

10 December 2024

NatWest East Midlands Growth Tracker

**Output broadly stagnates, but decline
in employment softens in November**



NatWest

PMI[®]

by **S&P Global**

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NatWest East Midlands Growth Tracker

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Key findings

November 2024

Output rises fractionally

Contraction in employment slowest in 2024 to date

Cost pressures intensify, but selling price inflation eases

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





Output broadly stagnates in November

Latest Regional Growth Tracker survey data from NatWest signalled only a slight upturn in business activity across the East Midlands private sector in November.

The headline NatWest East Midlands Business Activity Index dropped to 50.1 in November, down from 50.4 at the start of the fourth quarter. The latest data indicated a broad stagnation in output across the region's private sector, with the headline figure well below the series average.

Growth in output was linked by firms to orders for specialised products and stockbuilding. Weighing on the expansion, however, was economic uncertainty which dampened customer demand, according to panellists.

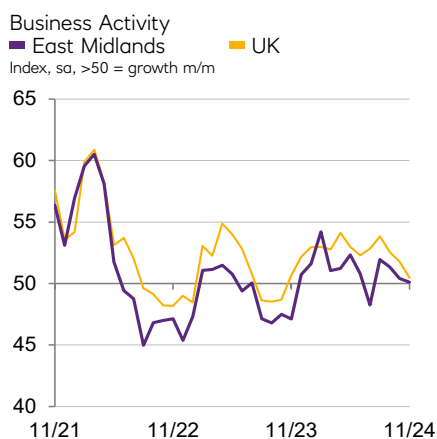
Of the 12 monitored UK regions and areas, only six signalled a Business Activity Index reading above 50.0 in November. Of these six, the East Midlands recorded the slowest upturn. Nevertheless, the UK average only indicated a marginal expansion in output at the national level.

NatWest East Midlands Business Activity Index November 2024

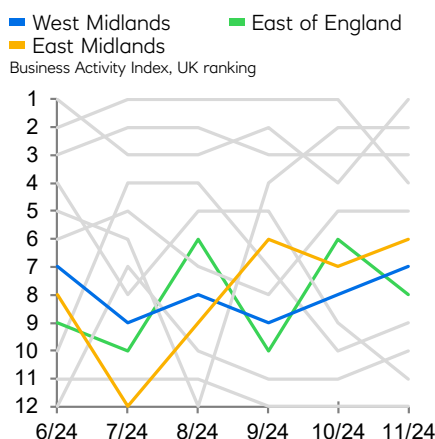
50.1

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 12-27 November



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



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



Comment

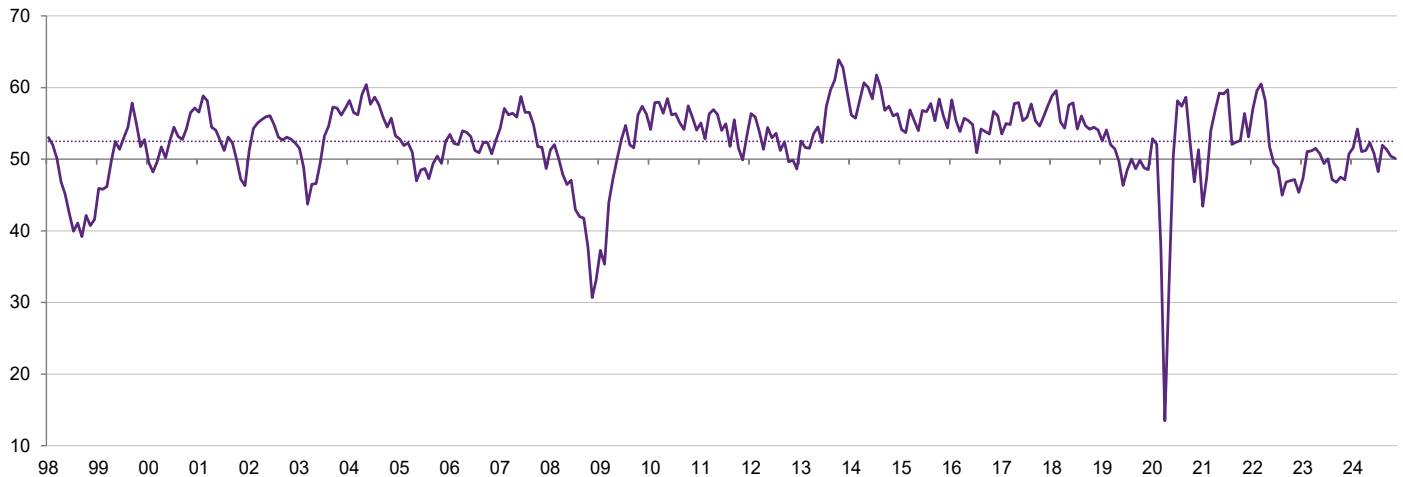
Lisa Phillips, Regional Managing Director, Midlands and East, Commercial Mid Markets, commented:

"East Midlands firms signalled sustained efforts to expand business activity in November, despite demand conditions weakening. Efforts to support output and hopes of growth in activity in the coming year led to a much slower pace of decline in employment. Moreover, the pace of job shedding was the softest in 2024 so far.

"Encouragingly, firms were able to raise their selling prices again, and at a solid pace. Although margins were squeezed by a faster uptick in costs while output charges increased at a softer rate, companies were able to partially pass-through higher input prices to customers."

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

New orders slip further as business confidence dips again following post-election boost in July

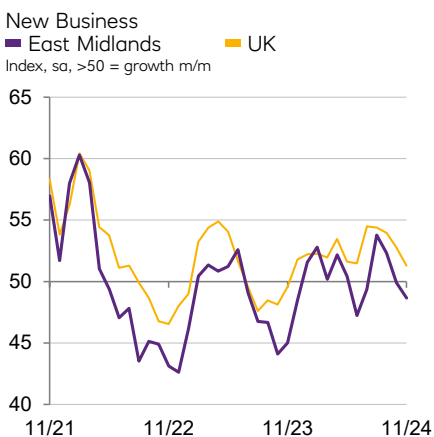
November data indicated a second successive monthly fall in new orders at East Midlands firms. The pace of decline quickened to the fastest since June, but was only marginal overall. Anecdotal evidence suggested that the decrease in new business was due to weaker domestic and foreign client demand,

and economic uncertainty.

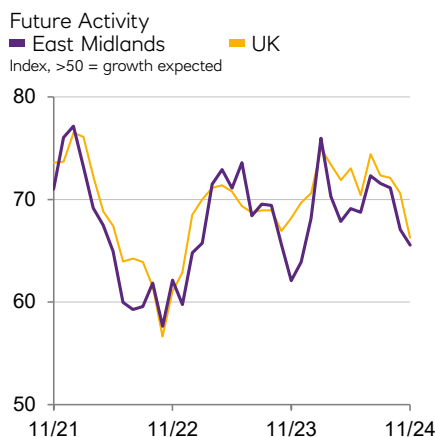
The fall in new orders contrasted with the UK average, with only Wales and Northern Ireland recording sharper declines.

Nonetheless, East Midlands companies continued to anticipate an increase in output over the coming year in November. Panellists hope for stronger demand conditions over the next 12 months, although the degree of confidence dipped to the lowest in 2024 to date.

"East Midlands firms signalled sustained efforts to expand business activity in November, despite demand conditions weakening."



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



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



Jobs and capacity

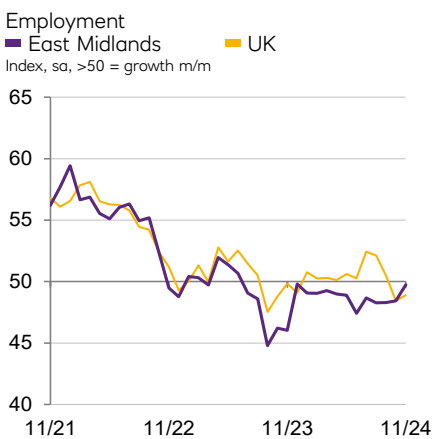
Job shedding slowest in 2024 so far, despite faster drop in backlogs of work

East Midlands firms indicated a further contraction in employment midway through the fourth quarter. Although companies noted that planned redundancies and cost management solutions drove the decline in workforce numbers, the pace of decrease was only fractional. Moreover, the rate of job shedding was the slowest in 11 months and weaker than the UK

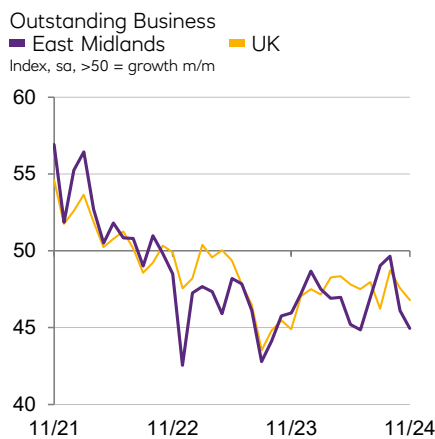
average.

As has been the case since October 2022, East Midlands firms recorded a decrease in backlogs of work in November. The pace of decline quickened to the joint-fastest since September 2023 (alongside June 2024). Weak demand conditions meant firms were able to work through incomplete business. The pace of depletion was sharper than the UK trend.

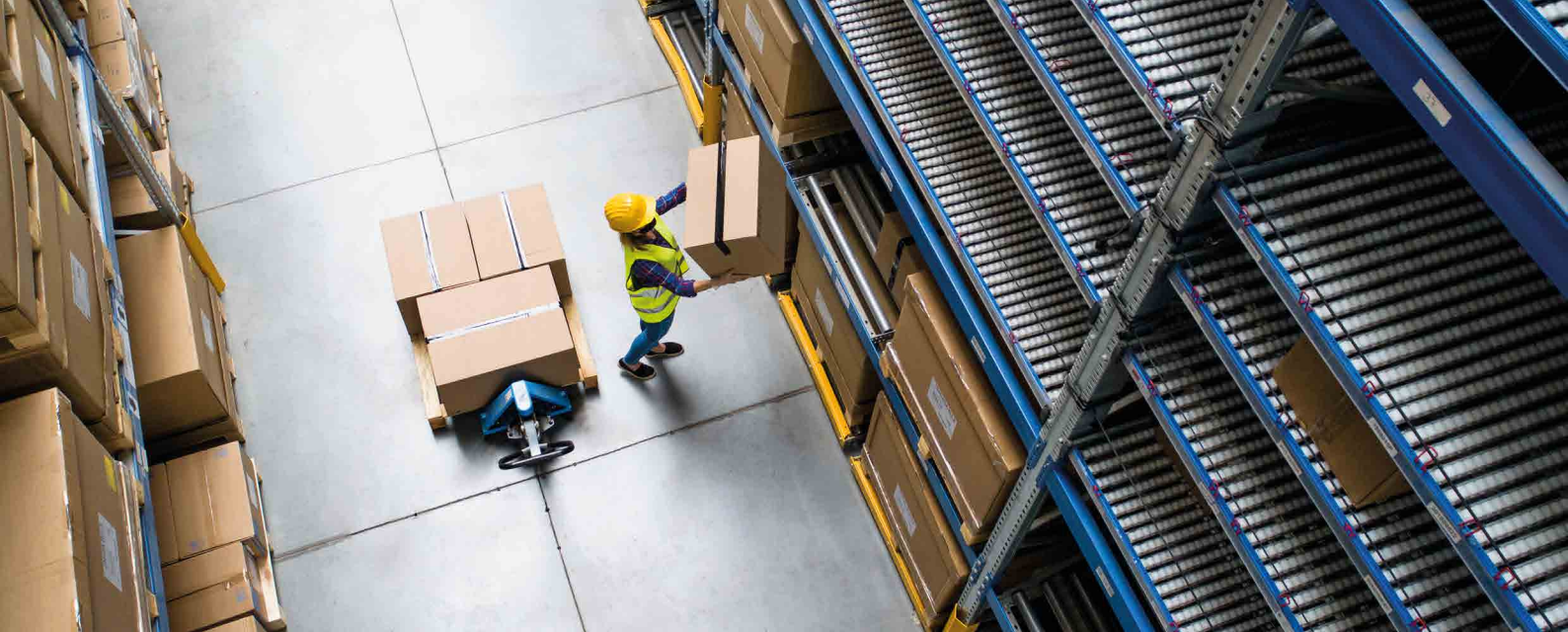
"Efforts to support output and hopes of growth in activity in the coming year led to a much slower pace of decline in employment."



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



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



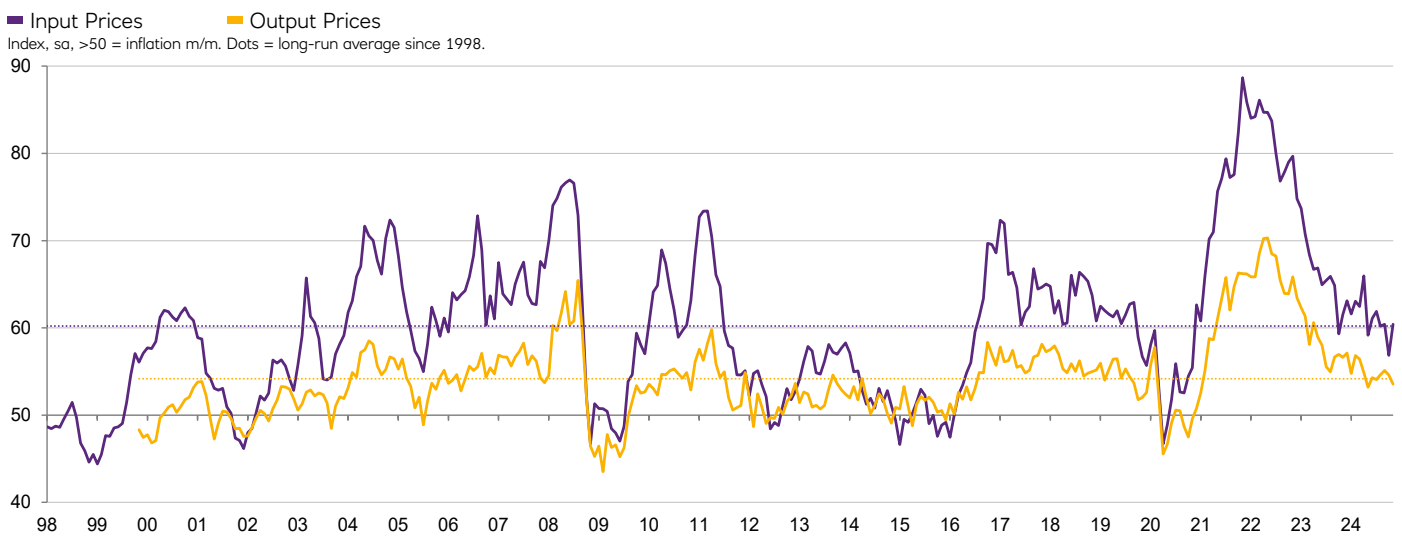
Inflation

Input cost inflation quickens, while firms raise selling prices further

Average cost burdens increased at a steeper rate during November. Moreover, the rate of inflation was the joint-fastest since July (equal with September). Companies noted that greater input prices were due to higher material, wage and utility costs.

Despite subdued demand conditions, East Midlands businesses increased their selling prices again. Output charge inflation was reportedly driven by the pass-through of higher costs to customers. The rise in selling prices was slower than the series average and the UK trend, however.

"Encouragingly, firms were able to raise their selling prices again, and at a solid pace."



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

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

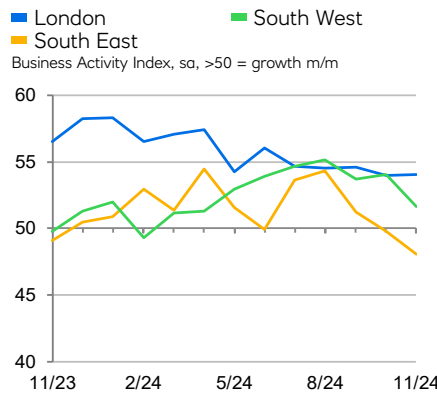
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



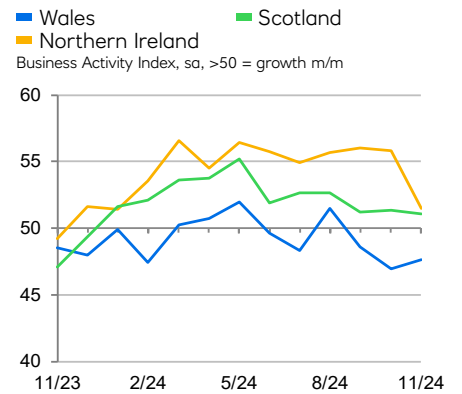
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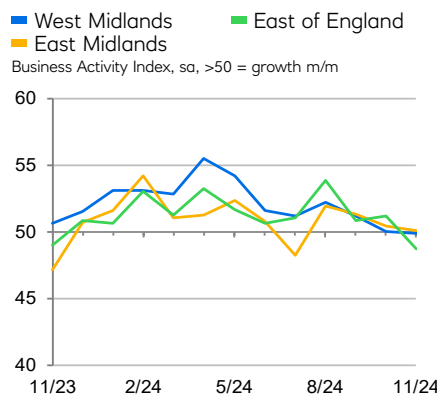
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



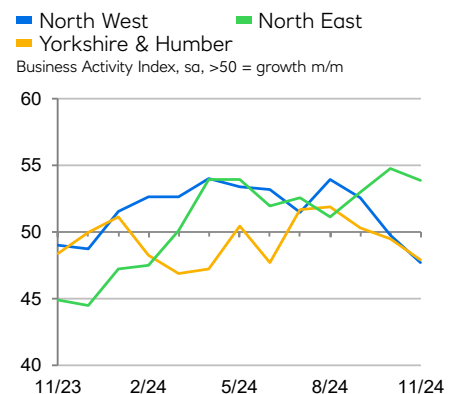
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Growth Tracker heat map

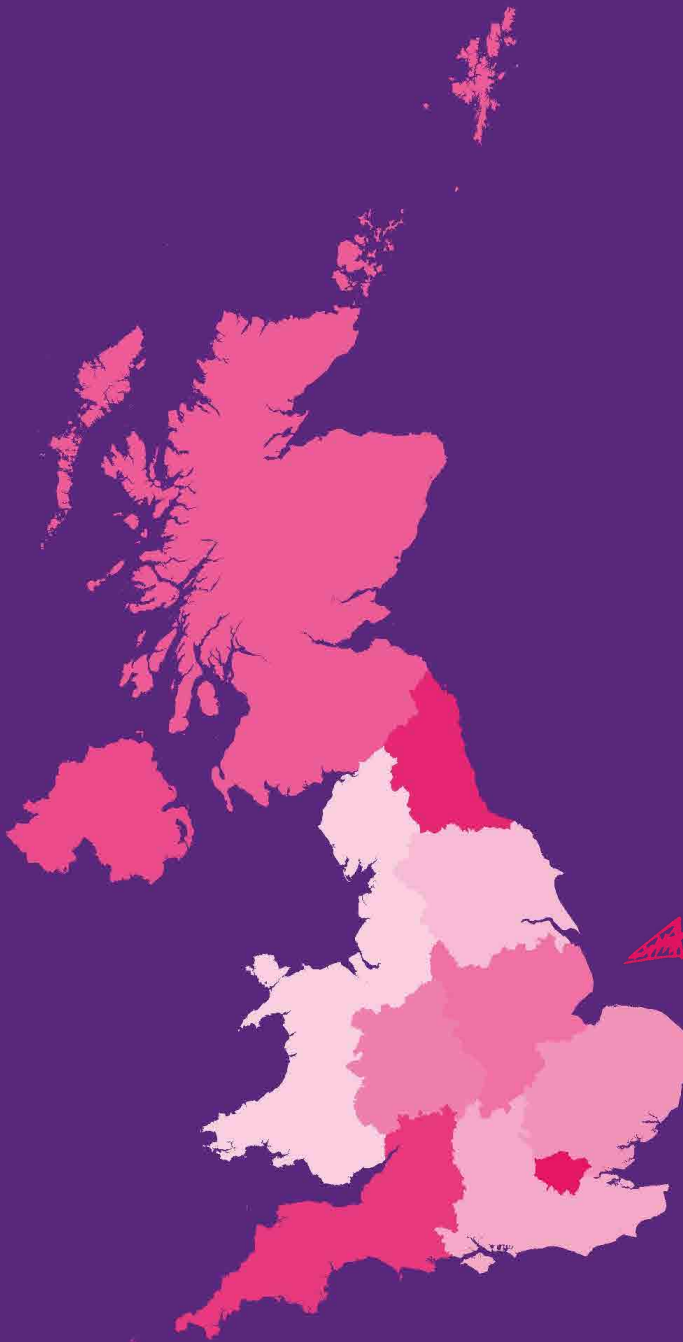
November 2024

Darker colour = higher business growth

East Midlands

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

50.1



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

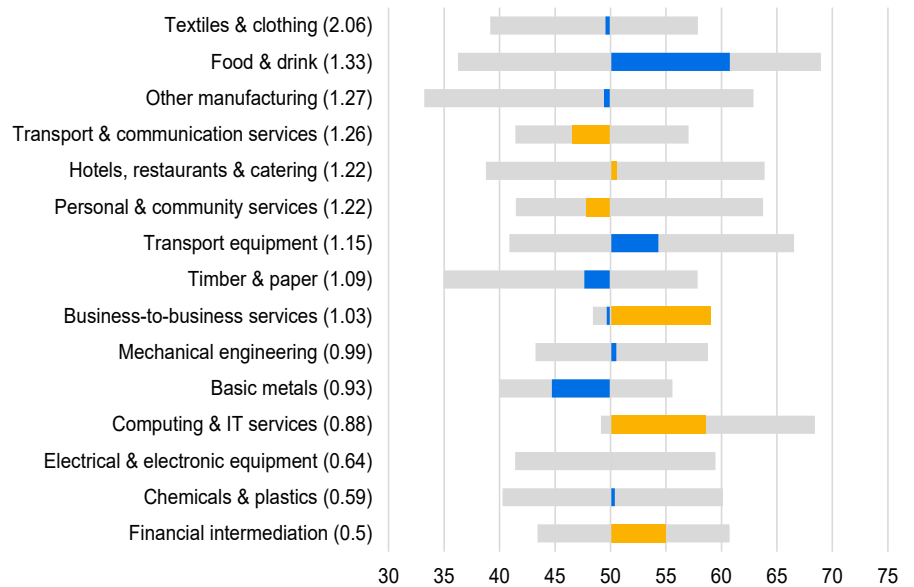
UK sectors

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 Nov '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 Location quotients for the East Midlands are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

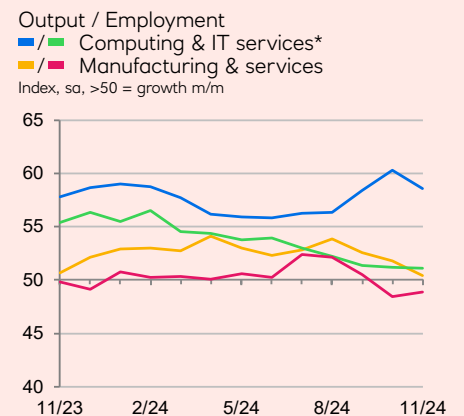
Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 *Data are smoothed as three-month moving average (3mma).

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

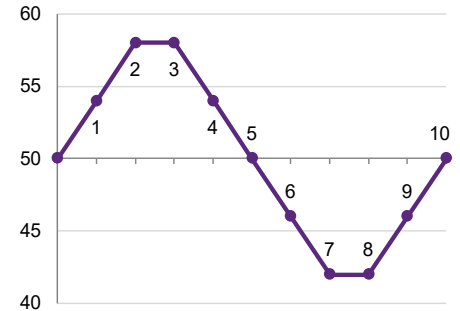
overall decrease. The indices are then seasonally adjusted.

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.

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 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
6/24	50.8	47.2	51.7	47.4	44.9	68.8	61.1	54.3
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

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