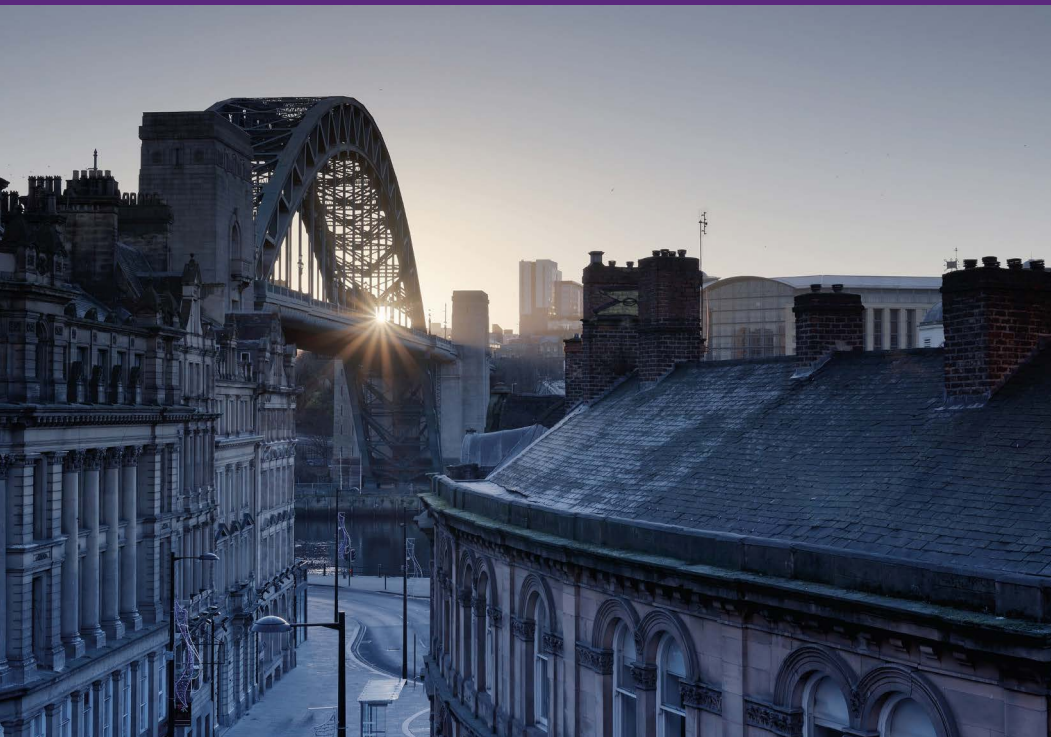


10 December 2024

NatWest North East Growth Tracker

North East private sector sees further solid activity growth



NatWest

PMI[®]

by S&P Global

10 December 2024

NatWest North East Growth Tracker

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NatWest

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by **S&P Global**

Key findings

November 2024

Solid rise in new business helps sustain activity growth

Backlogs rise at strongest rate in three years

Input price inflation reaches highest since June

The NatWest North East 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



North East private sector sees further solid activity growth

The latest Growth Tracker data from NatWest showed sustained growth in business activity across the North East economy in November

North East private sector companies signalled a solid improvement in demand conditions in the penultimate month of 2024, to which they responded with renewed growth in hiring activity. Despite businesses in the region facing an acceleration in cost pressures, the rate of charge inflation was unchanged, while firms' confidence improved markedly.

The headline North East Growth

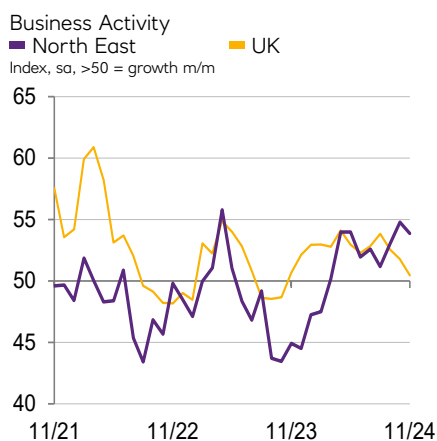
Tracker Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – posted 53.9 in November, down slightly from 54.8 in October. The rise in activity was solid, despite softening on the month, and well above the UK average. Panellists linked the upturn to an improved economic outlook across the North East, which aided an improvement in the demand environment.

NatWest North East Business Activity Index November 2024

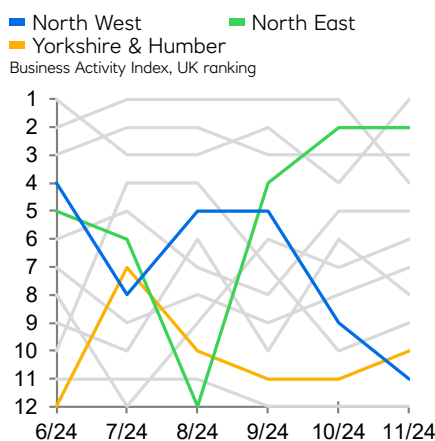
53.9

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.



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Comment

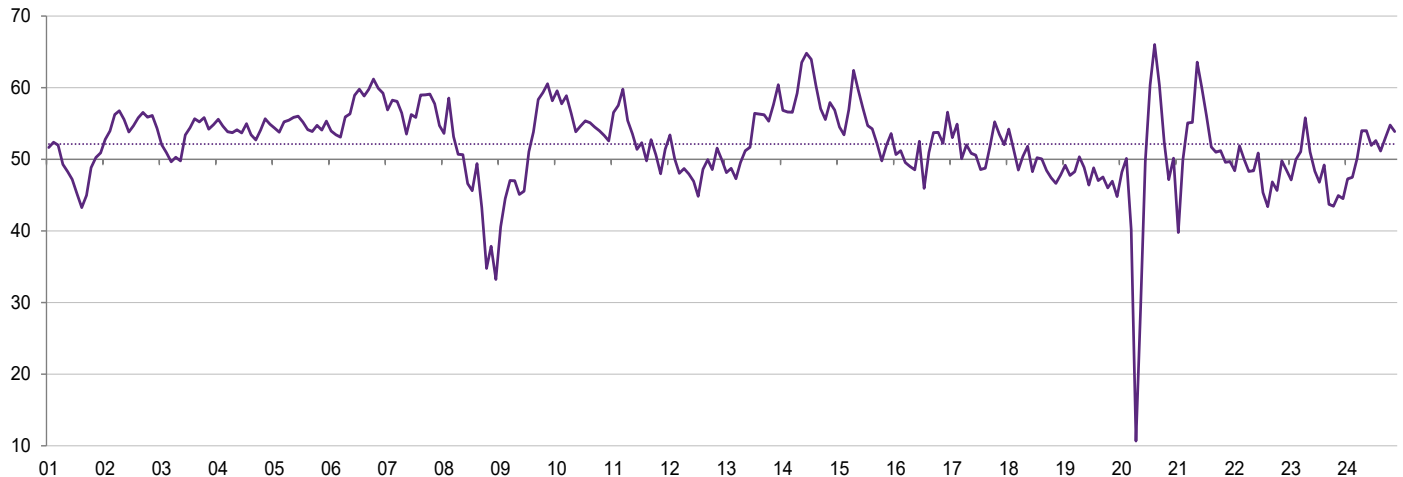
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"The North East private sector entered the penultimate month of 2024 on a strong footing, supported by favourable demand conditions which helped activity increase for the ninth consecutive month. Positive conditions also encouraged firms to raise workforce numbers in November, reversing the blip seen during the previous survey period. Evidence of pressure on capacity was also recorded for the second month running, with backlogs of work - a bellwether for activity over the coming months - rising at the strongest rate for three years.

"Cost inflation meanwhile accelerated to the strongest since June. Firms again opted to pass higher cost burdens to clients, as the rate of charge inflation matched October's ten-month low."

Business Activity

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



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



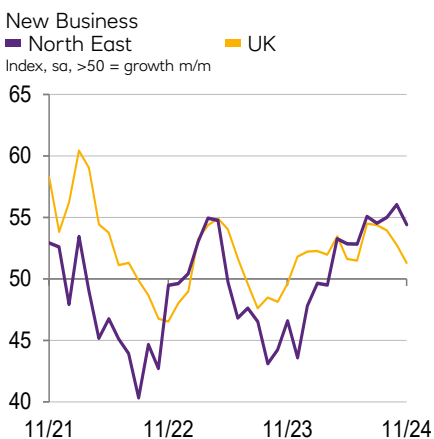
Demand and outlook

North East private sector firms see sharp influx of new business in November

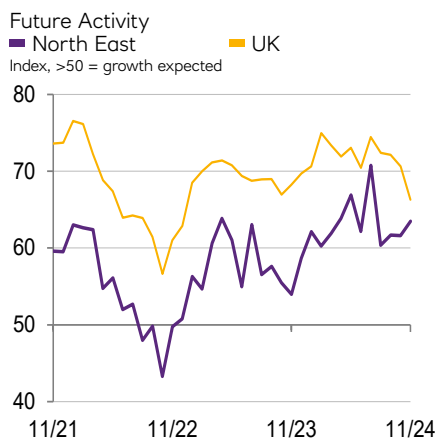
The North East economy entered the penultimate month of the year on a solid footing, as November marked the eighth consecutive month in which new order inflows rose. Despite softening slightly from the prior month, the rate of growth was faster than both the long-run series trend and the UK average. In fact, among the 12 monitored regions and nations, a stronger increase was only registered in the capital.

When asked about their expectations for activity over the next 12 months, North East companies were at their most upbeat for four months. New client wins and hopes for strengthened economic conditions reportedly underpinned firms' positivity. Moreover, the improvement in positive sentiment in the North East bucked the wider UK trend of softer expectations regarding activity in the coming year.

"The North East private sector entered the penultimate month of 2024 on a strong footing, supported by favourable demand conditions which helped activity increase for the ninth consecutive month"



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



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



Jobs and capacity

Job creation across the North East resumed in November

The positive demand environment encouraged North East private sector firms to add to their staffing levels midway through the fourth quarter. The latest rise reversed the slight dip recorded in October and was moderate overall.

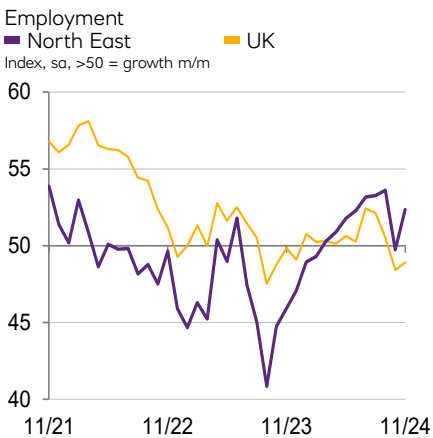
Of the 12 monitored UK areas, the North East saw the best trend for payroll numbers.

In line with sustained new order growth, private sector companies saw the level of outstanding business increase for the second successive

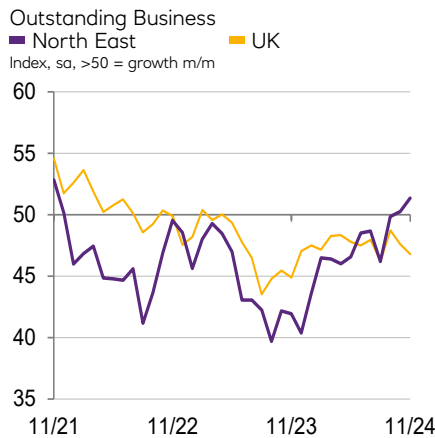
month in November. The rate of accumulation was modest, yet the most pronounced for three years.

At the national level, the North East was one of only two monitored regions to see backlogs rise, the other being the South West.

"... backlogs of work - a bellwether for activity over the coming months - rose at the strongest rate for three years."



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



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



Inflation

North East firms faced intensifying cost pressures midway through fourth quarter

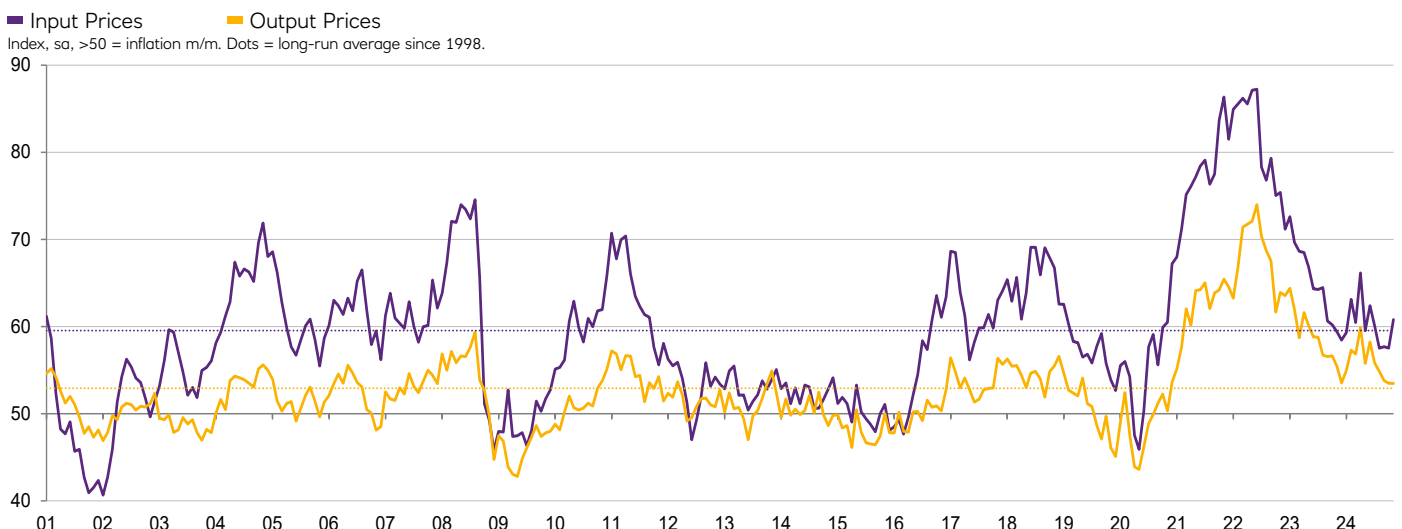
November saw a further increase in input prices across the North East, extending the current sequence to four-and-a-half years. The rate of cost inflation accelerated from October, reaching the highest since June, with firms citing higher wage costs as the key factor behind the rise. Cost pressures in the North

East were marked, and the second-strongest of the 12 monitored UK areas, behind Northern Ireland.

Meanwhile, there was a solid rise in selling prices across the North East in November. That said, the latest increase matched October's ten-month low.

Of the 12 monitored UK regions and nations, only Wales and the West Midlands registered softer rates of charge inflation than that seen locally.

"Firms again opted to pass higher cost burdens to clients, as the rate of charge inflation matched October's ten-month low."



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

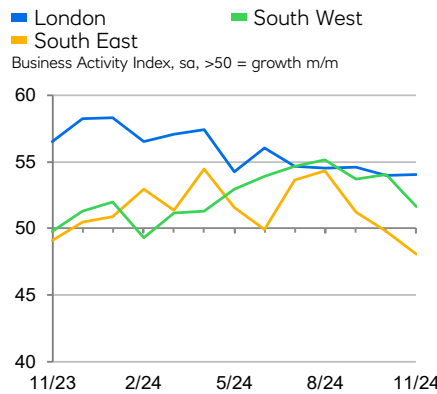
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output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



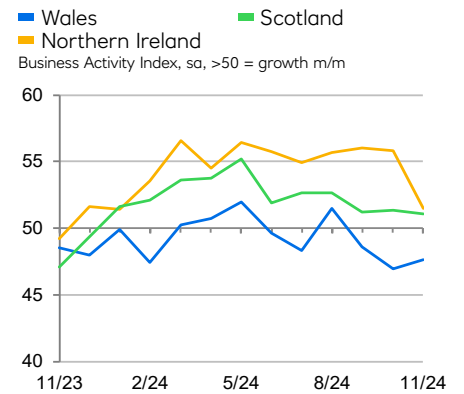
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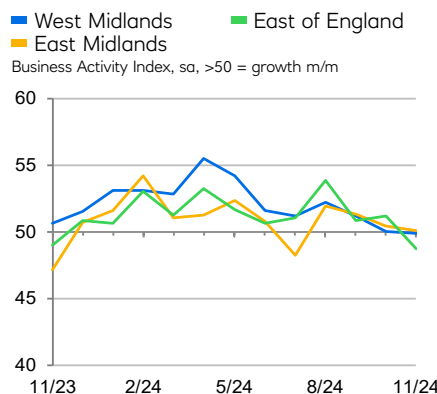
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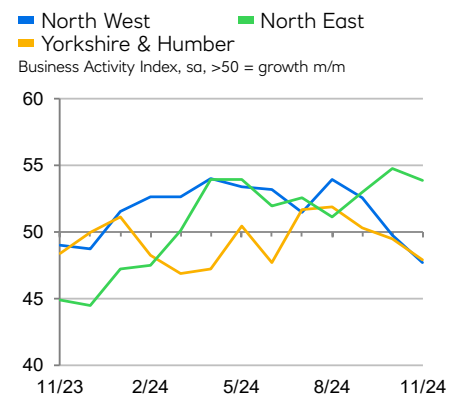
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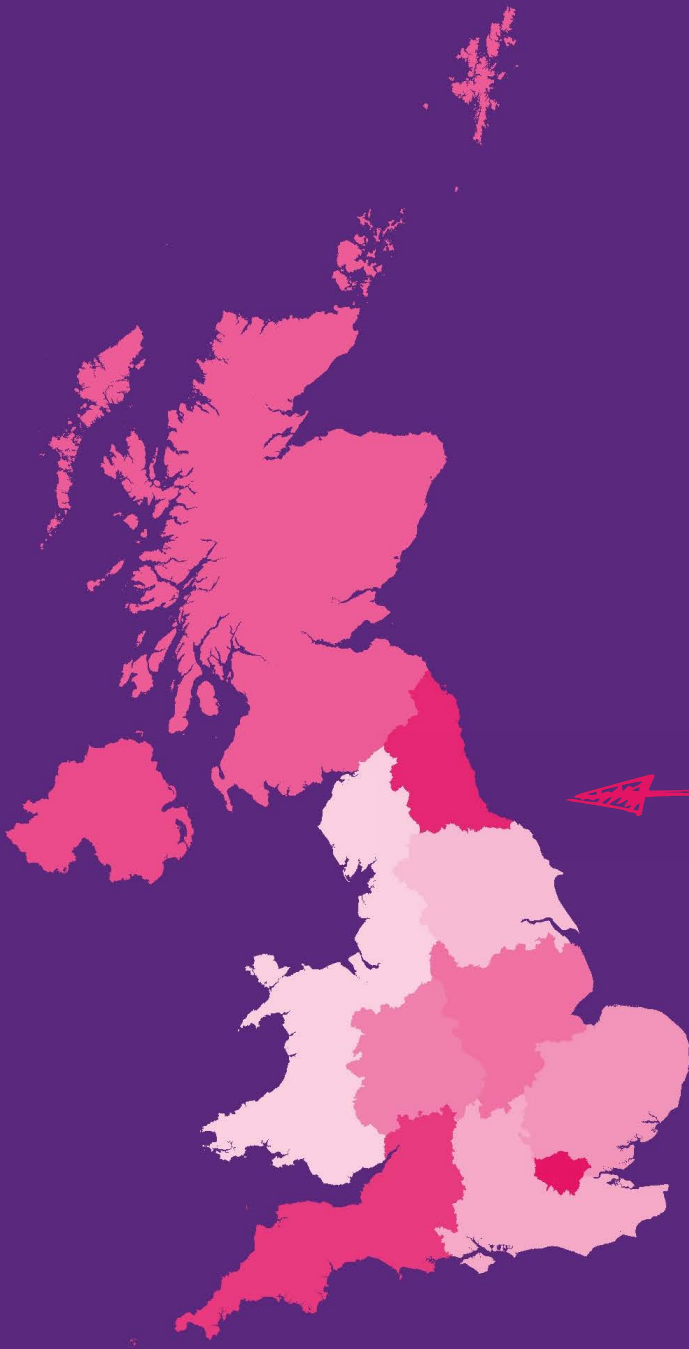
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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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



Growth Tracker heat map

November 2024

Darker colour = higher business growth

North East

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

53.9



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

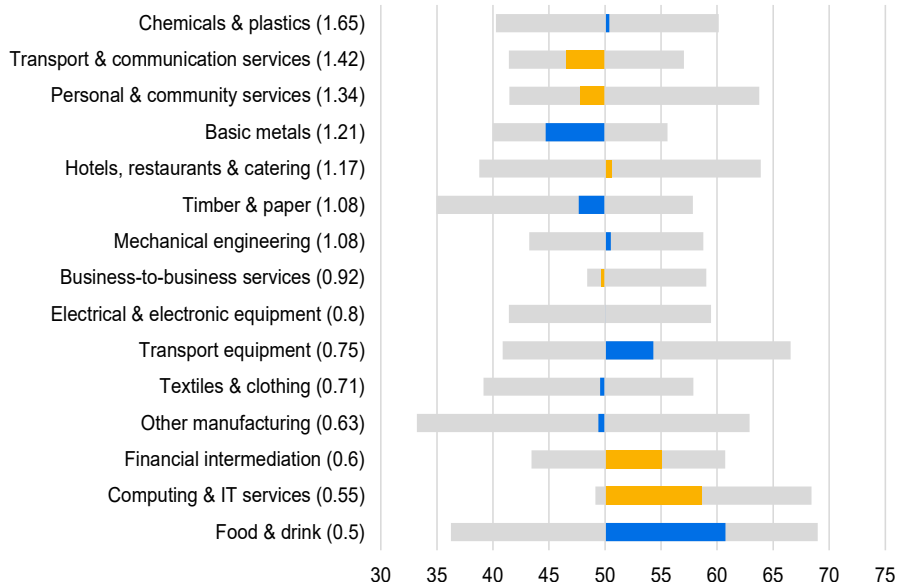
UK sectors

Sector specialisation: North East

The chart shows UK output indices by sector, ranked by location quotients for the North East. 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 North East 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 North East are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

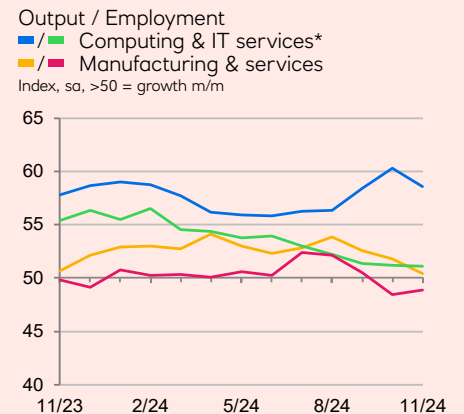
Sector in focus: Computing & IT services

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.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 *Data are smoothed as three-month moving average

Methodology

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

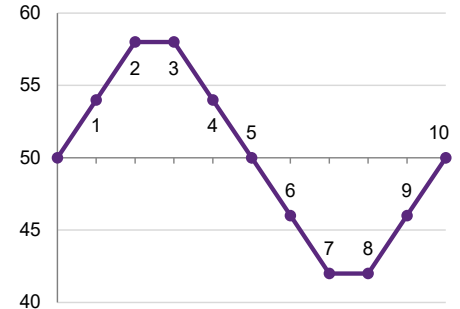
overall decrease. The indices are then seasonally adjusted.

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 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

North East 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	52.0	52.8	51.6	52.3	48.5	62.1	62.4	58.2
7/24	52.6	55.1	50.6	53.2	48.7	70.7	60.1	55.9
8/24	51.2	54.5	51.1	53.3	46.2	60.4	57.5	54.9
9/24	53.0	55.0	50.2	53.6	49.9	61.7	57.7	53.8
10/24	54.8	56.0	50.6	49.7	50.3	61.6	57.5	53.5
11/24	53.9	54.4	-	52.4	51.4	63.5	60.8	53.5

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Contact

Kate Visser
Regional Media & Campaigns
Manager
NatWest
+44 (0) 7970 947694
kate.visser@natwest.com

Usamah Bhatti
Economist
S&P Global Market Intelligence
+44 1344 328 370
usamah.bhatti@spglobal.com

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

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