

10 September 2024

# NatWest East of England Growth Tracker

Activity expands at strongest rate in over  
two years



NatWest

PMI<sup>®</sup>

by **S&P Global**

10 September 2024

# NatWest East of England Growth Tracker

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# Key findings

August 2024

**Output increases at fastest rate since April 2022**

**Sharpest rise in employment in over a year**

**Weakest charge inflation since December 2020**

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](https://www.natwest.com/business/insights/economics)





# Activity expands at strongest rate in over two years

Output of goods and services in the East of England rose at the fastest rate in over two years in August, 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 ninth month running. The Index rose sharply to 53.9, from July's 51.0, indicating the fastest rate of expansion since April 2022. The latest figure was also broadly in line with the UK average (53.8).

New business rose again in August, although outstanding work continued to fall sharply as employment increased at the strongest rate for over a year. Both input and output prices rose at the slowest rates in over three years.

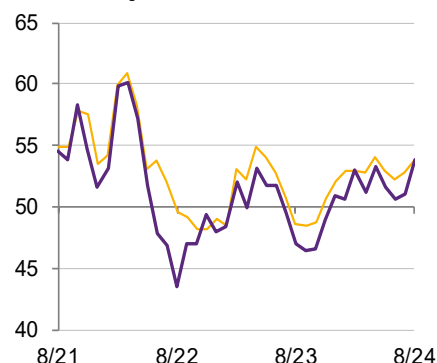
NatWest East of England  
Business Activity Index  
August 2024

## 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.

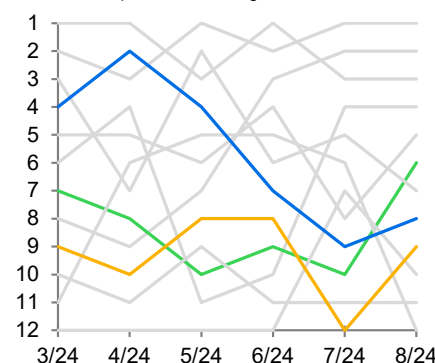
Data compiled 12-28 August

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



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

Business Activity Index, UK ranking



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



# NatWest

## Comment

### Dipesh Mistry, Chair of the NatWest Midlands and East of England Regional Board

"A sustained increase in new business drove the fastest expansion in total activity in the East of England in over two years in August, as the region caught up with the UK as a whole. The volume of outstanding business continued to decline, however, as companies expanded workforces at the

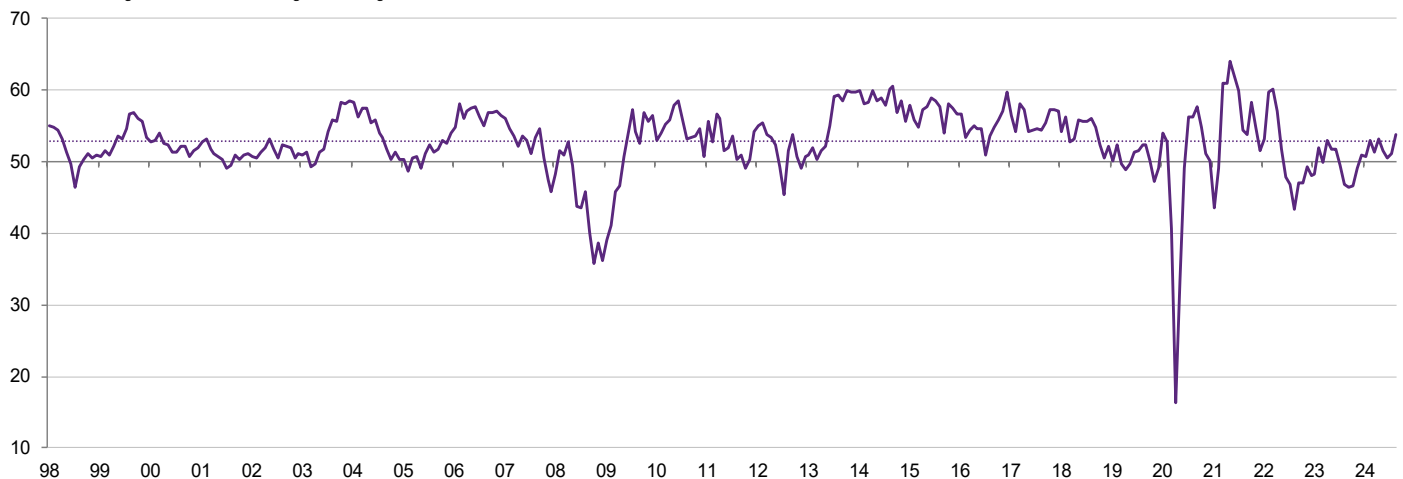
strongest rate for over a year.

"Promisingly, there was further evidence of price pressures receding as charge inflation hit a near four-year low and fell in line with its long-run trend level. This, and the knock-on impact of lower interest rates, underpinned strong confidence regarding the 12-month outlook. Expectations continued to run relatively high despite easing since July."



#### Business Activity

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



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



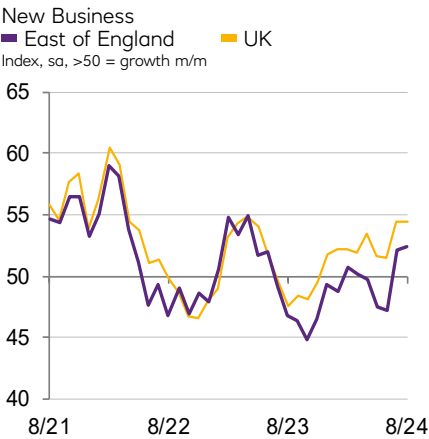
# Demand and outlook

## Inflows of new work expand at stronger rate

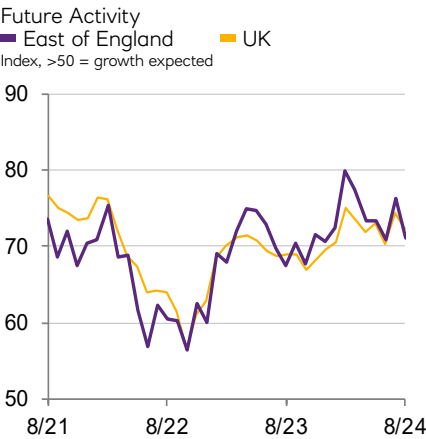
Demand conditions across the East of England's private sector economy strengthened in August, as the volume of incoming new business increased for the second month running and at the fastest rate since April 2023. Companies reported new product launches, new international clients and sales enquiries coming to fruition. That said, demand growth remained softer than the UK trend. Businesses in the East of England

remained optimistic about growth prospects in the coming year during August. The degree of optimism was weaker than in July and compared with 2024 so far on average, but it remained above the long-run series trend. Growth forecasts were linked to lower interest rates and inflation, greater political stability, new products, international demand, acquisitions, branch expansions and stronger conditions in the property and construction sectors.

"Incoming new business increased for the second month running and at the fastest rate since April 2023"



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



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



# Jobs and capacity

## Strongest increase in private sector employment in over a year

Workforce numbers across the East of England's private sector rose for the third month running in August. Companies stepped up hiring efforts to accommodate new and expected workloads. Moreover, the rate of job creation was the fastest since July 2023 and stronger than the long-run survey average. For the first time

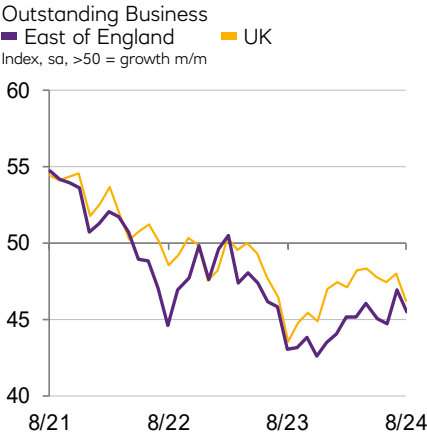
in five months, the East of England outperformed the UK trend for employment.

Increased staffing numbers in August were partly targeted at reducing levels of outstanding business. Backlogged work fell at a faster rate, and one that outstripped both the average over the past two years and the UK-wide trend for August.

"The rate of job creation was the fastest since July 2023 and stronger than the long-run survey average"



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



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



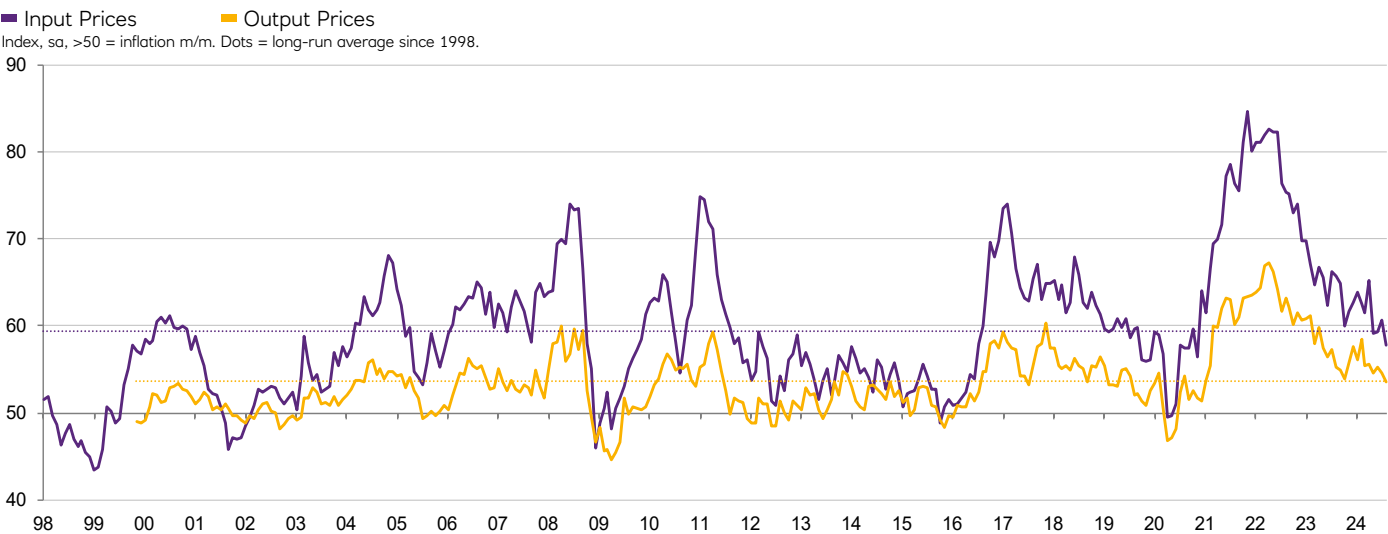
# Inflation

## Notable easing of price pressures in August

Cost pressures across the East of England's private sector slowed in August. The rate of input price inflation moderated to a 45-month low and moved below the long-run survey average. Wages and shipping were the main reported sources of rising costs in the latest period.

Reduced cost pressures were passed through to end prices in August, with the rate of charge inflation easing to a 44-month low. Moreover, the rate of inflation eased for the second consecutive month, the first back-to-back fall in the Output Prices Index in 2024 so far. It registered in line with its long-run trend level of 53.6.

"The rate of input price inflation moderated to a 45-month low"



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

# UK Regional Growth Tracker

## Business Activity

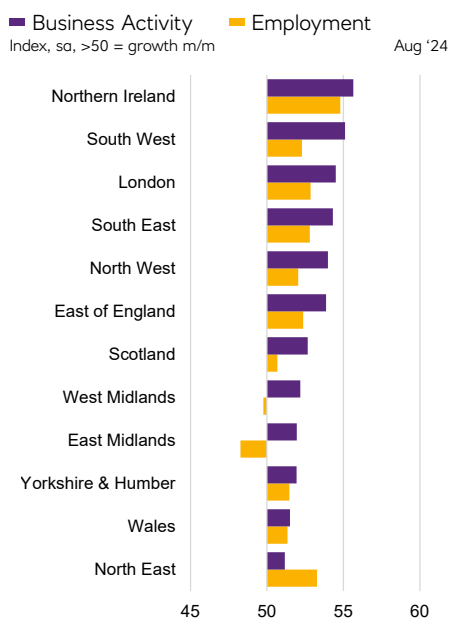
Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

## Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

## Future Activity

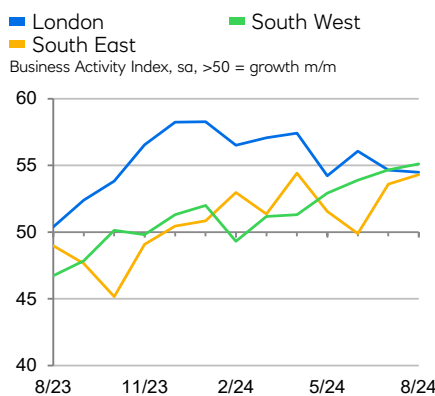
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



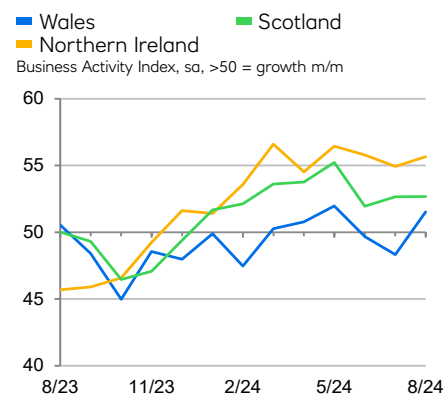
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



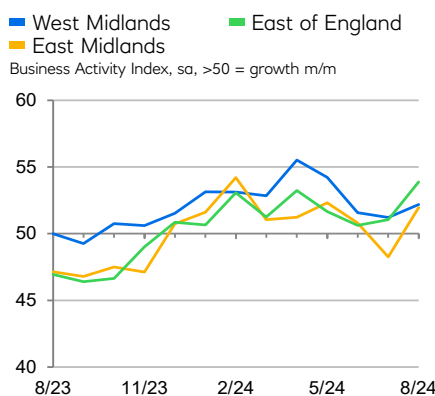
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



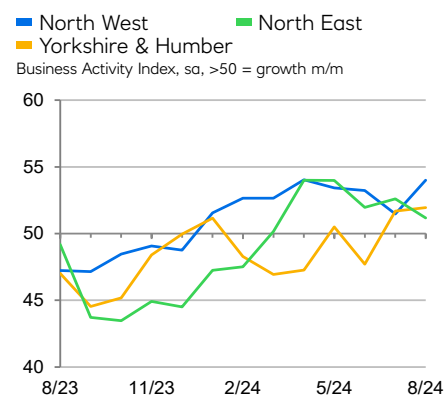
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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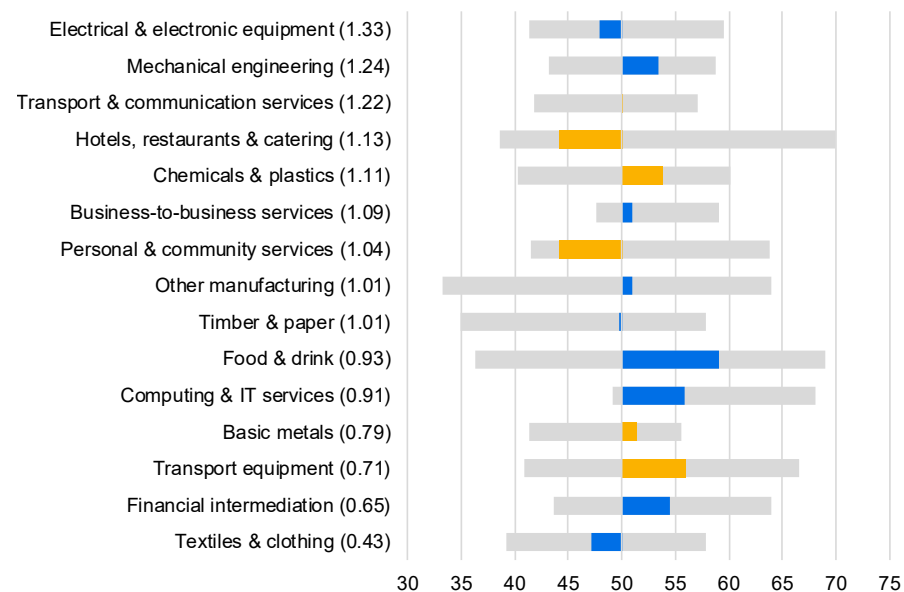
# UK sectors

## 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 Aug '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: Food & drink

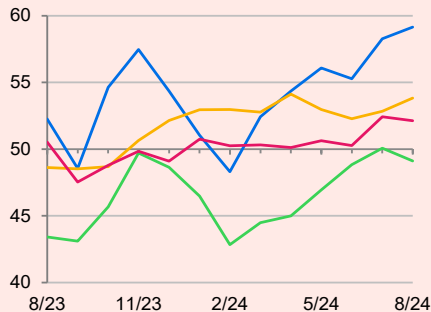
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

Output / Employment  
■/■ Food & drink\*  
■/■ 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.

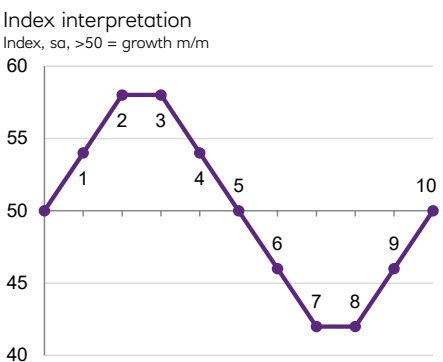
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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](mailto:economics@spglobal.com).



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
3/24	51.3	50.1	51.3	50.9	45.2	77.5	61.5	55.4
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

# Further information

## NatWest

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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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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