

11 March 2025

# NatWest East of England Growth Tracker

Business outlook continues to recover  
despite further fall in output



NatWest

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by **S&P Global**

11 March 2025

# NatWest East of England Growth Tracker

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# Key findings

February 2025

**Year-ahead expectations strongest in four months**

**Further declines in activity, new orders and jobs**

**Cost pressures highest in just over two years**

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





# Business outlook continues to recover despite further fall in output

Businesses in the East of England were more optimistic regarding growth over the next 12 months in February, despite further declines in total activity and new business.

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 below the no-change mark of 50.0 for the fourth month running, to signal lower output in the region. The Index posted 48.8, little-changed from 48.9 in the prior two months and

indicating a further modest rate of contraction.

The East of England was one of eight UK nations and regions to record lower output, and posted one of the slowest rates of decline. UK output rose marginally overall, supported by London, the North East, Wales and the South West.

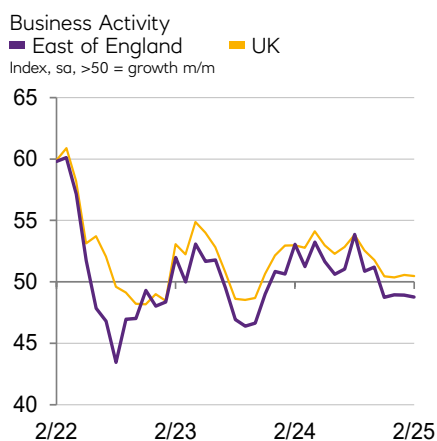
More positively, companies were more optimistic on the outlook for activity. Sentiment reached a four-month high, linked to sales drives, lower interest rates and more settled market conditions.

NatWest East of England Business Activity Index February 2025

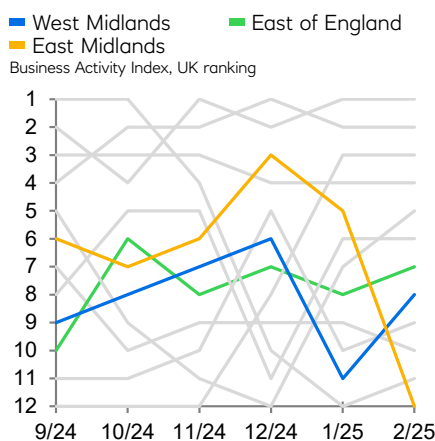
**48.8**

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 10-26 February



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

"The East of England continued to experience a soft patch in the opening quarter of 2025, with activity, jobs and new business all falling again in February. Companies remained reluctant to hire and customers were hesitant to commit to new spending. In many cases these trends were linked to looming increases to employment

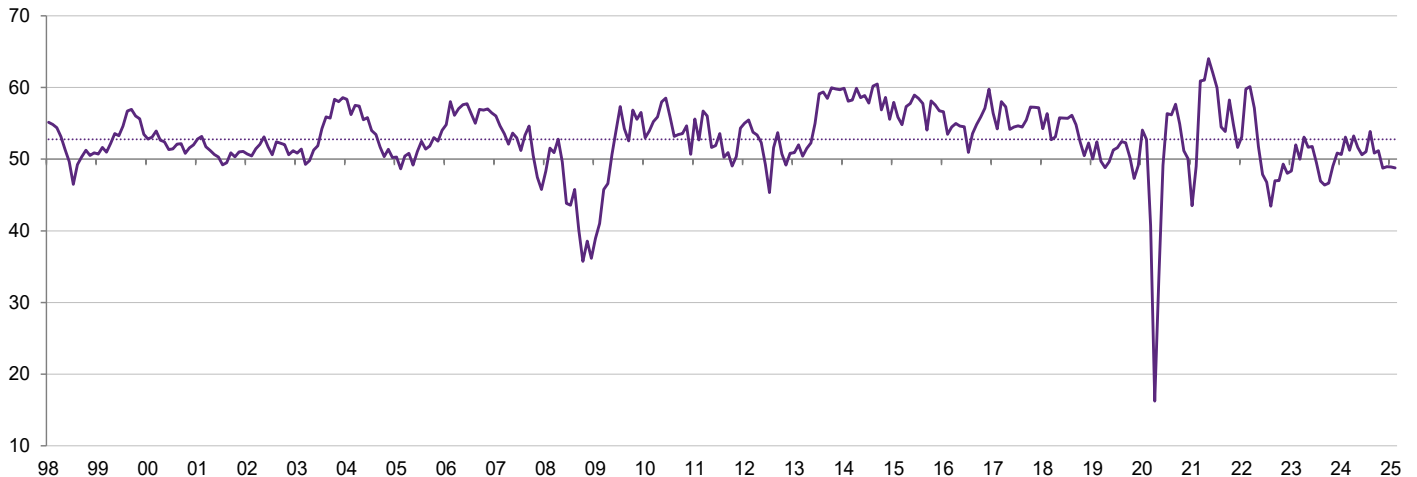
costs related to National Insurance contributions and the minimum wage.

"Overall cost pressures were the highest since January 2023, though the acceleration in February was not as alarming as January's surge.

"More positively, companies are looking beyond the current domestic and global uncertainty, with the 12-month outlook recovering to its highest since last October."

### 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

## Faster decline in new business but year-ahead expectations continue to strengthen

Private sector companies in the East of England reported a third consecutive monthly decline in the volume of incoming new business in February. The latest rate of contraction was the fastest since October 2023. Anecdotal evidence highlighted hesitant clients given elevated levels of uncertainty both domestically and globally.

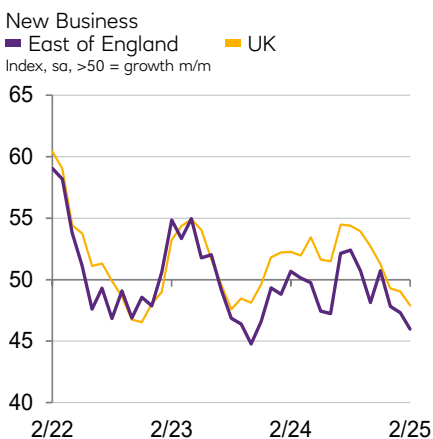
All areas of the UK except for London and the North East registered lower new orders in

February. Overall UK new business fell for the third month running, and at the sharpest rate since August 2023.

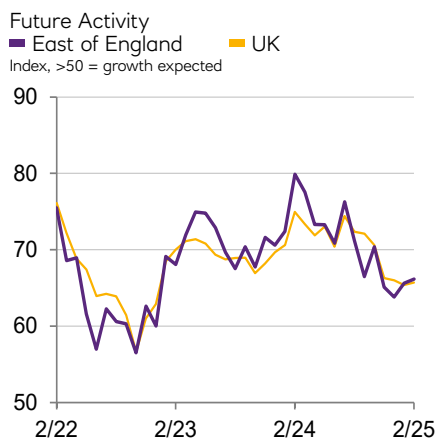
Although new work fell further in February, private sector firms were increasingly optimistic regarding growth over the next 12 months, linked to sales drives, lower interest rates and more settled market conditions. Sentiment was the strongest in four months.

Confidence across the UK as a whole edged up fractionally since January, when it had been the weakest in just over two years.

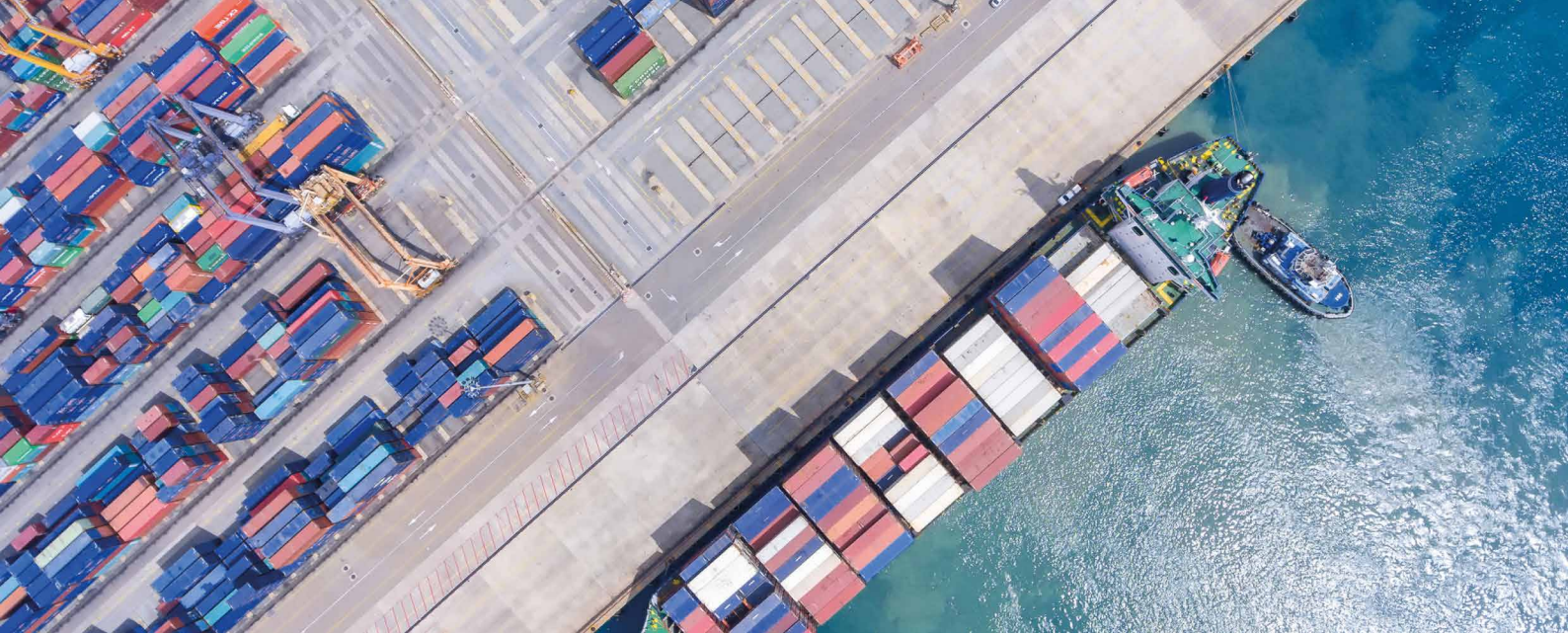
"More positively, companies are looking beyond the current domestic and global uncertainty, with the 12-month outlook recovering to its highest since last November."



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



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



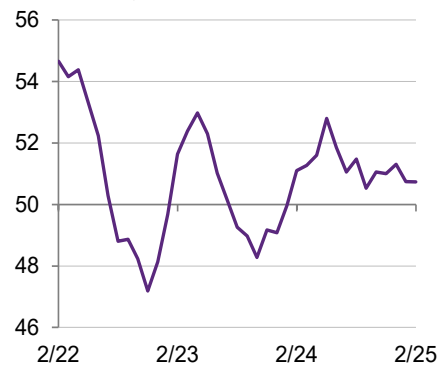
# Export markets

## Export markets continue to expand at start of 2025

The ECI registered above the critical 50.0 threshold for the thirteenth month running in February, signalling overall growth in the East of England's export markets. The latest reading of 50.7, unchanged from January, indicated the joint-slowest rate of improvement since last September.

Among the region's largest export markets, growth in the US, Germany and Ireland was countered by declines in the Netherlands and France.

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



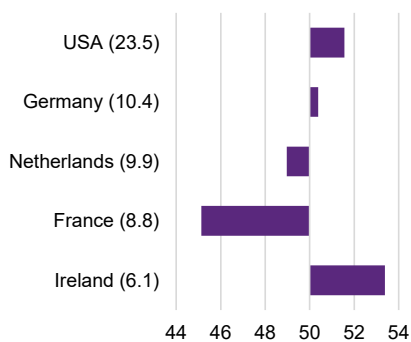
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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

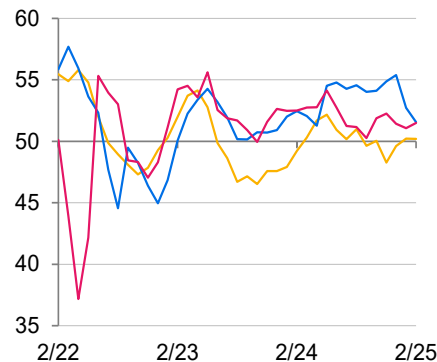
Feb '25



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

## Output

Index, sa, >50 = growth m/m



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



# Jobs and capacity

## Private sector staffing falls at faster rate as higher employment costs loom

Workforce numbers across the East of England's private sector fell for the sixth month running in February. Companies reported internal restructuring, the non-replacement of leavers and general reductions to both full-time and temporary roles to mitigate upcoming changes to employment costs linked to NICs and the minimum wages.

The rate of job shedding accelerated to the fastest since May 2020, and was the steepest in the UK.

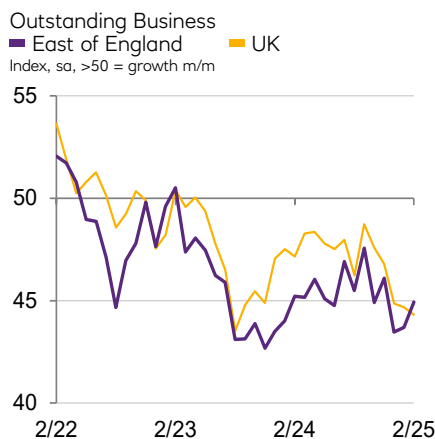
UK private sector employment fell at the fastest rate since November 2020. All 12 UK nations and regions recorded lower staffing in February, the first broad-based decline since January 2021.

The level of outstanding business in the East of England private sector fell further in February, extending the current sequence to two years. Companies reported reluctant customers due to uncertainty, and an associated lack of incoming new orders. The North East remained the only UK region to post a rise in outstanding business in February.

"Companies remained reluctant to hire ..... linked to looming increases to employment costs"



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



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





# Inflation

## Costs rise at strongest rate in over two years

The rate of input price inflation at private sector firms in the East of England accelerated for the third month running in February, to the highest since January 2023. Salaries, supplies and commodities (including oil) were all mentioned as driving up costs.

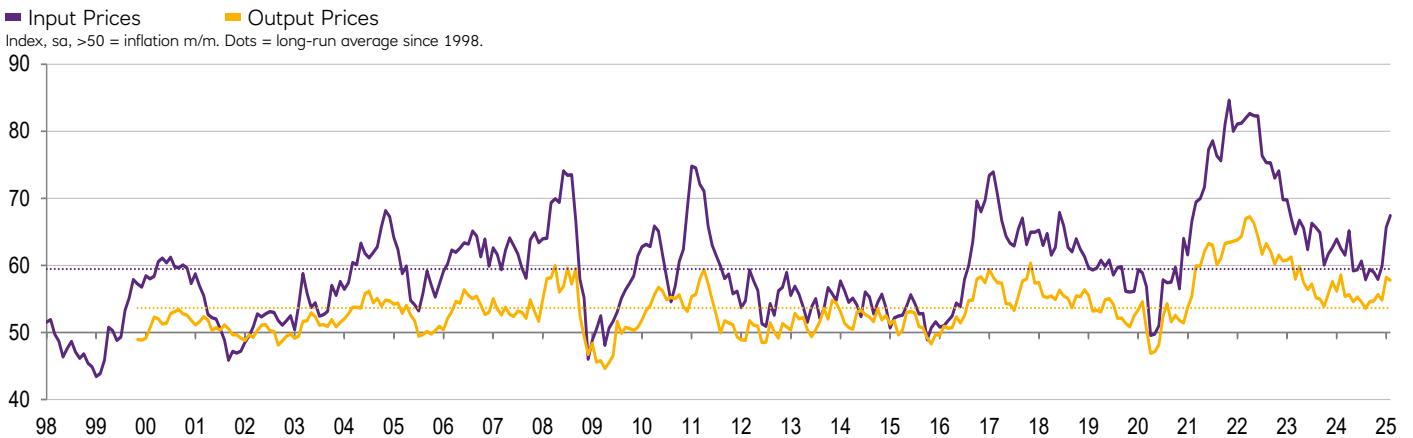
Input price inflation was above the long-run series average for the third consecutive month, and the second-highest in the UK behind Northern Ireland. That said, the seasonally adjusted Input Prices Index posted a much smaller upward movement

than in January.

The UK rate of input price inflation eased slightly, with Wales and the North West recording the slowest increases.

Companies in the East of England raised their own charges at a marked rate in February. Companies hiked charges to cover increased input prices and upcoming increases to employment costs in particular, including NICs and the minimum wage. That said, the rate of charge inflation eased slightly from January, as it did across the UK private sector as a whole.

"Overall cost pressures were the highest January 2023, though the acceleration in February was not as alarming as January's surge."



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

# UK Regional Growth Tracker

## Business Activity

London topped the rankings for business activity growth in February, having enjoyed another robust expansion, ahead of the North East, Wales and South West, respectively. Lower output was seen in several nations and regions, however. The steepest falls were registered in the East Midlands and Northern Ireland\*.

## Employment

Workforces numbers were streamlined across each of the 12 UK nations and regions monitored by the survey in February, the first time this has happened for a little over four years. Employment fell only slightly in the likes of the North East and Scotland, however. The most marked decreases were seen in the East of England and West Midlands.

## Future Activity

Year-ahead growth expectations improved in the majority of areas in February. Firms in the West Midlands were the most optimistic about future activity, while those in the North East reported the greatest upswing in confidence since January. At the other end of the scale, Northern Ireland recorded the weakest business sentiment, although it did pick up somewhat from the low seen at the start of the year.

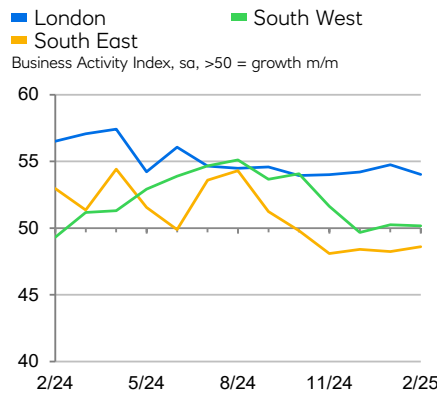
\*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



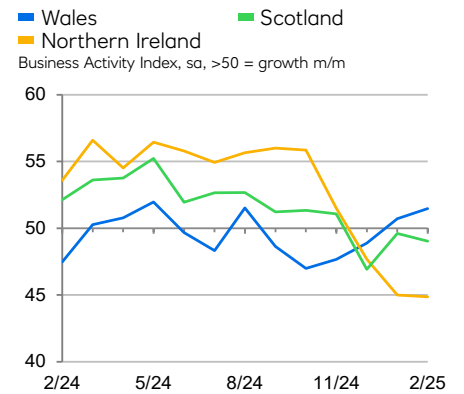
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



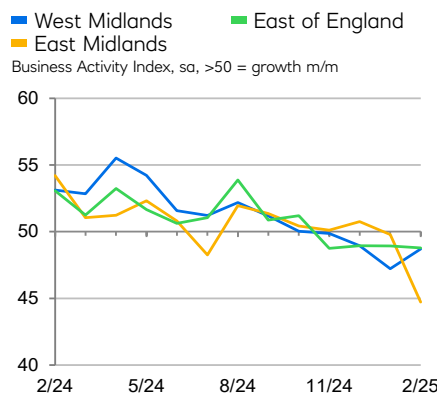
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



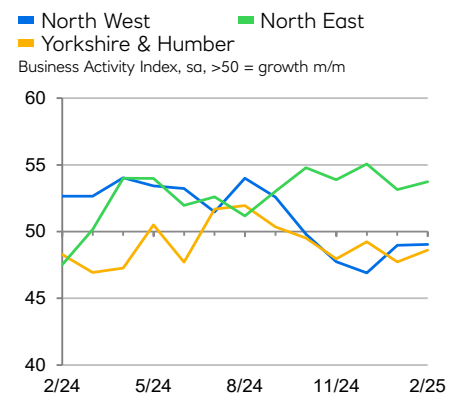
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Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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

# Growth Tracker heat map

February 2025

Darker colour = higher business growth

## East of England

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

**48.8**



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

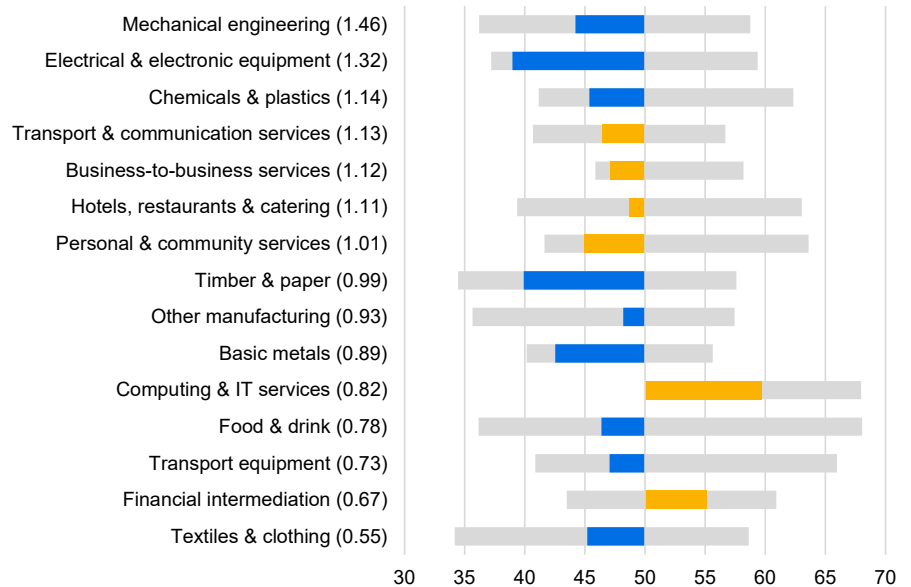
# UK sectors

## 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 Feb '25



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

Output in the UK's mechanical engineering sector contracted in the three months to February, according to underlying PMI data. The decline was steep and followed growth throughout most of 2024. A lack of new orders, particularly from abroad, was the defining factor behind the sector's recent downturn.

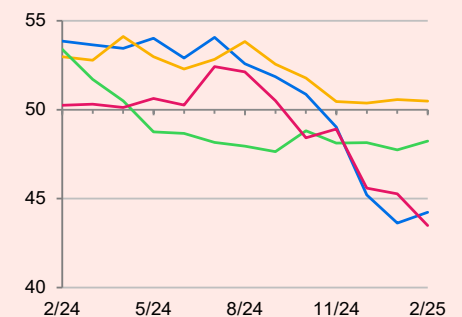
Shrinking backlogs of work at mechanical engineering companies led to further job losses. This extended the current sequence of job shedding seen since spring last year. Inventories were also scaled

back, especially stocks of inputs.

Prices paid for purchases rose at a steady rate that was below the long-run series average. Firms managed to pass on a sizeable proportion of the cost increases they faced, with the pace of output price inflation ticking up to its highest for almost a year and running above its historic trend level.

Looking ahead, firms in the sector were optimistic about growth prospects in the coming year, though less so than at almost any time since the pandemic.

Output / Employment  
 ■/■ Mechanical engineering\*  
 ■/■ Manufacturing & services  
 Index, sa, >50 = growth m/m



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

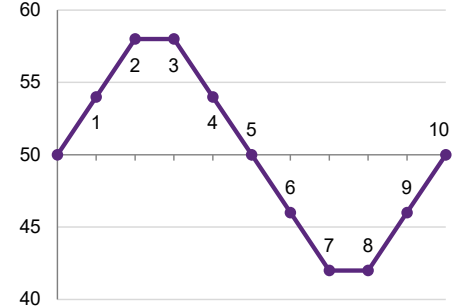
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The East of England Business Activity Index 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).

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 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
9/24	50.9	50.7	50.5	49.1	47.6	66.5	59.4	54.6
10/24	51.2	48.1	51.1	47.7	44.9	70.4	59.0	54.7
11/24	48.7	50.7	51.0	48.0	46.1	65.1	57.9	55.6
12/24	48.9	47.8	51.3	44.2	43.5	63.8	59.9	54.8
1/25	48.9	47.3	50.7	42.6	43.7	65.6	65.7	58.2
2/25	48.8	46.0		40.8	44.9	66.1	67.4	57.8

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