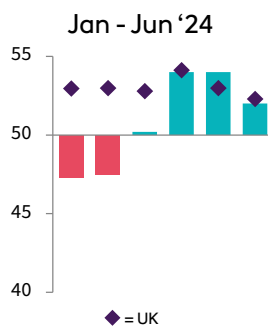




NatWest North East Growth Tracker

North East private sector expansion slows amid strong inflationary pressures

North East Business Activity Index



Key findings

Expansions in activity and new work sustained

Fastest job creation since February 2022

Cost pressure builds notably and confidence in the outlook dulls

The North East's private sector growth momentum slowed in June according to the NatWest Growth Tracker. The headline 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 – fell from 54.0 in May to 52.0 in June, to signal a fourth monthly improvement in business conditions that was the softest since March and moderate overall. The increase reflected the start of new projects and healthy order book volumes, according to panel member reports. The local rise in output was only slightly slower than the UK average.

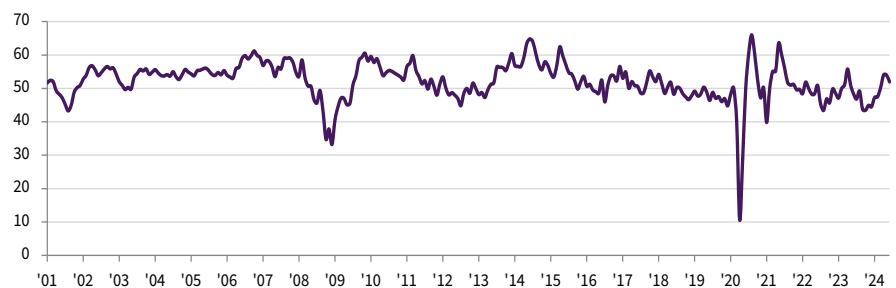
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"The North East remained on solid footing in June, data from the NatWest Growth Tracker revealed. New business placed with North East manufacturers and service providers rose again at a moderate rate. Activity growth eased, but the rate of increase was largely in line with its historic trend and the UK average."

"Looking to the future, private sector firms in the North East sent some mixed signals. Headcounts were raised at the quickest rate for 28 months, and one that was the second-strongest of all 12 monitored UK areas. However, optimism about activity levels for the coming year dipped, and North East companies were the least upbeat regionally."

North East Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sectors](#)
- [UK Growth Tracker](#)
- [Data summary](#)
- [Contact](#)

About the North East Growth Tracker report

The NatWest North East Growth Tracker is compiled by S&P Global from responses to questionnaires sent to North East 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.

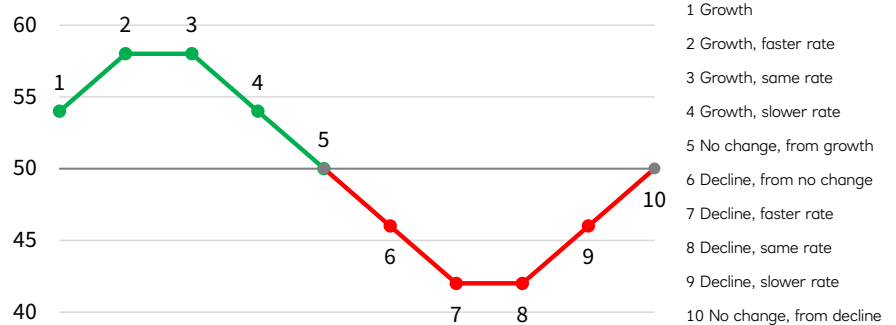
The headline figure is the Business Activity Index. This is a diffusion index

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 North East 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 PMI survey methodology, please contact economics@spglobal.com.

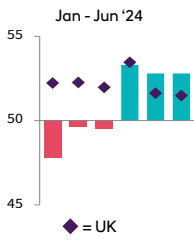
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

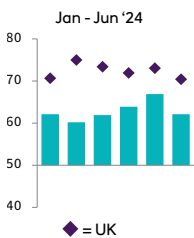


New business rises for third month in a row

June survey data revealed an uplift in new business received by private sector firms in the North East, thereby extending the current sequence of growth to three months. The rate of expansion was moderate and consistent with that seen in May. New customer wins and improved demand for North East goods and services reportedly drove the latest upturn.

The local rise in new work outpaced the UK average again in June.

Future Activity Index



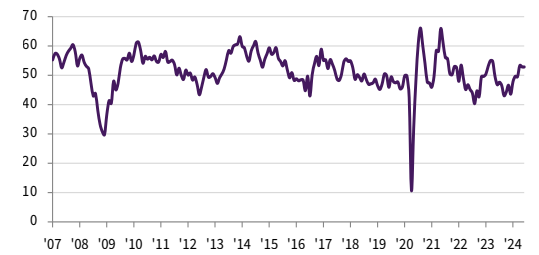
Sentiment dips to three-month low

The Future Activity Index signalled confidence in the outlook among North East companies in June, as it registered above the neutral 50.0 mark for just over a year-and-a-half. Optimism was linked to new product introductions and growth expectations.

That said, the degree of positive sentiment was the lowest seen in the second quarter and was the weakest of the 12 monitored UK areas.

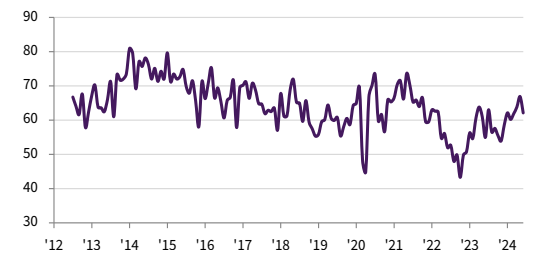
New Business Index

52.8
Jun '24
sa, >50 = growth since previous month

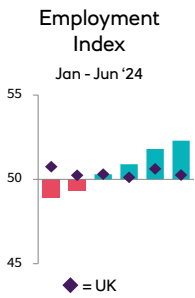


Future Activity Index

62.1
Jun '24
>50 = growth expected over next 12 months



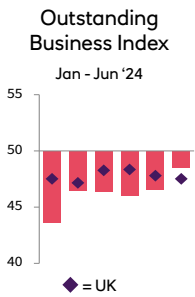
Business capacity



Payroll numbers up at fastest rate since early 2022

Private sector companies in the North East continued to signal job creation in June, thereby stretching the current trend of growth to four months. Moreover, the pace of expansion accelerated to the sharpest for 28 months and was moderate overall. New workers were reportedly brought in to aid production and activity requirements and to support growth plans.

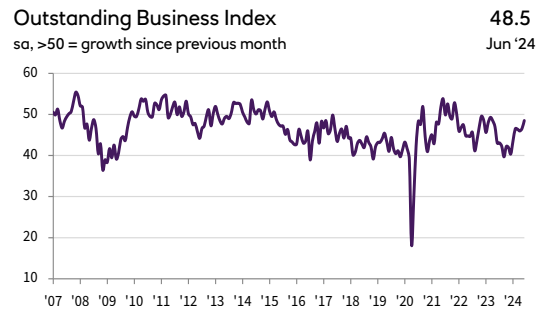
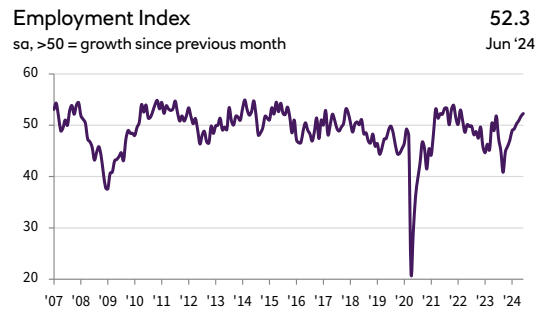
Of the 12 monitored UK areas, only the South East registered stronger job creation than that seen locally.



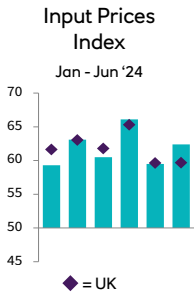
Run of backlog depletion extends to 30 months

There were ongoing signs of spare capacity across the North East private sector, as June marked the thirtieth month of successive backlog depletion. Firms had excess working capacity, with some panel members blaming subdued sales at their units and others citing shorter lead times on inputs.

However, the rate at which outstanding business fell was the slowest for 14 months and less pronounced than the UK average.



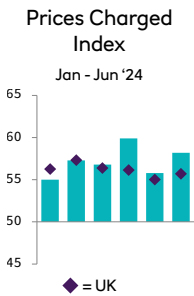
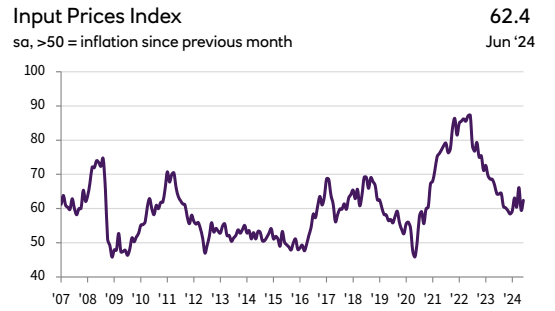
Prices



Cost pressures intensify

The seasonally adjusted Input Prices Index posted above the 50.0 no-change mark again in June, to signal ongoing cost inflation across the North East private sector. Moreover, average cost pressures picked up, exceeded the historical average and were substantial overall. Higher wage pressures and raw material prices were both reported as drivers.

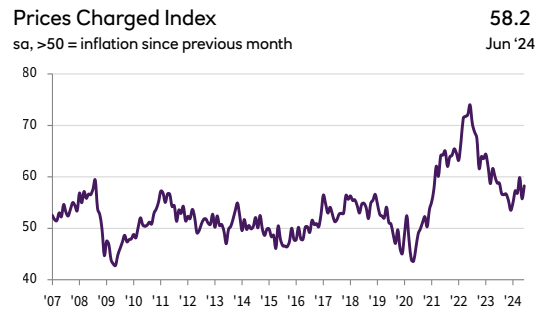
Regionally, only Northern Ireland and the South West registered sharper input price inflation than the North East.



Selling price inflation picks up

In line with higher expenses, North East private sector firms increased their charges in June, thereby marking nearly four years of inflation. Moreover, fees were raised at an accelerated pace that far exceeded the long-run trend. Panel member reports highlighted that greater supplier list prices and staffing costs influenced firm's decisions to hike selling prices.

The local rise in output charges was the strongest of all monitored UK areas.



UK Sector

Sector specialisation: North East

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They 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.

The tables below rank the location quotients for the North East, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

North East specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Jun '24 [†]
1	Chemicals & Plastics	1.65	
2	Basic Metals	1.21	
3	Timber & Paper	1.08	
4	Mechanical Engineering	1.08	
5	Electrical & Optical	0.80	
6	Transport	0.75	
7	Textiles & Clothing	0.71	
8	Other Manufacturing	0.63	
9	Food & Drink	0.50	

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '24 [†]
1	Transport & Communication	1.42	
2	Personal & Community Services	1.34	
3	Hotels, Restaurants & Catering	1.17	
4	Business-to-business Services	0.92	
5	Financial Intermediation	0.60	
6	Computing & IT Services	0.55	

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

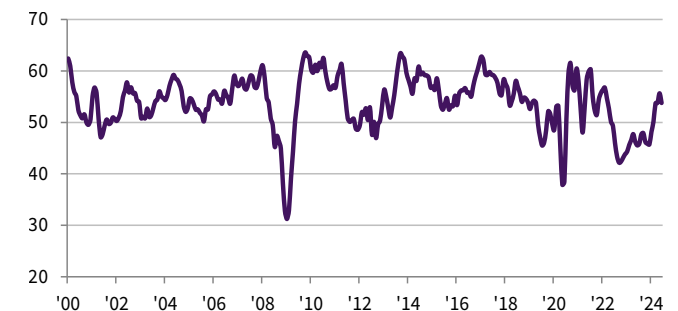
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

sa, >50 = growth since previous month (3mma)[†]



[†] 3-month moving average



UK Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

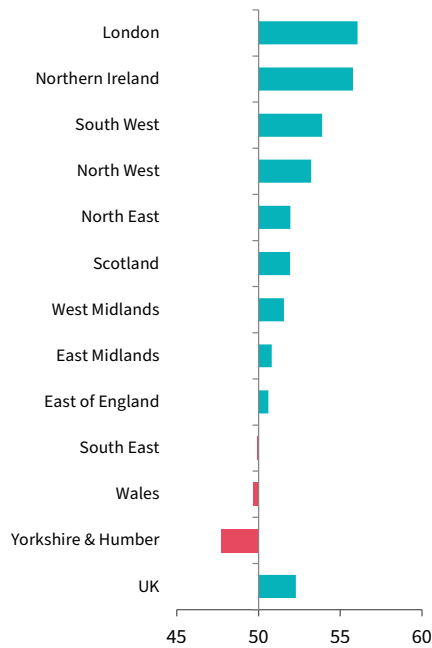
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

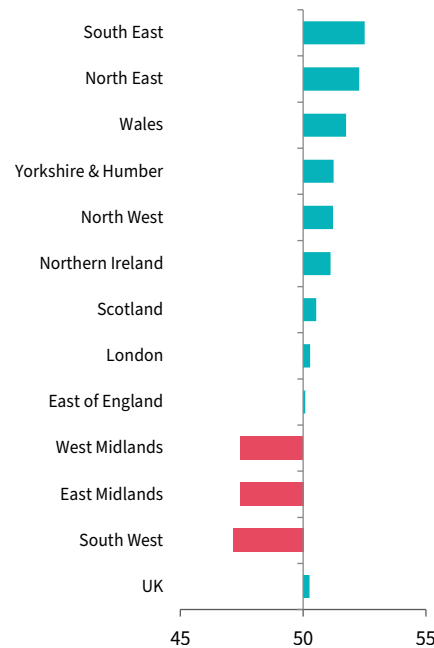
Business Activity Index

sa, >50 = growth since previous month, Jun '24



Employment Index

sa, >50 = growth since previous month, Jun '24

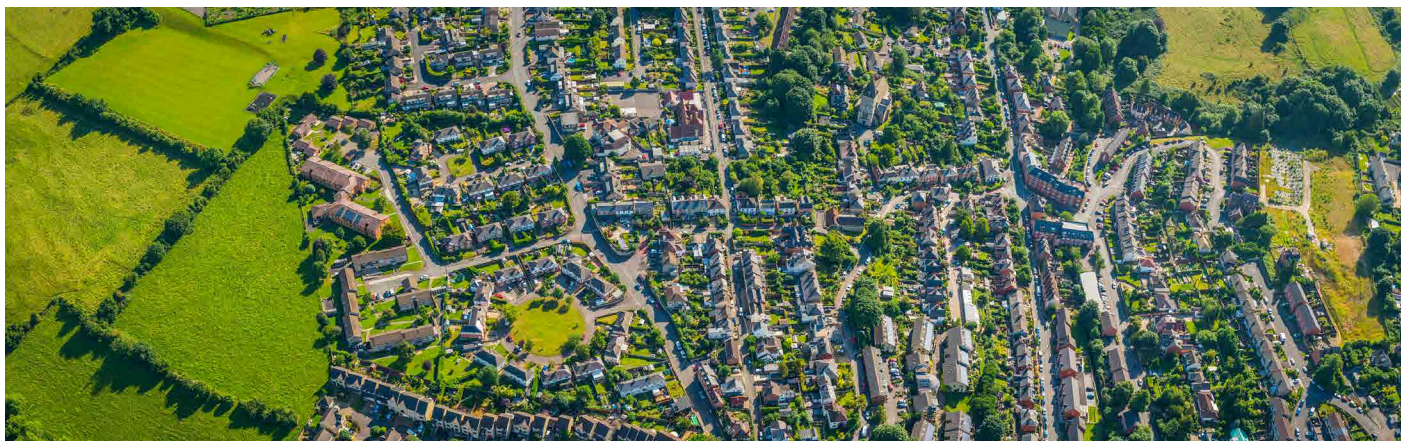


Future Activity Index

>50 = growth expected over next 12 months, Jun '24



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

North East

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Jan '24	47.3	47.8	49.6	62.1	48.9	43.6	59.3	55.0
Feb '24	47.5	49.6	50.6	60.2	49.3	46.5	63.1	57.3
Mar '24	50.2	49.5	51.0	61.9	50.3	46.4	60.5	56.8
Apr '24	54.0	53.3	51.6	63.9	50.9	46.0	66.1	59.9
May '24	54.0	52.8	52.7	66.9	51.8	46.6	59.5	55.8
Jun '24	52.0	52.8	51.5	62.1	52.3	48.5	62.4	58.2

Contact

Vonnie Sandlan
Regional Campaign Manager
NatWest
+44 (0) 7401 278 778
yvonne.sandlan@natwest.com

Eleanor Dennison
Economist
S&P Global Market Intelligence
T: +44 1344 328 197
eleanor.dennison@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
sabrina.mayeen@spglobal.com

About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.
www.spglobal.com

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.