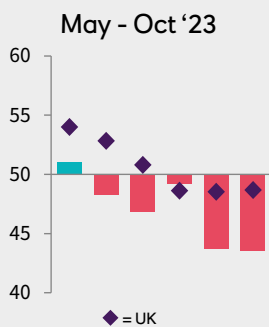




# NatWest North East PMI<sup>®</sup>

## Declines in activity and new business coincide with easing cost pressures

### North East Business Activity Index



### Key findings

Headline Business Activity Index falls to 14-month low

North East companies cut jobs at fastest pace of all UK regions

Input cost inflation retreats further

The headline NatWest North East PMI<sup>®</sup> 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 – signalled a sustained contraction in October, extending the current sequence of falls to five months. Falling from 43.7 in September to 43.5 in October, the latest reading signalled the fastest decline in 14-months. The local drop in output was the quickest of the 12 monitored regions. Ongoing declines in new business, unfavourable demand trends, destocking initiative and the loss of contracts triggered the latest reduction in output, according to anecdotal evidence.

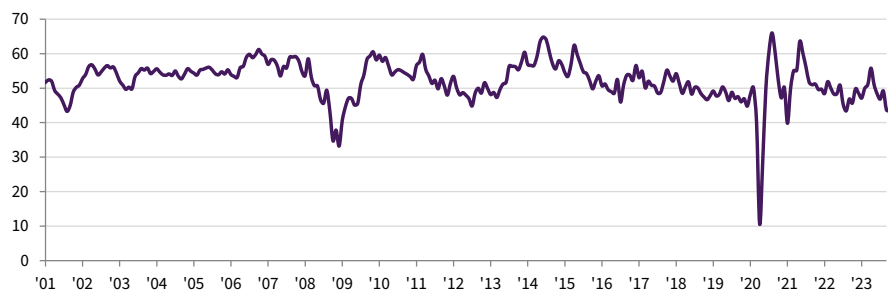
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

*"October PMI survey data showed ongoing deteriorations in business conditions in the North East region. Demand weakness continued to hamper output and new business, with the reduction remaining sharp. Also, the local trend for business activity was the worst seen across the 12 UK regions and nations monitored by the survey. Cost inflationary pressures receded to a three-year low, but selling prices rose to the same extent as in September."*

*"Job cuts remained on the agenda at firms in the North East for a fourth month running, with the region noting the fastest drop across the 12 monitored regions. Further hesitancy was also signalled in companies' optimism towards the output outlook for the year ahead, with only firms in Northern Ireland less upbeat."*

North East Business Activity Index

sa, >50 = growth since previous month



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## About the North East PMI® report

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

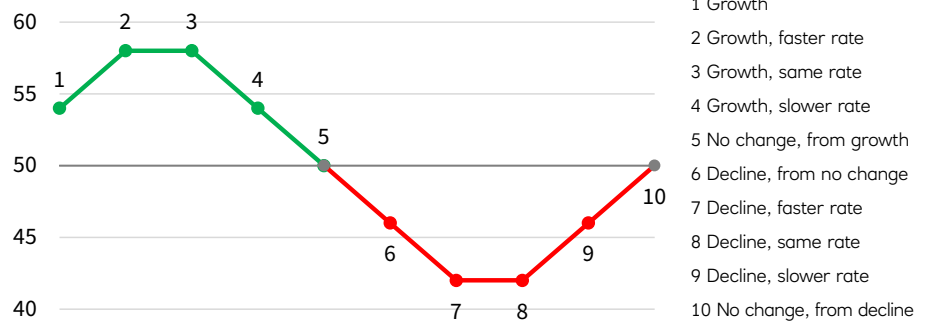
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Downturn in new business eases

Firms in the North East registered a sixth successive contraction in new business in October. Survey respondents blamed the reduction in new orders on weak demand conditions across the private sector. Although strong overall, the pace of decrease in new business slowed from September.

Local firms registered a faster fall in sales than the UK as a whole and, the fourth quickest of the 12 monitored regions.

### Level of positive sentiment slips in October

Private sector companies in the North East remained, on average, positive in October. However, sentiment surrounding expectations for output over the coming year remained historically subdued. The current economic climate, including high interest rates, dampened confidence.

Of the 12 monitored UK regions and nations, only Northern Ireland recorded a weaker degree of optimism than that seen locally.

## Exports

### Weakest export conditions in nearly a year

The North East Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North East. This produces an indicator for the economic health of the region's export markets.

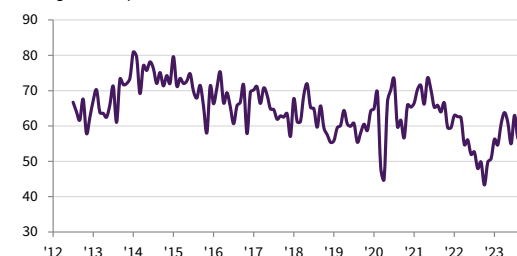
The ECI fell again in October from 48.5 in September to 47.8, to signal a deterioration in trade prospects. The pace of contraction was the quickest in nearly a year, despite being moderate overall.

Output declined across four of the five top export markets for the North East. While the US recorded a marginal improvement, faster declines were registered in Germany, Italy and the Netherlands. The downturn in France softened, but remained sharp.

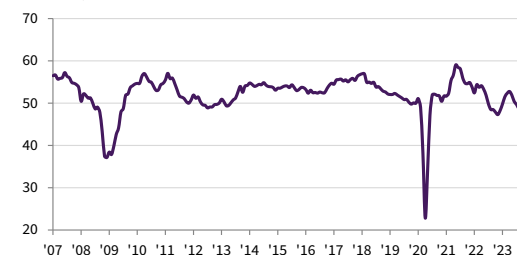
New Business Index  
sa, >50 = growth since previous month  
44.2  
Oct '23



Future Activity Index  
>50 = growth expected over next 12 months  
55.5  
Oct '23



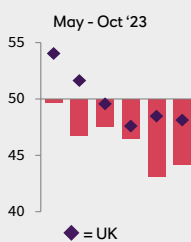
Export Climate Index  
sa, >50 = growth since previous month  
47.8  
Oct '23



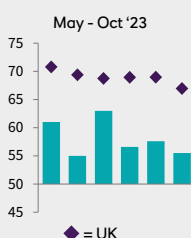
Top export markets, North East

Rank	Market	Weight	Output Index, Oct '23
1	Germany	15.6%	45.9
2	USA	14.5%	50.7
3	Netherlands	10.1%	42.3
4	France	9.6%	44.6
5	Italy	6.4%	47.0

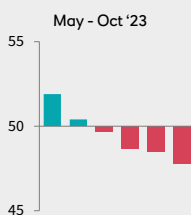
New Business Index  
May - Oct '23



Future Activity Index  
May - Oct '23



Export Climate Index  
May - Oct '23

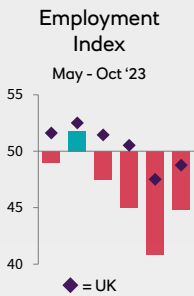
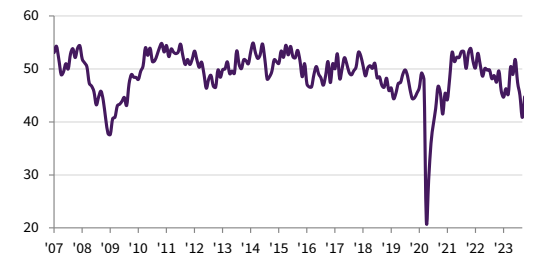


## Business capacity

### Fourth consecutive month of lower payroll numbers

The sustained deterioration in new business was coupled with another drop in staffing levels in October, extending the current sequence of job cuts to four months. While demand conditions remained subdued, firms cut costs through the non-replacement of leavers. Although strong, the rate of job shedding slowed from September. Despite this, the North East continued to register the fastest rate of jobs cuts out of the 12 monitored UK regions and nations.

Employment Index 44.8  
sa, >50 = growth since previous month Oct '23

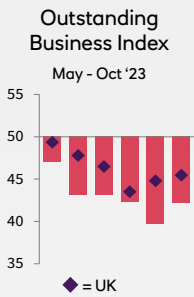
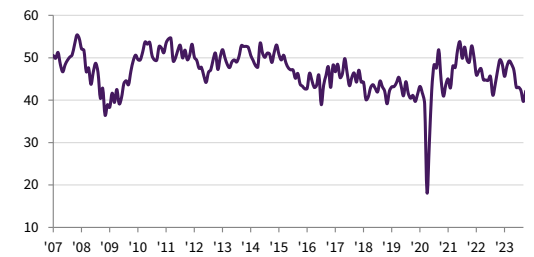


### Incomplete work decreases sharply in October

Private sector companies in the North East signalled another month of backlog clearing in October. Anecdotal evidence suggested that firms caught up with outstanding business while incoming order numbers were down. Although sharp, the pace of reduction slowed from September.

Of the 12 monitored UK regions, outstanding business declined at the third-fastest pace in the North East.

Outstanding Business Index 42.2  
sa, >50 = growth since previous month Oct '23



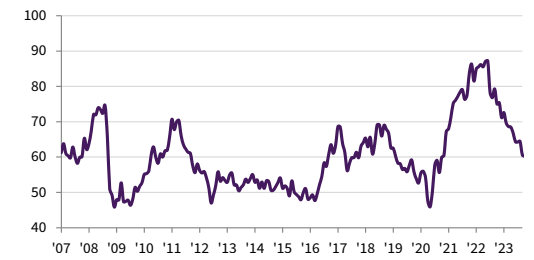
## Prices

### Input price inflation retreats to three-year low

Average operating costs in the North East increased further in October, with firms often linking higher expenses to greater fuel, energy, and raw material prices. Although sharp and above its long-run average, the rate of inflation receded to the weakest in three years.

Input price inflation in the North East was largely in line with the UK average in October.

Input Prices Index 60.2  
sa, >50 = inflation since previous month Oct '23

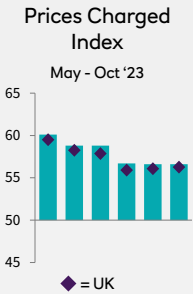
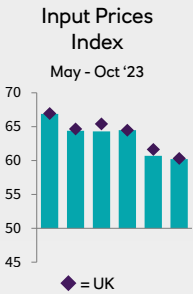
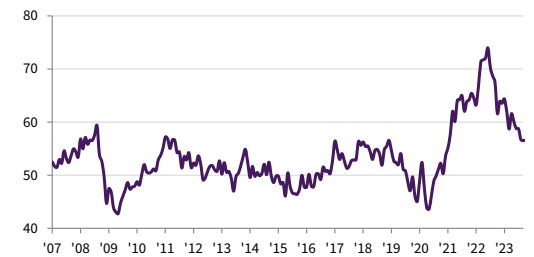


### Selling price inflation steadies

October data signalled a marked hike in prices charged for North East goods and services. The rate of inflation was equal to September, therefore remaining the slowest in nearly three years. Survey respondents indicated that the burden of increased input prices was passed on to customers.

The North East registered a similar rate of charge inflation as seen nationally.

Prices Charged Index 56.6  
sa, >50 = inflation since previous month Oct '23



## UK Sector PMI

### Sector specialisation: North East

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 East, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

#### North East specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Oct '23*
1	Chemicals & Plastics	1.58	55
2	Timber & Paper	1.17	45
3	Mechanical Engineering	1.17	50
4	Basic Metals	1.13	50
5	Transport	0.91	45
6	Other Manufacturing	0.71	45
7	Textiles & Clothing	0.70	45
8	Electrical & Optical	0.69	45
9	Food & Drink	0.54	55

#### North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct '23*
1	Transport & Communication	1.51	45
2	Hotels, Restaurants & Catering	1.20	45
3	Personal & Community Services	1.13	50
4	Business-to-business Services	0.90	45
5	Financial Intermediation	0.75	50
6	Computing & IT Services	0.57	55

## UK sector focus

### Mechanical Engineering

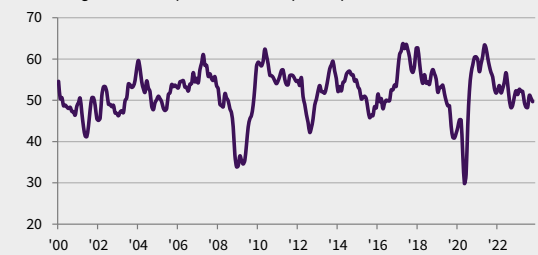
The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

#### Output Index

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



\*3-month moving average



## UK Regional PMI overview

### Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

### Employment

Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland\*, North West and East of England also seeing increases.

### Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

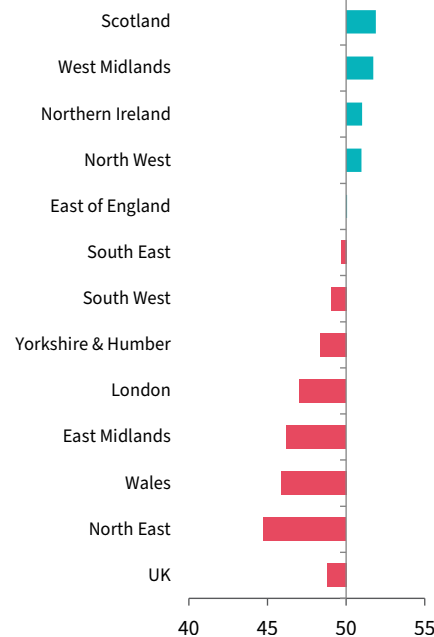
Business Activity Index

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



Employment Index

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



Future Activity Index

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



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



## Index summary

### North East

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
May '23	51.0	49.7	51.9	61.0	49.0	47.0	66.9	60.1
Jun '23	48.3	46.8	50.4	55.0	51.8	43.1	64.4	58.8
Jul '23	46.8	47.6	49.7	63.0	47.5	43.1	64.3	58.8
Aug '23	49.2	46.5	48.7	56.6	45.0	42.3	64.5	56.7
Sep '23	43.7	43.1	48.5	57.6	40.8	39.7	60.7	56.6
Oct '23	43.5	44.2	47.8	55.5	44.8	42.2	60.2	56.6

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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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