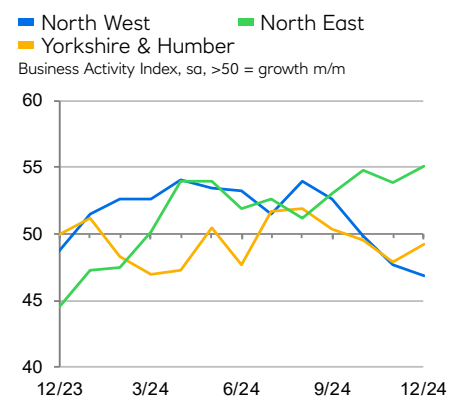
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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



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

# Growth Tracker heat map

December 2024

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.

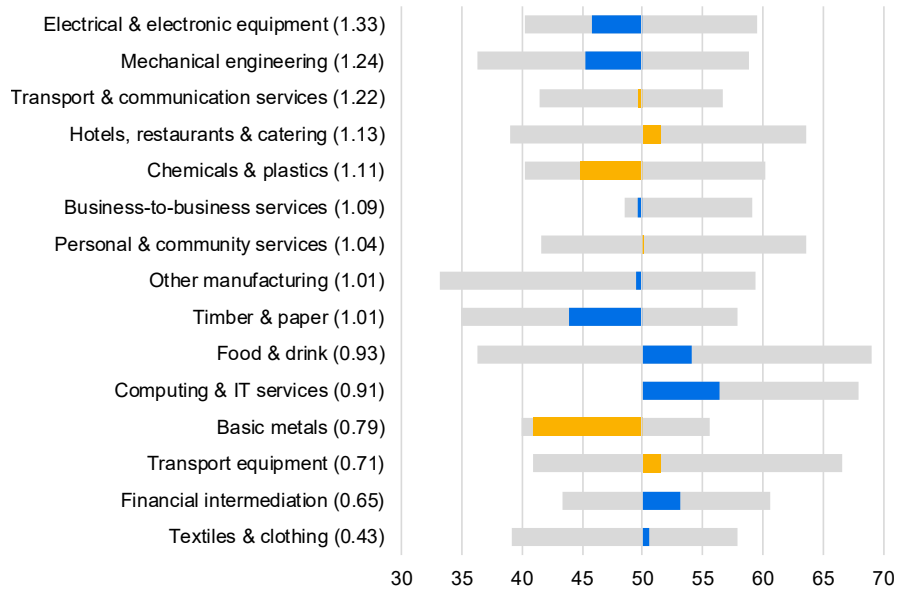
# UK sectors

## 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 Dec '24



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).

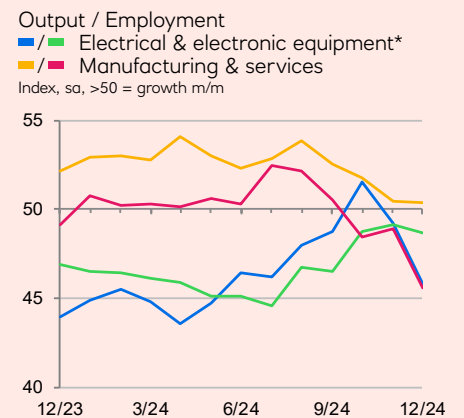
## Sector in focus: Electrical & electronic equipment

Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.



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.

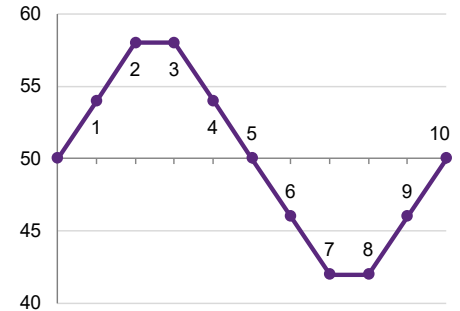
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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](mailto: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
7/24	51.0	52.1	51.1	51.1	46.9	76.3	60.6	54.6
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

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