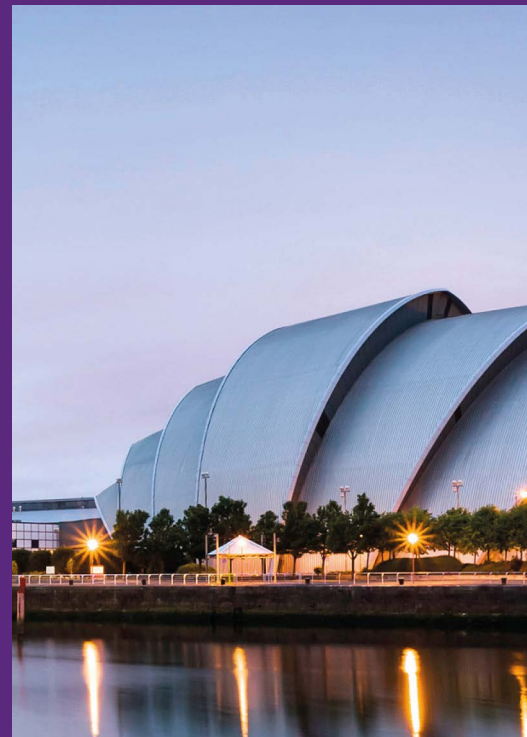


14 May 2025

NatWest UK Regional Growth Tracker

More regions see activity slow as uncertainty and price rises weigh on demand



NatWest

PMI[®]

by S&P Global

14 May 2025

NatWest UK Regional Growth Tracker

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Key findings

April 2025

South West remains a bright spot for the UK in April but activity falls elsewhere

Demand for goods and services under pressure as prices rise

Outlook for business activity clouded by market uncertainty

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





Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"The tracker this month reflects the challenges that economic uncertainty can create for UK businesses of all scales.

"Firms across the UK reported a challenging start to the second quarter, with demand for goods and services falling in all areas amid this backdrop of economic volatility and rising prices. The South West was alone in recording growth in business activity.

"It's encouraging that firms are still looking to the future with some optimism, although growth expectations are lower than they have typically been in the past.

"Rising labour costs have added to pressure on businesses, following April's increases in National Insurance contributions and minimum wages.

"As firms look to mitigate rising costs, we've seen average prices charged for goods and services increase at faster rates, as well as a greater focus on workforces. Labour markets in all areas of the UK have felt the impact to some degree in recent months, with only Scotland avoiding a fall in employment in April.

"We cannot ignore the backdrop during which this survey was carried out but regardless, as we've seen in the past and as the South West and Scotland illustrates, UK business is resilient and can always offer reasons for optimism throughout."



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 09-28 April

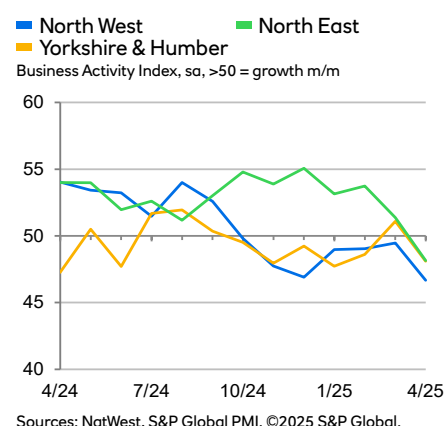
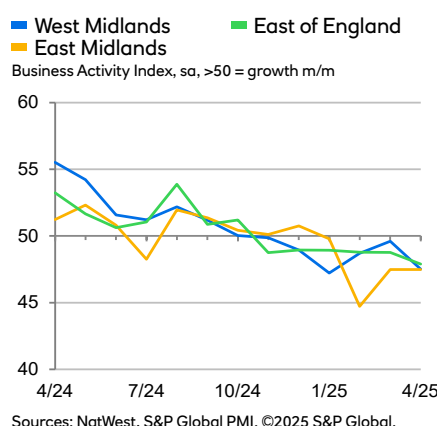
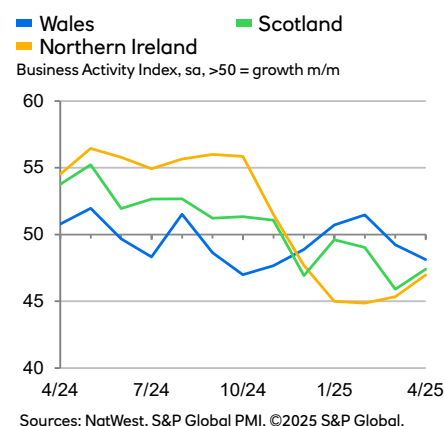
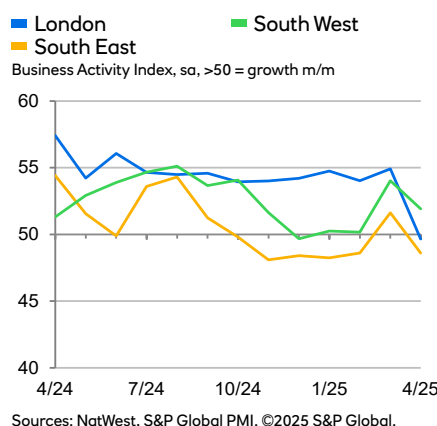


Business activity

April's NatWest Regional Growth Tracker showed increasingly difficult operating conditions for businesses across the UK as they faced a combination of softer demand and rising costs. Firms have reported that increased global economic uncertainty, particularly related to US tariff announcements, is significantly impacting demand across various regions. This is reflected in observations of reduced client activity and overall caution towards spending.

The Tracker – which surveyed businesses operating in the manufacturing and services sectors across 12 regions of the country from April 9 to 28 – showed business activity falling in all but one of the 12 UK nations and regions monitored by the survey in April. The sole exception was the South West, where output grew for the fourth month running but at a slower rate than in March.

The survey was conducted after US tariff announcements on 2 April, which, at the time, saw minimum tariff rates of 10% applied to imports into the US, as well higher so-called 'reciprocal' tariff rates on a number of countries. A subsequent announcement on 9 April saw a 90-day pause on most higher tariff rates.

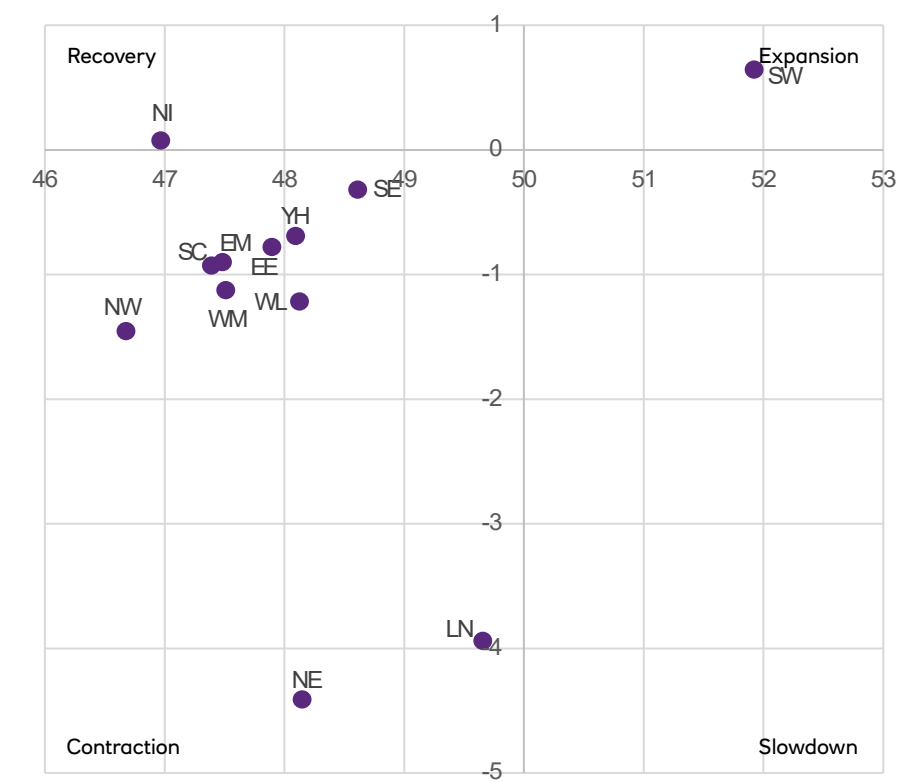




Business cycle by nation and region

Business Activity

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



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 |

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

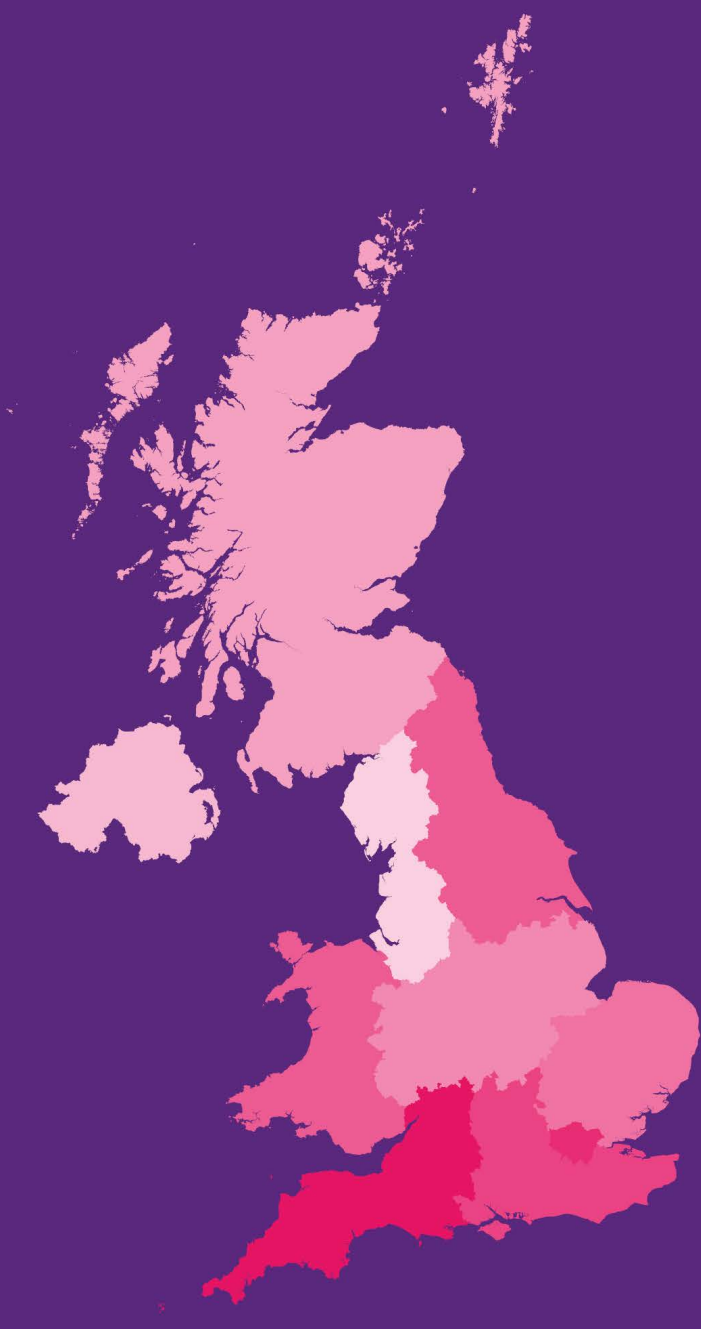
Regions are **expanding**, but at a **slower rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the lowest regions are seeing the greatest deceleration in growth over the past six months.

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.



Growth Tracker heat map

April 2025
Darker colour = higher business growth

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

South West	51.9
London	49.7
South East	48.6
North East	48.1
Wales	48.1
Yorkshire & Humber	48.1
East of England	47.9
West Midlands	47.5
East Midlands	47.5
Scotland	47.4
Northern Ireland	47.0
North West	46.7



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



Demand and outlook

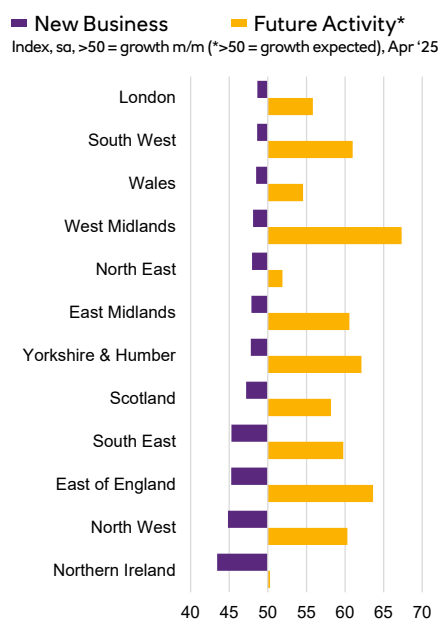
Broad-based softening in demand

Firms in all nations and regions reported softer demand for goods and services in April. It marked the first time in almost two-and-a-half years that a broad-based decrease in new business has been recorded. The steepest decline was recorded in Northern Ireland*, while the greatest resilience in demand was seen in London and the South West.

West Midlands sees highest business confidence

Although business expectations remained positive across the UK in April, sentiment was found to have weakened in almost all areas. The greatest drop in confidence was recorded in the North East, which saw the second-lowest degree of optimism ahead of only Northern Ireland. Firms in the West Midlands were the most upbeat about the outlook, while only those in Scotland were more positive than the month before..

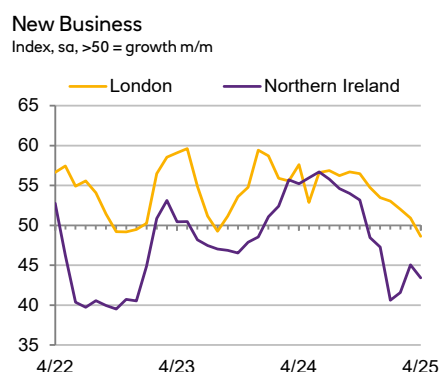
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



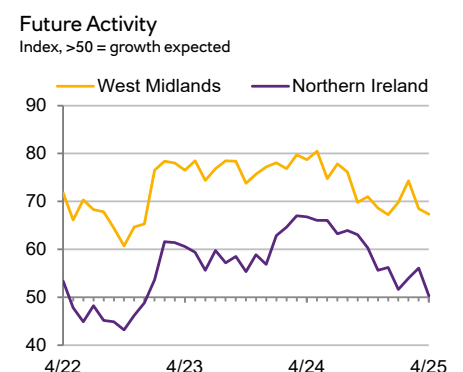
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Firms across the UK reported a challenging start to the second quarter, with demand for goods and services falling in all areas"

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

Job numbers stable in Scotland but down elsewhere

April saw a near-universal decrease in employment at the start of the second quarter. Furthermore, in most cases, rates of decline quickened from the month before. This included the North West, which saw the most marked drop in workforce numbers. Labour market conditions showed resilience in Scotland, where headcounts stabilised following four straight months of decline.

Widespread lack of pressure on business capacity

Backlogs of work (i.e. the volume of orders or projects awaiting completion) fell across all areas of the UK in April, in a sign of a general lack of pressure on business capacity. Firms in the North West recorded the fastest rate of depletion, followed by those in the East and West Midlands. Outstanding business fell only slightly in both the South West and North East.

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

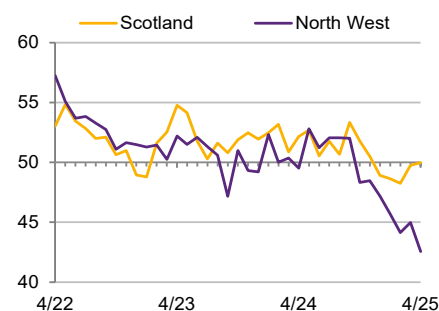


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"As firms look to mitigate rising costs, we've seen...
...a greater focus on workforces"

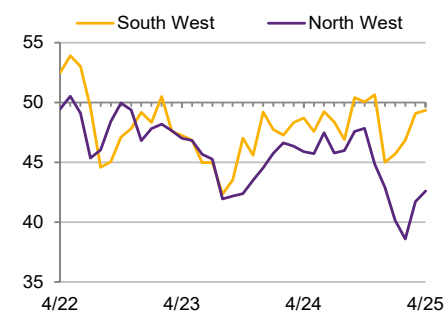
Sebastian Burnside,
NatWest Chief Economist

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.



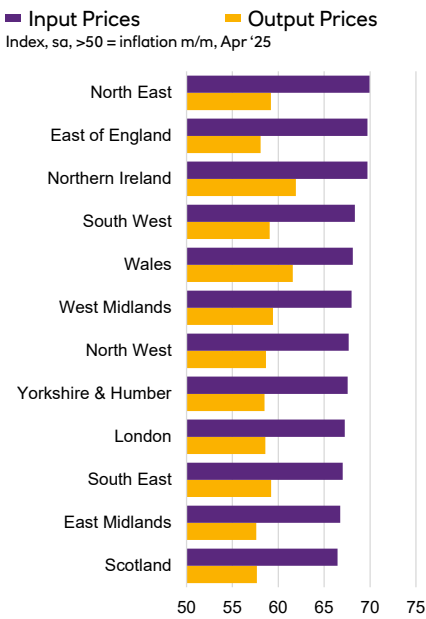
Inflation

Cost pressures strengthen in almost all areas

Nearly all of the 12 UK nations and regions monitored by the survey saw firms' input costs rise at a faster rate in April. Only Northern Ireland went against this trend, although the rate of input price inflation there was still the second-highest in more than two years. Cost pressures were strongest in the North East, and weakest in Scotland.

Output price inflation ticks up across the board

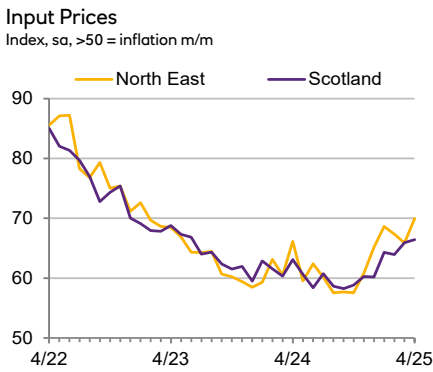
There was a general increase in output price inflation across the UK at the start of the second quarter. Prices charged rose fastest in Northern Ireland, where the rate of increase was the highest since December 2022. The slowest inflation was recorded in the East Midlands, though even there it was well above the long-run average.



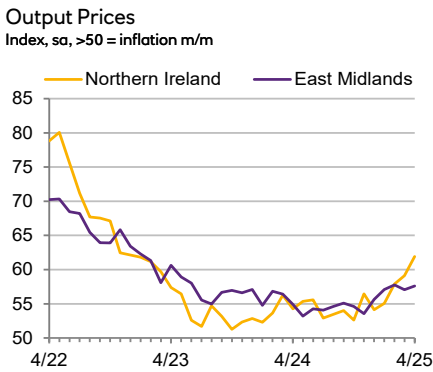
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

"Rising labour costs have added to pressure on businesses, following April's increases in National Insurance contributions and minimum wages"

Sebastian Burnside,
NatWest Chief Economist



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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*.

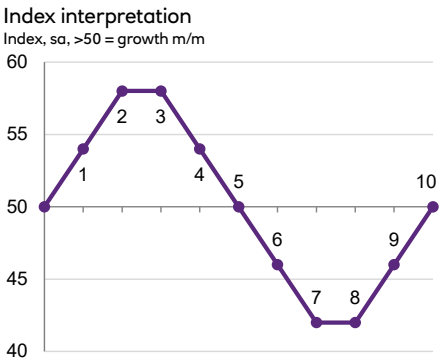
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*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. Apr '25

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	49.7	48.6	55.8	46.8	46.9	67.2	58.6
South East	48.6	45.3	59.8	44.8	46.8	67.0	59.2
South West	51.9	48.6	61.0	49.2	49.4	68.4	59.1
East of England	47.9	45.2	63.6	44.4	46.8	69.7	58.1
East Midlands	47.5	47.9	60.6	45.0	45.2	66.7	57.6
West Midlands	47.5	48.1	67.3	44.7	45.2	68.0	59.4
Yorkshire & Humber	48.1	47.8	62.1	44.7	46.3	67.6	58.5
North West	46.7	44.8	60.3	42.6	42.6	67.7	58.6
North East	48.1	47.9	51.9	49.3	49.0	69.9	59.2
Scotland	47.4	47.2	58.2	50.0	46.5	66.4	57.7
Wales	48.1	48.5	54.6	44.4	45.6	68.1	61.6
Northern Ireland	47.0	43.4	50.3	45.1	48.1	69.7	61.9

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