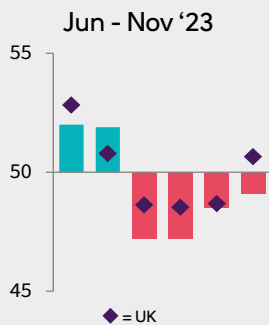


NatWest North West PMI®

North West private sector edges closer to stabilisation as downturn in output eases

North West Business Activity Index



Key findings

Business Activity Index at four-month high of 49.1

Softer fall in new business

Cost pressures creep higher

November saw slower falls in both output and new orders across the North West private sector, in a further sign that the region's downturn was easing, the latest NatWest Regional PMI® survey showed. Elsewhere, latest data signalled a slight decrease in employment in the region, with local firms noting a rise in cost pressures and voicing a degree of uncertainty towards the outlook.

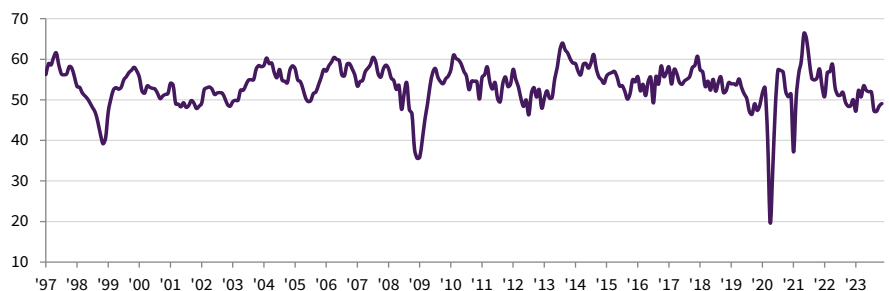
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – came in at 49.1 in November, up from October's 48.5. Whilst the latest reading was still below the 50.0 mark that separates growth from contraction, it signalled only a modest decrease in activity that was the weakest in the current four-month sequence of decline. Output meanwhile rose slightly across the UK as a whole (50.7), driven in large part by strong growth in London.

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

"These latest PMI numbers provide hope that the North West economy is starting to turn the corner, with firms reporting slower declines in both activity and inflows of new work. That said, business expectations towards output in the coming year remain below the norm, with growth in 2024 achievable but unlikely to be strong. The modest outlook for activity, combined with upward pressure on business costs from wages above all else, is feeding through to the labour market. However, the reduction in employment in November was only marginal, suggesting that while firms are reluctant to hire, they are also wary of letting too many staff go."

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

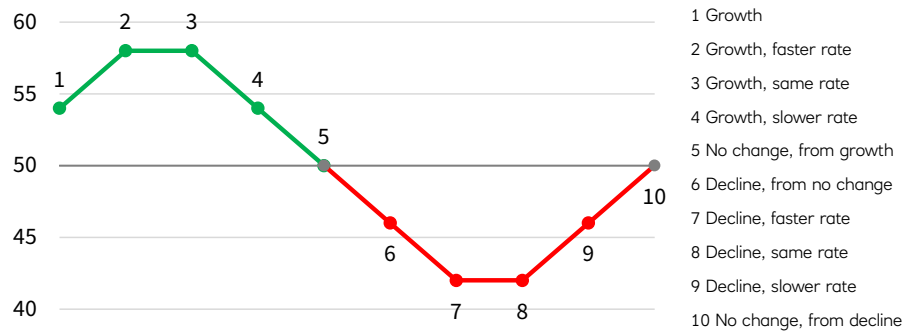
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the '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@spglobal.com.

Index interpretation

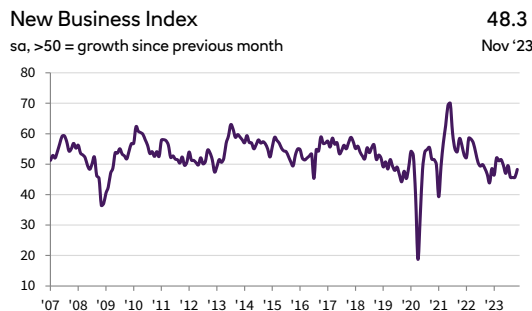
50.0 = no change since previous month



Demand and outlook

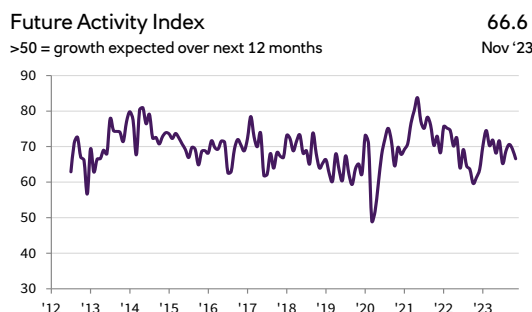
New business falls more slowly in November

Businesses in the North West continued to face challenging demand conditions during November, with inflows of new work falling in the region for the seventh month running. Surveyed firms commented on squeezed customer budgets, weak exports and low market confidence. That said, the rate of decline eased notably from the previous month and was the weakest since July.



Business confidence towards future activity softens

Although firms in the North West generally remained hopeful of a rise in business activity over the next 12 months, the degree of confidence softened to a four-month low and was below the national average. The launch of new products and greater marketing efforts were among the factors expected to support higher output in the year ahead, but firms also voiced concerns about a lack of confidence and spending power among customers.

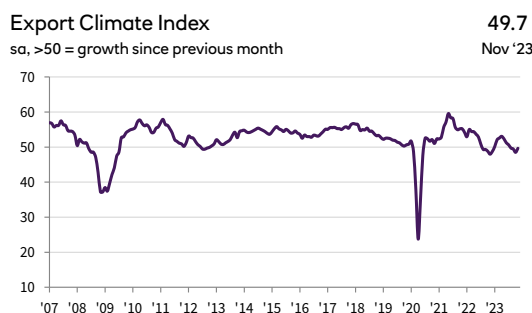


Exports

Sustained downturn in export conditions

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 below 50 signals a deterioration in export conditions.

The ECI ticked up from October's 48.5 to 49.7 in November, signalling a further – albeit slower – deterioration in export conditions faced by firms in the North West. The result partly reflected decreases in economic activity in both the Netherlands and Germany. More positively, growth was sustained – albeit at a low rate – in the region's top export market, the US.



Top export markets, North West

Rank	Market	Weight	Output Index, Nov '23
1	USA	13.7%	50.7
2	Netherlands	10.0%	45.5
3	Germany	9.9%	47.8
4	Ireland	6.5%	52.3
5	China	5.8%	51.6

New Business Index
Jun - Nov '23

Future Activity Index
Jun - Nov '23

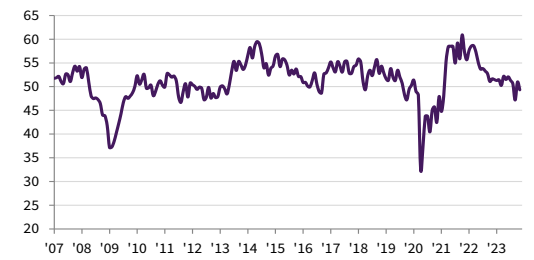
Export Climate Index
Jun - Nov '23

Business capacity

Renewed decline in employment

Latest data showed a renewed decline in workforce numbers across the North West private sector midway through the final quarter, following an uptick in October. The decrease was centred on the manufacturing sector and only marginal, however. The result mainly reflected the non-replacement of leavers as firms adjusted to lower demand. Across the UK as a whole, employment fell fractionally in November.

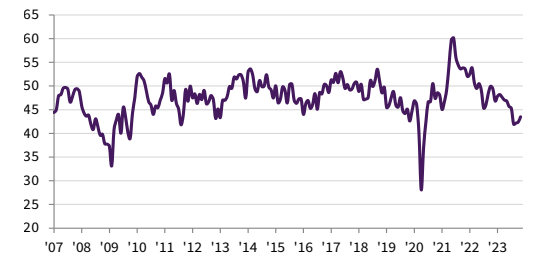
Employment Index
sa, >50 = growth since previous month
49.3
Nov '23



Sustained fall in backlogs as demand weakens

A lack of incoming new orders resulted in a further decrease in backlogs of work across the North West private sector in November. Work-in-hand has now fallen in every month throughout the past one-and-a-half years, in a sign of easing pressure on business capacity. The rate of depletion slowed to the weakest for four months, but it remained solid and quicker than the national average.

Outstanding Business Index
sa, >50 = growth since previous month
43.5
Nov '23



Prices

Cost pressures continue to creep up

The rate of increase in businesses' costs quickened for a second consecutive month in November. Underlying data showed an easing drag from falling manufacturing purchase prices, alongside still-strong cost pressures in the service sector. Where higher operating expenses were recorded, this was often linked to wage demands. Despite the uptick, however, the rate of input cost inflation in the North West remained one of the lowest nationally and below its long-run average.

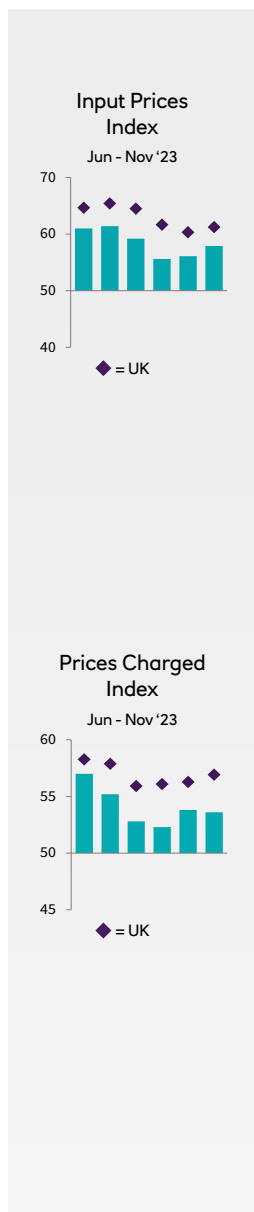
Input Prices Index **57.9**
 Nov '23
sa, >50 = inflation since previous month



Moderate rise in average prices charged

November's survey indicated a moderate rise in average prices charged by firms operating in the North West. The rate of inflation nudged down a notch from that seen in October and was softer than its historical average. It was also the second-weakest among the 12 nations and regions monitored by the survey, ahead of only that recorded in Northern Ireland.

Prices Charged Index **53.6**
 Nov '23
sa, >50 = inflation since previous month



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, Nov '23 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	50
3	Textiles & Clothing	1.18	52
4	Timber & Paper	0.91	42
5	Basic Metals	0.84	46
6	Food & Drink	0.79	54
7	Other Manufacturing	0.72	44
8	Mechanical Engineering	0.56	47
9	Electrical & Optical	0.51	43

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '23 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	52
3	Business-to-business Services	1.03	49
4	Personal & Community Services	1.03	47
5	Computing & IT Services	0.81	54
6	Financial Intermediation	0.76	51

UK sector focus

Computing & IT Services

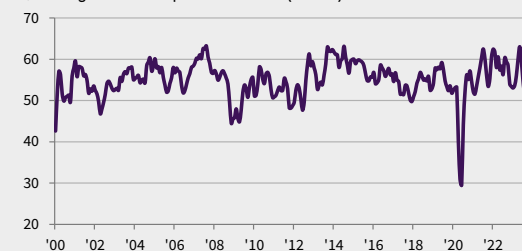
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

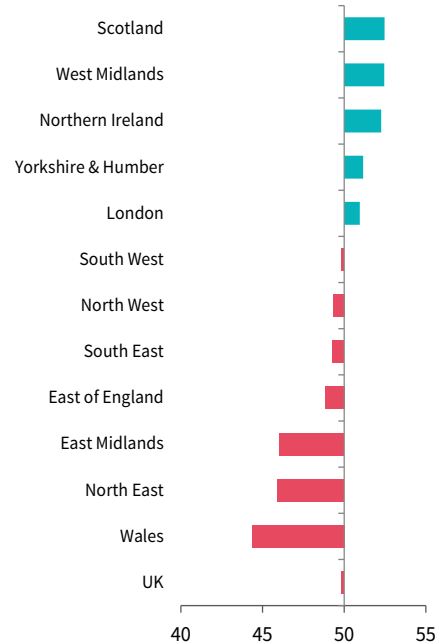
Business Activity Index

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



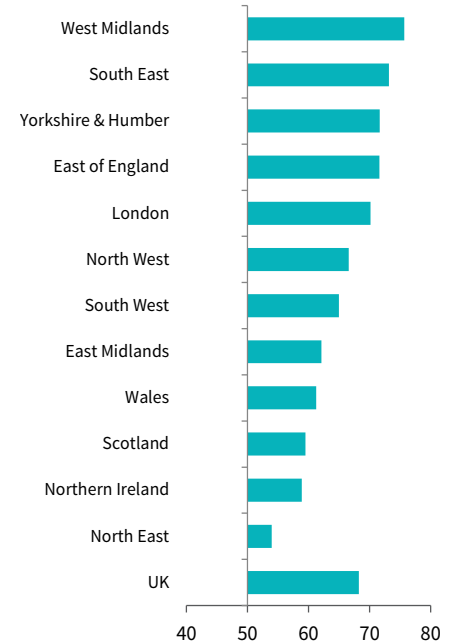
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Nov '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
Jun '23	52.0	47.0	51.2	71.7	52.1	45.7	61.0	57.0
Jul '23	51.9	49.6	50.7	65.2	51.3	45.3	61.4	55.2
Aug '23	47.2	45.8	49.7	68.7	50.6	41.9	59.2	52.8
Sep '23	47.2	45.7	49.5	70.6	47.2	42.2	55.6	52.3
Oct '23	48.5	45.7	48.5	69.4	51.0	42.4	56.1	53.8
Nov '23	49.1	48.3	49.7	66.6	49.3	43.5	57.9	53.6

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

Phil Smith
Economics Associate Director
S&P Global Market Intelligence
+44 1491 461 009
phil.smith@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 7967 447 030
sabrina.mayeen@spglobal.com

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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.

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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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