

12 November 2024

NatWest East of England Growth Tracker

Activity grows and outlook improves
despite fall in new business



NatWest

PMI[®]

by **S&P Global**

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Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



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Key findings

October 2024

Growth of output sustained despite dip in new work

Year-ahead outlook improves as interest rates set to fall

Private sector employment declines at faster pace

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





Activity grows and outlook improves despite fall in new business

Private sector output of goods and services in the East of England increased for the eleventh consecutive month in October, according to the latest NatWest Growth Tracker data.

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 – remained above the no-change mark of 50.0 to

signal growth of output in the region. The Index rose slightly from September's 50.9 to 51.2, but still indicated only a modest rate of expansion. The East of England expanded at a softer rate than the UK as a whole, but rose four places in the regional rankings since September to sixth.

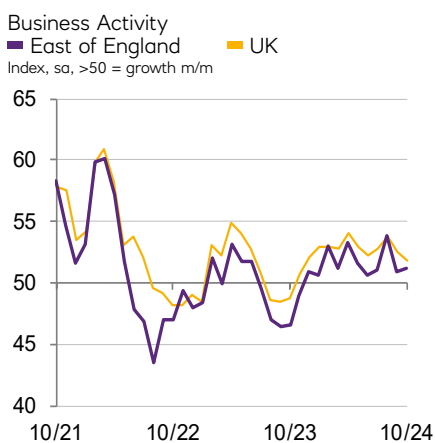
New business and employment declined in October, but the 12-month outlook improved. Cost pressures returned to the long-run series average.

NatWest East of England Business Activity Index October 2024

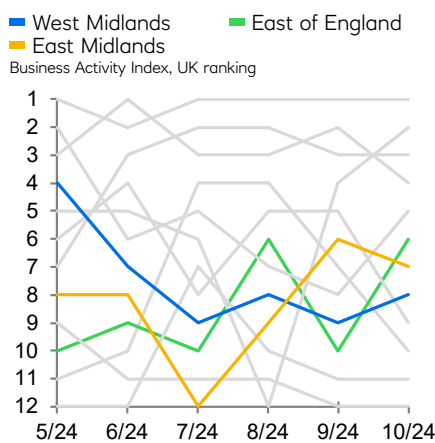
51.2

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 10-29 October



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

"Growth of private sector output in the East of England was sustained in October and companies were more confident regarding the next 12 months, despite a slight dip in the volume of new work received.

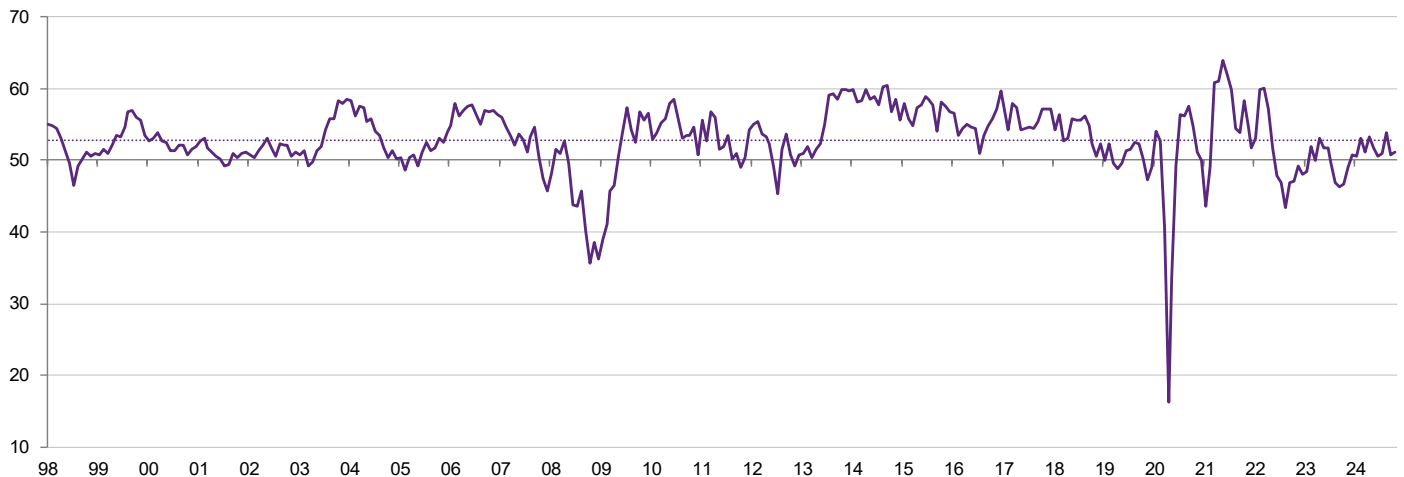
"November's cut in interest rates may help to boost demand towards the end of the year. The latest

data on input prices suggests that inflationary pressures are on the wane, although companies continued to raise their own prices at an above-trend rate.

"One area of concern is the labour market, as reports of hiring freezes contributed to the fastest rate of job shedding at firms in the region since the start of 2021. The employment data will be closely watched in the coming months as companies dissect the recent Budget and plan for 2025."

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

New business declines in October but outlook improves

Private sector companies in the East of England reported a fall in the volume of incoming new business in October, following a continuous expansion in demand during the third quarter. The rate of decline was broadly in line with the average across the second quarter and modest overall.

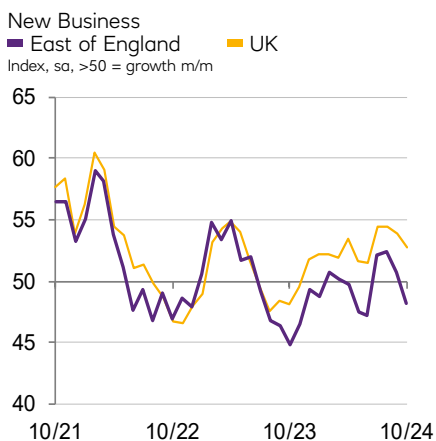
The East of England was one of only three UK areas to see lower new orders in October, the others being

the East Midlands and Scotland. Overall UK new business growth slowed to a four-month low.

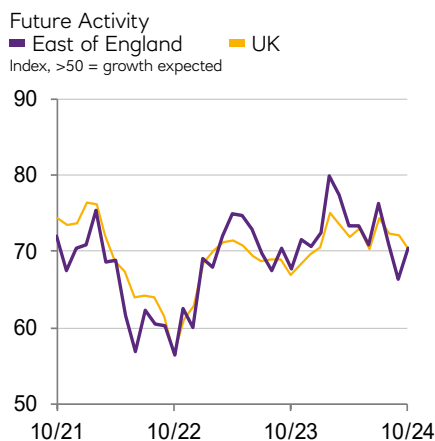
Despite weaker demand, businesses in the East of England were more optimistic of growth over the next 12 months in October, linked to lower inflation and interest rates, improving market conditions and a stronger property market.

The strength of sentiment was above the long-run series trend and broadly in line with the UK average for October.

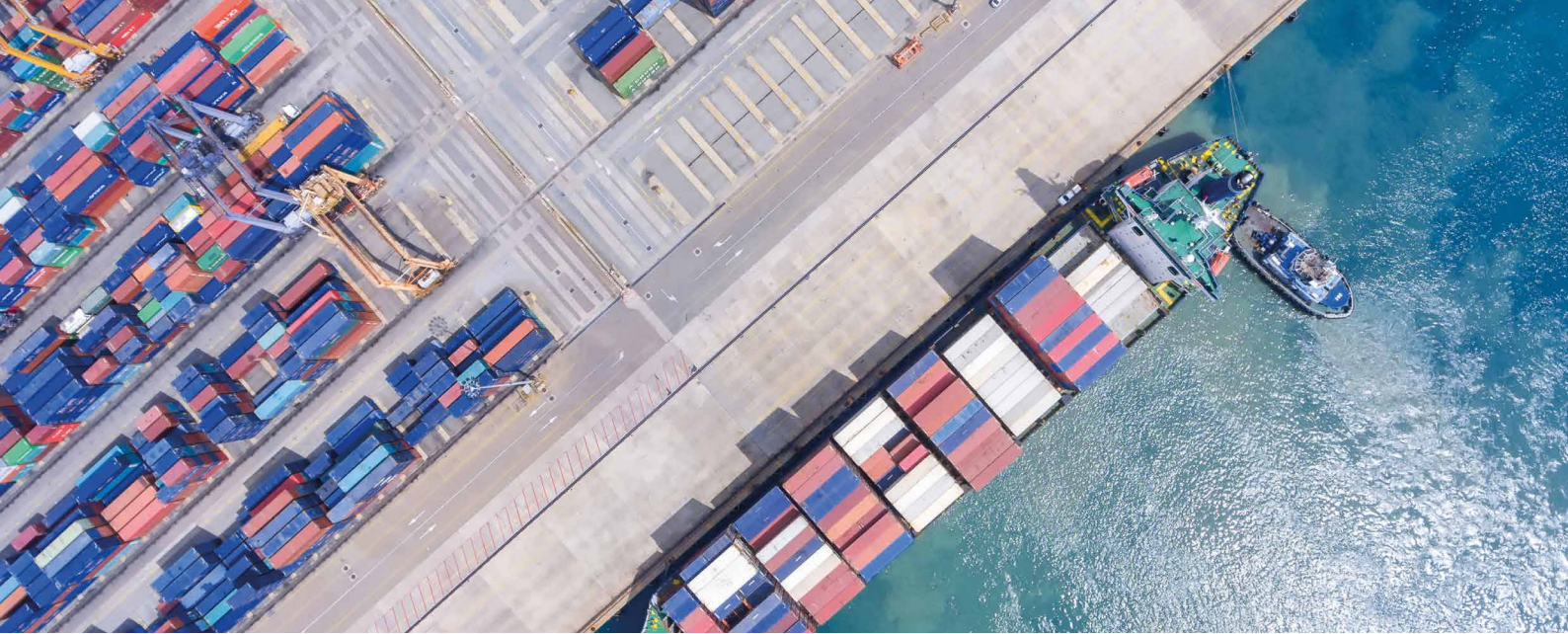
"Companies were more confident regarding the next 12 months, despite a slight dip in the volume of new work received"



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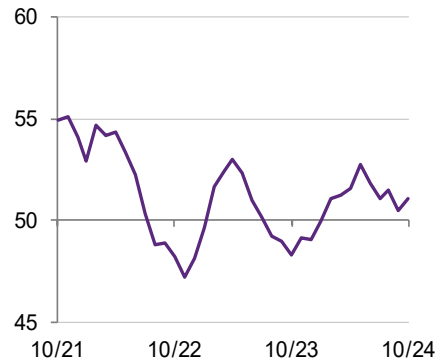


Export markets

Export conditions continue to improve in October

The ECI registered above the critical 50.0 threshold for the ninth month running in October, signalling overall growth in the East of England's export markets. The latest reading of 51.1, up from September's 50.5, indicated a modest rate of improvement. The US remained the main source of growth, supported by Ireland. This contrasted with contractions in Germany, France and the Netherlands.

Export Conditions
Index, sa, >50 = growth m/m



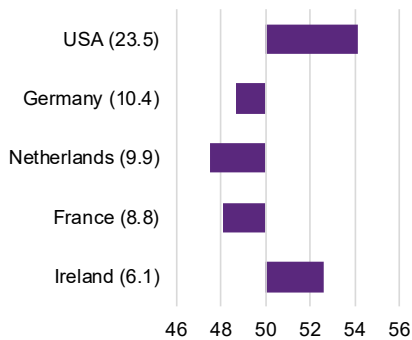
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

The East of England Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the East of England. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, East of England

% share of exports shown in brackets
Output Index, sa, >50 = growth m/m

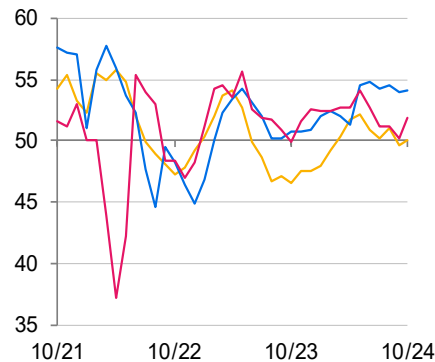
Oct '24



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

Output

Index, sa, >50 = growth m/m
Legend: Eurozone (yellow), US (blue), China (red)



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



Jobs and capacity

Further decrease in private sector employment

Workforce numbers across the East of England's private sector fell for the second month running in October. Where staffing levels decreased, this was linked to hiring freezes, automation, not replacing leavers and a lack of incoming orders.

Moreover, the rate of job shedding was the fastest since January 2021

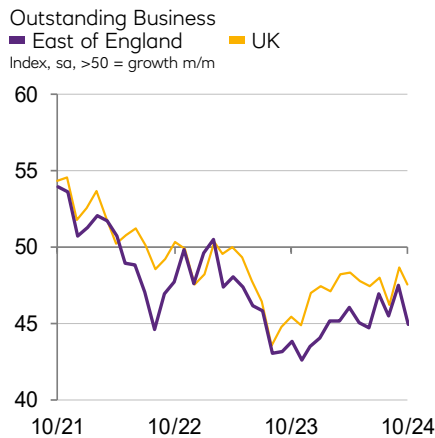
and stronger than the UK average. Seven other UK areas posted lower staffing, led by Wales.

Outstanding work in the East of England's private sector continued to fall in October, as has been the case every month since May 2022 except for a brief increase in February 2023. The rate of backlog depletion was the sharpest in four months and faster than the UK average.

"One area of concern is the labour market, as reports of hiring freezes contributed to the fastest rate of job shedding at firms in the region since the start of 2021"



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



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



Inflation

Cost pressures broadly in line with long-run trend but charge inflation stubbornly high

Input price inflation in the East of England's private sector eased in October and was running broadly in line with the long-run trend since the series began. Wages, shipping and IT were the primary drivers of rising costs, according to anecdotal evidence.

The rate of input price inflation was the second-weakest in nearly four years. That said, the East of England

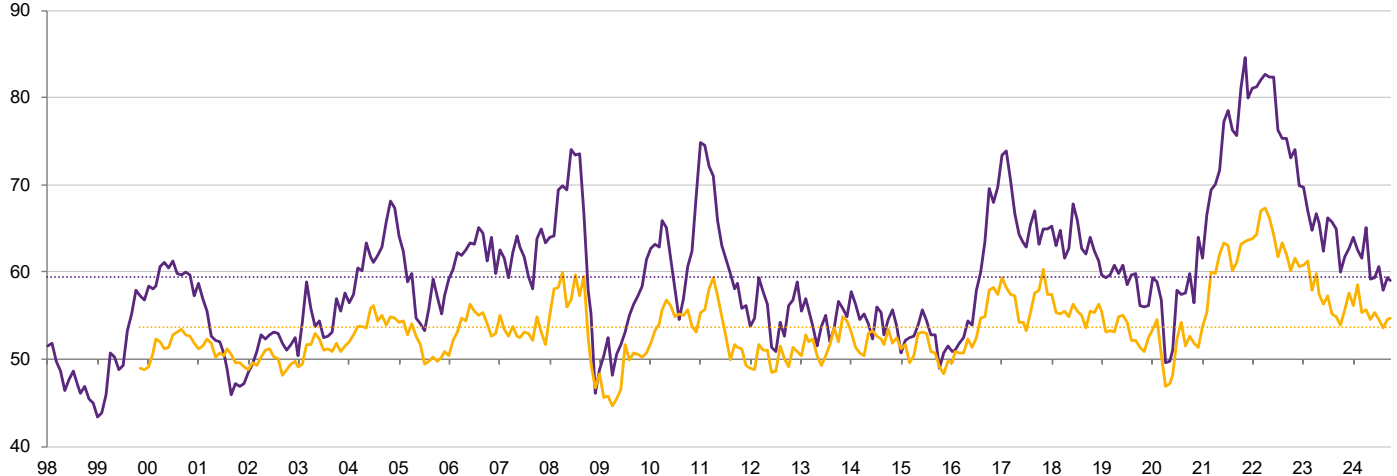
faced the second-highest rate of inflation across the 12 UK regions, with only London seeing stronger cost pressures in October.

Increases in average input costs continued to be passed through to end prices in October, with the rate of charge inflation ticking up to a four-month high and remaining strong in the context of the series history.

The East of England had the joint second-highest rate of output price inflation in the UK, behind the South West.

"The latest data on input prices suggests that inflationary pressures are on the wane, although companies continued to raise their own prices at an above-trend rate"

■ 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

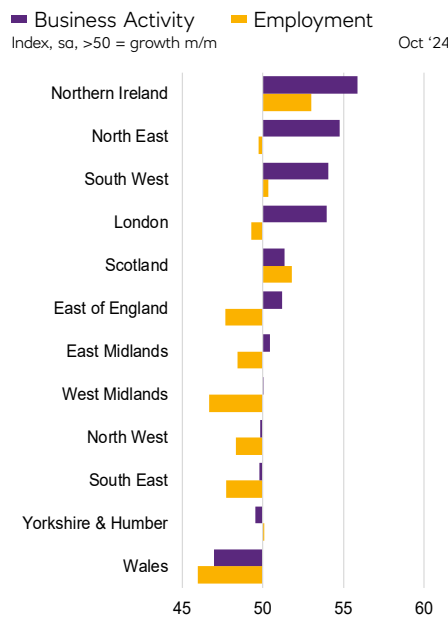
Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September. Northern Ireland continued to see the strongest growth, while there were also solid increases in output across the North East, South West and London. Wales recorded the steepest drop in activity and was joined in contraction by Yorkshire & Humber, the South East and North West.

Employment

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Future Activity

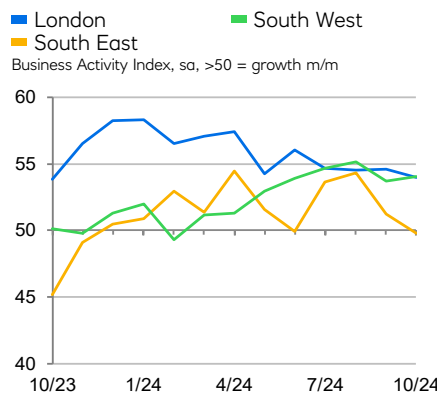
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.



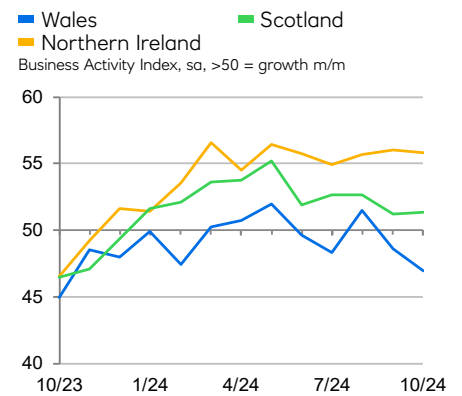
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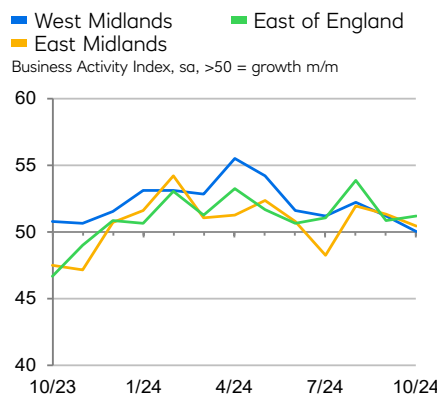
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



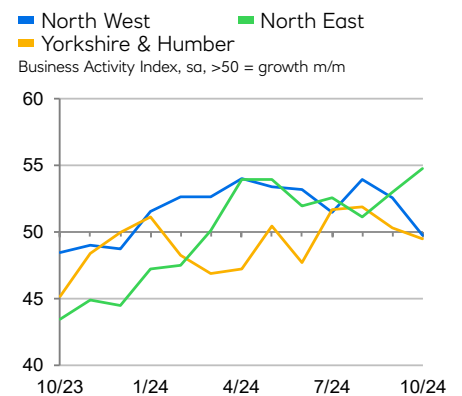
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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Growth Tracker heat map

October 2024

Darker colour = higher business growth

East of England

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

51.2



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

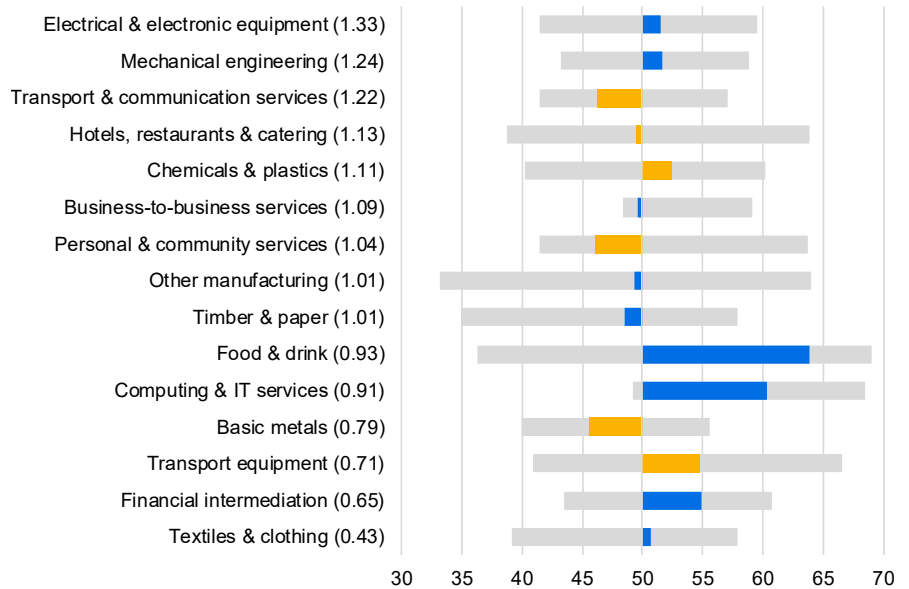
UK sectors

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 Oct '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: Basic metals

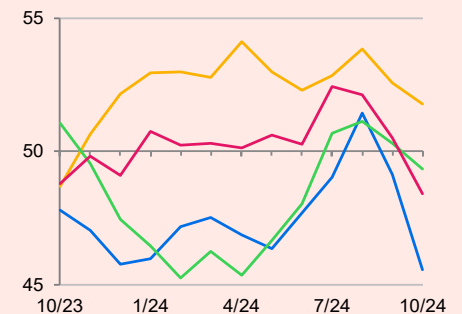
The basic metals sector acted as a notable drag on overall UK economic growth in the three months to October. It recorded the steepest drop in output since Q2 2023 and was the worst-performing sector of those monitored across manufacturing and services.

Basic metals producers reported persistent weakness in demand, with new orders having been in decline for almost two-and-a-half years. A lack of export sales was a contributing factor, underlying data showed.

Employment was also down in the three months to October, following a brief spell of job creation over the summer months. This reversal in recruitment activity coincided with a dip in optimism towards the outlook.

Turning to prices, the basic metals sector saw muted inflationary pressures, with both input costs and output prices rising at rates well below their respective historical averages. Supply-side conditions were relatively stable, as highlighted by only a fractional increase in average lead times on inputs.

Output / Employment
 ■/■ Basic metals*
 ■/■ 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.

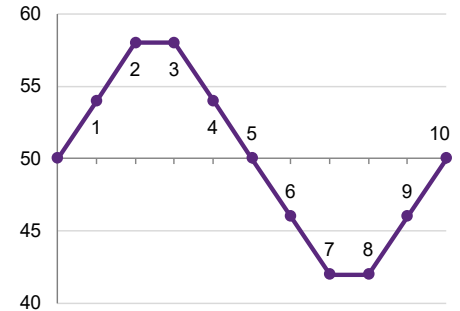
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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
5/24	51.6	47.4	52.8	49.9	45.1	73.3	59.2	54.6
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

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