

12 November 2024

# NatWest East Midlands Growth Tracker

**Softer rise in business activity  
for East Midlands in October**



NatWest

PMI<sup>®</sup>

by S&P Global

12 November 2024

# NatWest East Midlands Growth Tracker

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by  S&P Global

# Key findings

October 2024

Region continues on three month rise but at a lower rate

Budget anticipation affects some activity

Fall in employment registered by businesses in October

The NatWest East Midlands 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](http://www.natwest.com/business/insights/economics)





# Softer rise in business activity for East Midlands in October

Latest Regional Growth Tracker survey data from NatWest indicated that although output continued to increase in the East Midlands private sector in October, the rate of expansion softened and was only marginal.

The headline NatWest East Midlands Business Activity Index dropped to 50.4 in October, from 51.4 in September and the lowest in the current three-month sequence of expansion.

While some firms raised output in response to recent increases in new orders, others reported that demand had softened, leading them to scale back activity.

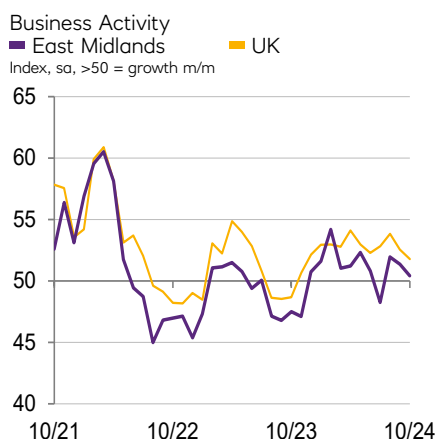
The rise in business activity in the region was slower than the UK average.

NatWest East Midlands Business Activity Index October 2024

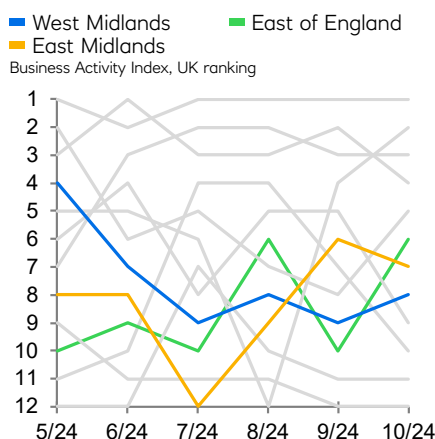
**50.4**

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, commented:**

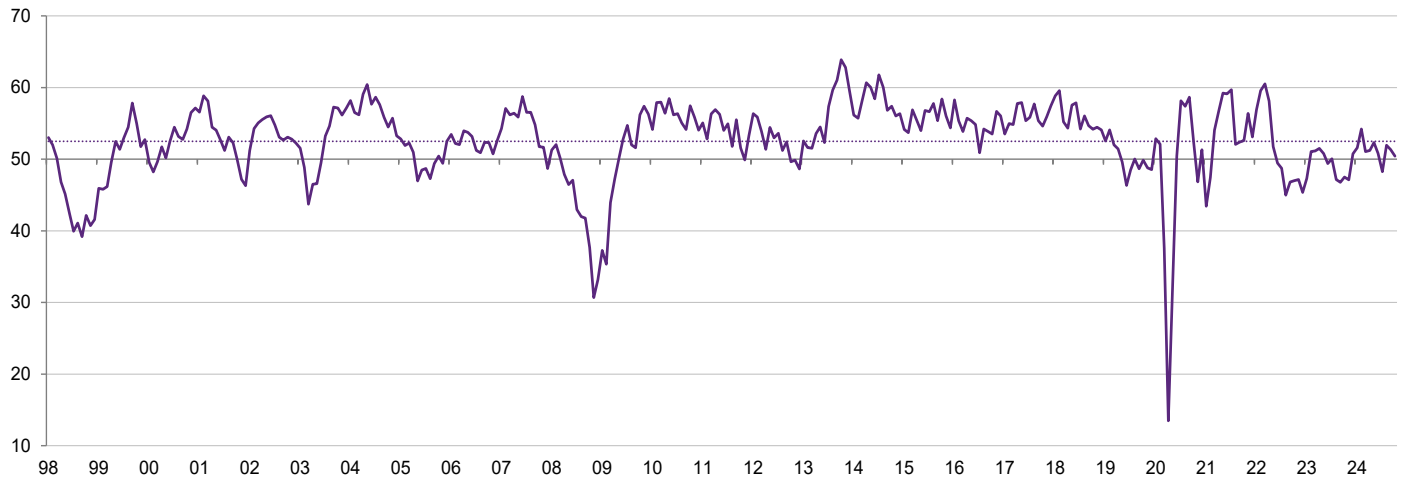
"East Midlands companies looked to be in wait-and-see mode in the run-up to the Budget at the end of October.

"With business confidence down amid uncertainty and new orders broadly flat, firms in the region reduced their staffing levels and increased output only marginally.

"There was some good news on the inflation front, however, with input prices rising at the slowest pace in almost four years. In fact, local firms saw the joint-weakest pace of cost inflation of all the areas of the UK, alongside the West Midlands."

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

## Business sentiment drops as demand stagnates

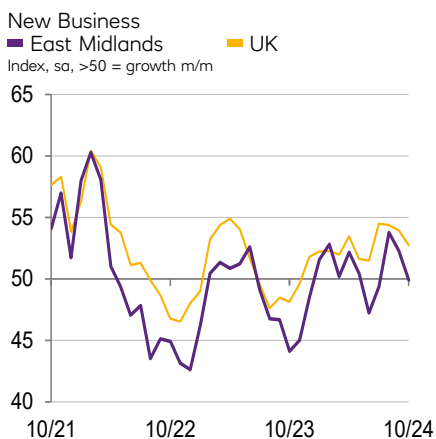
October data pointed to a broad stagnation of new orders at East Midlands companies, thereby ending a two-month sequence of expansion. Only the East of England and Scotland joined the East Midlands in failing to register growth of new orders.

Some panellists reported having seen a market slowdown at the start of the final quarter.

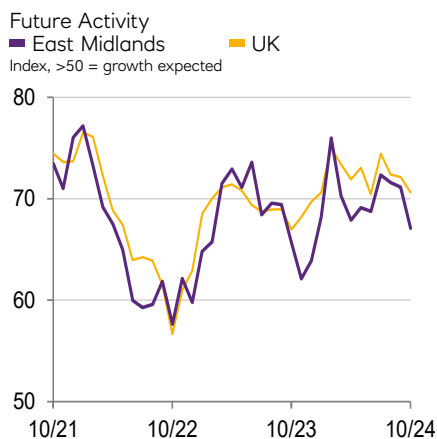
Uncertainty in the lead-up to the Budget led to a drop in confidence among East Midlands companies in October. Sentiment declined for the third consecutive month and was the lowest in 2024 so far.

Business confidence was also below the series average. Those firms that predicted a rise in output over the coming year linked this to the planned expansion of market share and the launch of new products.

"East Midlands companies looked to be in wait-and-see mode in the run-up to the Budget at the end of October."

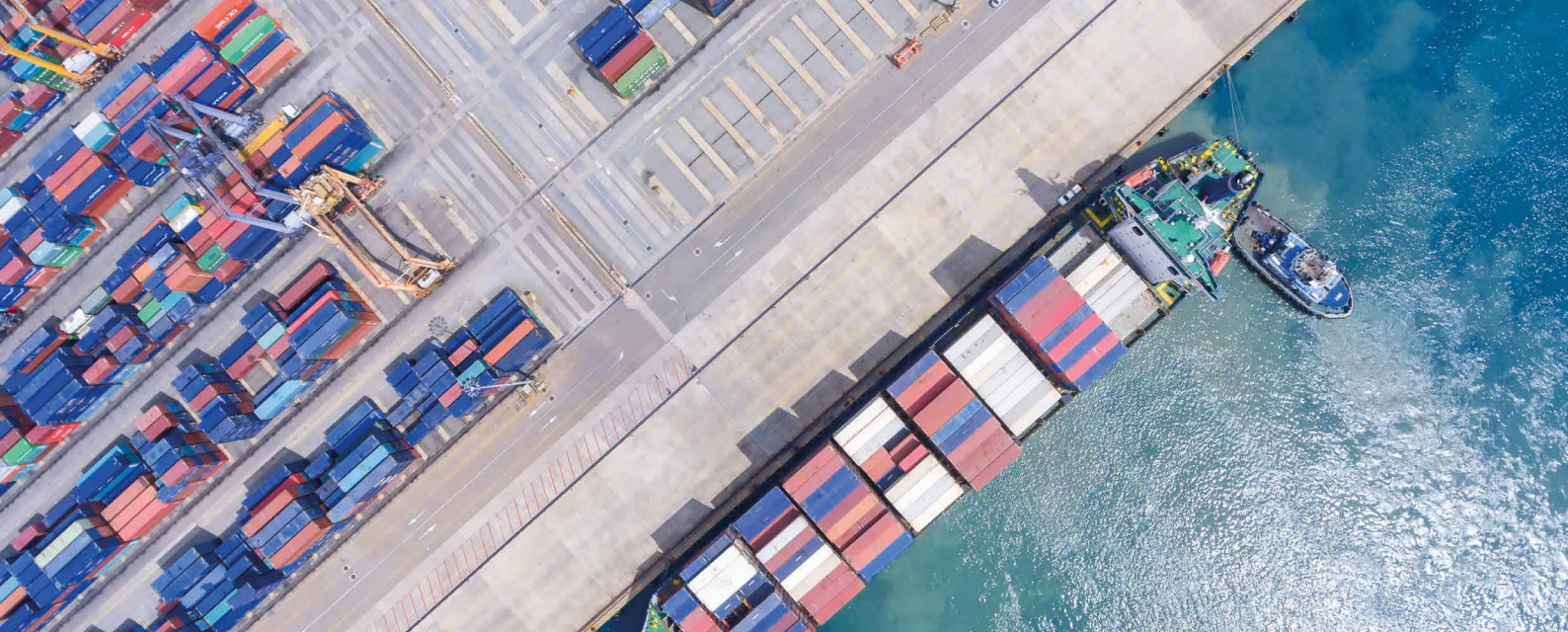


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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





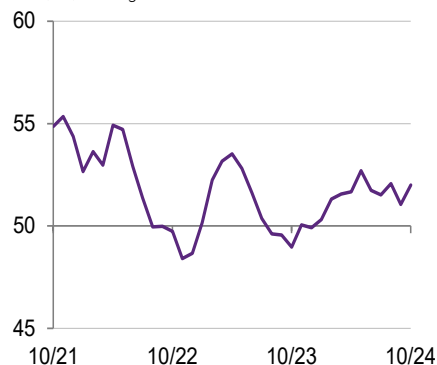
# Export markets

## Export demand conditions strengthen further

The headline ECI rose to 52.0 in October, up from 51.1 in September and above the 50.0 no-change mark for the tenth month running.

Of the top five export destinations for East Midlands companies, the sharpest expansion was seen in Singapore where the rate of growth was rapid and faster than in September. The USA posted a further solid increase in output, while Hong Kong SAR returned to growth for the first time in six months. Less positive were further declines in output in Germany and France.

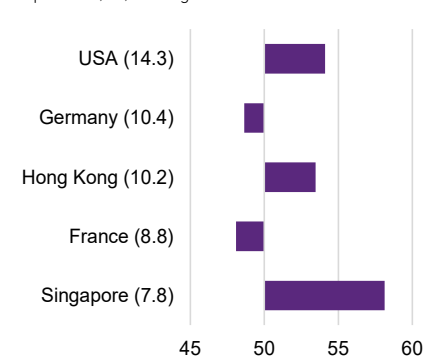
Export Conditions  
Index, sa, >50 = growth m/m



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

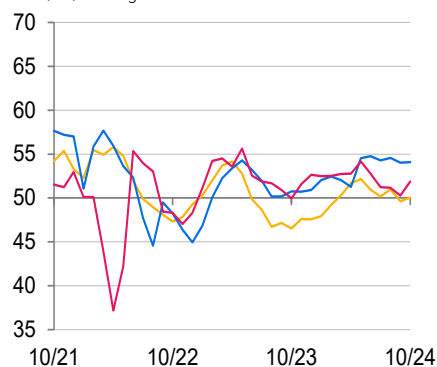
The East Midlands Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the East Midlands. A reading above 50 signals an improvement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

Top export markets, East Midlands  
% share of exports shown in brackets  
Output Index, sa, >50 = growth m/m



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

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



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



# Jobs and capacity

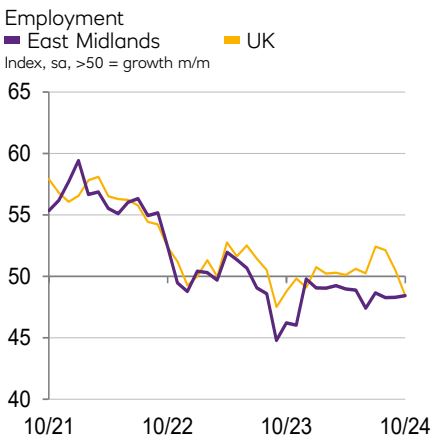
## Staffing levels continue to fall

As has been the case in each month since July 2023, East Midlands companies registered a fall in employment during October. The latest reduction was modest and in line with the average seen across the third quarter of the year. The drop in staffing levels in the region also matched the UK average.

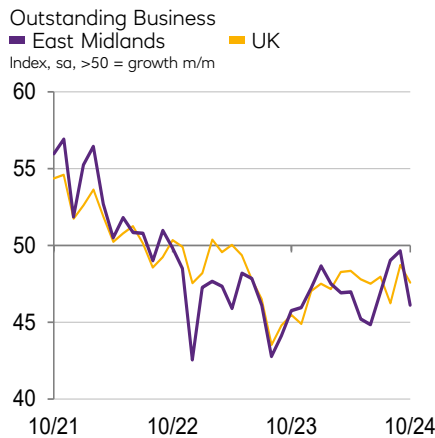
Some companies reported that the non-replacement of leavers and hiring freezes had been behind the drop in workforce numbers.

Signs of market demand slowing meant that companies used spare resources to work through outstanding business in October. Moreover, the pace of depletion was solid and the fastest since June.

"With business confidence down amid uncertainty and new orders broadly stable, firms in the region reduced their staffing levels..."



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



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





# Inflation

## Slowest rise in input costs for almost four years

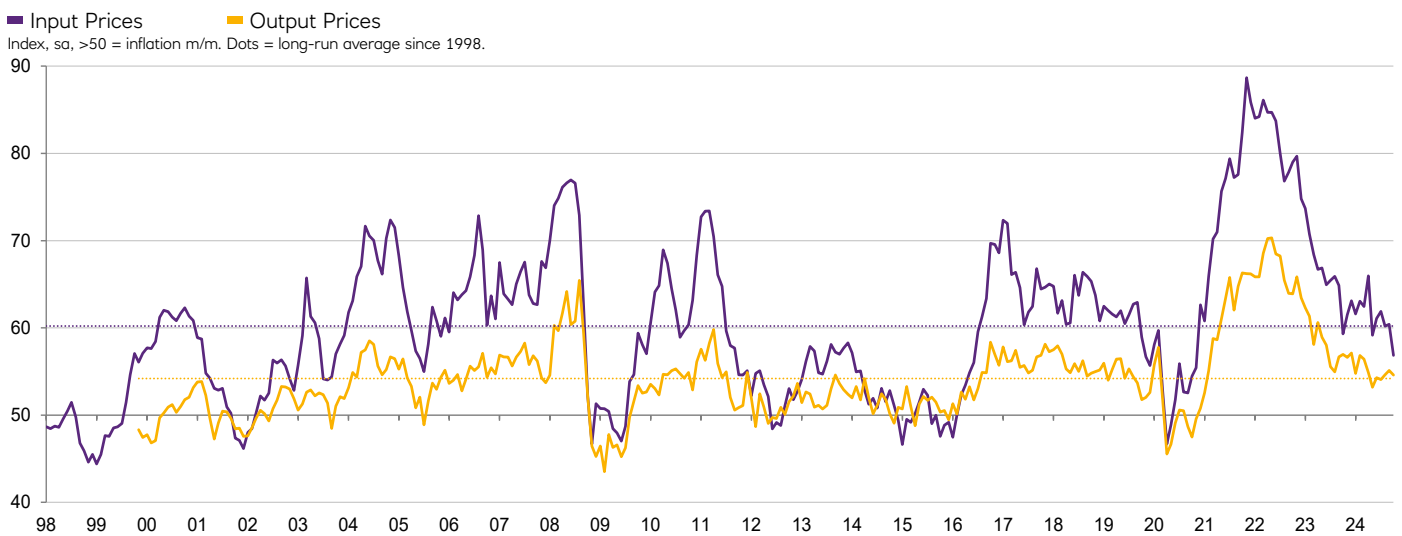
Although East Midlands firms continued to signal marked increases in input prices at the start of the final quarter of the year, the rate of inflation slowed sharply and was the weakest since November 2020. The rise in the region was also the joint-slowest of the 12 monitored UK regions and nations, equal with

that seen in the West Midlands.

Respondents noted that wages and raw materials continued to add upwards pressure to prices.

The rate of output price inflation also eased since September. Charges still increased solidly, however, as firms responded to higher input costs and made efforts to improve their margins.

"There was some good news on the inflation front, with input prices rising at the slowest pace in almost four years."



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

# UK Regional Growth Tracker

## Business Activity

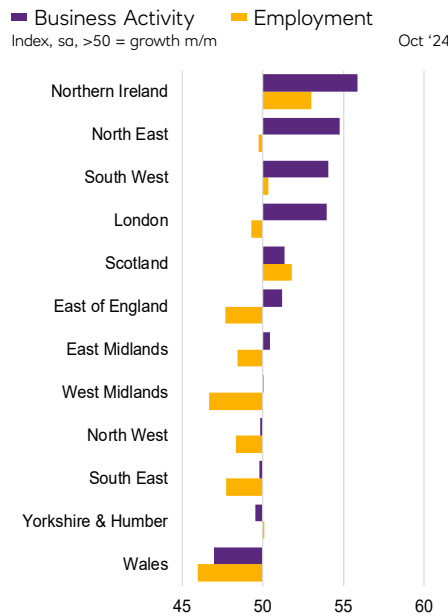
Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September. Northern Ireland continued to see the strongest growth, while there were also solid increases in output across the North East, South West and London. Wales recorded the steepest drop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

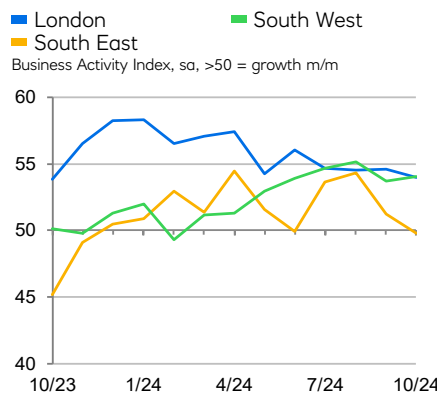
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end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



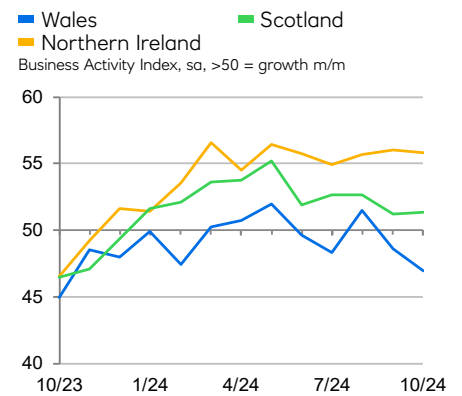
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



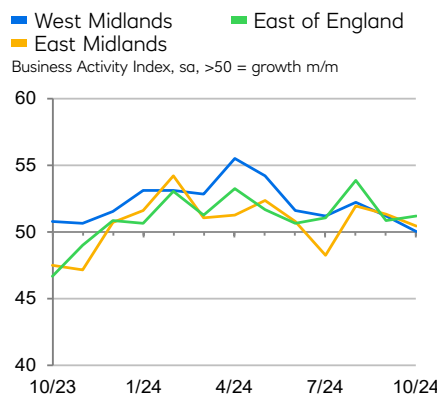
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



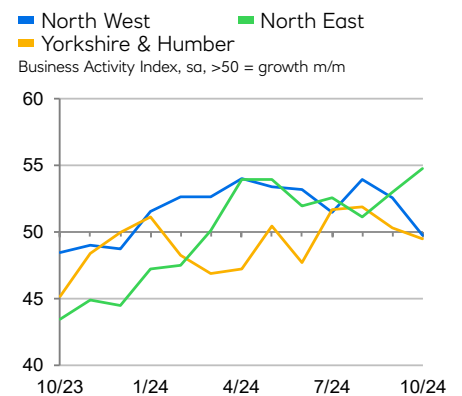
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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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

October 2024

Darker colour = higher business growth

## East Midlands

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

**50.4**



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



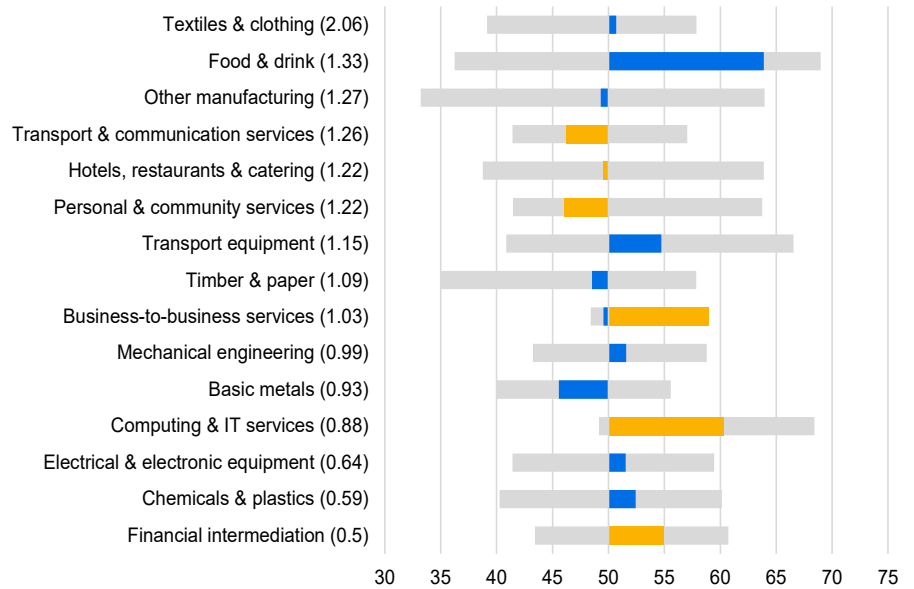
# UK sectors

## Sector specialisation: East Midlands

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

## Sector in focus: Basic metals

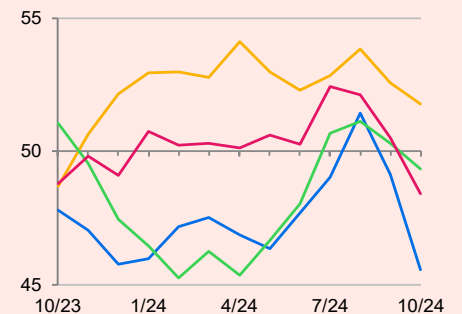
The basic metals sector acted as a notable drag on overall UK economic growth in the three months to October. It recorded the steepest drop in output since Q2 2023 and was the worst-performing sector of those monitored across manufacturing and services.

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 Midlands Growth Tracker is compiled by S&P Global from responses to questionnaires sent to East Midlands 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

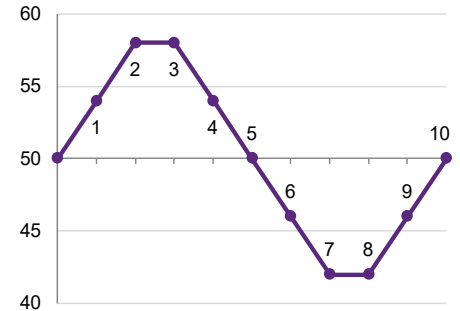
overall decrease. The indices are then seasonally adjusted.

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 Midlands 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](mailto: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 Midlands 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	52.3	50.4	52.7	48.9	45.2	69.1	59.2	53.2
6/24	50.8	47.2	51.7	47.4	44.9	68.8	61.1	54.3
7/24	48.3	49.4	51.5	48.7	46.9	72.3	61.9	54.1
8/24	51.9	53.8	52.1	48.3	49.0	71.6	60.2	54.6
9/24	51.4	52.3	51.1	48.3	49.6	71.1	60.4	55.1
10/24	50.4	49.9	52.0	48.4	46.1	67.1	56.8	54.6

# Further information

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NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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