9 July 2024

NatWest UK Regional Growth Tracker

Business activity grows in nine UK nations and regions in June, down from all 12 in May

NatWest

PMI by S&P Global

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Key findings

June 2024

Nine out of 12 UK nations and regions record growth of business activity in June

London tops the growth rankings, ahead of Northern Ireland

Yorkshire & Humber underperforms

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:

"Our Regional Growth Tracker shows that most parts of the UK continued to see business activity expand in June, with one or two pockets of real strength. London and Northern Ireland topped the latest rankings, and it's these two that have recorded the strongest average growth so far this year.

"At the other end of the scale, the only notable decrease in activity at the end of the second quarter was seen in Yorkshire & Humber, which the Growth Tracker shows has generally underperformed for the best part of a year.

"Demand conditions varied across the UK in June. The number of nations and regions reporting growth in new business fell, although this masked some stronger performances, especially in Northern Ireland and London, but also in the North West and South West.

"Business expectations took a bit of a hit almost universally in June, reflecting uncertainty ahead of the general election. Encouragingly, however, most areas saw employment rise as businesses continue to forecast growth in activity over the coming year. Although neighbouring each other, the South East and South West are seeing contrasting trends in employment. The divergence, which began at the start of the year, has grown in recent months, with the South East seeing its strongest job creation in over a year.

"An acceleration in output charge inflation across most parts of the UK in June shows continued stickiness in prices, which might give policymakers some pause for thought on interest rate cuts."

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

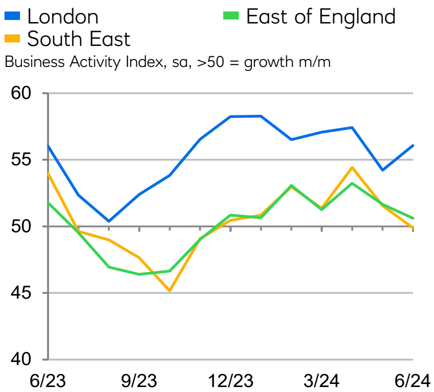
Data compiled 12-27 June.

Business activity

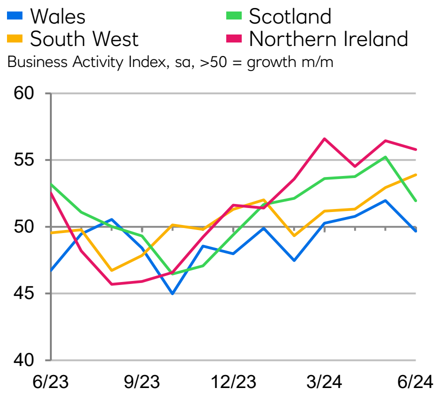
Business activity grew in nine UK nations and regions in June, after having risen in all 12 in the previous month.

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 strongest rise in business activity in June was recorded in London (index at 56.1), which went against the general trend and saw growth accelerate from the month before. The South West (53.9) was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber (47.7) and Wales (49.7), while the South East's (49.9) upturn stalled.



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



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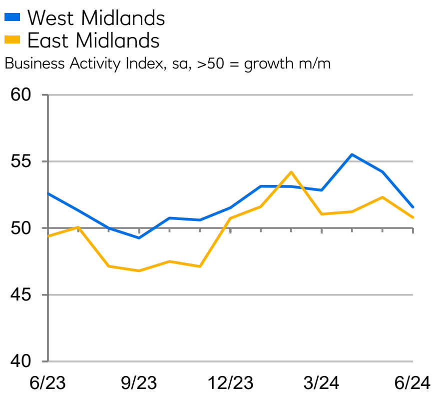

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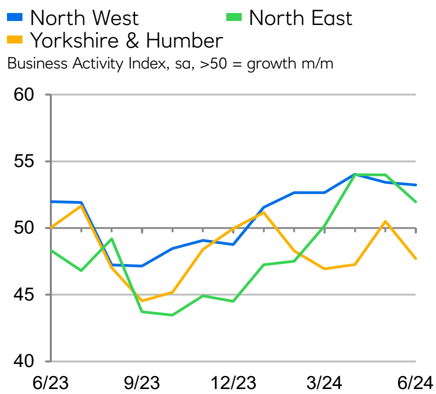
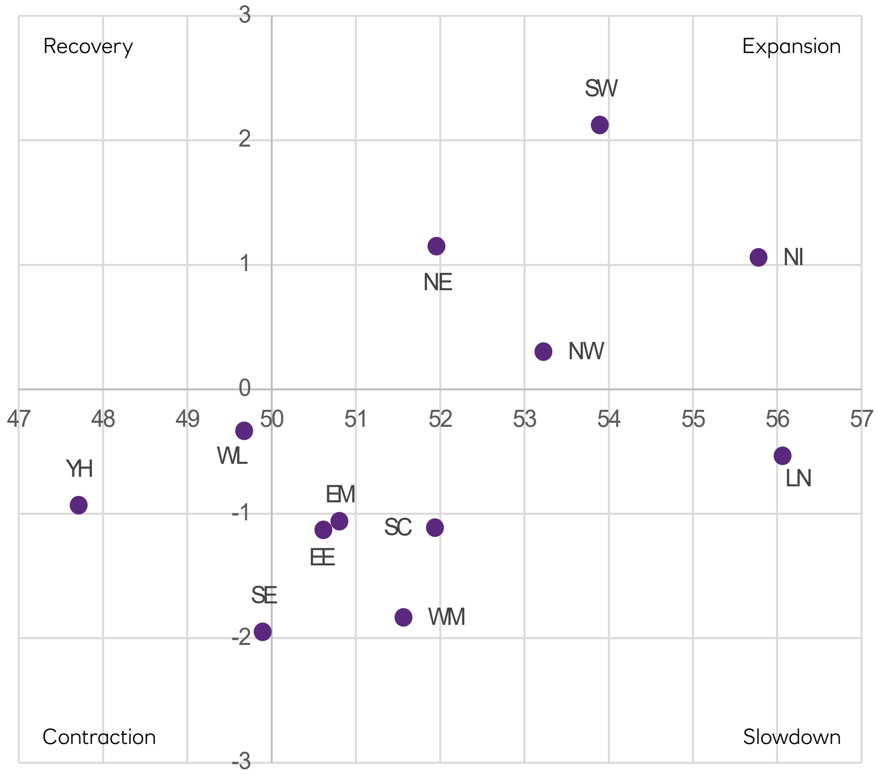


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Business cycle by region

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



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

Demand and outlook

New orders rise in half of 12 regions and nations in June

The number of nations and regions recording higher inflows of new business fell from 11 (out of 12) in May to six in June – the fewest since January. Nevertheless, there were some strong and accelerated increases in Northern Ireland, London, North West and South West. The East Midlands and East of England saw the joint-fastest decreases in new work.

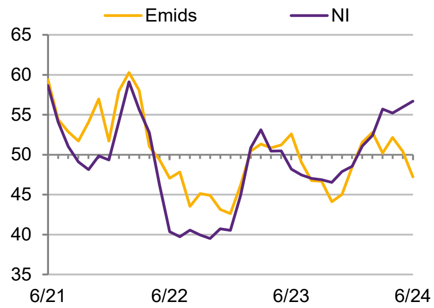
Only the South West sees an improvement in business expectations

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.

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

> "Demand conditions varied across the UK in June. The number of nations and regions reporting growth in new business fell, although this masked some stronger performances, especially in Northern Ireland and London"
>
> Sebastian Burnside, NatWest Chief Economist

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



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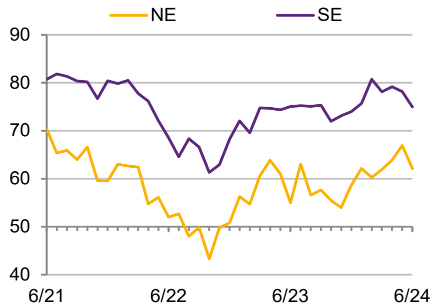
Future Activity
Index, >50 = growth expected



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

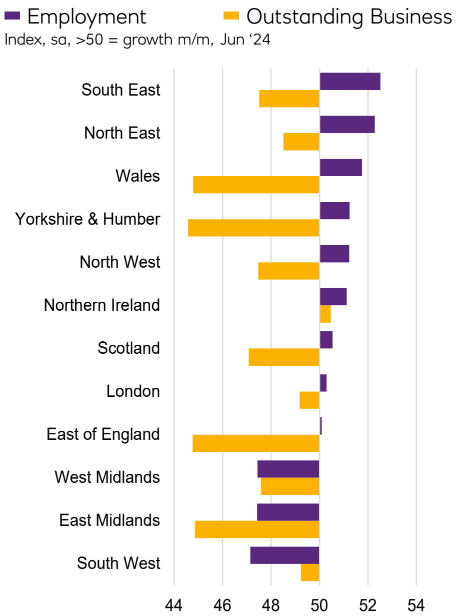
Employment and capacity

Employment rises in nine out of 12 nations and regions

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, with the rates of growth accelerating in both cases. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Northern Ireland records the only increase in backlogs of work

Backlogs of work fell almost universally across the UK in June, in a sign that firms were generally completing orders at a quicker rate than they received them. The most marked decrease was in Yorkshire & Humber, where the rate of depletion was the quickest seen since last November. Northern Ireland recorded the only rise, its second in the past three months, albeit one that was only marginal.



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> "Although neighbouring each other, the South East and South West are seeing contrasting trends in employment. The divergence, which began at the start of the year, has grown in recent months, with the South East seeing its strongest job creation in over a year."
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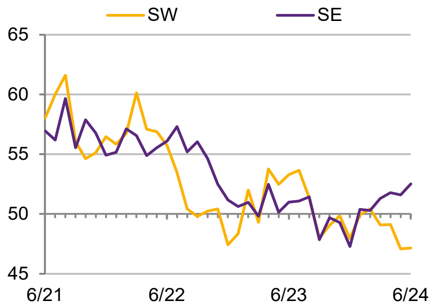
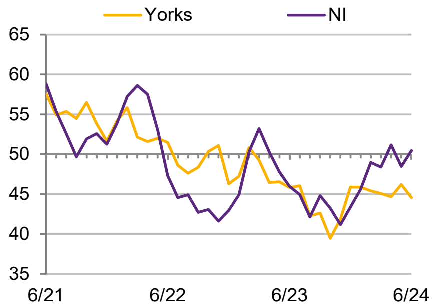
> Sebastian Burnside, NatWest Chief Economist

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



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

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



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

Inflation

Northern Ireland sees strongest cost pressures

The highest rate of business cost inflation was recorded in Northern Ireland in June, the second month in a row in which this has been the case. The increase was slightly faster than in May, which was the theme in most areas. The South East and Scotland were two exceptions and recorded the slowest overall rises in input costs – the weakest for 41 and 40 months respectively.

Output price inflation ticks up in nine out of 12 nations and regions

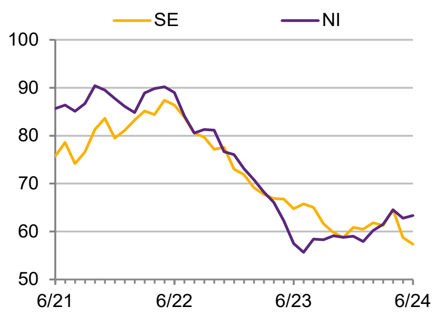
June saw businesses across the UK raise prices charged for goods and services as they looked to pass on higher costs to customers. Furthermore, rates of output price inflation ticked up in the majority of cases and tended to be above their long-run averages. Firms in the North East recorded the sharpest rise in prices charged, followed by those in the South East.

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

"An acceleration in output charge inflation across most parts of the UK in June shows continued stickiness in prices, which might give policymakers some pause for thought on interest rate cuts."

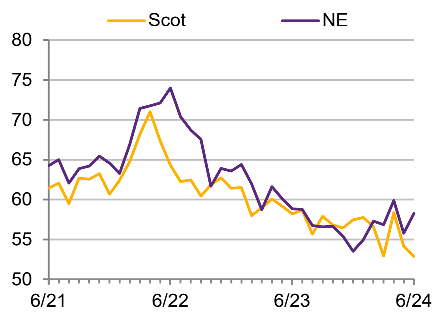
Sebastian Burnside,
NatWest Chief Economist

Input Prices
Index, sa, >50 = inflation m/m



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

Output Prices
Index, sa, >50 = inflation m/m



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

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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.

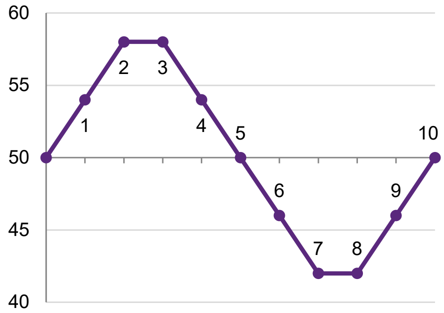
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index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

Manufacturing and services

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

	Business Activity	New Business	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
London	56.1	56.6	71.2	50.3	49.2	61.4	56.1
South East	49.9	47.5	75.0	52.5	47.5	57.4	57.3
South West	53.9	54.8	70.8	47.1	49.2	63.3	55.4
East of England	50.6	47.2	70.9	50.1	44.8	59.4	55.3
East Midlands	50.8	47.2	68.8	47.4	44.9	61.1	54.3
West Midlands	51.6	50.2	74.8	47.4	47.6	58.6	55.8
Yorkshire & Humber	47.7	48.4	64.4	51.2	44.6	59.0	53.9
North West	53.2	55.1	73.3	51.2	47.5	58.9	55.7
North East	52.0	52.8	62.1	52.3	48.5	62.4	58.2
Scotland	51.9	48.8	62.3	50.5	47.1	58.4	52.9
Wales	49.7	47.5	72.7	51.8	44.8	59.2	54.1
Northern Ireland	55.8	56.7	66.0	51.1	50.5	63.3	55.6

Further information

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PMI by S&P Global

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Contact

NatWest

Noel Davies
Regional Campaign Manager
+44 (0) 7970 332 895
noel.davies@natwest.com

S&P Global Market Intelligence

Phil Smith
Economics Associate Director
+44 1491 461 009
phil.smith@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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