

14 January 2025

NatWest UK Regional Growth Tracker

London and North East finish 2024 strongly as business activity falls in most other areas



NatWest

PMI[®]

by **S&P Global**

15 January 2025

NatWest UK Regional Growth Tracker

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Key findings

December 2024

London and North East record strong output growth in December

Employment growth confined to Northern Ireland

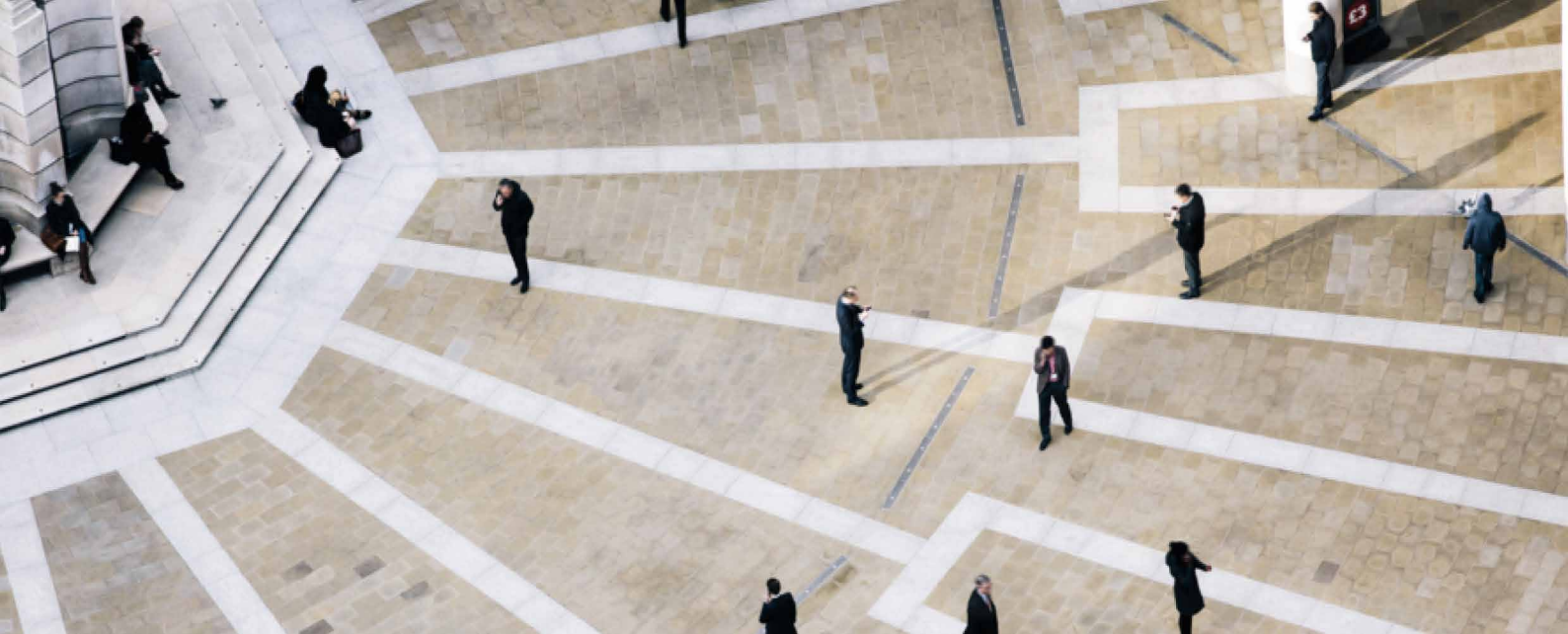
Business costs rise more quickly in most areas

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

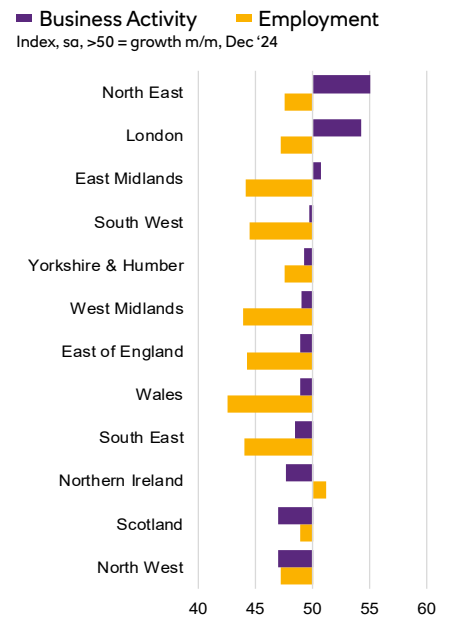
Sebastian Burnside, NatWest Chief Economist, commented:

"London was the UK's most consistent economic performer as 2024 came to a close and the North East was on an improving trajectory for the second half of last year.

"Despite its recent dip, Northern Ireland enjoyed decent growth in 2024 and placed second behind London for its performance across the year as a whole. Furthermore, Northern Ireland was the only area to see a rise in employment during December, with labour market conditions generally cooling across the UK in line with rising labour costs and less optimism towards future growth prospects.

"Business costs rose more quickly across three-quarters of the UK's nations and regions in December, underpinned by increasing wages and salaries. With these costs expected to rise further in the

coming months as the announced increases in employers' national insurance contributions and the national minimum wage come into effect, firms' growth expectations are subdued by historical standards in most parts of the UK."



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 5-19 December

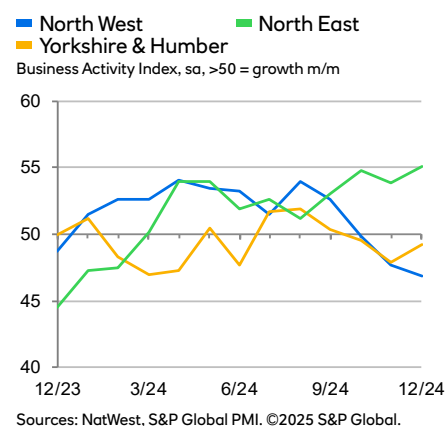
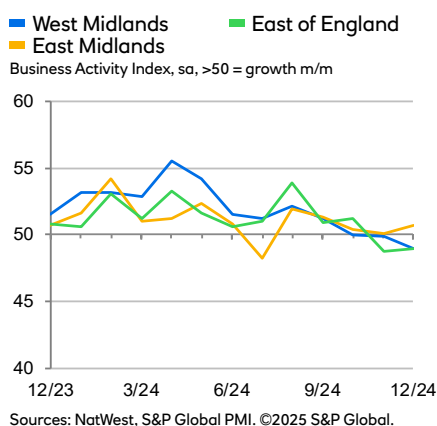
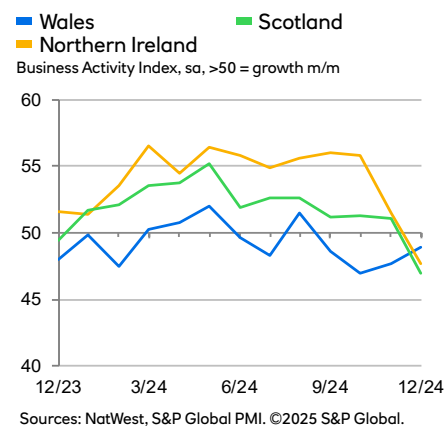
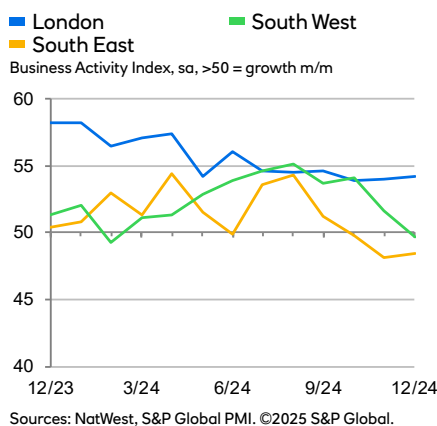


Business activity

Higher business activity was recorded in just three of the 12 nations and regions in December, the fewest since November 2023.

The 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.

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.

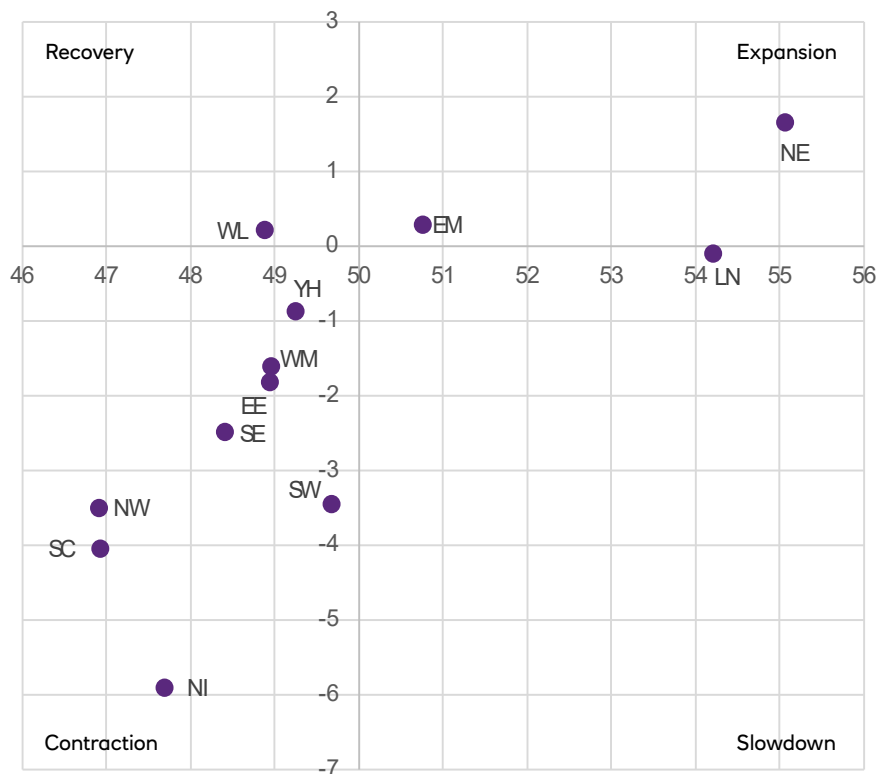




Business cycle by nation and region

Business Activity

X axis = Business Activity Index, sa, >50 = growth m/m, Dec '24 Y axis = Change in Index compared with six-month average



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

- | | | | |
|---------------|--------------------|-----------------------|---------------------|
| LN London | EE East of England | NW North West | SC Scotland |
| SE South East | EM East Midlands | NE North East | WL Wales |
| SW South West | WM West Midlands | YH Yorkshire & Humber | 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

December 2024

Darker colour = higher business growth

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

North East	55.1
London	54.2
East Midlands	50.7
South West	49.7
Yorkshire & Humber	49.2
West Midlands	48.9
East of England	48.9
Wales	48.9
South East	48.4
Northern Ireland	47.7
Scotland	46.9
North West	46.9



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



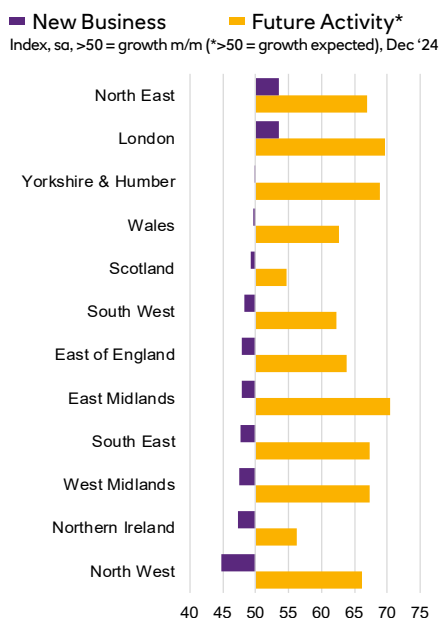
Demand and outlook

Only two regions record higher new business

Demand showed signs of slowing down in most areas in December. In fact, only the North East and London recorded greater inflows of new business during the month. The most marked decrease was seen in the North West, which saw a second straight monthly drop in new work intakes, and one that was the steepest since November 2022.

Business confidence highest in East Midlands

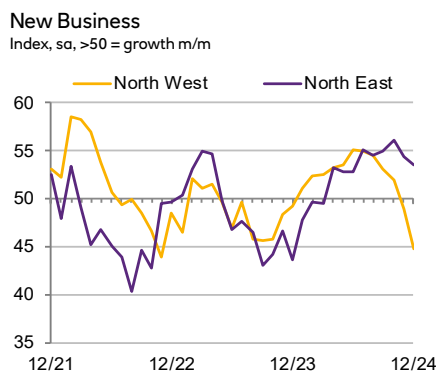
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of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



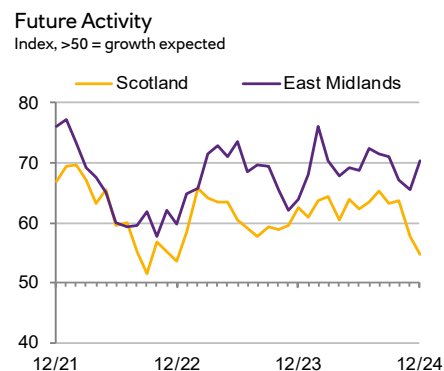
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Firms' growth expectations are subdued by historical standards in most parts of the UK"

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

Workforce numbers fall almost universally in December...

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.

...as do backlogs of work

December data showed a general lack of pressure on business capacity, with most areas of the UK seeing decreasing levels of outstanding business (i.e. new orders or projects awaiting completion). Wales registered the sharpest overall reduction in work-in-hand, its greatest since September 2023. Firms in the North East went against the trend and recorded a modest rise in backlogs.

■ Employment Index, sa, >50 = growth m/m, Dec '24
 ■ Outstanding Business

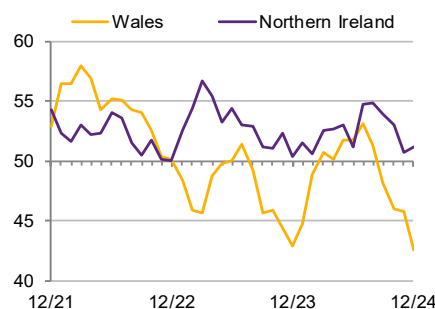


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Northern Ireland was the only area to see a rise in employment during December, with labour market conditions generally cooling across the UK"

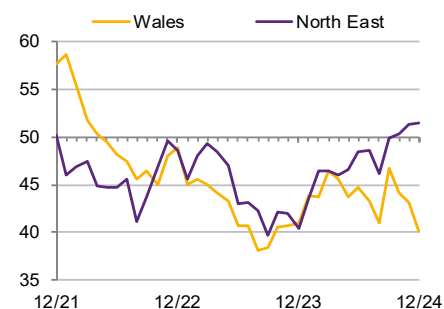
Sebastian Burnside, NatWest Chief Economist

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.



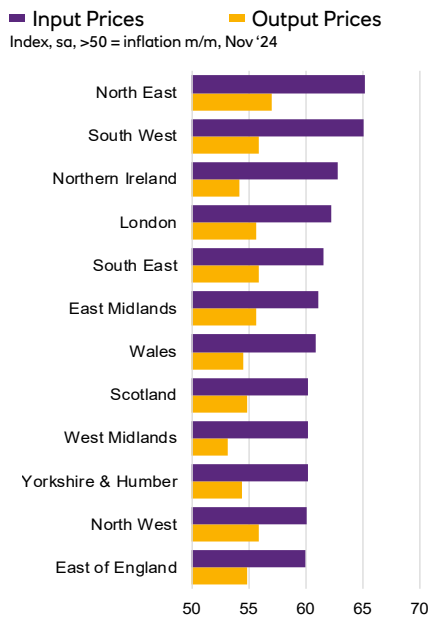
Inflation

Business costs rise more quickly in most areas

Nine of the 12 nations and regions monitored by the survey recorded faster increases in businesses' input costs in December. The quickest overall rate of inflation was in the North East, which also recorded the second-greatest acceleration from the month before behind the South West. Cost pressures were weakest in East of England, but even there they were above the long-run average.

Firms in North East post steepest output price increases

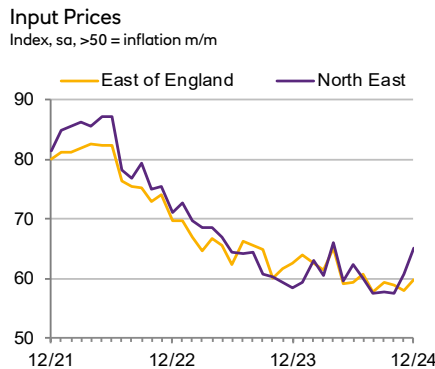
Faced with strong cost increases and rising demand, firms in the North East raised prices charged for goods and services sharply and more steeply than those in any other area. Rates of output price inflation quickened in most nations and regions, including the lowest-ranked area for price increases, the West Midlands.



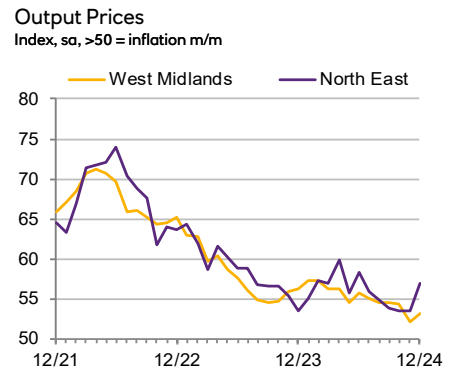
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Business costs rose more quickly across three-quarters of the UK's nations and regions in December, underpinned by increasing wages and salaries"

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.

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.

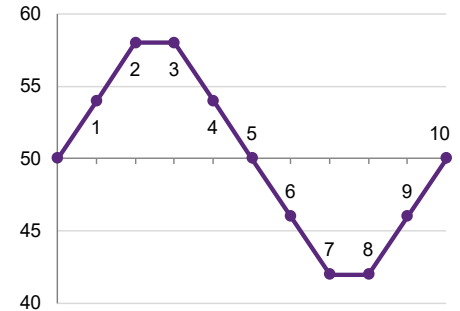
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index 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 | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

Data

Manufacturing and services

Index, sa, 50 = no change over previous month. *50 = no change over next 12 months. Dec '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.2	53.5	69.7	47.2	48.3	62.2	55.6
South East	48.4	47.7	67.2	44.0	44.0	61.5	55.8
South West	49.7	48.2	62.2	44.4	45.0	65.0	55.8
East of England	48.9	47.8	63.8	44.2	43.5	59.9	54.8
East Midlands	50.7	47.8	70.4	44.1	44.2	61.1	55.7
West Midlands	48.9	47.4	67.2	43.9	43.3	60.2	53.2
Yorkshire & Humber	49.2	49.7	68.8	47.5	42.8	60.2	54.3
North West	46.9	44.8	66.1	47.2	42.9	60.1	55.9
North East	55.1	53.6	67.0	47.5	51.4	65.1	57.0
Scotland	46.9	49.3	54.7	48.9	46.3	60.2	54.9
Wales	48.9	49.6	62.7	42.6	40.1	60.8	54.5
Northern Ireland	47.7	47.3	56.2	51.1	45.3	62.8	54.1

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