

14 January 2025

# NatWest East Midlands Growth Tracker

Output growth quickens to  
fastest in three months



NatWest

PMI<sup>®</sup>

by S&P Global

14 January 2025

# NatWest East Midlands Growth Tracker

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# Key findings

December 2024

Expansion in activity accelerates despite sharper fall in new orders

Inflationary pressures strengthen

Business confidence hits three-month high

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)





# Output growth quickens to fastest for three months

Latest Regional Growth Tracker survey data from NatWest signalled a sharper upturn in business activity at East Midlands firms as 2024 came to a close.

The headline NatWest East Midlands Business Activity Index picked up to 50.7 in December, from 50.1 in November. The latest data indicated a marginal expansion in output across the region's private sector, but one that was the steepest for three months.

That said, the rise in activity belied a faster decline in new business in December. The quicker fall in new orders led firms to cut their staffing levels sharply as backlogs of work were depleted to the greatest extent in 15 months.

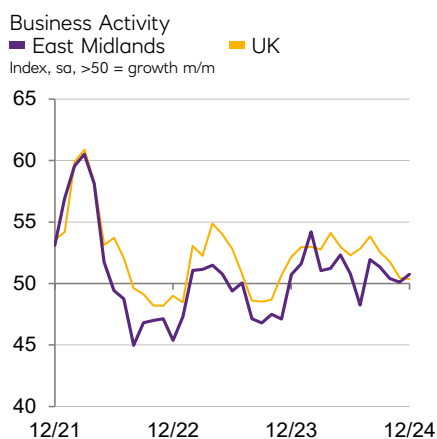
Despite subdued demand conditions, firms were able to hike their selling prices at a faster pace in December in response to sharper input cost inflation. At the same time, the degree of confidence in the outlook improved to the strongest since last September.

NatWest East Midlands Business Activity Index December 2024

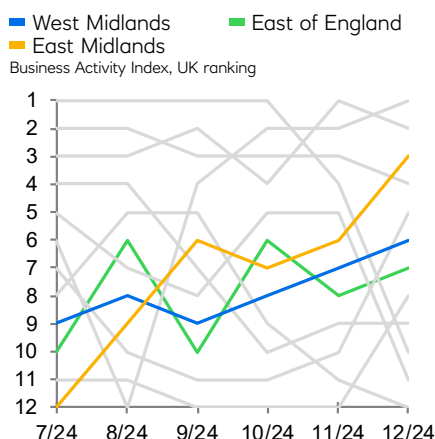
**50.7**

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 5-19 December



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Comment

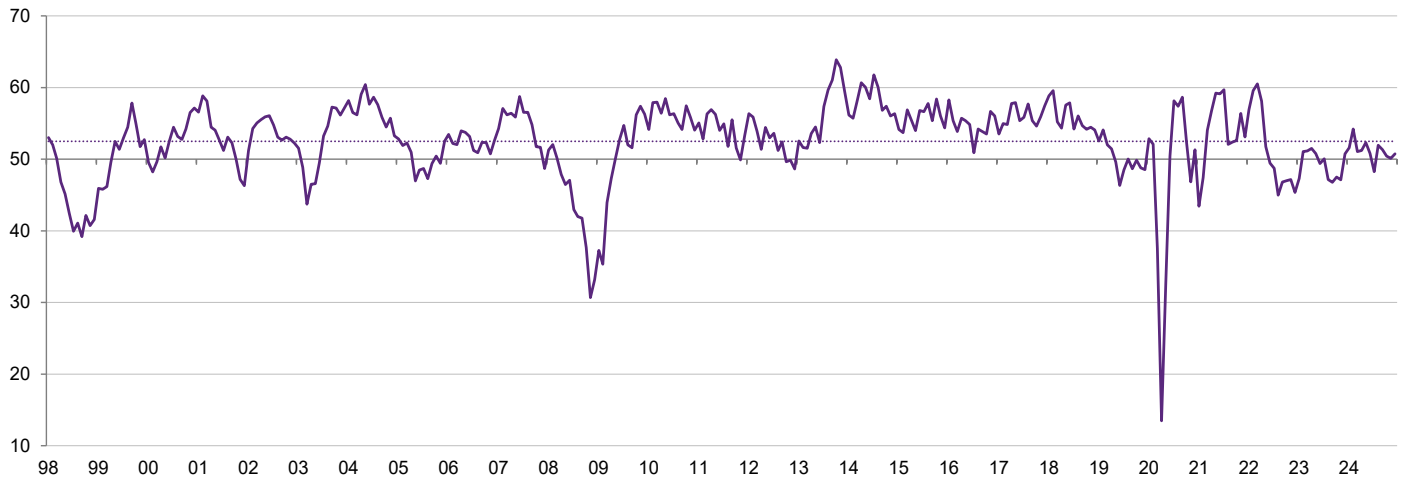
**Lisa Phillips, Regional Managing Director, Midlands and East, Commercial Mid Markets, commented:**

"The East Midlands private sector ended 2024 on a mixed footing as, despite a sharper rise in output, new business contracted to a greater extent. Cost cutting remained a key priority as customers and businesses alike reduced their spending. As such, employment declined at the fastest pace since August 2020 amid greater evidence of spare capacity.

"On a more positive note, although input prices increased at a quicker pace, firms were able to pass-through higher costs to customers via the fastest rise in output charges since March 2024. Confidence to hike selling prices reflected greater optimism in the outlook for output, with expectations the strongest since last September."

Business Activity

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



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Demand and outlook

## Further contraction in new business in December, but outlook for output improves

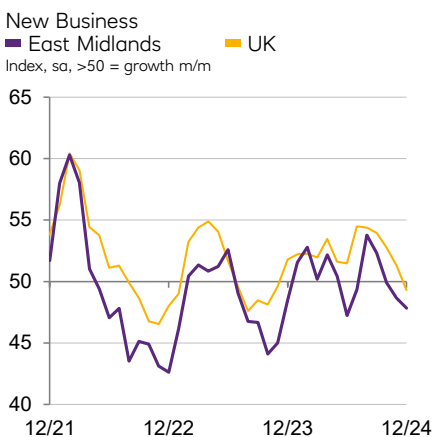
East Midlands firms recorded a third successive monthly decline in new orders in the final month of 2024. Moreover, the pace of contraction quickened to the fastest since last June and was moderate overall. The rate of decrease was sharper than the UK average, however.

Panellists noted that muted demand conditions stemmed from customers limiting their spending amid economic uncertainty and

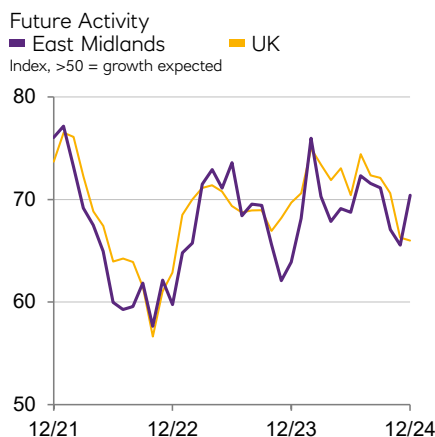
difficulties in key industries including construction and metalwork.

Nevertheless, companies were more upbeat in their expectations regarding output levels in the coming year in December. The degree of confidence in a rise in activity over the next 12 months was the strongest in three months and broadly in line with the long-run series average. Firms in the East Midlands were the most optimistic of the 12 UK regions and areas monitored by the survey.

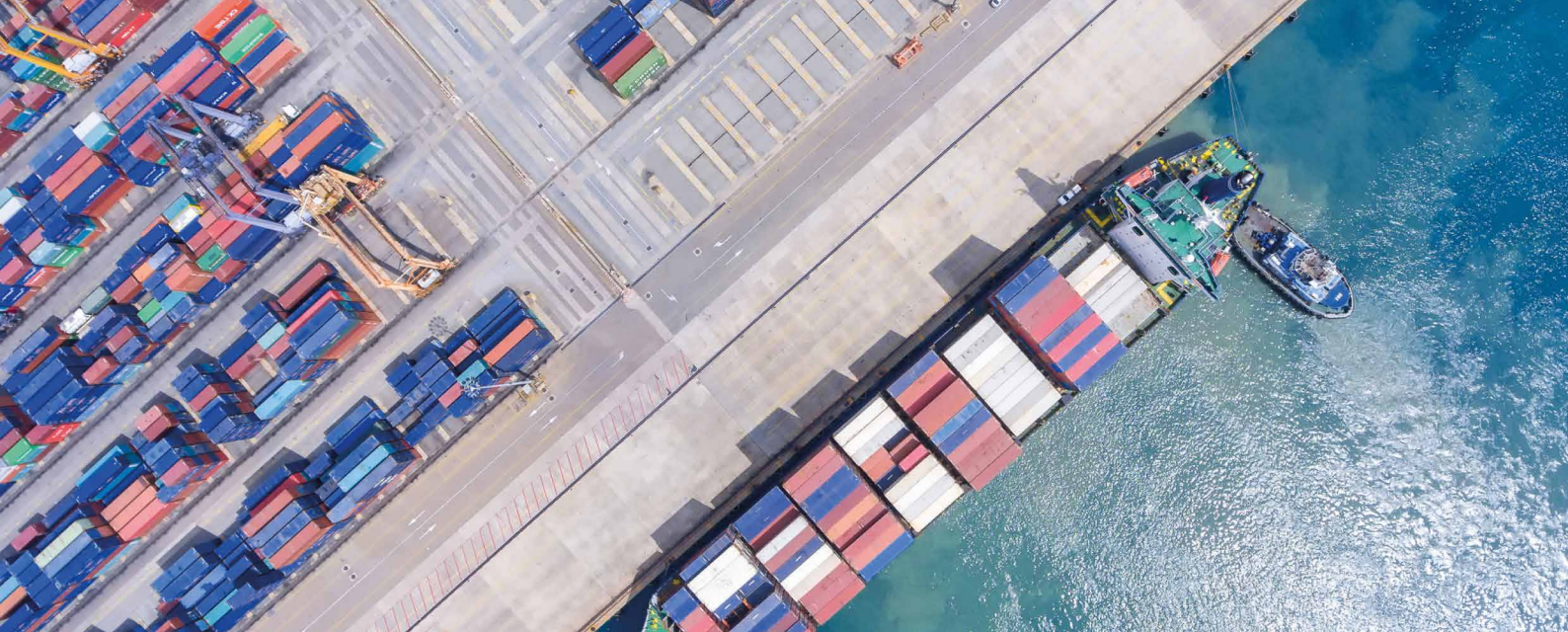
"The East Midlands private sector ended 2024 on a mixed footing as, despite a sharper rise in output, new business contracted to a greater extent."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Export markets

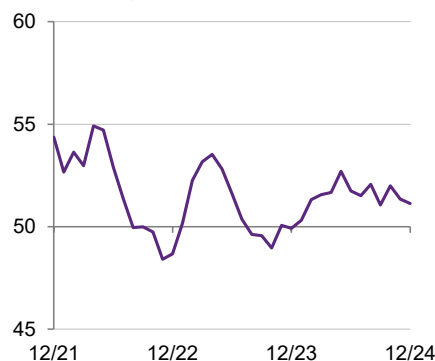
## Export climate continues to improve in December

The headline ECI posted 51.1 at the end of 2024, down slightly from 51.3 in November, but signalling a modest improvement in export conditions for East Midlands firms.

The upturn in the export climate was supported but further expansions in activity in the USA, Hong Kong SAR and Singapore. That said, only the USA recorded a sharper rise in output in December.

Although slower, contractions in output in Germany and France dampened the extent of the overall improvement in export conditions.

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



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

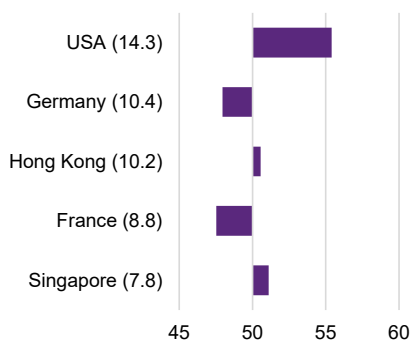
The East Midlands Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the East Midlands. A reading above 50 signals an improvement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

Dec '24

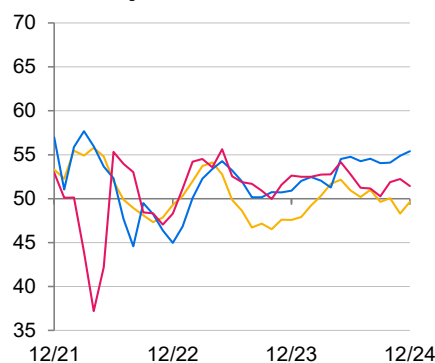


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output

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

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Jobs and capacity

## Employment declines at markedly sharper rate in December, as backlogs dwindle further

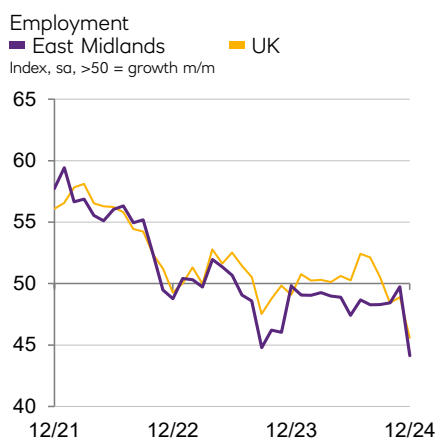
December data signalled a loss of jobs across the East Midlands private sector, as has been the case on a monthly basis since July 2023. The pace of decline in employment quickened substantially, and was the steepest since August 2020. Moreover, the rate of job shedding was sharper than the UK average, with only Wales, the South East and West Midlands registering greater

decreases in staffing levels.

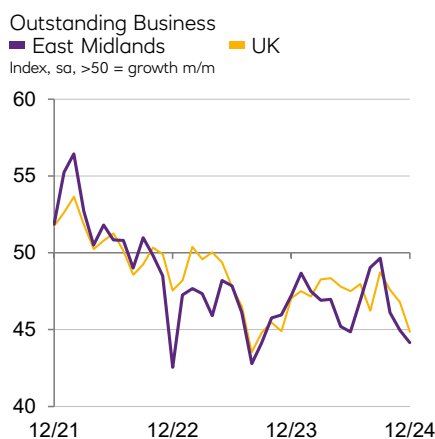
Cuts to part-time work and the non-replacement of voluntary leavers in a bid to lower costs were key drivers of the fall in employment, according to panellists.

Meanwhile, spare capacity reportedly burgeoned as backlogs of work contracted at the quickest pace since September 2023. Reduced new order inflows enabled firms to process outstanding business, according to anecdotal evidence.

"...employment declined at the fastest pace since August 2020 amid greater evidence of spare capacity."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.





# Inflation

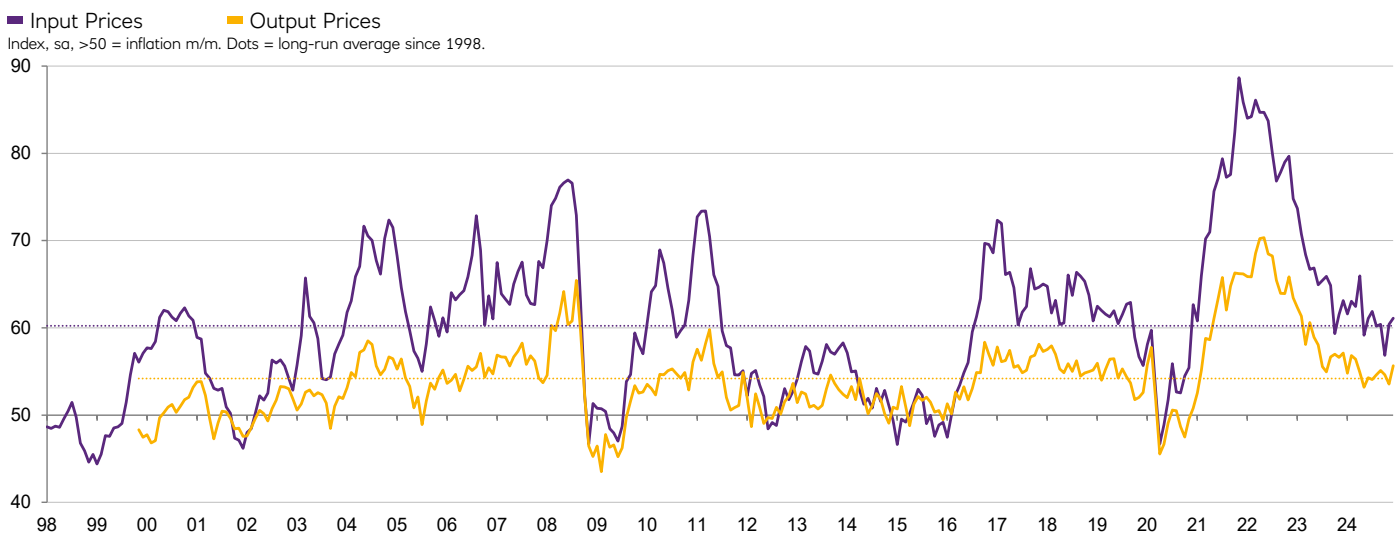
## Inflationary pressures intensify as both input prices and output charges increase at faster pace in December

East Midlands businesses registered a faster rise in input prices during the final month of 2024, with cost burdens increasing at the sharpest pace since last July. Higher operating expenses were linked to greater supplier and utility prices, with companies also noting

that competition for materials and currency fluctuations impacted costs.

Despite weak demand conditions, firms were able to raise their selling prices at a steeper pace in December. The rate of inflation was the quickest since last March and was slightly faster than the UK average. Anecdotal evidence stated that companies sought to pass through higher costs to customers.

"...although input prices increased at a quicker pace, firms were able to pass-through higher costs to customers..."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

# UK Regional Growth Tracker

## Business Activity

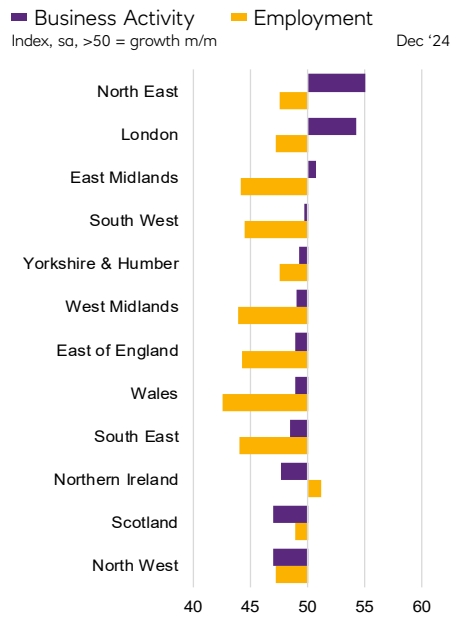
The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

## Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

## Future Activity

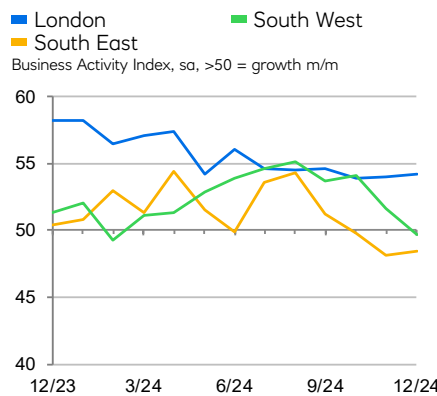
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



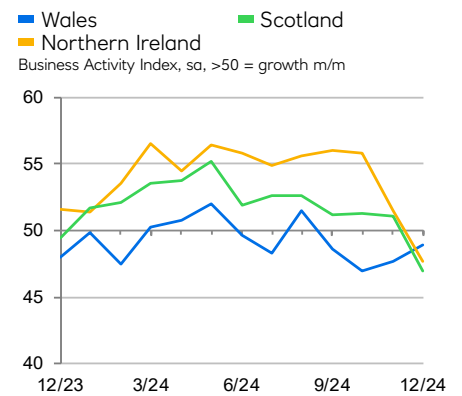
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



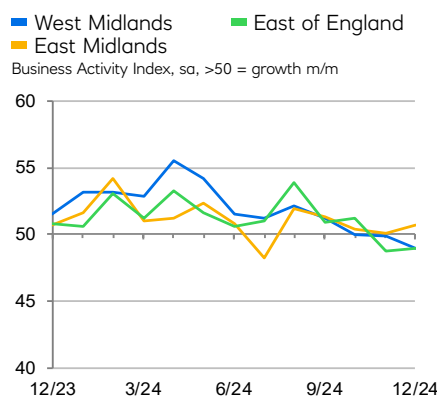
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



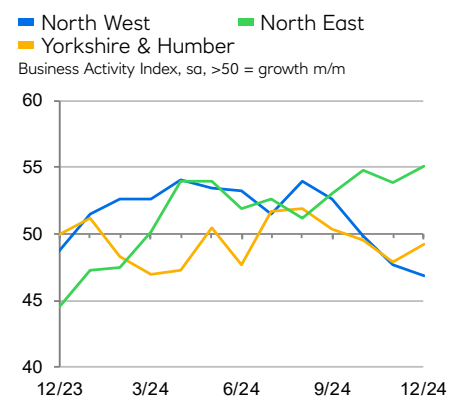
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

# Growth Tracker heat map

December 2024

Darker colour = higher business growth

## East Midlands

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

**50.7**



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

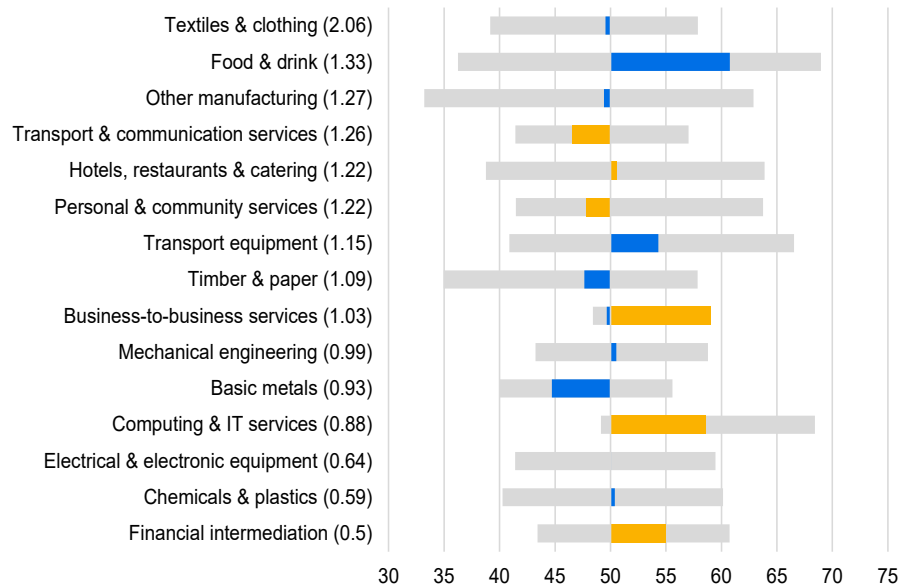
# UK sectors

## 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 Dec '24



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.  
 Location quotients for the East Midlands are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

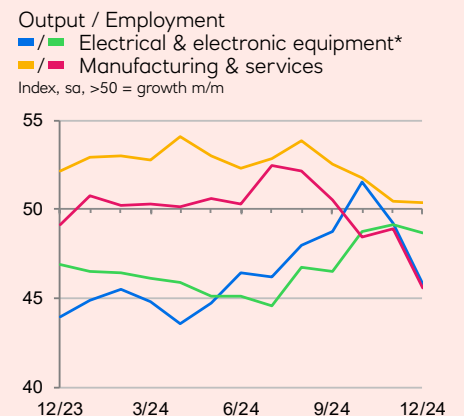
## Sector in focus: Electrical & electronic equipment

Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.



\*Data are smoothed as three-month moving average  
 Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

# 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

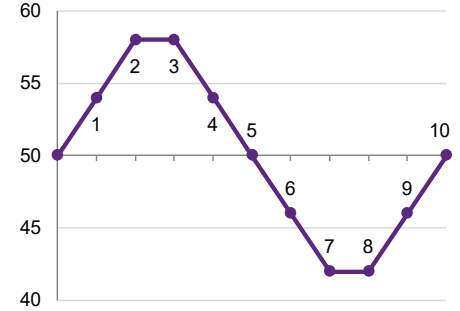
overall decrease. The indices are then seasonally adjusted.

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. ©2025 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 |
|-------|-------------------|--------------|----------------------|------------|----------------------|------------------|--------------|---------------|
| 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          |
| 11/24 | 50.1              | 48.7         | 51.3                 | 49.7       | 44.9                 | 65.6             | 60.4         | 53.6          |
| 12/24 | 50.7              | 47.8         | 51.1                 | 44.1       | 44.2                 | 70.4             | 61.1         | 55.7          |

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