

10 December 2024

NatWest East of England Growth Tracker

New business increases in November



NatWest

PMI[®]

by **S&P Global**

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NatWest

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Key findings

November 2024

New business increases for fourth time in five months

Slight reduction in total activity for first time in a year

Input price inflation joint-lowest in four years

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.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





New business increases in November

Demand for private sector output of goods and services in the East of England increased in November, according to the latest NatWest Growth Tracker data. The latest survey also signalled weaker inflation of firms' input costs.

Although new business rose, the total level of business activity dipped slightly for the first time in 2024. 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 – eased below the no-change mark of 50.0 to signal lower output in the region. The Index posted 48.7, from 51.2 in October, indicating only a modest rate of contraction on the back of 11 successive monthly increases.

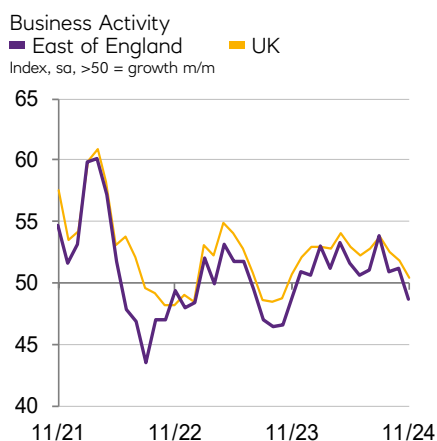
Six out of 12 UK nations and regions posted lower output in November, with the steepest declines in Wales and the North West. London recorded the strongest growth.

NatWest East of England Business Activity Index November 2024

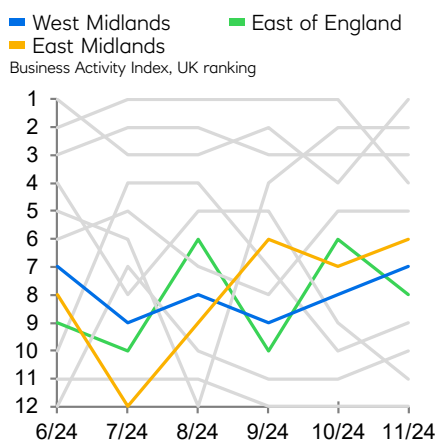
48.7

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 12-27 November



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



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



Comment

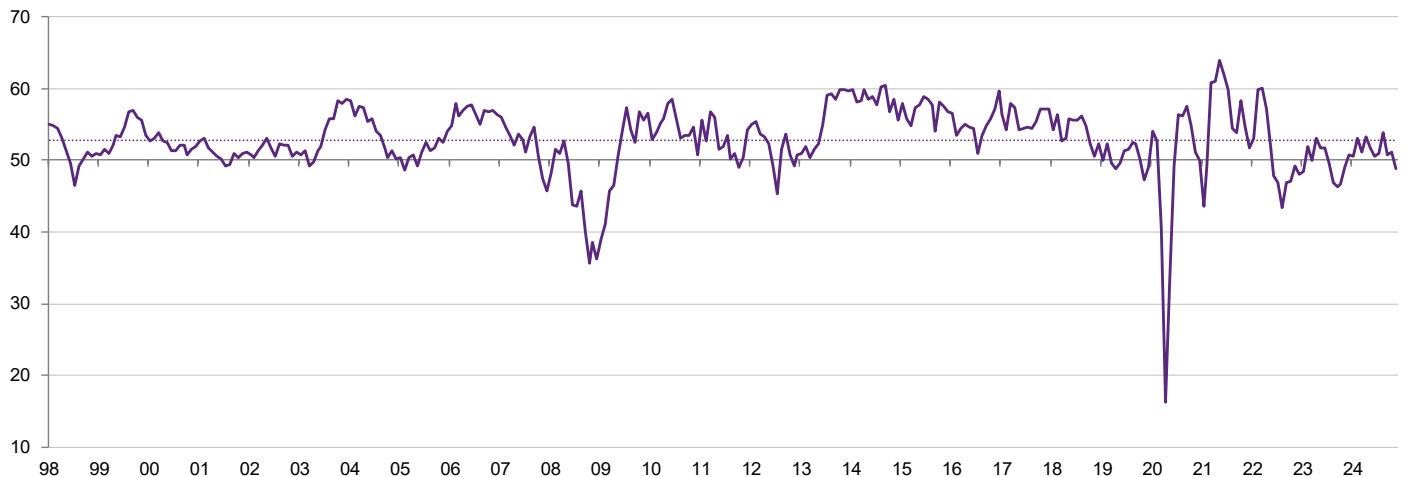
Lisa Phillips, Regional Managing Director, Midlands and East, Commercial Mid Markets

"The main positive for the East of England from the latest survey was a renewed increase in new business. This suggests that the slight dip in total activity in November, following 11 successive monthly increases, might be temporary as firms paused to readjust business plans following the Budget.

"There was also some encouragement regarding inflation. Average input prices rose at the joint-slowest rate in four years, and one that fell further below the long-run survey average. This was slightly tempered by a sharper increase in prices charged for goods and services. Output price inflation has remained stubbornly high but is set to end 2024 well down on the record levels seen in 2021-22."

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

Renewed increase in new business in November

Private sector companies in the East of England reported a rise in the volume of incoming new business in November, with growth reported from both existing and new clients. Demand has improved four times in the past five months. The rate of expansion was only modest, however, with some firms linking subdued demand from customers to high tax burdens.

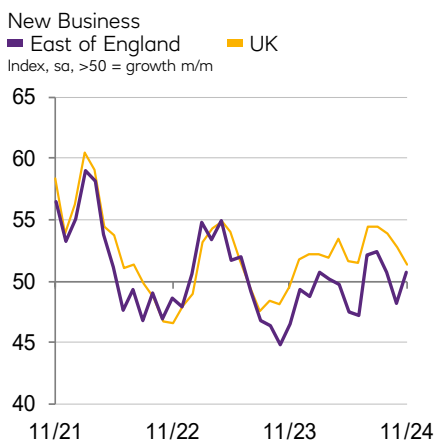
The East of England was one of only four UK areas to see higher new orders in November, the others

being London, the North East and the South West. Overall UK new business growth slowed to the weakest in the current 12-month upturn.

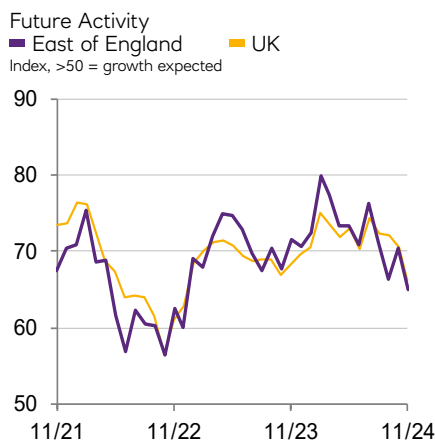
Businesses in the East of England remained optimistic of growth over the next 12 months in November, linked to new products, political stability, lower interest rates and marketing campaigns.

That said, the strength of sentiment eased since October, in line with the trend shown across all UK regions except the North East.

"The main positive for the East of England from the latest survey was a renewed increase in new business"



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



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



Jobs and capacity

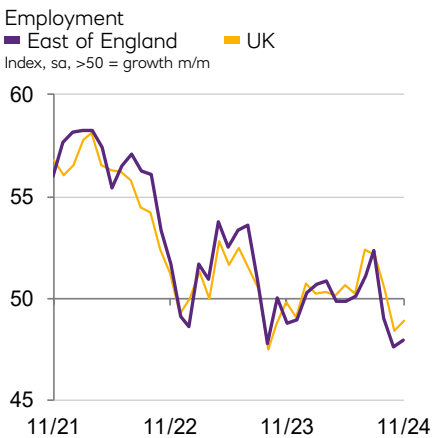
Private sector employment falls more slowly

Workforce numbers across the East of England's private sector fell for the third month running in November. This was linked to increased costs associated with the upcoming employer National Insurance and the minimum wage rises, recruitment freezes, full time staff moving to part time roles and less spending on temporary workers. The region was one of seven UK areas to see lower staffing, with an overall reduction at the UK level for the second month running.

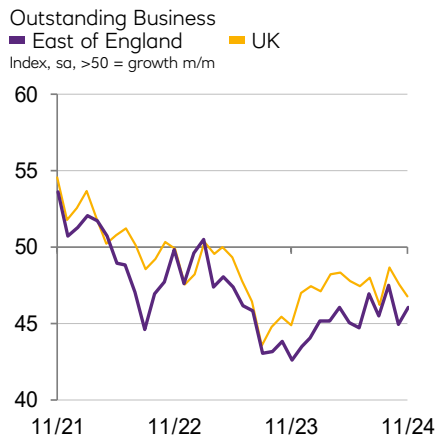
That said, the rate of job shedding eased since October for both the East of England and the UK as a whole.

The ongoing reduction in headcounts also reflected spare capacity in the private sector. Outstanding work fell further in November, as has been the case every month since May 2022 except for a brief increase in February 2023. The rate of backlog depletion eased since October but remained faster than the UK average. Only the North East and South West recorded rising levels of outstanding business in November.

"The rate of job shedding eased since October for both the East of England and the UK as a whole"



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



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



Inflation

Input prices rise at joint-slowest rate in four years, but charge inflation accelerates

November data signalled waning cost pressures at private sector firms in the East of England, with the rate of input price inflation slowing for the third time in four months. The seasonally adjusted Input Prices Index equalled its lowest level in four years and moved further below its long-run trend level of 59.1. Some firms linked higher costs to the recent Budget, however.

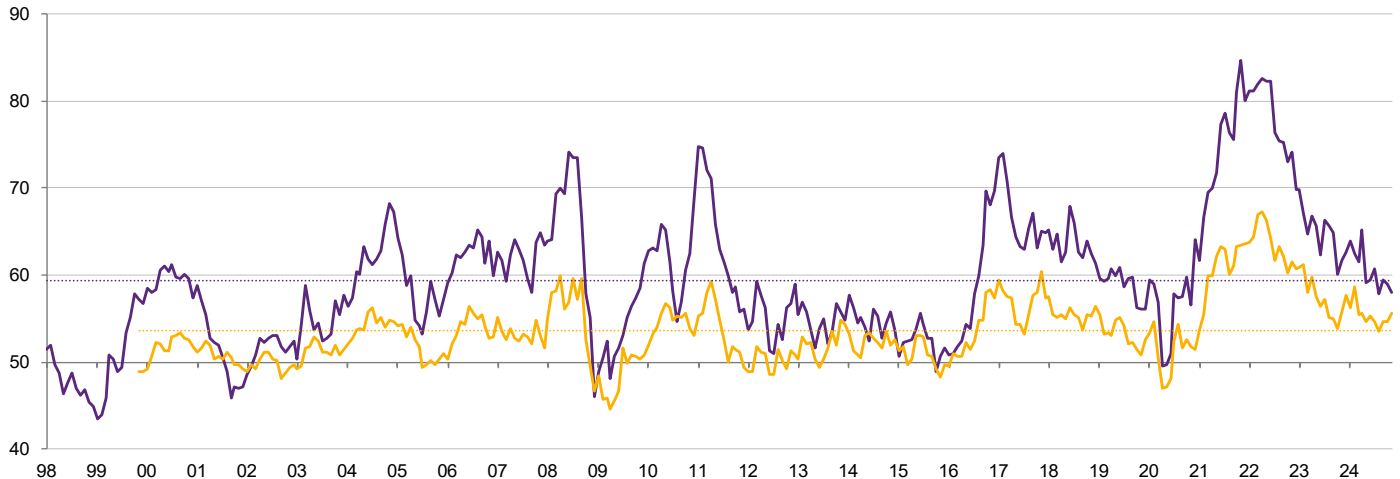
Cost pressures in the East of England

were the joint-weakest in the UK, with Wales. The UK rate of input price inflation rose to a seven-month high and the East of England was one of only two UK regions to post a slower rate of inflation in the latest period, the other being London.

Although costs rose more slowly, companies in the East of England raised their own charges at the strongest rate in seven months. Some firms linked higher charges to the recent Budget. Only Northern Ireland recorded a faster rate of charge inflation than the East of England.

"Average input prices rose at the joint-slowest rate in four years, and one that fell further below the long-run survey average."

■ Input Prices ■ Output Prices
 Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



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

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

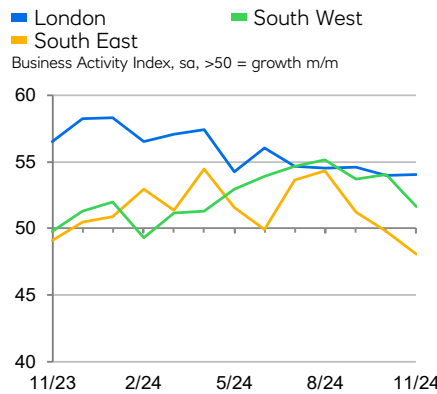
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



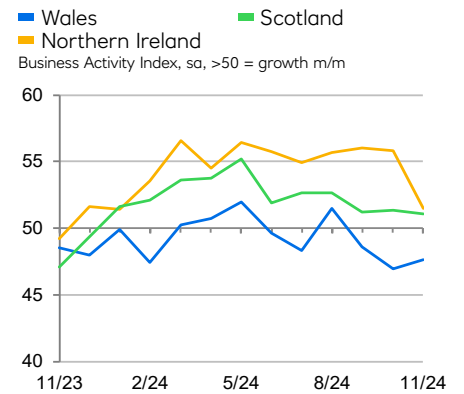
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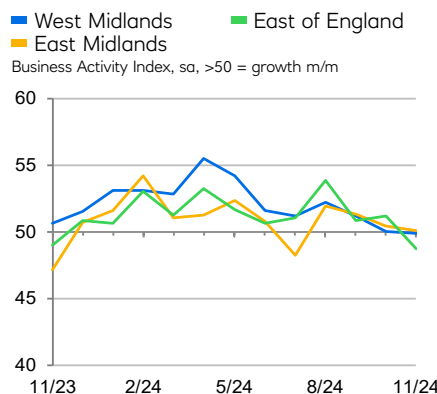
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



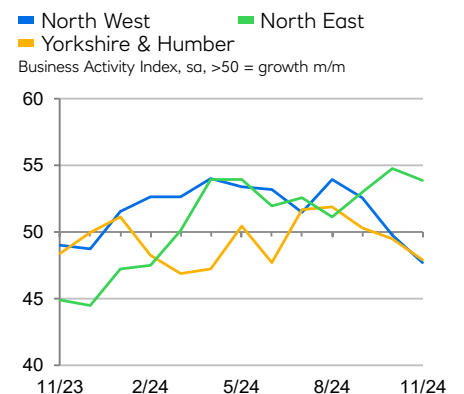
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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



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

Growth Tracker heat map

November 2024

Darker colour = higher business growth

East of England

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

48.7



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

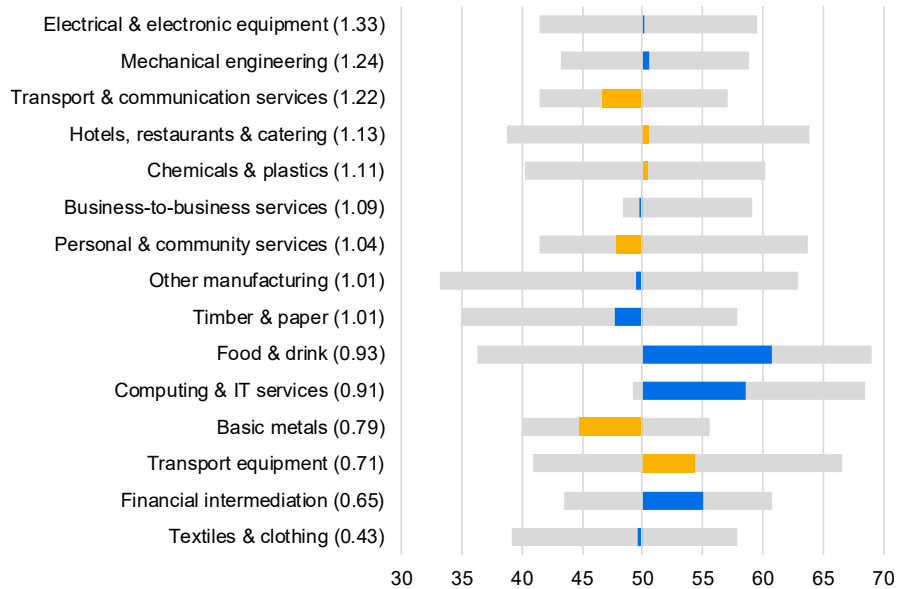
UK sectors

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 Nov '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: Computing & IT services

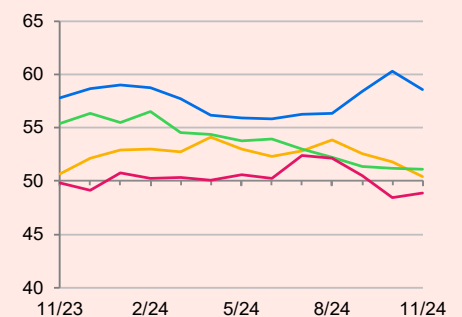
Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.

Output / Employment
 ■/■ Computing & IT services*
 ■/■ 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.

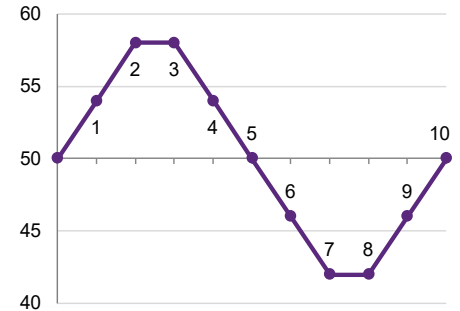
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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 |
|-------|-------------------|--------------|----------------------|------------|----------------------|------------------|--------------|---------------|
| 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 |
| 8/24 | 53.9 | 52.4 | 51.5 | 52.4 | 45.5 | 71.2 | 57.9 | 53.6 |
| 9/24 | 50.9 | 50.7 | 50.5 | 49.1 | 47.6 | 66.5 | 59.4 | 54.6 |
| 10/24 | 51.2 | 48.1 | 51.1 | 47.7 | 44.9 | 70.4 | 59.0 | 54.7 |
| 11/24 | 48.7 | 50.7 | | 48.0 | 46.1 | 65.1 | 57.9 | 55.6 |

Further information

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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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