

NatWest UK Regional Growth Tracker

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Northern Ireland growth powers into Autumn as business activity in North East leaps into new season

Key Findings

Seven out of 12 areas record output growth, down from 11 in September

Employment falls in the majority of cases

Cost inflation facing businesses generally eases

Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September, the latest NatWest Growth Tracker showed.

The 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.

Northern Ireland continued to see the strongest growth (index at 55.8), topping the rankings for the fourth month in a row. At the same time, there were solid increases in output across the North East (54.8), South West (54.1) and London (54.0). Wales (47.0) recorded the steepest drop in activity, its sharpest for 12 months, and was joined in contraction by Yorkshire & Humber (49.5), the South East (49.8) and North West (49.8).

Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"Growth in the UK economy slowed down in October, which was reflected in fewer of the nations and regions recording an expansion in business activity. The uncertainty around the Autumn Budget (which was announced after data collection

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had finished) played a part, leading to some trepidation among businesses and consumers alike.

"As well as decreases in most of the headline numbers for this month's UK Regional Growth Tracker, October saw sluggishness in underlying demand in some places and generally less optimism towards the outlook. Growth expectations weakened in just over half of cases, amid a backdrop of policy uncertainty.

"We also saw greater hesitancy around hiring, with just a third of the areas monitored recording a rise in employment, the fewest in the year to date. Northern Ireland was the main outlier, seeing another notable rise in workforce numbers, alongside relative buoyant growth in business activity.

"Positively, businesses for the most part saw slower cost increases compared to those faced the month before. The impact of the Autumn Budget on business costs will be in focus as we move into next year, but we may even see some effects in the coming months - particularly around pay - as firms plan for the rise in the National Minimum Wage and employers' National Insurance contributions next spring."

-ENDS-

Demand

Following broad-based growth in new business in both August and September, three areas saw a decrease in October, namely the East of England, Scotland and East Midlands. The strongest improvement in underlying demand was seen in London. The North East also recorded a marked rise in inflows of new work, and was one of just two regions (alongside Yorkshire & Humber) to see a faster rate of growth than in September.

Outlook

Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.

Employment

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most

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marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Capacity

The majority of the 12 nations and regions recorded lower backlogs of work in October, in a sign of a general lack of pressure on business capacity. Firms in Wales registered the most marked decline, followed by those in the East of England. There were two instances of growth in outstanding business, in the North East and London, but in both cases the rates of accumulation were marginal.

Inflation

Business costs rose more slowly in the majority of the 12 UK nations and regions in October. One of the exceptions was London, which recorded its steepest increase in input prices in four months and the fastest overall rise ahead of the East of England. Cost pressures were the joint-weakest in the East Midlands and West Midlands.

For the third time in the past four months, firms in the South West recorded the strongest rise in average prices charged for goods and services in October. They were followed by those in London and the East of England. Northern Ireland saw the slowest increase and was one of six areas where the rate of output price inflation slowed from the month before.

Continued...

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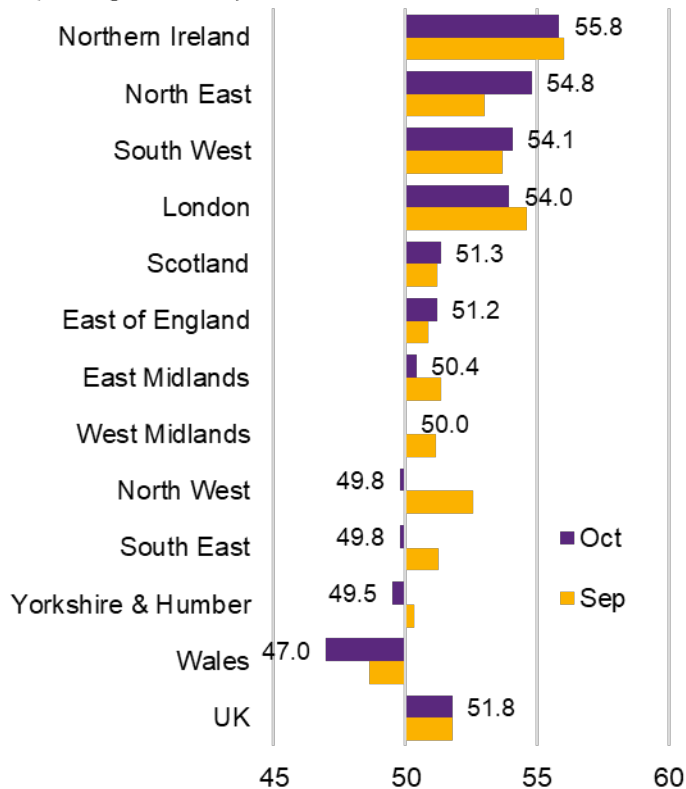
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Business Activity Index

sa, >50 = growth since previous month



Sources: NatWest, S&P Global PMI.

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Notes to editors

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.

The survey data for October were collected 10-29 October 2024.

For further information on the survey methodology, please contact economics@spglobal.com.

*International Territorial Level 1 definitions.

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