

11 March 2025

# NatWest UK Regional Growth Tracker

North East remains a north star for UK Economic Growth



NatWest

PMI<sup>®</sup>

by S&P Global

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# NatWest UK Regional Growth Tracker

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# Key findings

February 2025

New business placed with private sector firms in the North East of England climbs for 11 consecutive months

The region remains top performer outside of London for February

Wales and South West experience improved business activity

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





# Comment

## Sebastian Burnside, NatWest Chief Economist, commented:

"The North East continues to play a critical role in driving business activity for the UK in 2025.

"For a year, the region has experienced continued growth, with February proving to be one of its most successful months in this period.

"London is showing great resilience, extending its growth streak to 27 consecutive months. Whilst February saw Wales and the South West moving in the right direction.

"But these latest figures also show the impact of higher costs and

prices, with firms across the country scrutinising their staffing levels.

"Nonetheless, all regions report expectations that conditions will improve in future."

■ Business Activity ■ Employment  
Index, sa, >50 = growth m/m, Feb '25



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 10-26 February

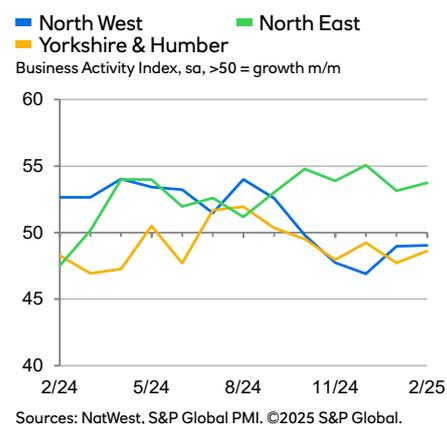
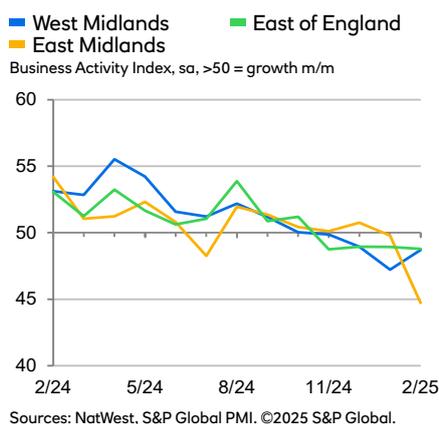
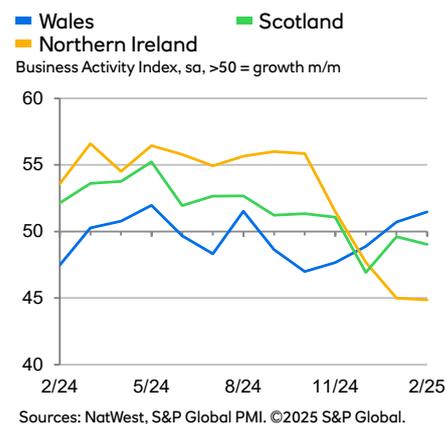
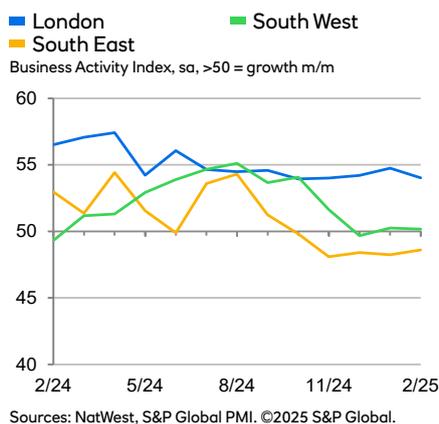


# Business activity

The North East of England continues to help drive regional growth for the UK, according to the latest NatWest UK Regional Growth Tracker for February.

The NatWest Regional Growth Tracker 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.

According to the latest report, the business activity index tracking the month-on-month change in the combined output for the North East manufacturing and service sectors increased from 53.1 in January to 53.7 in February, to signal an improvement for the twelfth consecutive month for the area. Outside of London, Wales and the South West also experienced improved business activity, which was reflected in their sense of optimism for the year ahead.



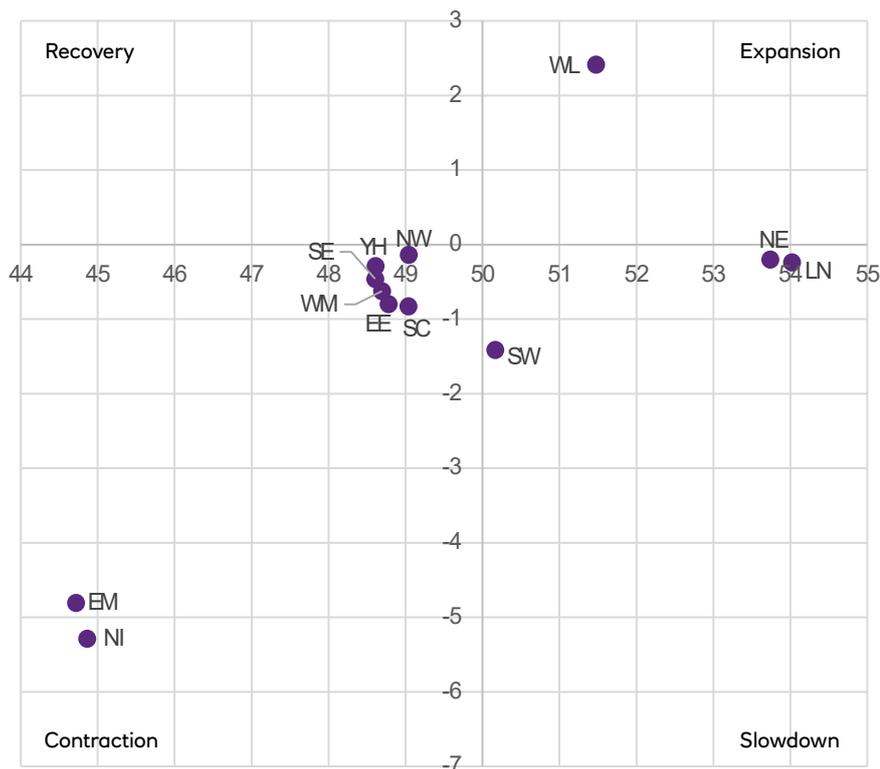


# Business cycle by nation and region

## Business Activity

X axis = Business Activity Index, sa, >50 = growth m/m, Feb '25

Y axis = Change in Index compared with six-month average



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.

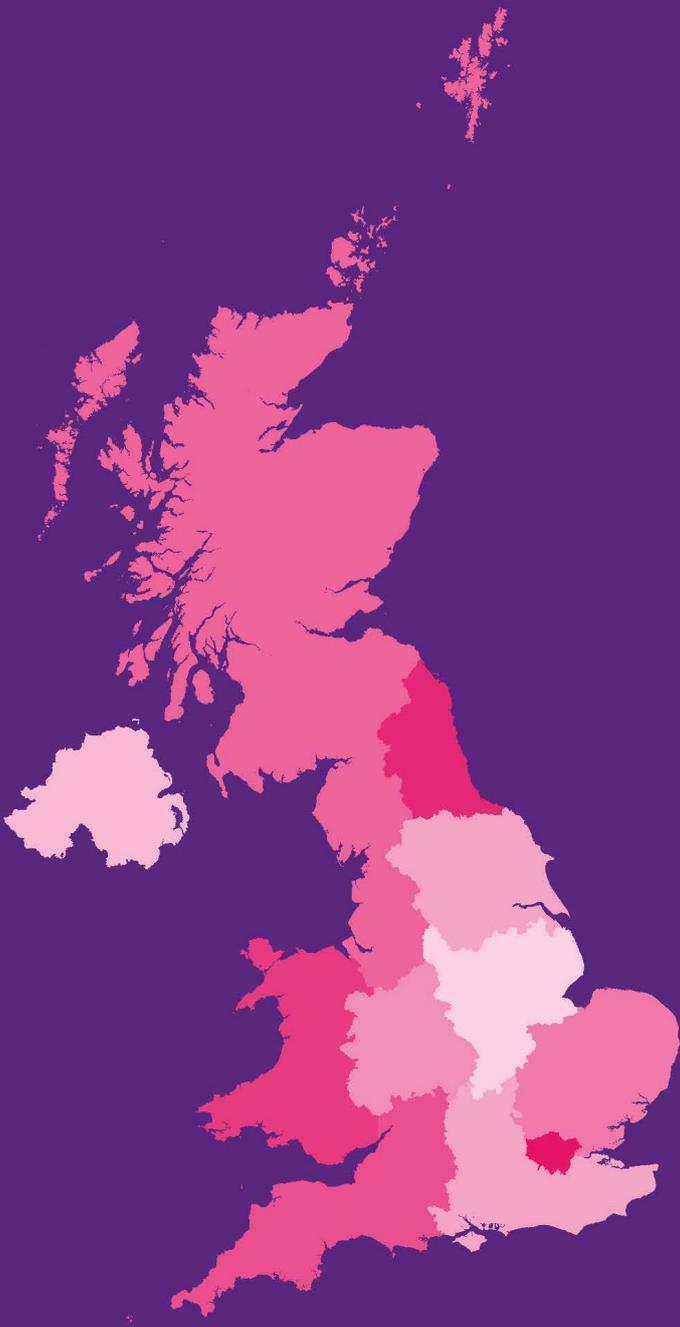
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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



# Growth Tracker heat map

February 2025

Darker colour = higher business growth

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

London	54.0
North East	53.7
Wales	51.5
South West	50.2
North West	49.0
Scotland	49.0
East of England	48.8
West Midlands	48.7
Yorkshire & Humber	48.6
South East	48.6
Northern Ireland	44.9
East Midlands	44.7



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



# Demand and outlook

## Demand headwinds evident across many areas

Out of the 12 nations and regions covered by the report, two saw growth in inflows of new business in February – the North East and London. Demand came under pressure elsewhere, linked in part to customers reining in spending amid cost increases. Firms in Northern Ireland registered the steepest drop in inflows of new work for the second month running, followed by those in the North West.

## Confidence improves in majority of regions

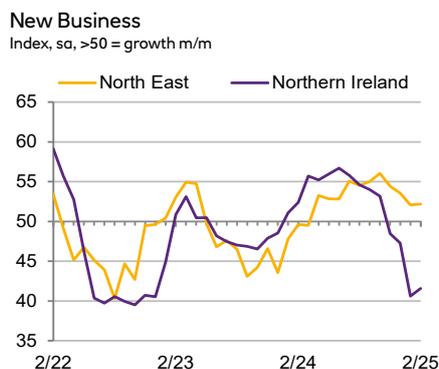
Year-ahead growth expectations improved in the majority of areas in February. Firms in the West Midlands were the most optimistic about future activity, while those in the North East reported the greatest upswing in confidence since January. At the other end of the scale, Northern Ireland recorded the weakest business sentiment, although it did register an uptick from the low seen at the start of the year.



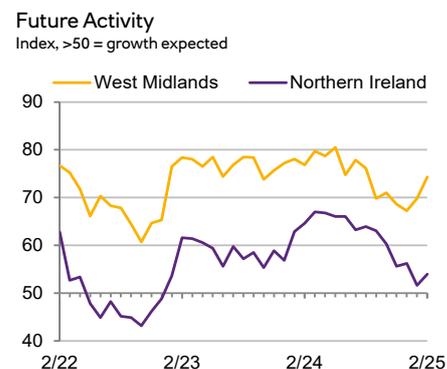
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"All regions report expectations that conditions will improve in future"

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

## First broad-based decrease in employment since January 2021

For the first time in over four years the report showed that all 12 nations and regions streamlined their employment last month as they experience rising costs and prepare for changes to National Insurance Contributions later in the year. This included Northern Ireland, which had enjoyed continued employment growth for nearly four years.

## Lower capacity pressures signalled in almost all areas

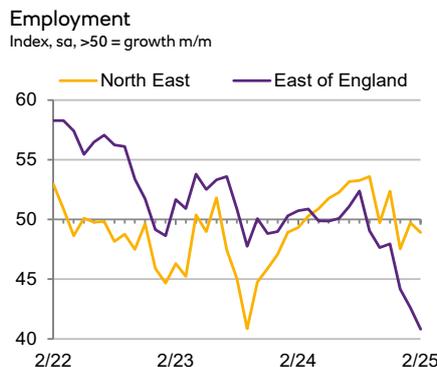
February saw another decrease in outstanding business (i.e. new orders or projects awaiting completion) across the UK. Only firms in the North East bucked the general trend and recorded a rise in backlogs of work – the fifth in as many months. Data indicated that capacity pressures were particularly low in the North West and East Midlands.



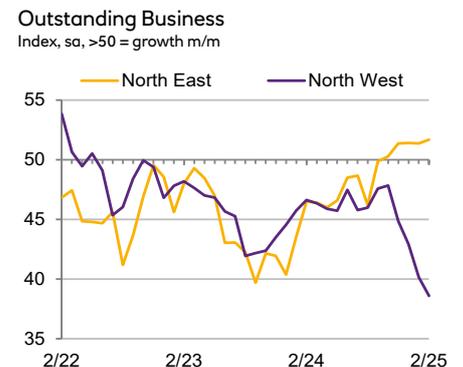
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"These latest figures also show the impact of higher costs and prices, with firms across the country scrutinising their staffing levels"

Sebastian Burnside,  
NatWest Chief Economist



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



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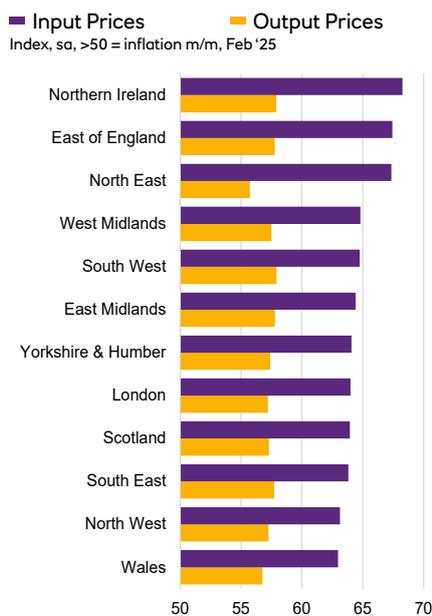
# Inflation

## Cost pressures remain high across the board

Firms in all parts of the UK faced rising costs midway through the first quarter, with rates of inflation above their historical averages in all cases. Input price inflation was strongest in Northern Ireland, where it accelerated for the fourth month running to the highest since March 2023. Cost pressures were lowest in Wales.

## Rates of output price inflation broadly similar across the UK

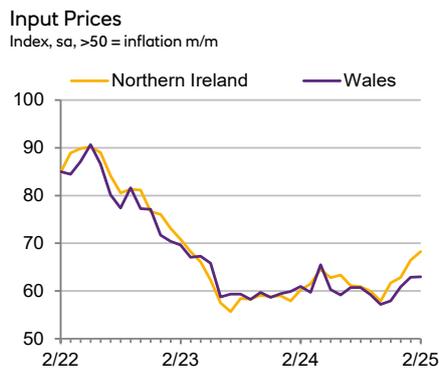
Latest data showed strong and broadly similar rates of inflation in goods and services prices across the 12 UK nations and regions. In terms of index readings, the difference between the highest ranked region for output price inflation, South West, and the lowest, North East, was just over two points. Rates of increase ticked down in just over half of cases, albeit only slightly at the UK level.



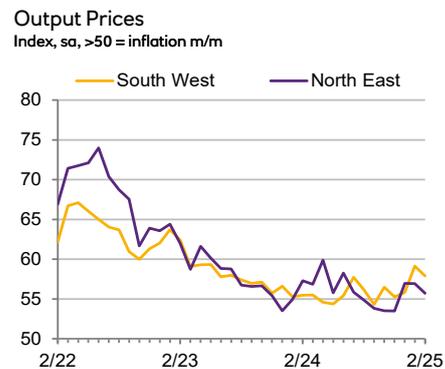
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# Methodology

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.

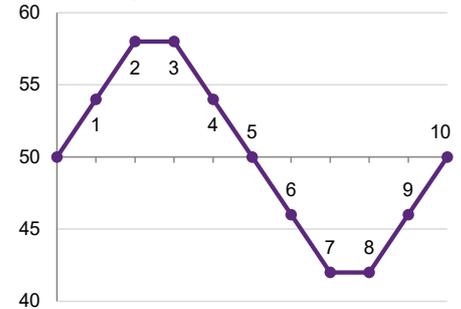
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index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

For further information on the survey methodology, please contact [economics@spglobal.com](mailto: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
- 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. Feb '25

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.0	52.0	65.7	43.6	46.6	64.0	57.2
South East	48.6	45.9	65.8	42.6	43.3	63.8	57.7
South West	50.2	48.8	68.1	44.1	46.9	64.7	57.9
East of England	48.8	46.0	66.1	40.8	44.9	67.4	57.8
East Midlands	44.7	44.8	68.2	42.1	39.1	64.4	57.8
West Midlands	48.7	46.0	74.3	40.9	41.5	64.8	57.5
Yorkshire & Humber	48.6	47.2	67.5	46.4	43.5	64.1	57.4
North West	49.0	43.0	64.6	44.1	38.6	63.1	57.3
North East	53.7	52.2	62.4	48.9	51.7	67.3	55.7
Scotland	49.0	47.2	57.7	48.3	45.0	63.9	57.3
Wales	51.5	48.9	65.0	44.1	44.5	63.0	56.8
Northern Ireland	44.9	41.6	54.0	47.0	44.5	68.3	57.9

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