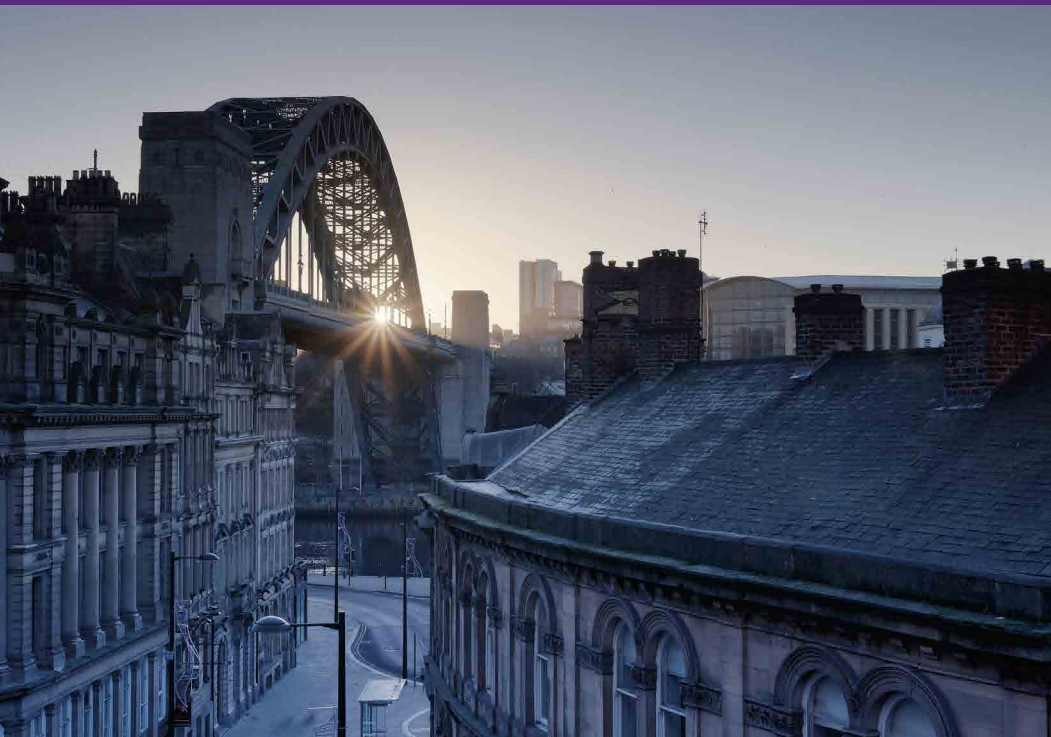


10 September 2024

NatWest North East Growth Tracker

North East enjoys solid rise in new business
during August



NatWest

PMI[®]

by S&P Global

10 September 2024

NatWest North East Growth Tracker

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NatWest

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by **S&P Global**

Key findings

August 2024

North East economy continues to expand

Inflows of new work expand solidly in August

Future expectations recede notably, but remain positive

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 enjoys solid rise in new business during August

The latest NatWest Growth Tracker data revealed slower expansions of activity and new orders across the North East

North East private sector firms enjoyed solid and historically elevated increase in incoming new business in August, leading to an accelerated rise in employment levels. Moreover, the rate of jobs growth remained one of the most pronounced of the 12 monitored UK areas.

Elsewhere, output across the region rose only marginally and confidence towards future activity levels faded

notably. The North East placed at the bottom of the regional rankings for both.

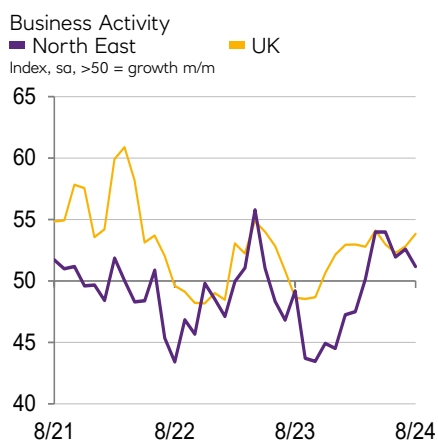
The headline North East Growth Tracker Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – fell from 52.6 in July to 51.2 in August. Some firms linked the increase to a pick up in new work. However, the marginal increase was the softest for five months, as well as the slowest of the 12 UK areas monitored.

NatWest North East Business Activity Index August 2024

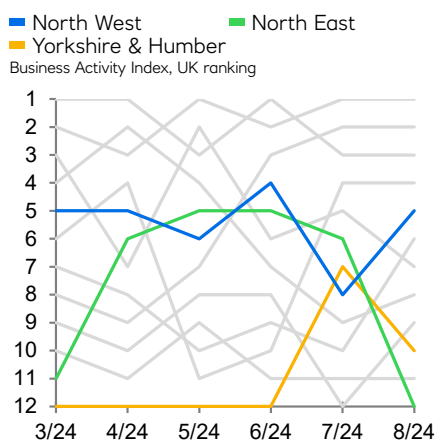
51.2

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 12-28 August



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



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



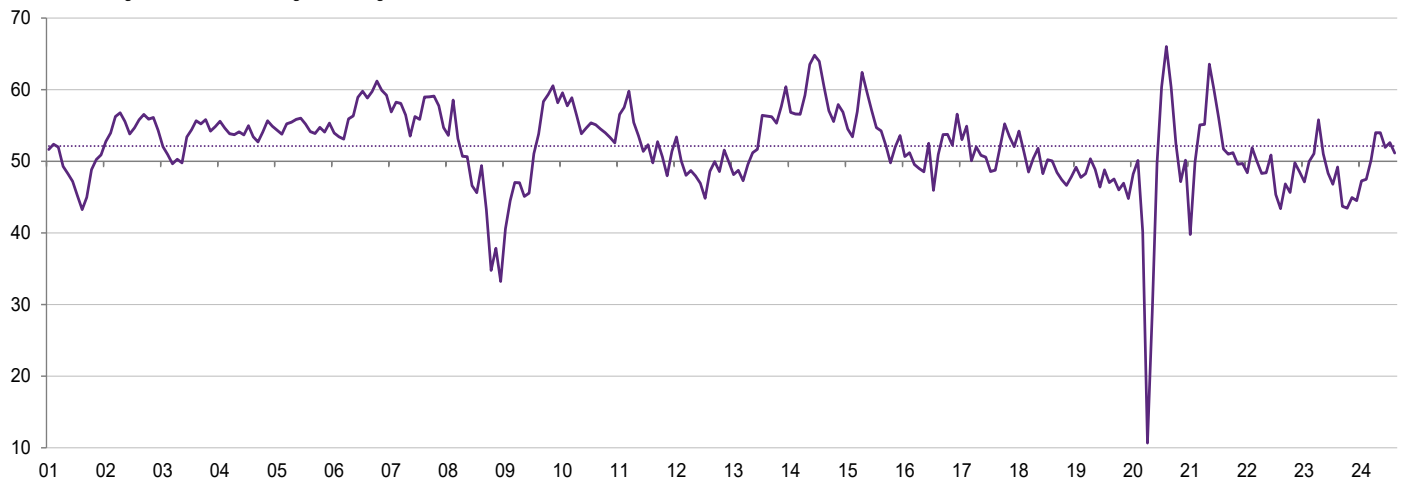
Comment

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

"The North East economy continued to expand, but at a slower pace in August, according to the latest NatWest Growth Tracker data. Firms reported healthy inflows of new business that, despite easing from July, remained elevated by historical standards and slightly stronger than the national average. There was further promise with regards to jobs in the region. Hiring activity picked up slightly and jobs growth locally was one of the fastest of the 12 UK areas. Cost pressures faced by companies cooled to their softest for nearly four years and charge inflation eased. Despite the generally positive results, North East businesses expressed the weakest confidence in the outlook of the 12 monitored UK regions and nations in August."

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 firms signal reduced confidence, while new business growth slowed

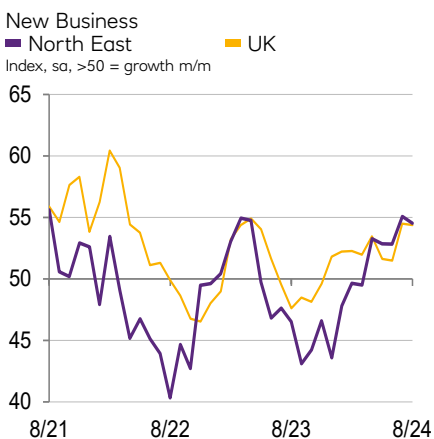
August survey data pointed to a fifth successive rise in new work across the North East. According to anecdotal evidence, the uptick followed an influx of new customers.

Though slower than in July, the rate of increase seen locally was solid and fractionally faster than the UK average.

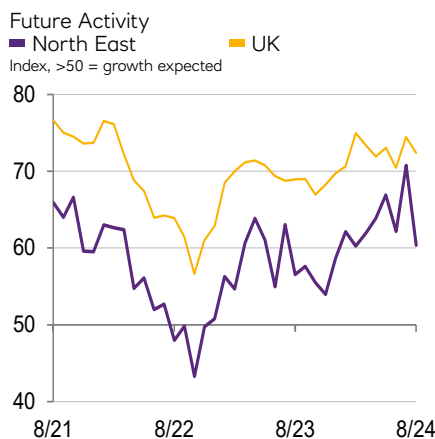
North East firms remained confident of a rise in activity from present levels over the coming year. Upbeat expectations generally stemmed from positive growth forecasts. After having registered the strongest degree of confidence in over three years in July, the respective index fell to its lowest in six months.

Of the 12 monitored UK regions and nations, North East businesses were the least optimistic towards future activity.

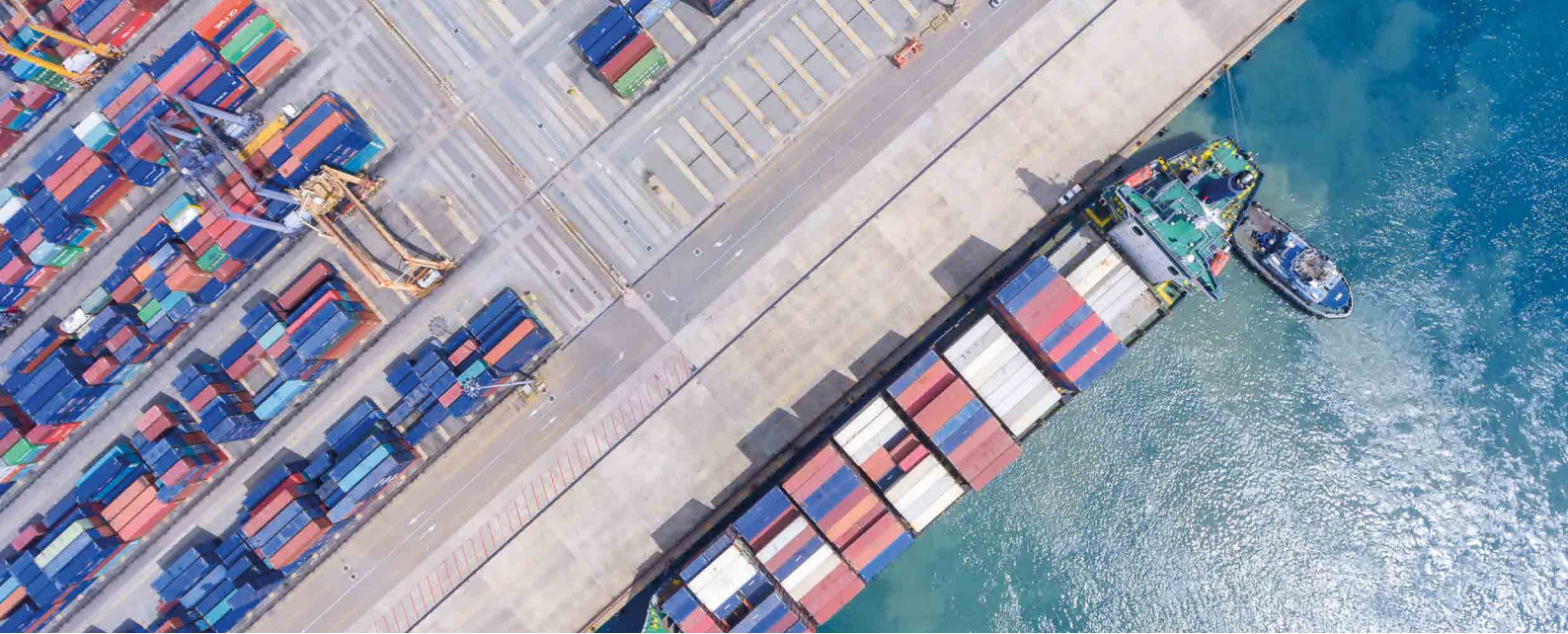
"Firms reported healthy inflows of new business that, despite easing from July, remained elevated by historical standards."



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



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



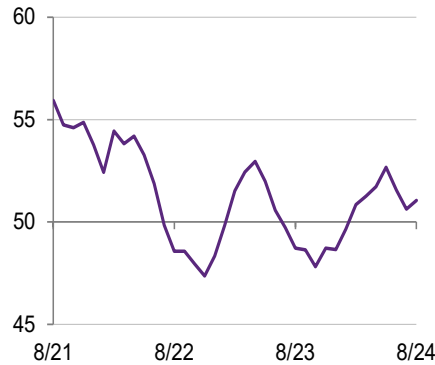
Export markets

Marginal improvement in export conditions in August

The ECI posted above the crucial 50.0 mark in August, as has been the case since February. The improvement in trade conditions was only marginal, however, with the index ticking up from 50.6 in July to 51.1 in August.

There were divergent trends across the top five export markets for the North East. The US, France and Italy all posted activity growth. On the other hand, Germany and the Netherlands posted sharper declines in output.

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



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

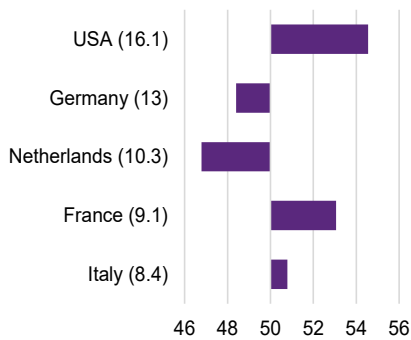
The North East Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the North East. A reading above 50 signals an improvement in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

Top export markets, North East

% share of exports shown in brackets

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

Aug '24

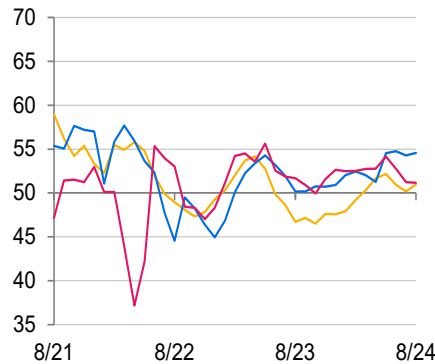


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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

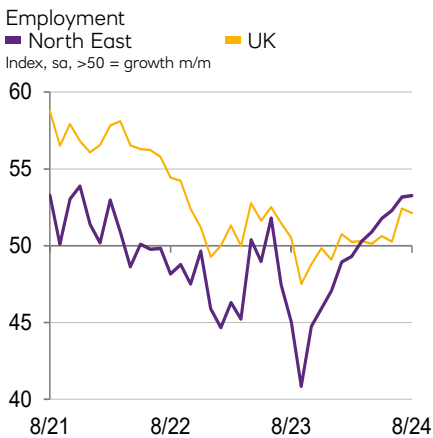
Employment grows at slightly faster pace midway through the third quarter

Workforce numbers across the North East private sector increased for a sixth month in a row in August. Some firms linked the uptick in payroll numbers to greater workloads. The pace of expansion was solid and the most marked since November 2021.

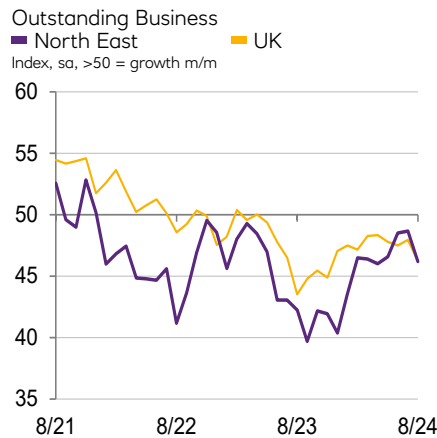
Only Northern Ireland recorded a quicker rise in employment numbers than that seen locally.

August survey data highlighted another drop in outstanding business across the North East, thereby extending the current run of declines to 32 months. Survey respondents noted that they were able to catch up on backlogs of work. As well as solid, the rate of depletion was the quickest in four months and equal to the UK average.

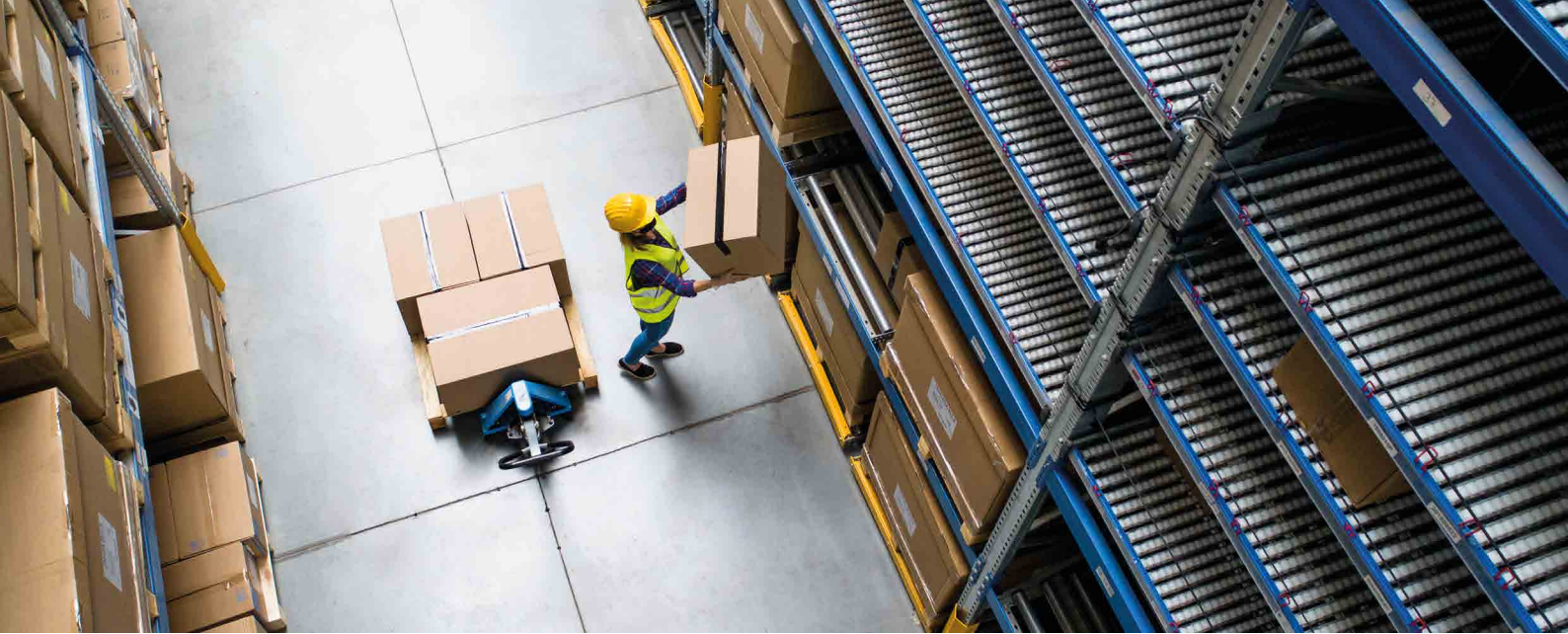
"Hiring activity picked up slightly and jobs growth locally was one of the fastest of the 12 UK areas."



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



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



Inflation

Inflationary pressures soften further in August

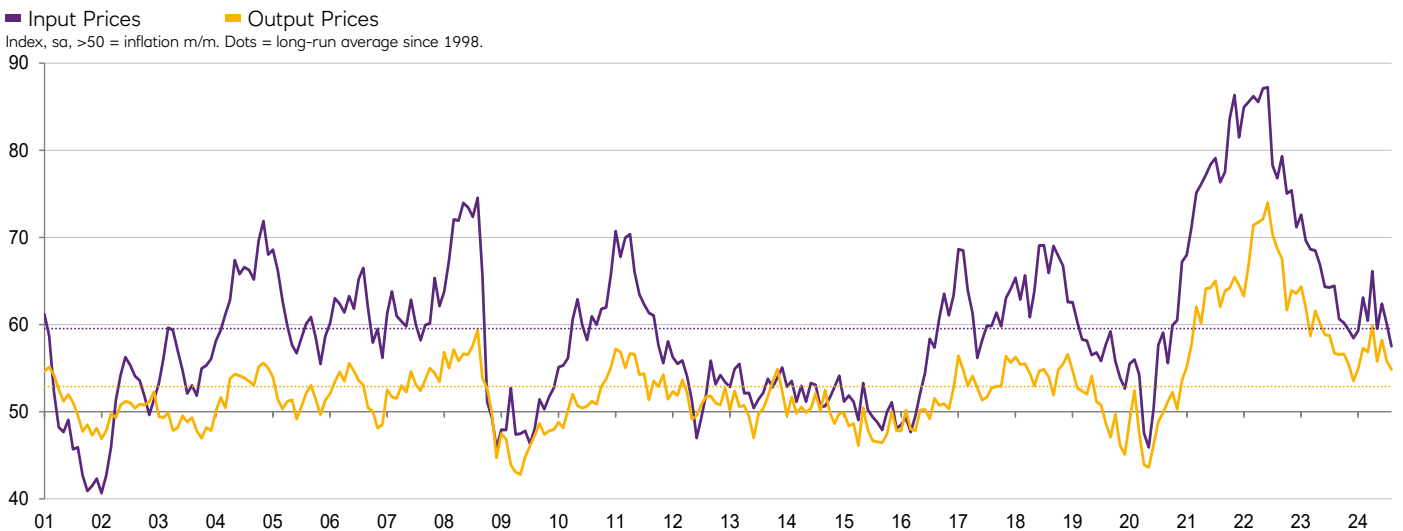
The seasonally adjusted Input Prices Index posted above the neutral 50.0 mark in August, to signal sustained cost pressures faced by North East firms. Wage and raw material hikes were among those mentioned in panel member reports. Though still sharp, the rate of cost inflation fell to its lowest in just shy of four years and was below the UK average.

In response, North East private

sector firms were less aggressive in their price setting in August. The rate of charge inflation was the least pronounced of the year so far and solid overall.

Of the 12 monitored UK areas, only firms in the South West and North West raised selling prices at a sharper rate than in the North East.

"Cost pressures faced by companies cooled to their softest for nearly four years and charge inflation eased."



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

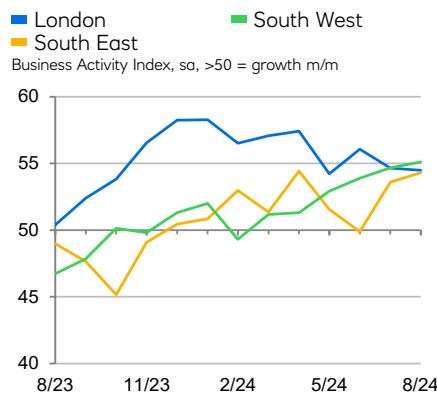
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South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



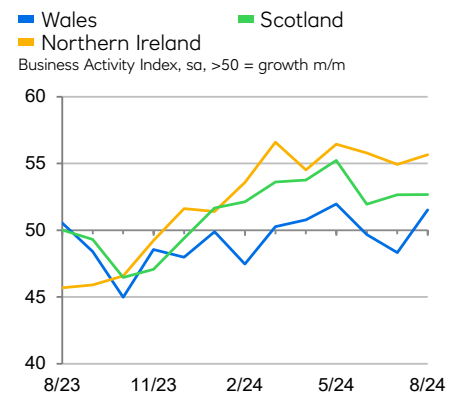
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



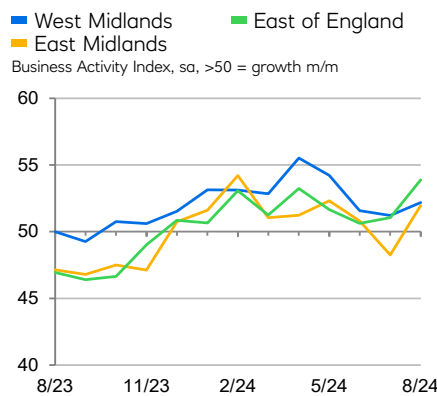
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



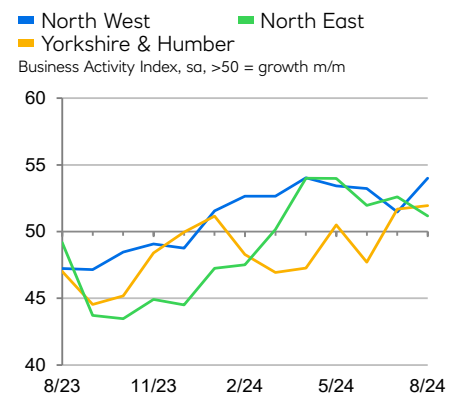
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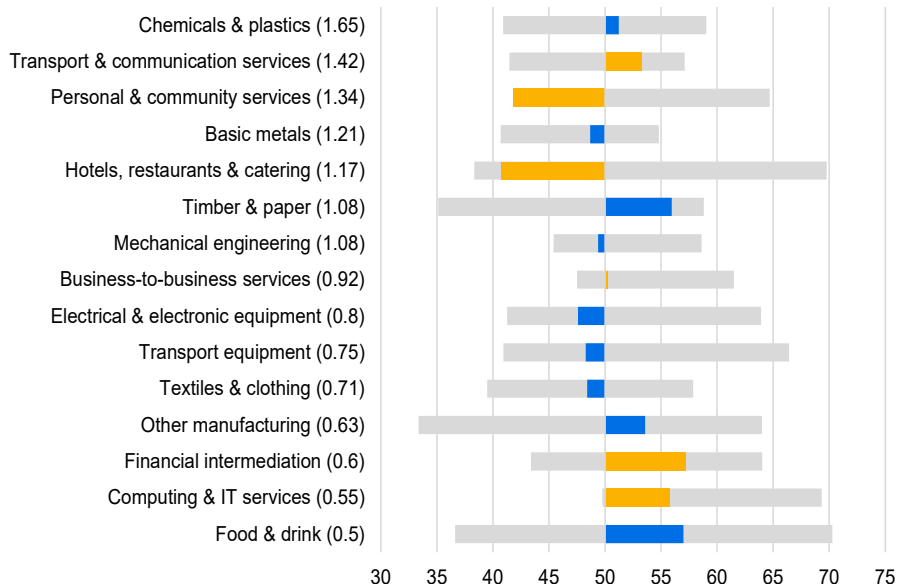
UK sectors

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 Aug '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: Food & drink

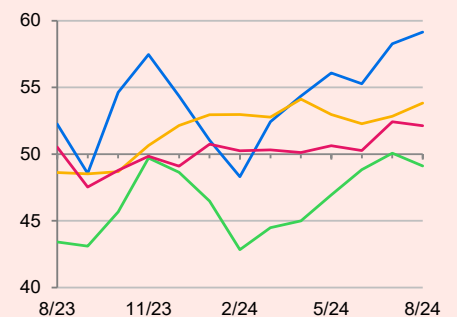
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with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

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.

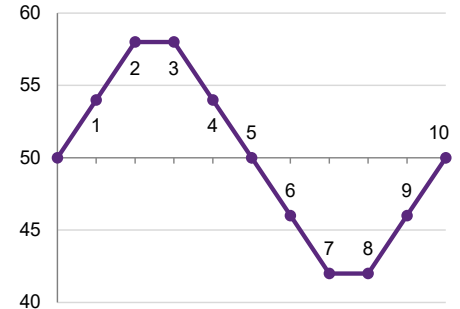
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable 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
3/24	50.2	49.5	51.3	50.3	46.4	61.9	60.5	56.8
4/24	54.0	53.3	51.7	50.9	46.0	63.9	66.1	59.9
5/24	54.0	52.8	52.7	51.8	46.6	66.9	59.5	55.8
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

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