

9 October 2024

NatWest East of England Growth Tracker

Positive growth forecasts remain as lower inflation drives better trading conditions for local businesses



NatWest

PMI[®]

by **S&P Global**

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Key findings

September 2024

Marginal increases in both new business and output

Slight fall in jobs as cost pressures rise

Output expectations weakest since end of 2022

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





Positive growth forecasts remain as lower inflation drives better trading conditions for local businesses

Having risen at the fastest rate in over two years in August, private sector output of goods and services in the East of England increased only slightly in September, 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 for the tenth month running. The Index fell sharply from August's 28-month high of 53.9 to 50.9, however, indicating only a marginal rate of expansion. The latest figure was among the lowest of the 12 UK nations and regions monitored, ahead of only Wales (48.6) and Yorkshire & Humber (50.4).

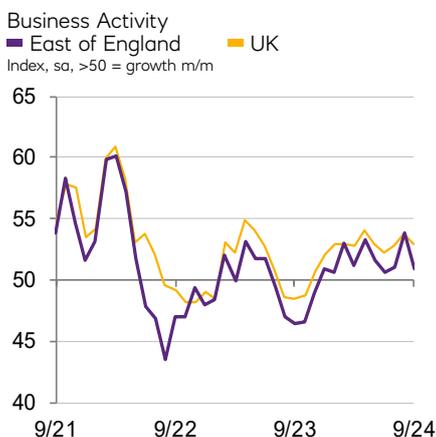
New business also rose only fractionally and the 12-month outlook was the lowest since the end of 2022. Employment fell slightly and price pressures rose since August.

NatWest East of England Business Activity Index September 2024

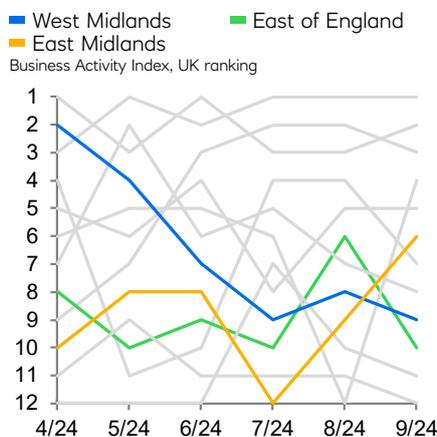
50.9

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 12-26 September



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



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



NatWest

Comment

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

"It is positive to see that, as we enter Q4, businesses in the east of England remain confident for 2025.

"However, after a strong performance in August, the September survey results weakened across the board, with growth of

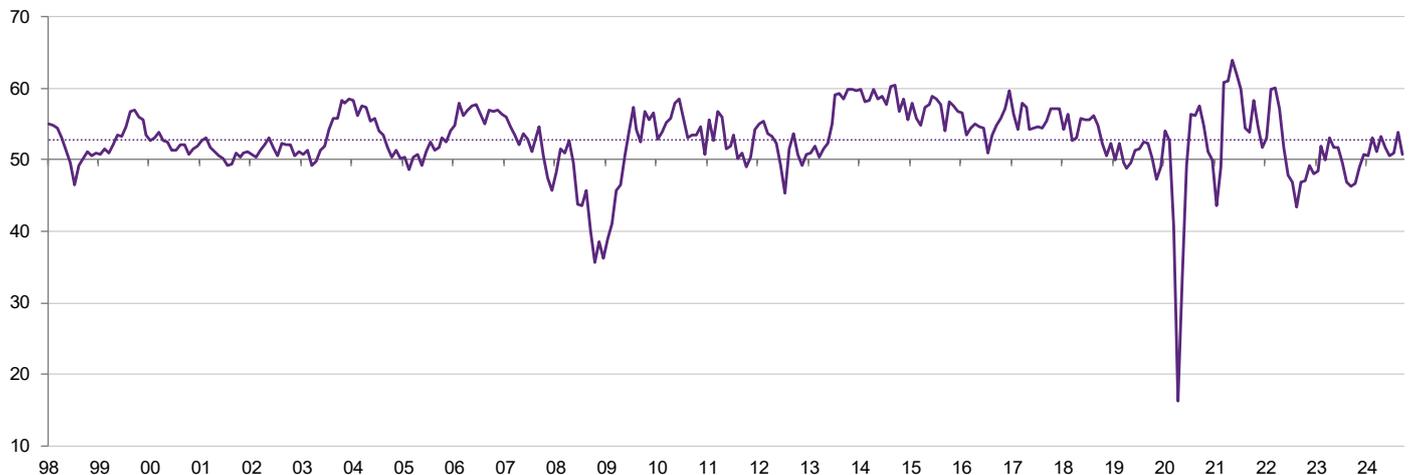
activity and new work softening, employment declining and the outlook turning less positive. Compounding these developments, price pressures rose during the month, but at least remained well down on the trends over the last three years.

"Whether the loss of momentum in September is merely a correction following a pretty strong August remains to be seen. During the third

quarter as a whole the Business Activity Index trended at 51.9, even slightly above the figures for the first (51.7) and second quarters (51.8). But the weaker New Business and Future Activity Indices are pointing to a slowdown in the fourth quarter, especially as firms will have to wait until at least November for another cut in interest rates and any boost to confidence that would bring."

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

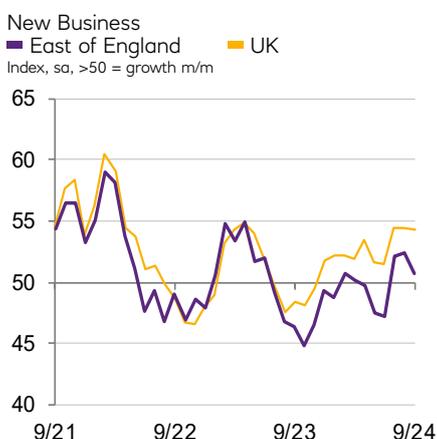
Growth in new business slows to marginal pace, weighing on outlook

Private sector companies in the East of England reported a rise in the volume of incoming new business for the third month running in September, completing a full quarter of growth following a downturn in the second quarter. But the rate of expansion slowed to a marginal pace in the latest period and was the joint-weakest across the UK (with Scotland). A number of firms reported delays in completing new contracts due to hesitant clients.

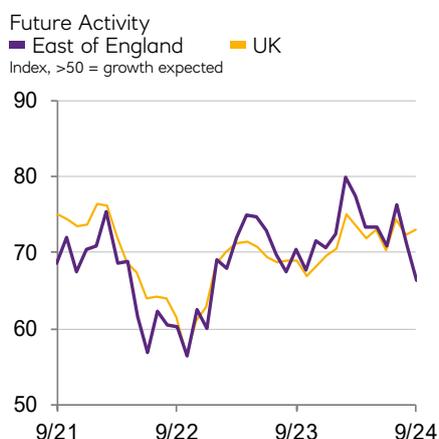
Businesses in the East of England maintained positive growth forecasts for the next 12 months in September, linked to lower inflation and interest rates spurring higher consumer confidence and better trading conditions, a pick-up in the property market and new products.

That said, the strength of sentiment was the weakest since the end of 2022, and below the long-run series trend. Moreover, among the 12 UK nations and regions, only Scotland, Northern Ireland and the North East recorded softer confidence than the East of England.

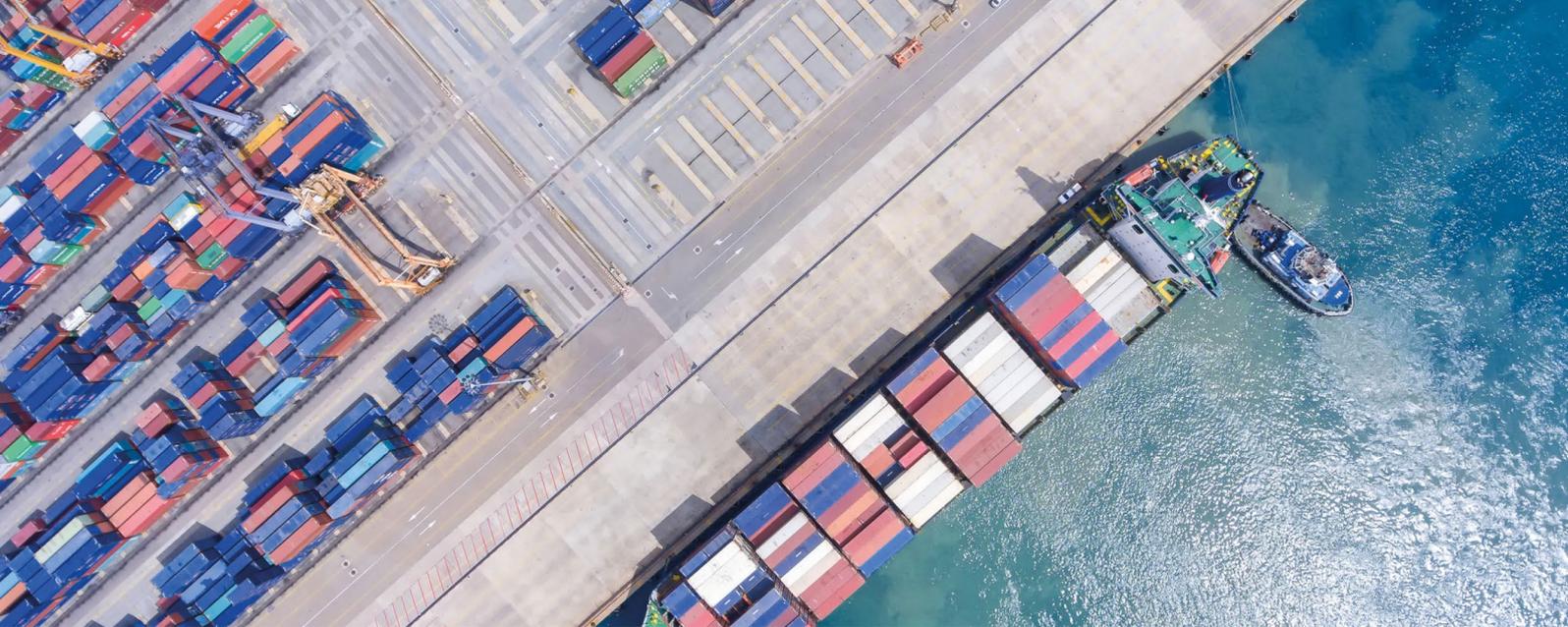
"The strength of sentiment was the weakest since the end of 2022"



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



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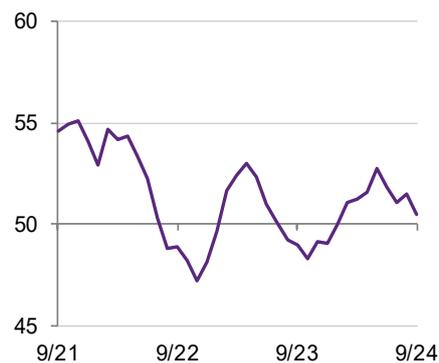


Export markets

US economy supports overall improvement in export conditions in September

The ECI registered above the critical 50.0 threshold for the eighth month running in September. The latest reading of 50.5, down from 51.5 in August, indicated a slower rate of improvement in export conditions for firms in the East of England. The overall improvement was driven by solid growth in the US economy and, to a lesser extent, Ireland. This contrasted with further declines in Germany 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

Sep '24

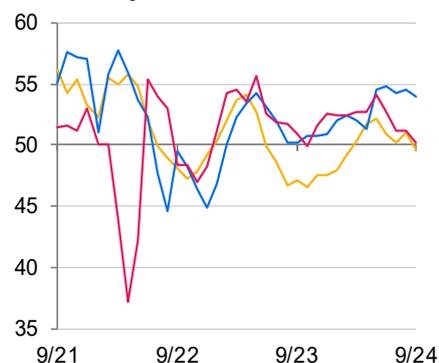


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Output

Legend: Eurozone (yellow), US (blue), China (red)

Index, sa, >50 = growth m/m



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



Jobs and capacity

First decrease in private sector employment in four months

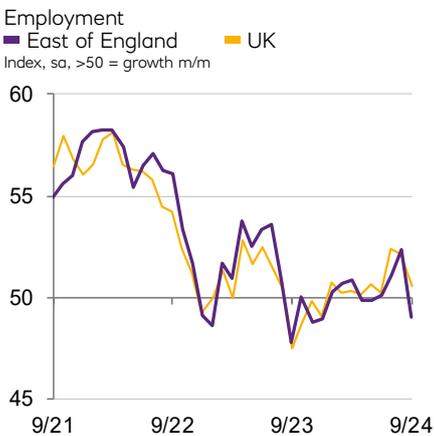
Workforce numbers across the East of England's private sector fell for the first time in four months in September. Where staffing levels decreased, this was linked to delays replacing leavers, reduced hours, automation and cutting part-time or temporary roles. The rate of job shedding was only marginal, but the most notable in 2024 so far.

The East of England was one of

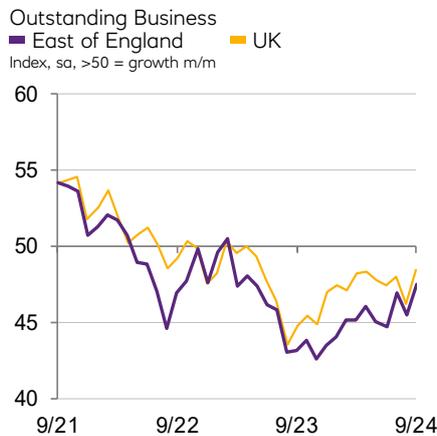
five English regions plus Wales to record lower staffing in September, although the UK as a whole continued to register growth.

Outstanding work in the private sector continued to fall in September, as has been the case every month since May 2022 except for a brief increase in February 2023. The rate of backlog depletion eased to the slowest since April 2023, but remained faster than the UK average.

"The rate of job shedding was only marginal, but the most notable in 2024 so far"



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



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



Inflation

Faster increases in both input and output prices in September

Cost pressures across the East of England's private sector picked up in September, remaining strong overall. Wages and shipping were the primary drivers of rising costs, while there were some reports of lower fuel prices. The rate of input price inflation picked up from August's 45-month low, moving back above the long-run survey average. But it remained among the weakest levels

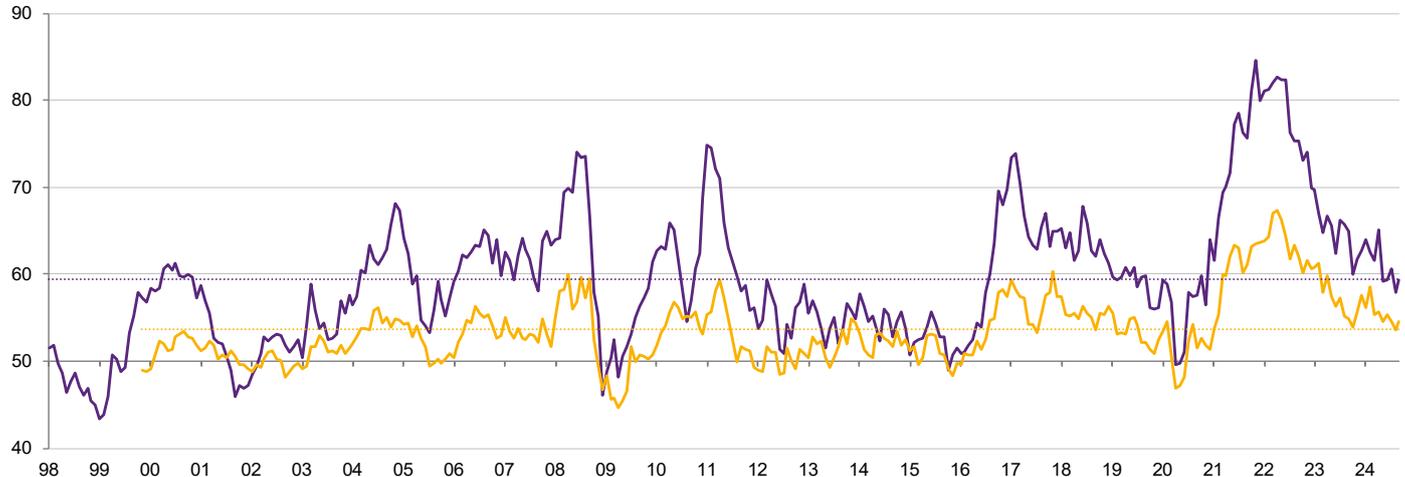
registered over the past four years, during which time the Input Prices Index has trended at 69.5.

The faster increase in average input costs was passed through to end prices in September, with the rate of charge inflation accelerating for the first time in three months and remaining strong in the context of the series history.

Both price indices for the East of England were broadly in line with the UK figures in September.

"The rate of input price inflation picked up ... although it remained among the weakest levels registered over the past four years"

■ 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

A renewed – albeit only slight – decrease in business activity in Wales in September prevented a second successive month of universal growth across the UK. Notably, rates of expansion generally eased compared to those seen in August. Northern Ireland was one of the exceptions, cementing its position at the top of the growth rankings with its fastest rise in output since May.

Employment

Employment growth in September was also led by Northern Ireland, as was the case throughout the third quarter. Only half of the 12 UK nations and regions monitored reported a rise in workforce numbers, down from ten in August. Wales saw the steepest drop in staffing levels, although the decline was only modest overall.

Future Activity

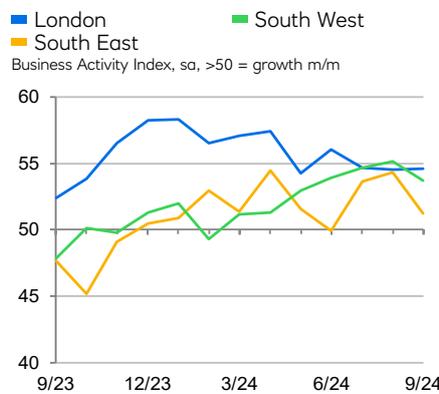
Trends in business expectations varied in September. Just over half of the monitored nations and regions reported a reduction in business confidence, but sentiment nevertheless remained positive across the board. Firms in the South East recorded not only the strongest overall growth expectation, but also the biggest upswing in optimism.



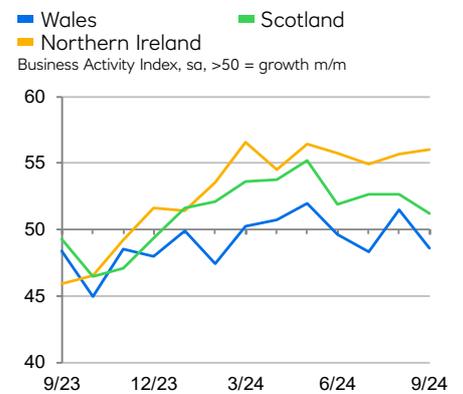
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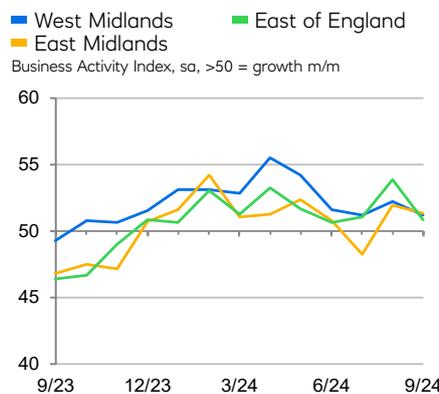
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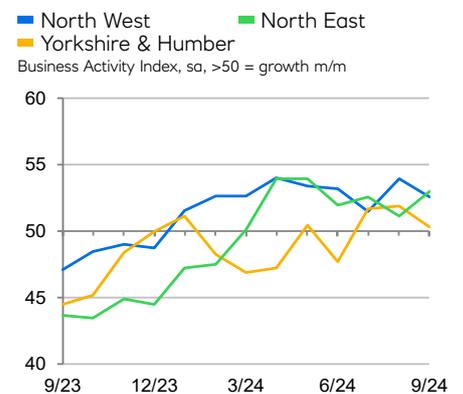
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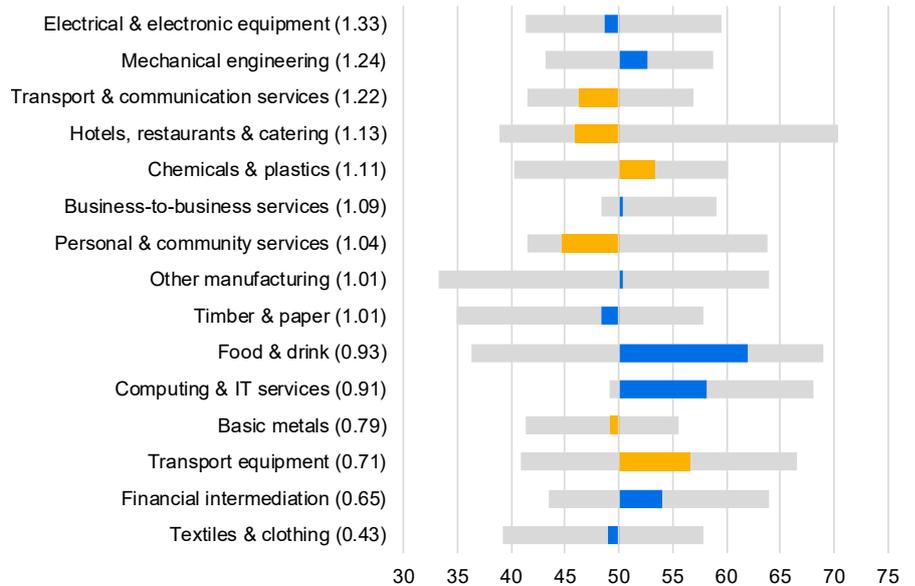
UK sectors

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 Sep '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: Business-to-business services

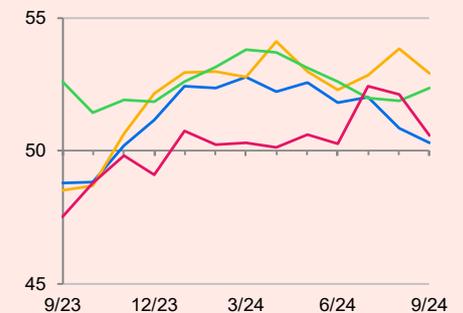
Growth in the UK's Business-to-business services sector came close to stalling in the third quarter. Activity rose only marginally and at the weakest rate for almost a year, with the lack of growth momentum reflecting only modest gains in new business in recent months. Firms in the sector increasingly turned to backlogged work to support growth, with outstanding business falling at a faster rate in the three months to September.

Latest data nevertheless showed sustained job creation across

business-to-business services, continuing a sequence of rising employment that stretches back to early 2021. The rate at which staffing levels rose even ticked up slightly and exceeded the average across the UK private sector as a whole.

As for prices, rates of inflation in both input costs and output charges remained among the lowest seen over the past three-and-a-half years, although they were still above their respective pre-pandemic long-run averages.

Output / Employment
 ■/■ Business-to-business 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.

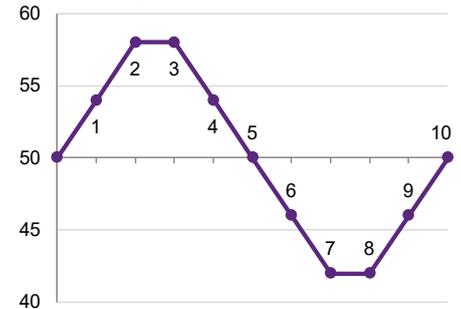
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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
4/24	53.2	49.8	51.6	49.9	46.0	73.3	65.2	55.7
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

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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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