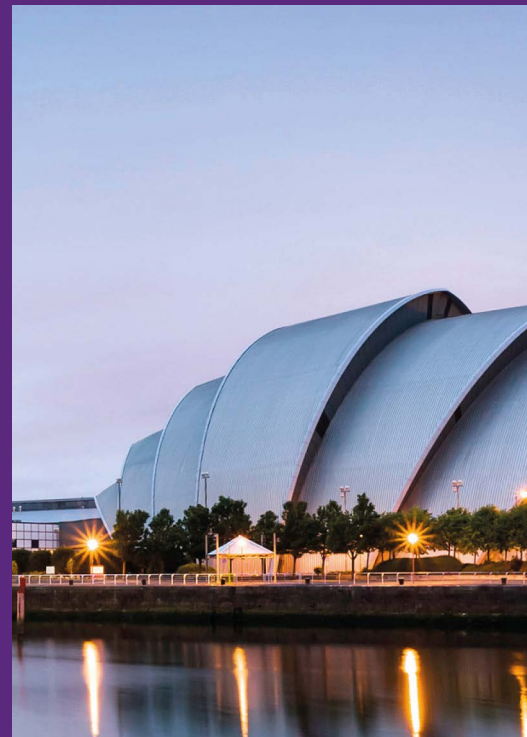


11 March 2025

# NatWest UK Regional Growth Tracker

Companies across the UK still expecting growth despite difficult economic backdrop



NatWest

PMI<sup>®</sup>

by **S&P Global**

11 March 2025

# NatWest UK Regional Growth Tracker

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# Key findings

February 2025

Growth expectations generally improve, although they remain somewhat subdued

Business activity rises in four nations and regions in February, led by London

Workforces streamlined across the UK amid cost pressures

The NatWest UK Regional 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 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)





# Comment

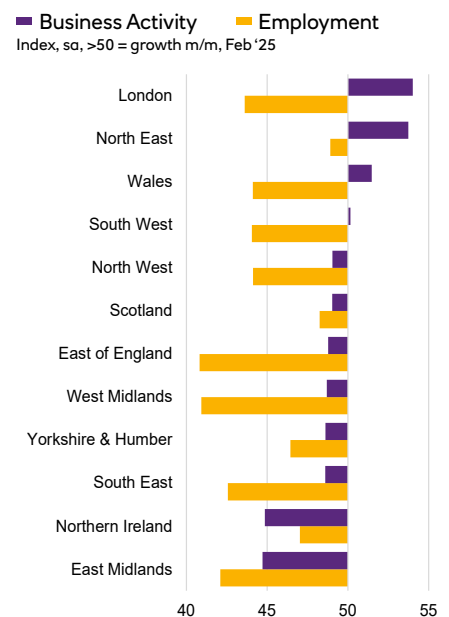
## Sebastian Burnside, NatWest Chief Economist, commented:

"The picture is little changed since the start of the year, with UK growth being driven by a handful of nations and regions, and businesses reporting strong cost increases. London continues to lead the way, with contributions to growth also coming from the North East, Wales and, to a lesser extent, the South West.

"Firms all across the UK are streamlining workforces, which reflects steeply rising costs and low pressure on business capacity, evidenced by falling backlogs of work.

"Cost pressures remain high and continue to drive up goods and services prices, and that will likely be the case in the coming months as the changes to the national minimum wage and national insurance contributions come into effect.

"Despite the many challenges and uncertainties facing businesses, there's still confidence that activity levels will grow in the coming year, though in all likelihood more slowly than the long-run trend."



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

The Business Activity and Employment indices are diffusion indices calculated from companies' responses to questions on monthly changes in the volume of business activity and employment, respectively. The indices vary between 0 and 100 and are 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 indices are seasonally adjusted.

Data compiled 10-26 February





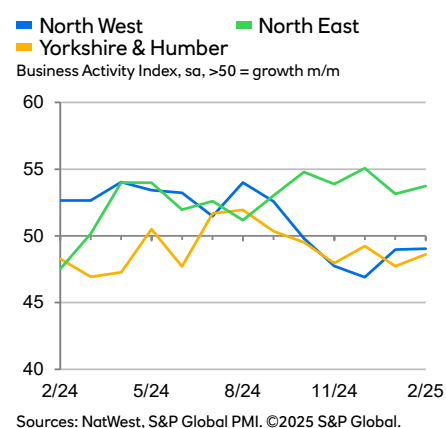
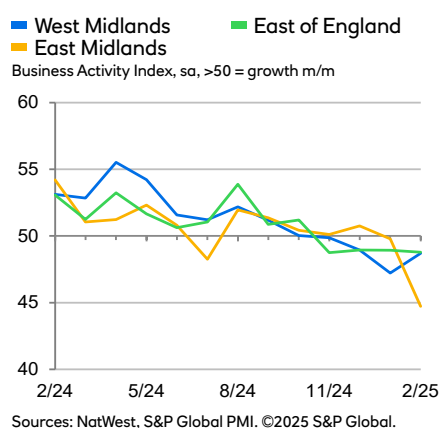
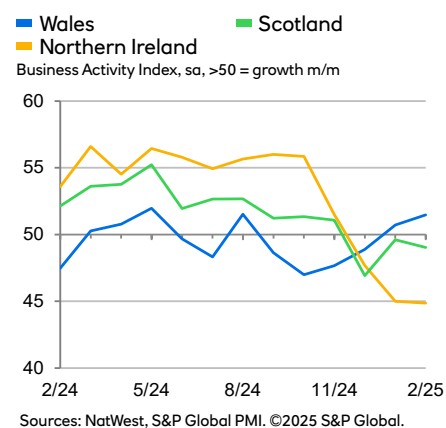
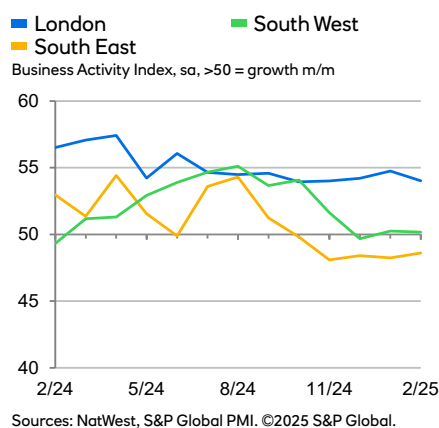
# Business activity

Growth in the UK remained centred on just a few areas in February, with firms in several nations and regions recording more challenging conditions.

The NatWest Regional Growth Tracker Business Activity Index is the first fact-based indicator of regional economic health published each month, tracking the monthly change in the output of goods and services across the private sector. A reading above 50 signals growth, and the further above the 50 level the faster the expansion signalled.

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\*.

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

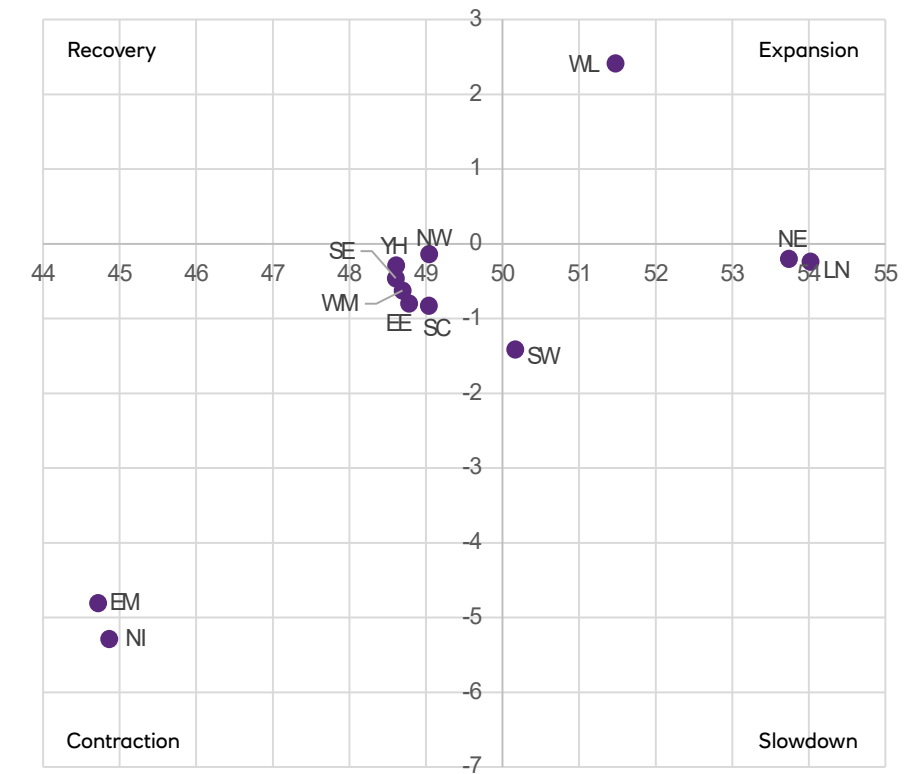




# Business cycle by nation and region

## Business Activity

X axis = Business Activity Index, sa, >50 = growth m/m, Feb '25      Y axis = Change in Index compared with six-month average



In a typical business cycle, regions will move in a clockwise direction through the four quadrants in the chart to the left.

### Expansion

Regions are **expanding**, and at a **faster rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the highest regions are seeing the greatest acceleration in growth over the past six months.

### Slowdown

Regions are **expanding**, but at a **slower rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the lowest regions are seeing the greatest deceleration in growth over the past six months.

### Contraction

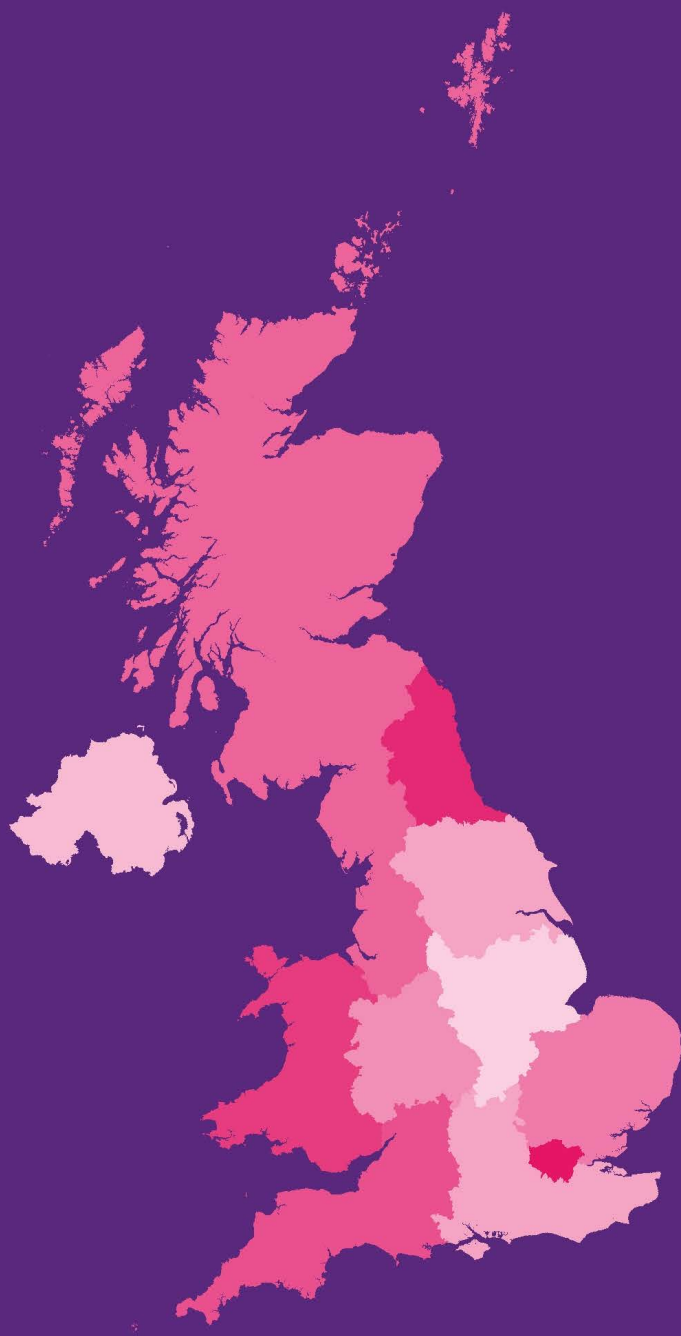
Regions are **contracting**, and at a **faster rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the lowest regions are seeing the greatest acceleration in the rate of contraction over the past six months.

### Recovery

Regions are **contracting**, but at a **slower rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the highest regions are seeing the greatest deceleration in the rate of contraction over the past six months.

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

- |               |                    |                       |                     |
|---------------|--------------------|-----------------------|---------------------|
| LN London     | EE East of England | NW North West         | SC Scotland         |
| SE South East | EM East Midlands   | NE North East         | WL Wales            |
| SW South West | WM West Midlands   | YH Yorkshire & Humber | NI Northern Ireland |



# Growth Tracker heat map

February 2025  
Darker colour = higher business growth

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

London	54.0
North East	53.7
Wales	51.5
South West	50.2
North West	49.0
Scotland	49.0
East of England	48.8
West Midlands	48.7
Yorkshire & Humber	48.6
South East	48.6
Northern Ireland	44.9
East Midlands	44.7



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





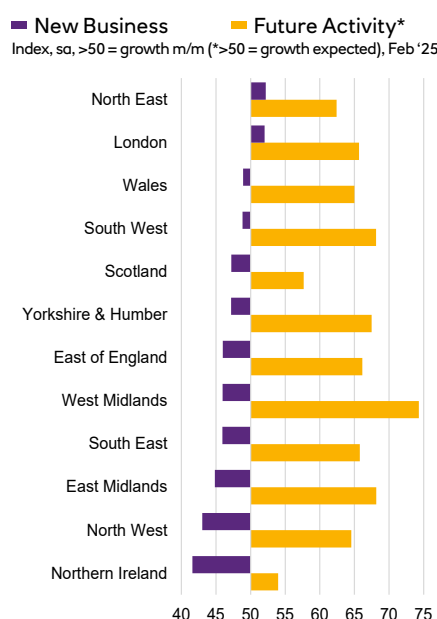
# Demand and outlook

## Demand headwinds evident across many areas

Out of the 12 nations and regions covered by the report, just two saw growth in inflows of new business in February, namely the North East and London. Demand came under pressure elsewhere, linked in part to customers reining in spending amid cost increases. Firms in Northern Ireland registered the steepest drop in inflows of new work for the second month running, followed by those in the North West.

## Confidence improves in majority of regions

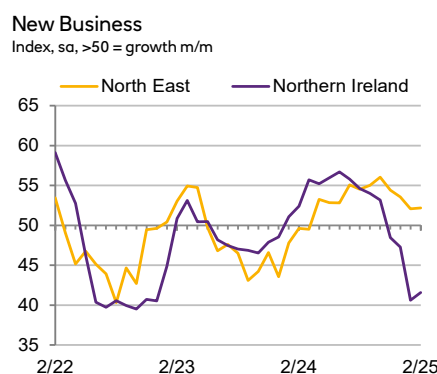
Year-ahead growth expectations improved in the majority of areas in February. Firms in the West Midlands were the most optimistic about future activity, while those in the North East reported the greatest upswing in confidence since January. At the other end of the scale, Northern Ireland recorded the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



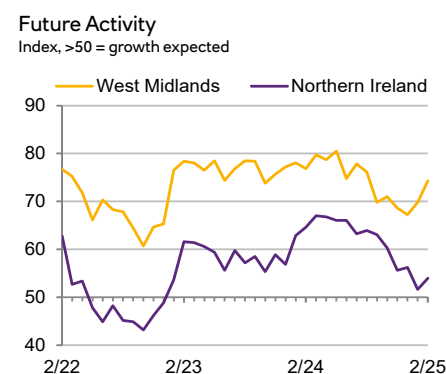
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Despite the many challenges and uncertainties facing businesses, there's still confidence that activity levels will rise in the coming year, though in all likelihood more slowly than the long-run trend"

Sebastian Burnside,  
NatWest Chief Economist



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



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





# Employment and capacity

## First broad-based decrease in employment since January 2021

Workforce 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.

## Lower capacity pressures signalled in almost all areas

February saw another near-universal decrease in outstanding business (i.e. new orders or projects awaiting completion) across the UK. Only firms in the North East bucked the general trend and recorded a rise in backlogs of work – the fifth in as many months. Data indicated that capacity pressures were particularly low in the North West and East Midlands.

■ Employment Index, sa, >50 = growth m/m, Feb '25  
■ Outstanding Business

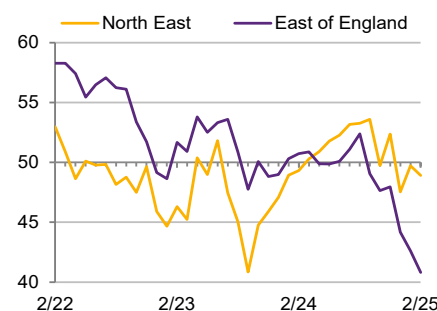


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Firms all across the UK are streamlining workforces, which reflects... low pressure on business capacity, evidenced by falling backlogs of work"

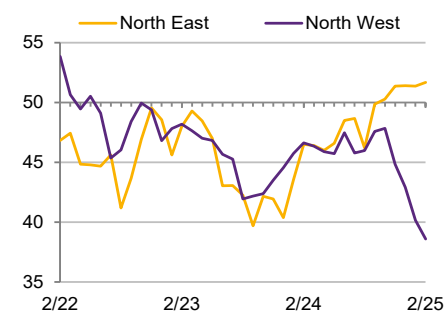
Sebastian Burnside,  
NatWest Chief Economist

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



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

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



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



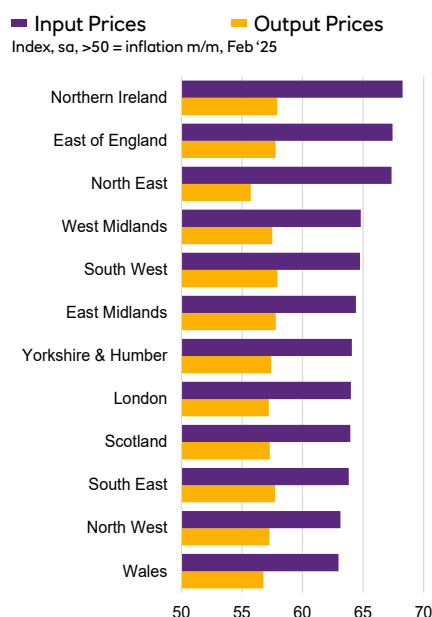
# Inflation

## Cost pressures remain high across the board

Firms in all parts of the UK faced steeply rising costs in midway through the first quarter, with rates of inflation above their historical averages in all cases. Input price inflation was strongest in Northern Ireland, where it accelerated for the fourth month running to the highest since March 2023. Cost pressures were lowest in Wales.

## Rates of output price inflation broadly similar across the UK

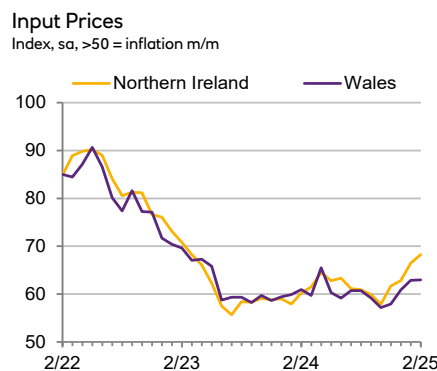
Latest data showed strong and broadly similar rates of inflation in goods and services prices across the 12 UK nations and regions. In terms of index readings, the difference between the highest ranked region for output price inflation, South West, and the lowest, North East, was just over two points. Rates of increase ticked down in just over half of cases, albeit only slightly at the UK level.



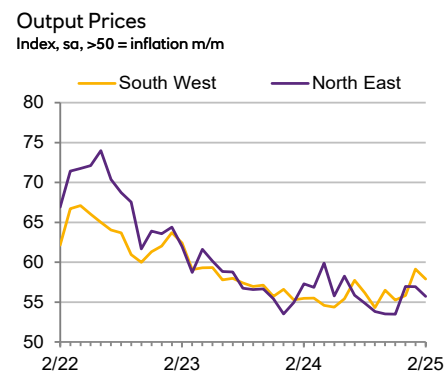
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Cost pressures remain high and continue to drive up goods and services prices, and that will likely be the case in the coming months as the changes to the NMW and NIC come into effect"

Sebastian Burnside,  
NatWest Chief Economist



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



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

# Methodology

The NatWest UK Regional Growth Tracker data are compiled by S&P Global from responses to questionnaires sent to companies that participate in S&P Global's UK PMI surveys. S&P Global compiles data for Scotland, Wales, Northern Ireland and nine English regions\*.

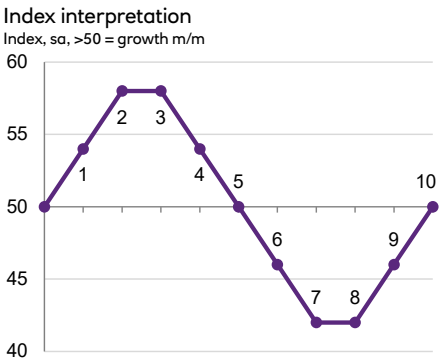
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 for each region 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 Business Activity Index is comparable to the UK Composite Output Index.

For further information on the survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

\*International Territorial Level 1 definitions.



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

**Key**

1	Growth, from no change	6	Decline, from no change
2	Growth, faster rate	7	Decline, faster rate
3	Growth, same rate	8	Decline, same rate
4	Growth, slower rate	9	Decline, slower rate
5	No change, from growth	10	No change, from decline

# Data

Manufacturing and services  
Index, sa, 50 = no change over previous month. \*50 = no change over next 12 months. Feb '25

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.0	52.0	65.7	43.6	46.6	64.0	57.2
South East	48.6	45.9	65.8	42.6	43.3	63.8	57.7
South West	50.2	48.8	68.1	44.1	46.9	64.7	57.9
East of England	48.8	46.0	66.1	40.8	44.9	67.4	57.8
East Midlands	44.7	44.8	68.2	42.1	39.1	64.4	57.8
West Midlands	48.7	46.0	74.3	40.9	41.5	64.8	57.5
Yorkshire & Humber	48.6	47.2	67.5	46.4	43.5	64.1	57.4
North West	49.0	43.0	64.6	44.1	38.6	63.1	57.3
North East	53.7	52.2	62.4	48.9	51.7	67.3	55.7
Scotland	49.0	47.2	57.7	48.3	45.0	63.9	57.3
Wales	51.5	48.9	65.0	44.1	44.5	63.0	56.8
Northern Ireland	44.9	41.6	54.0	47.0	44.5	68.3	57.9



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## PMI by S&P Global

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