

13 August 2024

NatWest East of England Growth Tracker

Renewed rise in new business



NatWest

PMI[®]

by **S&P Global**

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Key findings

July 2024

New business increases at fastest rate since April 2023

Output growth remains below UK trend

Expectations for activity strengthen post-election

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.

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Renewed rise in new business

Demand for goods and services in the East of England rebounded in July according to the latest NatWest Growth Tracker data, but the rate of expansion of total activity remained modest.

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 above the no-change mark of 50.0 to signal growth of output in the region

for the eighth month running. The Index rose slightly to 51.0, from June’s 50.6, indicating only a modest rate of expansion that was below the UK average (52.8).

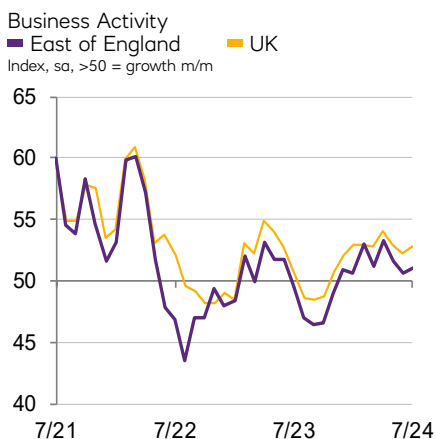
The East of England registered a renewed increase in new business following a three-month downturn, and at the fastest rate since April 2023. Employment rose and companies were more confident of growth over the next 12 months. Input price inflation accelerated to a three-month high and moved further above the long-run survey trend.

NatWest East of England Business Activity Index July 2024

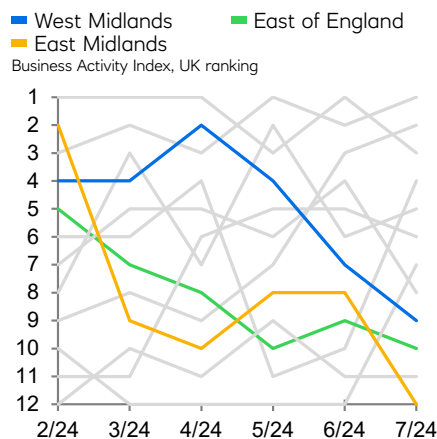
51.0

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 11-29 July



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Comment

Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board

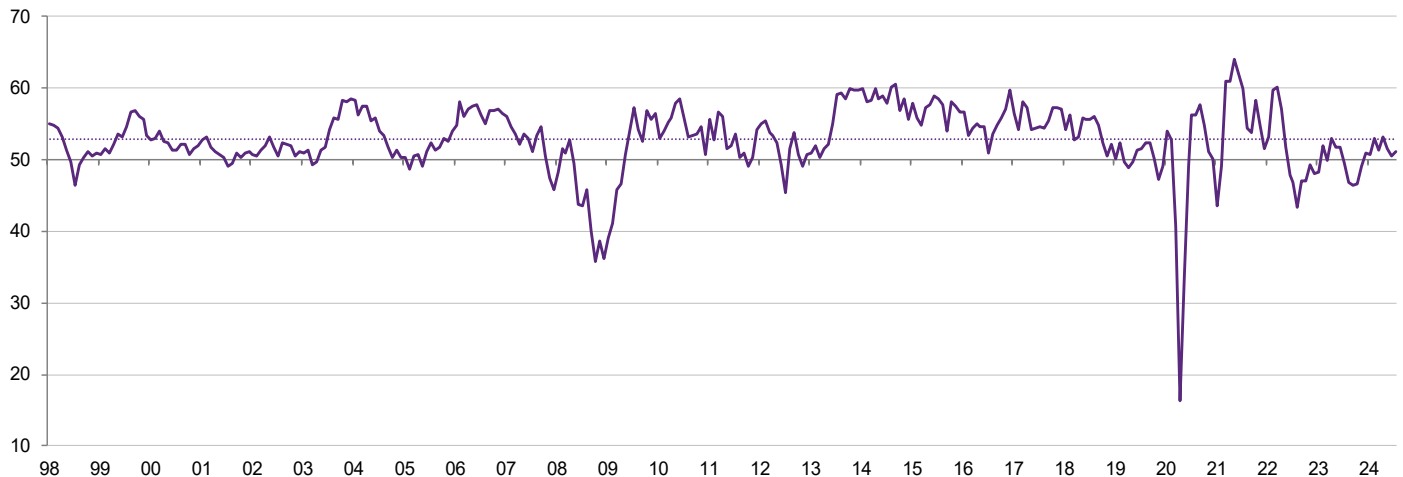
"The revival in new business growth in July was encouraging, and looking further ahead the 12-month outlook improved. Moreover, confidence and demand may strengthen further in August given the cut in interest rates which occurred after the July survey was conducted. Less positively, growth of total activity and employment both remained below the UK averages in July."

Contact

Kate Visser
Regional Media & Campaigns
Manager
NatWest
07970 947694
kate.visser@natwest.com

Business Activity

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



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



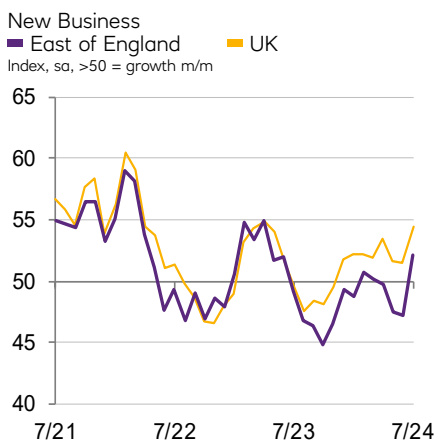
Demand and outlook

Inflows of new work rise for first time in four months

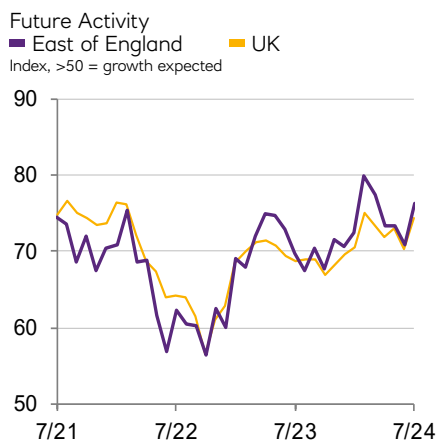
Demand conditions across the East of England's private sector economy recovered in July, as the volume of incoming new business increased for the first time in four months. Some firms reported unexpected business wins as market conditions improved. The rate of growth accelerated to the quickest since April 2023 but was below the UK average.

Businesses in the East of England were increasingly optimistic about growth prospects in the coming year in July. The degree of optimism was the highest since March and remained above both the series trend and the UK-wide average. Greater political stability following the election, better trading conditions, lower interest rates and investment in staff all supported stronger forecasts.

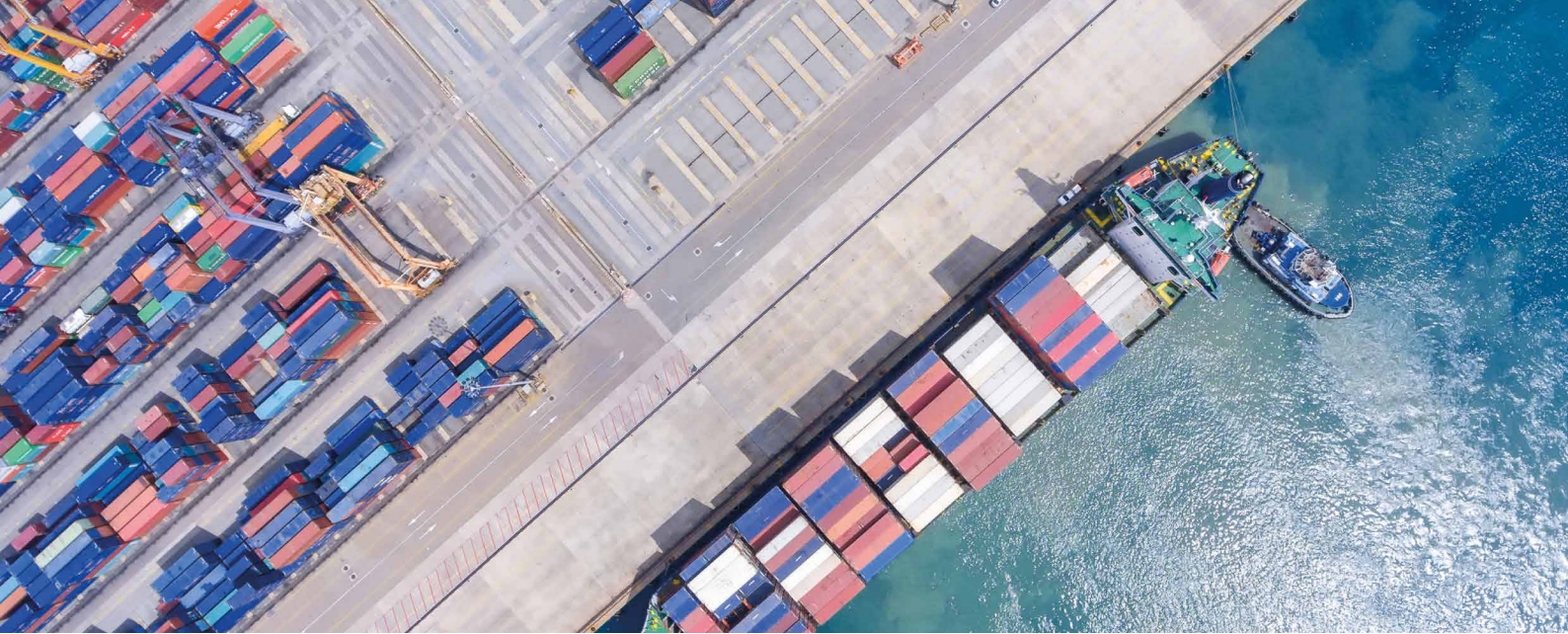
"Businesses in the East of England were increasingly optimistic about growth prospects"



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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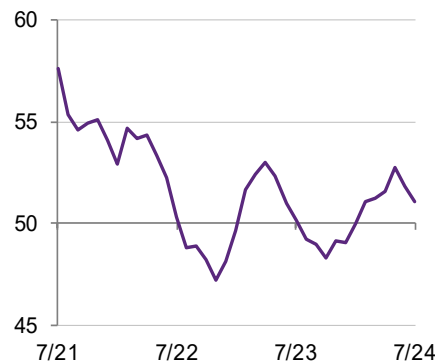
Export markets

Weaker improvement in export conditions

The ECI registered above the critical 50.0 threshold for the sixth month running in July, but the latest reading of 51.1, down from June's 51.8, indicated a slower rate of improvement in export conditions for firms in the East of England.

Although the USA posted solid growth in July, the three next-largest export markets for the East of England – Germany, the Netherlands and France – all recorded declines. Ireland bucked the weak European trend with moderate growth.

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



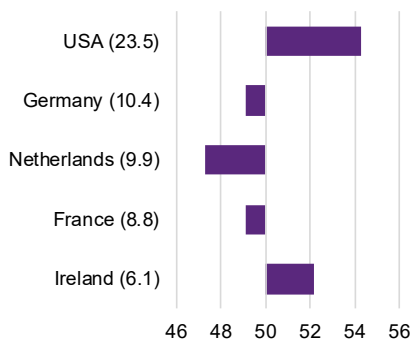
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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

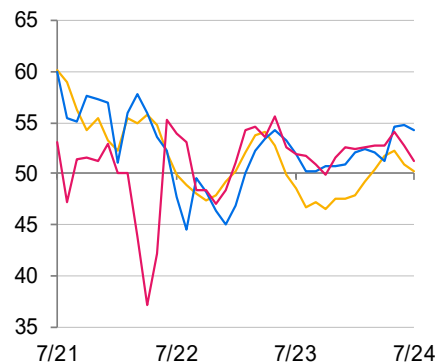
Jul '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Output

Legend: Eurozone (yellow), US (blue), China (red)
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Jobs and capacity

Employment grows at faster rate in July

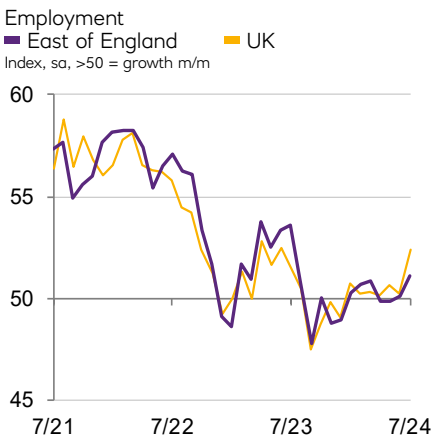
Workforce numbers across the East of England's private sector rose in July, following a broad stagnation throughout the second quarter. Moreover, the rate of job creation was the fastest for a year and in line with the long-run survey average.

Companies linked higher staffing to increased workloads, improving confidence and investment in apprentices and trainees. Limiting factors included cost pressures,

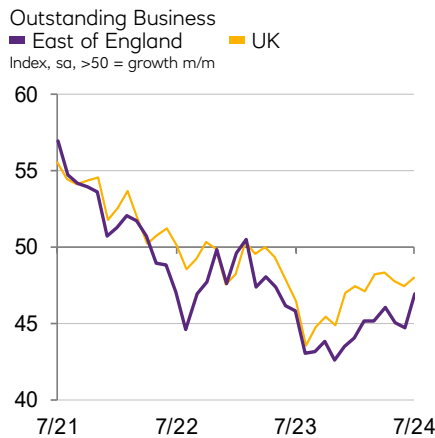
natural attrition and difficulties replacing leavers. The UK as a whole saw a slightly stronger increase than the East of England, and at the fastest rate in 13 months.

The renewed recruitment in the private sector in July reflected evidence of rising pressures on business capacity. Backlogs of work continued to decline during the month, but at the slowest rate since May 2023. That said, it was still quicker than the average for the UK private sector as a whole.

"The rate of job creation was the fastest for a year"



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



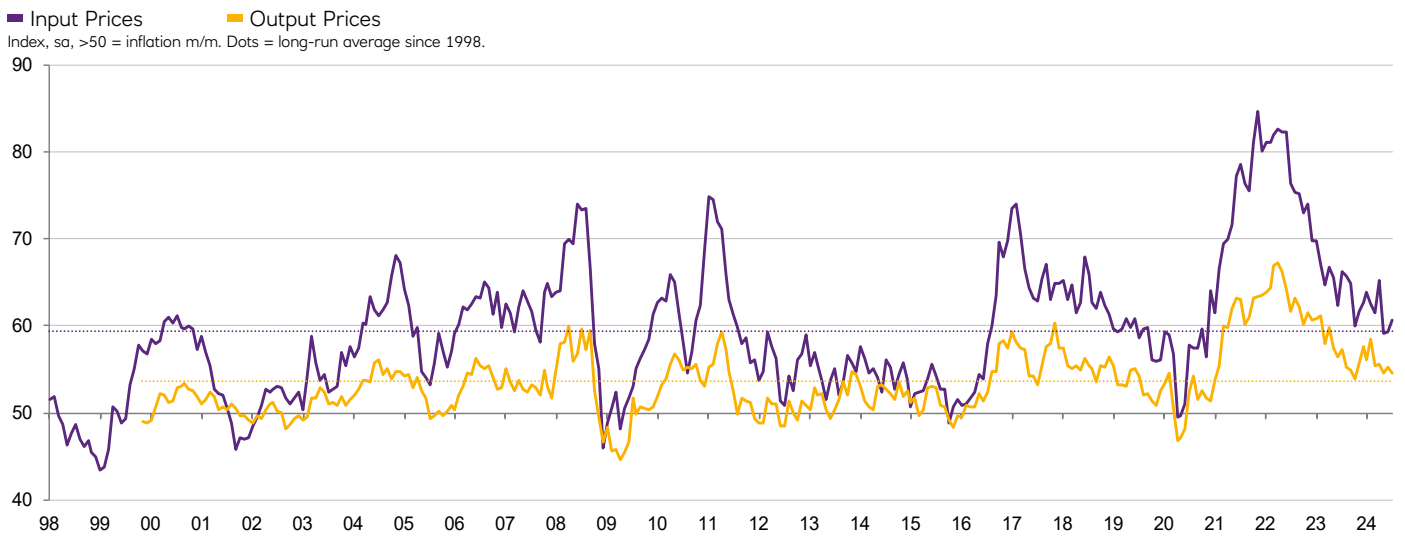
Inflation

Input price inflation accelerates in July

Cost pressures picked up across the East of England's private sector in July. The rate of input price inflation rose to a three-month high, taking it further above the long-run survey average. Shipping, wages, utilities and printing were all highlighted as sources of rising costs at the start of the second half of 2024.

Despite the intensification of cost pressures facing firms in July, average prices charged for goods and services rose more slowly during the month. The rate of output price inflation was the joint-weakest in nine months, but still above the long-run trend.

"The rate of input price inflation rose to a three-month high"



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

UK Regional Growth Tracker

Business Activity

Business activity growth was led by Northern Ireland for the second time in the past three months in July. Just behind was the South West, which continued to gain momentum and recorded its steepest rise in output for more than two years. At the other end of the scale, Wales and the East Midlands both recorded modest reductions in business activity.

Employment

Northern Ireland also topped the rankings for employment growth at the start of the third quarter, recording its fastest rate of job creation since April 2023. The North East posted the next-steepest rise in employment, followed by Wales. As was the case for business activity, the East Midlands was one of just two areas to see a decrease in employment, this time alongside the West Midlands.

Future Activity

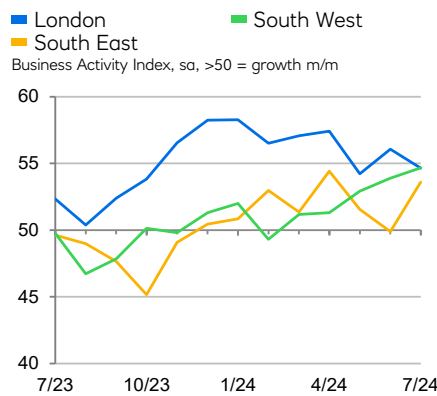
Growth expectations generally improved across the UK in July. The only exception was Northern Ireland, which saw business confidence slip to a six-month low. Firms in the South East were the most upbeat about the outlook, as has been the case in three of the past four months, followed by those in South West. The biggest upswing in optimism was recorded in Yorkshire & Humber.



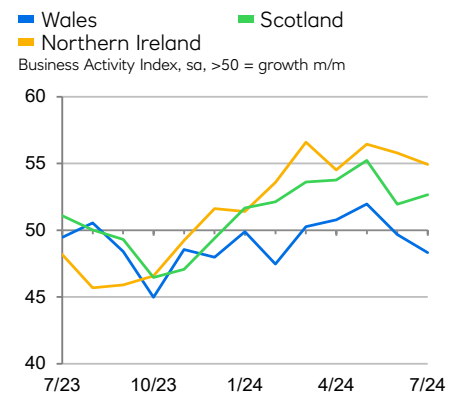
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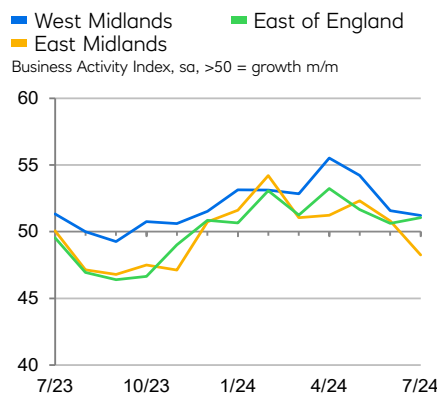
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



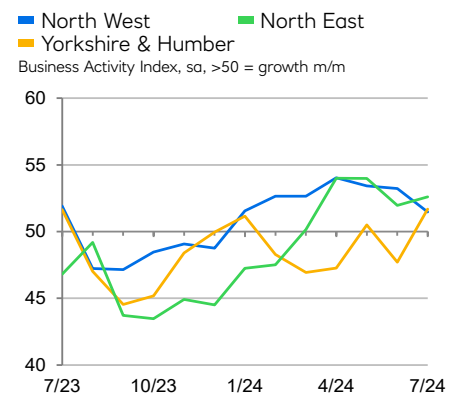
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UK sectors

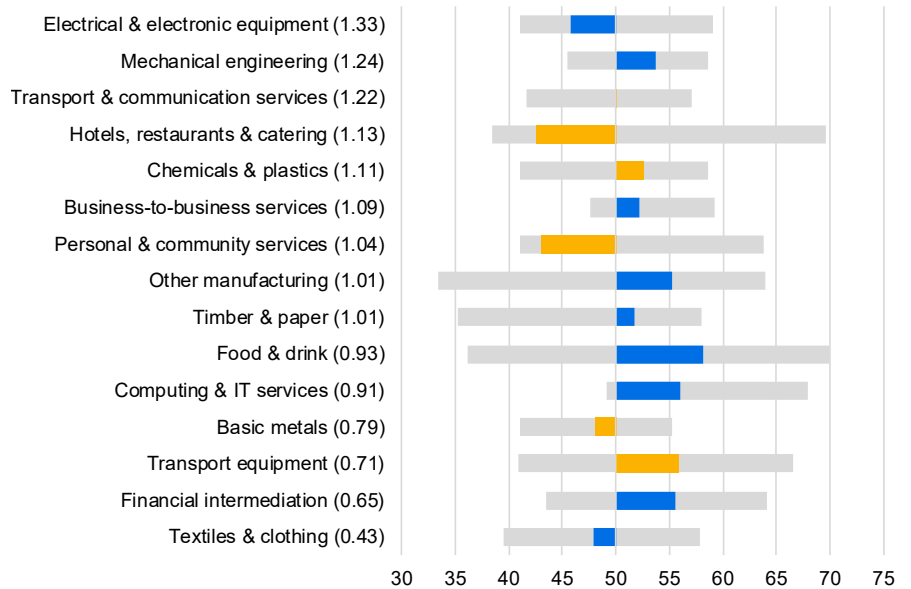
Sector specialisation: East of England

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 Jul '24



Sources: NatWest, S&P Global PMI. ©2024 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: Financial intermediation

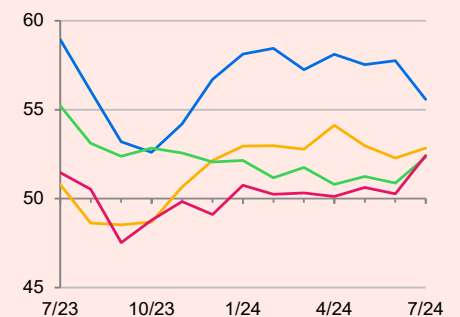
The Financial Intermediation sector was a key growth engine for the UK economy in the three months to July. Business activity rose markedly and at one of the quickest rates recorded among the detailed sectors covered by PMI data. This was despite a loss of momentum that saw growth ease to the weakest since late last year.

Buoyed by strong inflows of new work and high expectations for growth in the coming year, financial intermediation firms upped the rate of job creation in the three months

to July. Employment has risen continuously in the sector since early 2021.

Input prices faced by financial intermediation firms meanwhile rose at the slowest rate for just over three years. Cost pressures were still elevated by historical standards, however, which contributed to another steep rise in average prices charged by businesses in the sector. The rate of output price inflation remained well above the average over the series history stretching back to 1996.

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



Sources: NatWest, S&P Global PMI. ©2024 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.

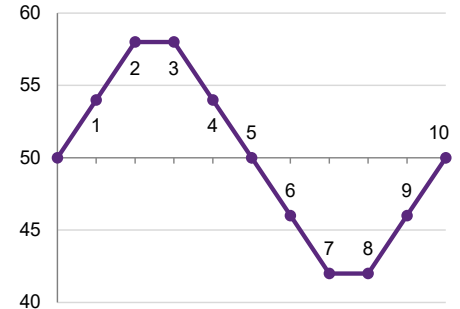
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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. ©2024 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
2/24	53.1	50.7	51.1	50.7	45.2	79.9	62.5	58.6
3/24	51.3	50.1	51.3	50.9	45.2	77.5	61.5	55.4
4/24	53.2	49.8	51.6	49.9	46.0	73.3	65.2	55.7
5/24	51.6	47.4	52.8	49.9	45.1	73.3	59.2	54.6
6/24	50.6	47.2	51.8	50.1	44.8	70.9	59.4	55.3
7/24	51.0	52.1	51.1	51.1	46.9	76.3	60.6	54.6

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Contact

Kate Visser
Regional Media & Campaigns
Manager
NatWest
07970 947694
kate.visser@natwest.com

Trevor Balchin
Economics Director
S&P Global Market Intelligence
T: +44 1491 461065
trevor.balchin@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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