13 March 2023

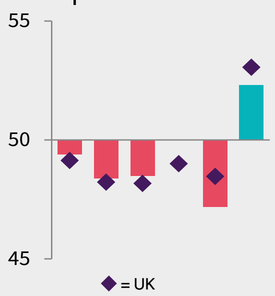
NatWest North West PMI®

North West private sector returns to growth in February

North West Business Activity Index

Feb '23
52.3
Jan: 47.2

Sep '22 - Feb '23



Key findings

Business activity rises for first time in six months

Strain on demand eases as confidence improves

Prices charged for goods and services continue to rise sharply

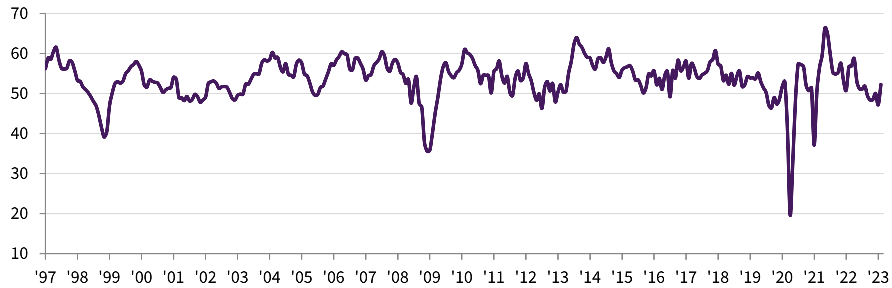
Latest UK Regional PMI® data from NatWest showed an increase in business activity across the North West private sector in February, the first since August last year. The upturn came amid signs of a slight pick-up in demand, which was partly driven by improving confidence among customers, the survey found.

The headline North West PMI 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 – moved back above the 50.0 no-change threshold in February, registering 52.3 from January's 47.2. It signalled the fastest growth in business activity for nine months. Underlying data showed that the expansion owed exclusively to a rise in services activity, with manufacturing output remaining in decline.

Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"We saw a much-welcomed increase in business activity across the North West in February, which marked the first growth in the region for six months and broadly tallied with the UK-wide picture. The survey showed that the upturn was driven by a pick-up in demand, with businesses commenting on improved confidence amongst clients as apprehension around inflation and rising interest rates calmed somewhat. Indeed, businesses themselves are increasingly optimistic about the outlook, with expectations amongst North West companies improving substantially from the month before and now the second-highest nationally. A further easing of cost pressures from the highs in 2022 has likely helped brightened the mood among firms, but the survey tells us that selling prices are still rising much faster than normal as high costs – including growing wage demands – are passed on by businesses."

North West Business Activity Index
sa, >50 = growth since previous month



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About the North West PMI® report

The NatWest North West PMI® is compiled by S&P Global from responses to questionnaires sent to North West 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.

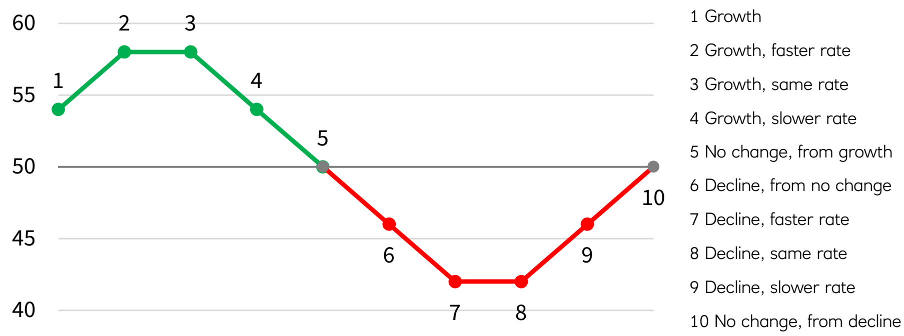
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'North West PMI', but is not comparable with the headline UK Manufacturing PMI figure.

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 PMI survey methodology, please contact economics@ihsmarkit.com.

Index interpretation

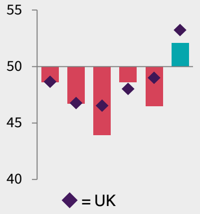
50.0 = no change since previous month



Demand and outlook

New Business Index

Sep '22 - Feb '23



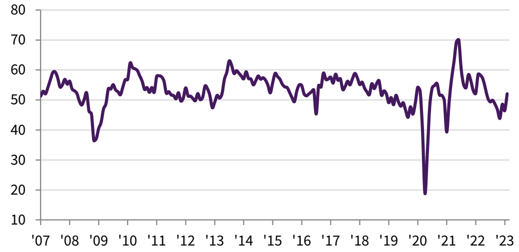
Inflows of new business increase for first time in eight months

Latest data showed an upturn in inflows of new business across the North West private sector, thereby ending a seven-month sequence of contraction. The increase was confined to the region's service sector, where there were reports of growing client confidence amid hopes of a peaking of interest rates, although the downturn in manufacturing new orders also showed signs of easing.

The rate of growth in new business was slightly below the average for the UK as a whole, however.

New Business Index 52.1

sa, >50 = growth since previous month Feb '23



Future Activity Index

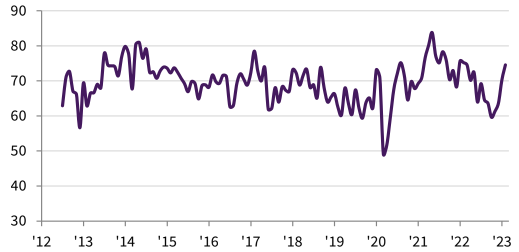
Sep '22 - Feb '23

Business confidence continues to rise during February

Business confidence across the North West private sector strengthened for the fourth month running in February, taking it further from last October's low point (seen in the aftermath of the government's 'mini' budget) to the highest for a year. Anecdotal evidence showed increased optimism among local firms towards the general economic outlook, alongside hopes of greater market shares and the successful launch of new products. Expectations were the second-highest nationally behind only the West Midlands.

Future Activity Index 74.6

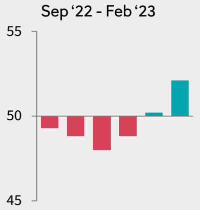
>50 = growth expected over next 12 months Feb '23



Exports

Export Climate Index

Sep '22 - Feb '23



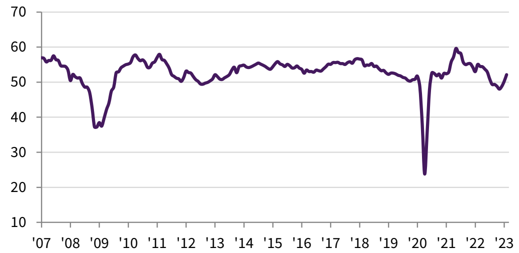
Growth returns to more key export markets

The North West Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North West. This produces an indicator for the economic health of the region's export markets. A reading above 50 signals an improvement in export conditions.

The ECI signalled a second straight monthly improvement in export conditions for firms in the North West. Moreover, at 52.1, up from 50.2 in January, its latest reading was the highest since June 2022, as both the US and German economies returned to growth and activity accelerated in Ireland and China.

Export Climate Index 52.1

sa, >50 = growth since previous month Feb '23



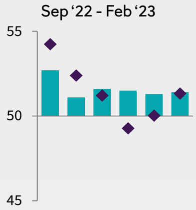
Top export markets, North West

Rank	Market	Weight	Output Index, Feb '23
1	USA	13.7%	50.1
2	Netherlands	10.0%	50.4
3	Germany	9.9%	50.7
4	Ireland	6.5%	54.5
5	China	5.8%	54.2

Business capacity

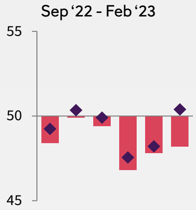
Employment Index

Sep '22 - Feb '23



Outstanding Business Index

Sep '22 - Feb '23



Further modest rise in regional employment

February's survey indicated another modest rise in private sector employment across the North West, following similar increases in each of the previous four months. Overall, regional workforce numbers have now increased on a monthly basis throughout the past two years. The rate of job creation during the latest survey period was broadly in line with the UK average.

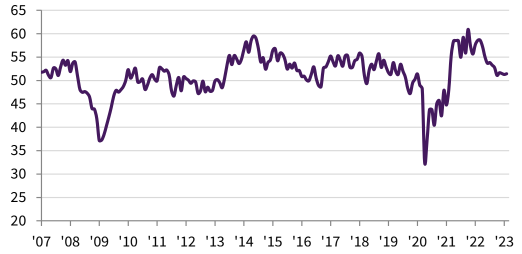
Underlying data indicated contrasting trends at the sector level, with a solid rate of hiring among services firms being partly offset by job cuts at manufacturers.

Firms continue to deplete backlogs of work

The amount of outstanding business at firms in the North West fell for the ninth month in a row in February, as firms completed orders at a faster rate than they received them. The rate of depletion eased to the weakest since last November, but the result nevertheless contrasted with a slight rise in backlogs at the UK level – the first increase for four months. Signs of excess capacity were most prevalent in the manufacturing sector.

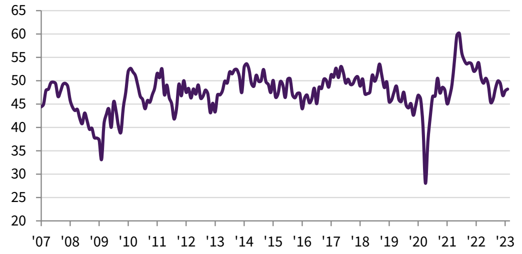
Employment Index 51.4

sa, >50 = growth since previous month Feb '23



Outstanding Business Index 48.2

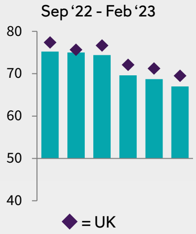
sa, >50 = growth since previous month Feb '23



Prices

Input Prices Index

Sep '22 - Feb '23

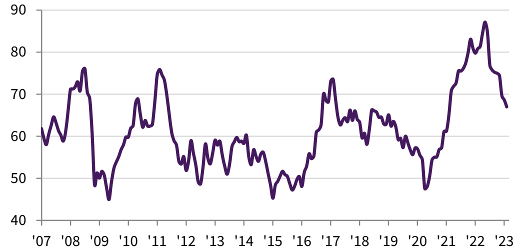


Input price inflation at two-year low

Cost pressures faced by firms in the North West remained strong by historical standards in February. Elevated energy prices, wage demands and generally high inflation were all cited as sources of cost inflation by surveyed businesses. The rate of increase in input prices did, however, ease further from the record highs in 2022 to its lowest for two years, and was also weaker than in any of the other surveyed regions.

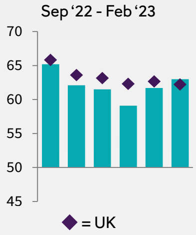
Input Prices Index — 67.0

sa, >50 = inflation since previous month — Feb '23



Prices Charged Index

Sep '22 - Feb '23

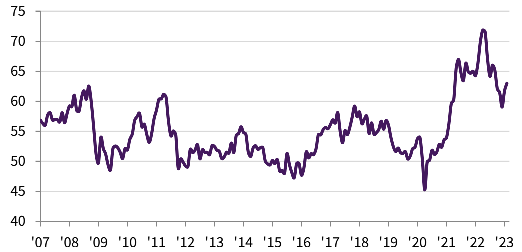


Sharp and accelerated rise in prices charged

Selling prices went against the trend in underlying costs, rising at a quicker rate for the second month in a row in February. Despite having come down from last year's peak, the rate of output price inflation remained among the quickest on record and was faster than any time in the series history prior to May 2021. Sector data indicated similarly sharp increases in both factory gate charges and services selling prices.

Prices Charged Index — 63.0

sa, >50 = inflation since previous month — Feb '23



UK Sector PMI

Sector specialisation: North West

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They 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.

The tables below rank the location quotients for the North West, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

North West specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Feb '23+
1	Chemicals & Plastics	1.72	
2	Transport	1.25	
3	Textiles & Clothing	1.18	
4	Timber & Paper	0.91	
5	Basic Metals	0.84	
6	Food & Drink	0.79	
7	Other Manufacturing	0.72	
8	Mechanical Engineering	0.56	
9	Electrical & Optical	0.51	

35 40 45 50 55 60

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '23+
1	Transport & Communication	1.18	
2	Hotels, Restaurants & Catering	1.10	
3	Business-to-business Services	1.03	
4	Personal & Community Services	1.03	
5	Computing & IT Services	0.81	
6	Financial Intermediation	0.76	

45 50 55 60

UK sector focus

Other Manufacturing

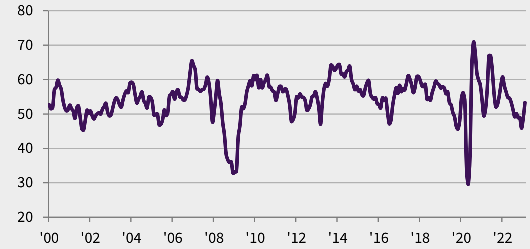
The UK's 'Other Manufacturing' sector - which comprises mainly consumer goods such as furniture, jewellery, sports items and household ceramics - saw a rise in production levels in the three months to February, following several months of declining output. Production was supported by easing supply constraints - the incidence of delivery delays having fallen sharply compared to the situation a year ago - which enabled businesses to catch up on backlogs of work.

Underlying demand continued to exhibit a weak trend, however, as underscored by a sustained decrease in new orders. That said, the rate of decline slowed in the three months to February and firms became more optimistic about the outlook.

Cost pressures in the sector meanwhile eased from the record high levels observed over the previous two years. Selling price inflation nevertheless remained historically elevated.

Output Index

sa, >50 = growth since previous month (3mma)+



+3-month moving average

UK Regional PMI overview

Business Activity

February saw a rise in business activity across all but one of the regions and nations monitored by the survey. The North East was the only exception, although output there did at least stabilise after a seven-month sequence of contraction. London recorded by far the strongest activity growth, registering its best performance since last July, with the South East a distant second place.

Employment

The number of areas recording an increase in employment rose from seven in January to ten in February, with the South West, East of England and Scotland each seeing renewed job creation. Northern Ireland was at the top of the rankings for workforce growth for a second straight month. Further decreases in employment were meanwhile recorded in both Wales and the North East.

Future Activity

There was an improvement in business confidence in two-thirds of areas in February. The most marked upswings in sentiment were in Northern Ireland and Scotland, although these two remained towards the bottom end of the scale for overall levels of optimism. Expectations were highest in the West Midlands, as was the case in January, and lowest in the North East, which saw confidence wane slightly.

* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.

Business Activity Index
sa, >50 = growth since previous month, Feb '23

Employment Index
sa, >50 = growth since previous month, Feb '23

Future Activity Index
>50 = growth expected over next 12 months, Feb '23

Index summary

North West

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Sep '22	49.4	48.6	49.3	63.6	52.7	48.4	75.2	65.2
Oct '22	48.4	46.7	48.8	59.6	51.1	49.9	75.0	62.1
Nov '22	48.5	43.9	48.0	61.3	51.6	49.4	74.4	61.5
Dec '22	50.0	48.6	48.8	63.6	51.5	46.8	69.6	59.1
Jan '23	47.2	46.5	50.2	70.3	51.3	47.8	68.7	61.7
Feb '23	52.3	52.1	52.1	74.6	51.4	48.2	67.0	63.0

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About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
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