

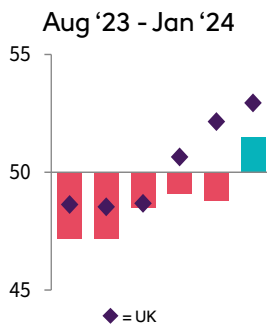


NatWest

# NatWest North West PMI<sup>®</sup>

## North West private sector returns to growth at start of 2024

### North West Business Activity Index



### Key findings

Business Activity Index moves above 50.0 for first time in six months

Solid increase in employment as demand improves

Slower rises in input costs and output prices

The North West private sector economy began the year on a more solid footing, recording renewed upturns in both output and new business alongside a notable rise in employment, the latest NatWest Regional PMI<sup>®</sup> survey showed. Price pressures in the region meanwhile eased slightly and remained among the lowest nationally.

At 51.5 in January, up from December's 48.8, 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 – registered above the 50.0 threshold that separates growth from contraction for the first time in six months. The latest reading signalled a modest rate of expansion that was slower than the UK average (52.9).

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

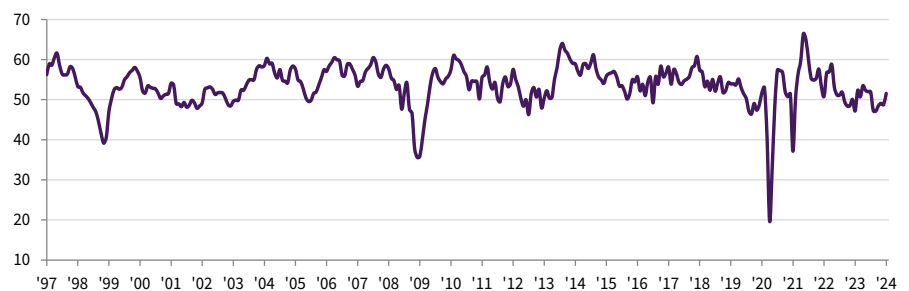
*"The first batch of PMI data for 2024 indicated a positive start to the year for companies in the North West. Business activity picked up in January amid signs of improving demand, with the increase in workloads also benefitting the region's labour market. Employment rose notably and at one of the quickest rates seen nationally in January.*

*"That said, it is important to acknowledge that the upturn in activity follows a downturn throughout most of the second half of last year, and that business expectations towards growth prospects for the next 12 months remain subdued by historical standards.*

*"Nevertheless, the latest figures on the whole are encouraging, and this also goes for the survey's price indicators which showed slower increases in both input costs and output prices in January."*

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

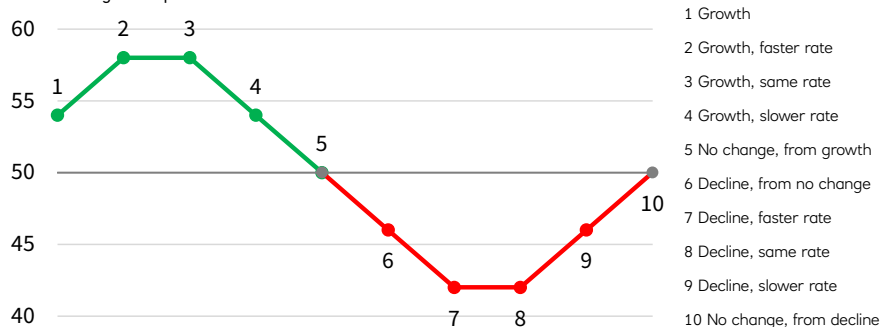
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

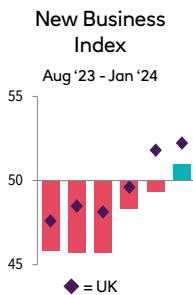
For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

### Index interpretation

50.0 = no change since previous month

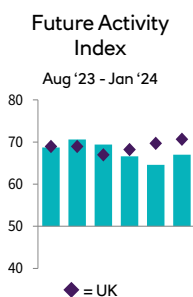
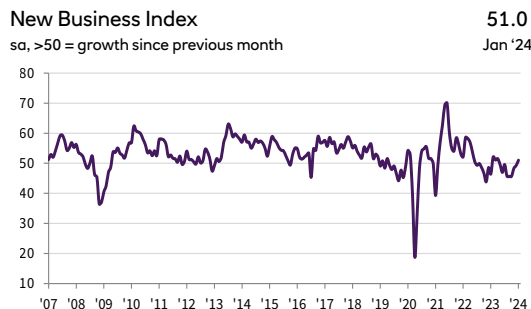


## Demand and outlook



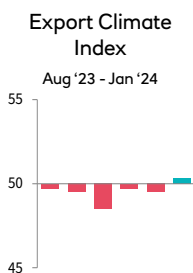
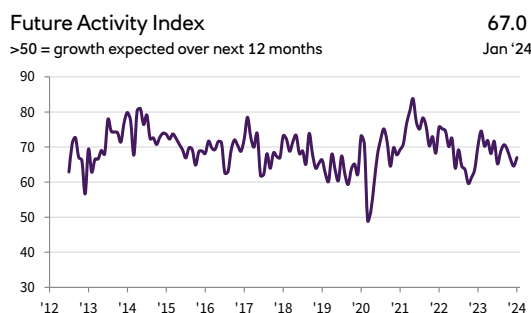
### Renewed increase in new business

After falling in each of the previous eight months, new business volumes across the North West private sector returned to growth in January. The modest rise in new work was driven largely by the service sector and attributed by surveyed firms to greater enquiries and an improved mood among customers. Four other monitored regions and nations also recorded moderate increases in sales, while London saw a further sharp expansion.



### Business confidence ticks up, but remains historically muted

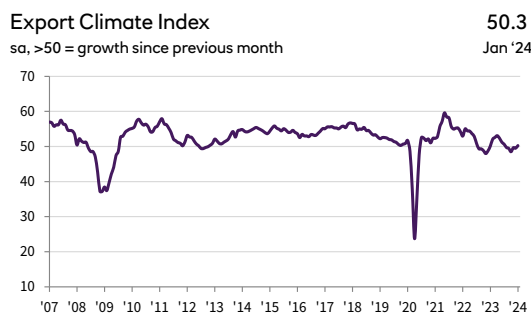
January saw an improvement in business expectations across the North West private sector. Nevertheless, ticking up from a 12-month low in December, the Future Activity Index was still below its long-run average and signalled a lower degree of optimism than seen across the UK as a whole. Local firms reported hopes of a pick-up in market demand and successful product launches, but they also voiced concerns about competitive pressures and squeezed customer budgets.



### Slight improvement in export demand 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 above 50 signals an improvement in export conditions.

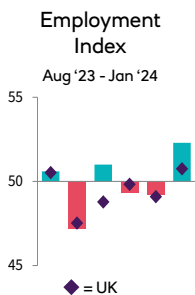
At 50.3, the ECI moved above the critical 50.0 mark for the first time six months in January, signalling a renewed – albeit marginal – improvement in export demand conditions faced by North West businesses. Growth was recorded in three of the region's top-five export markets, namely the US, Ireland and China. However, other key destinations, such as the Netherlands and Germany, contracted further.



Top export markets, North West

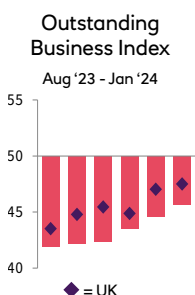
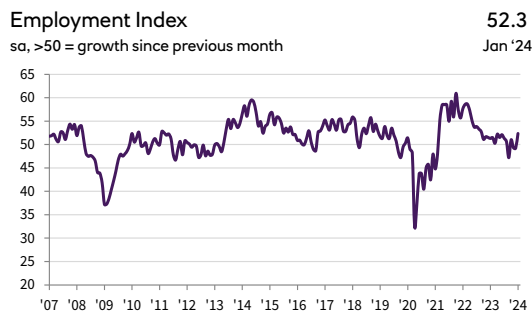
Rank	Market	Weight	Output Index, Jan '24
1	USA	13.7%	52.0
2	Netherlands	10.0%	48.2
3	Germany	9.9%	47.0
4	Ireland	6.5%	50.7
5	China	5.8%	52.5

## Business capacity



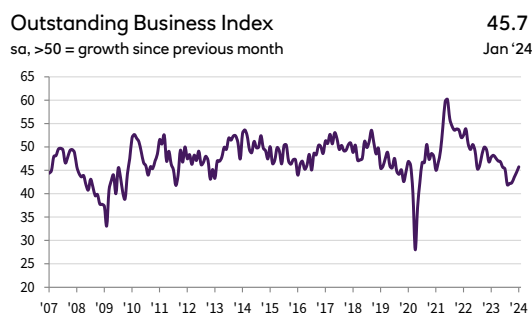
### Solid rise in workforce numbers

There was a solid rise in workforce numbers across the North West private sector in January, thereby reversing the modest back-to-back declines seen at the end of last year. The increase in employment was the most marked since September 2022 and the third-fastest among the 12 monitored regions. Underlying data indicated that job creation was centred on the service sector, where firms reported planning for future growth.



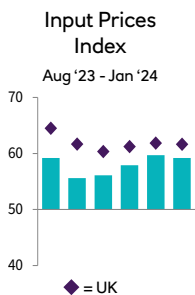
### Decline in backlogs continues to slow

Firms in the North West reported a further reduction in outstanding business (i.e. orders awaiting completion) in January, in line with the trend seen in every month since June 2022. The decline continued to be led by the manufacturing sector, underlying data showed. Although still solid, the rate of depletion slowed for the fifth month running to the weakest since last June.



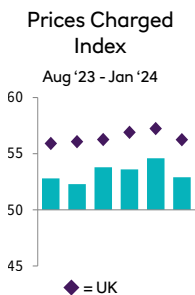
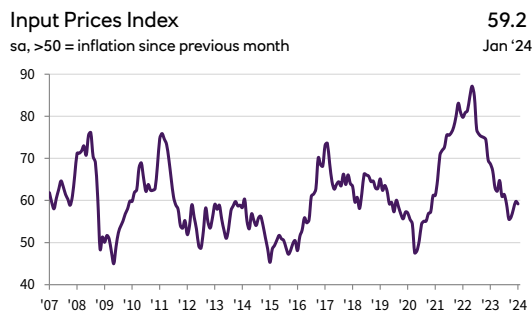


## Prices



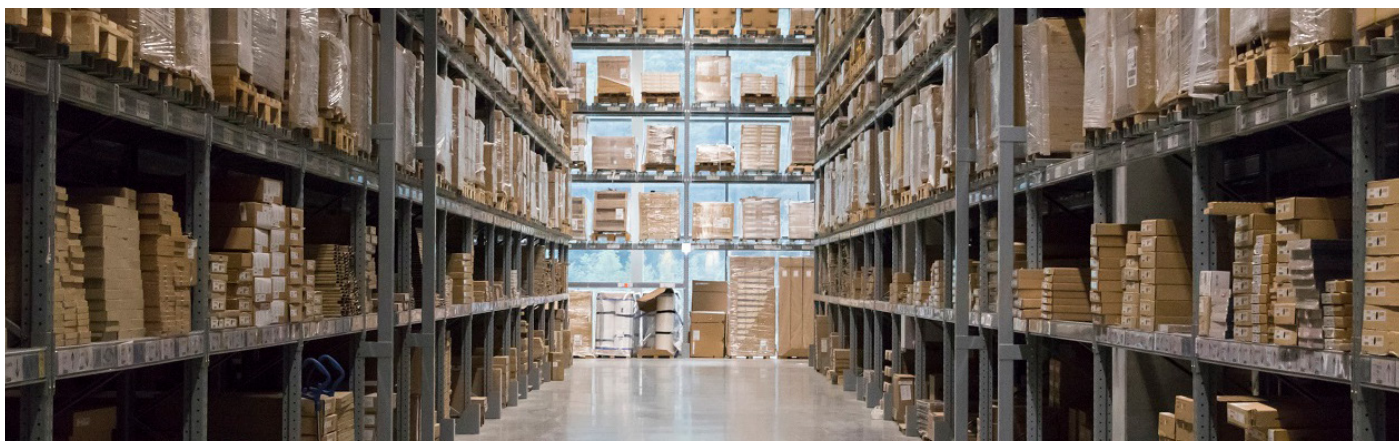
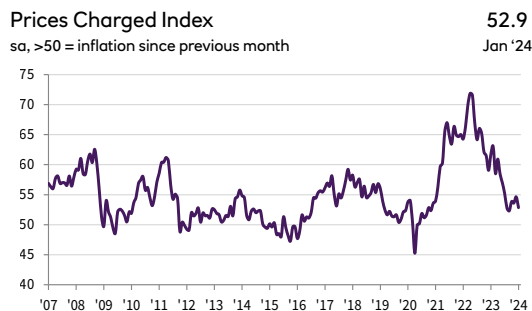
### Input prices rise at slightly slower rate

The rate of increase in business cost slowed slightly in January. The seasonally adjusted Input Prices Index ticked down from December's five-month high and registered broadly in line with its historical series average. Where operating expenses rose during the month, surveyed firms often remarked on salary increases. Cost pressures in the regio remained among the lowest nationally, with only Northern Ireland recording a comparatively slower rise.



### Output price inflation eases to four-month low

Matching the trend in input costs, average prices charged by businesses in the North West rose at a slower rate in January. Output price inflation retreated from December's five-month high to its lowest since last September. It also remained firmly below the UK-wide rate, which likewise eased at the beginning of the year.



## 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, Jan '24*
1	Chemicals & Plastics	1.66	50
2	Transport	1.27	55
3	Textiles & Clothing	1.09	50
4	Timber & Paper	0.92	50
5	Food & Drink	0.85	50
6	Basic Metals	0.84	50
7	Other Manufacturing	0.77	45
8	Mechanical Engineering	0.59	50
9	Electrical & Optical	0.55	50

#### North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '24*
1	Transport & Communication	1.19	50
2	Personal & Community Services	1.16	50
3	Hotels, Restaurants & Catering	1.11	55
4	Business-to-business Services	1.00	50
5	Computing & IT Services	0.76	55
6	Financial Intermediation	0.75	50

## UK sector focus

### Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

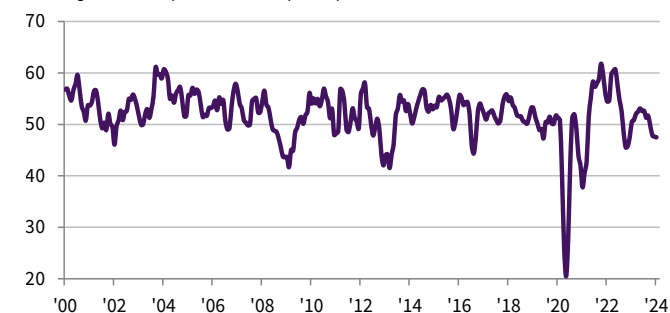
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

#### Output Index

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



\* 3-month moving average





## UK Regional PMI overview

### Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

### Employment

January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

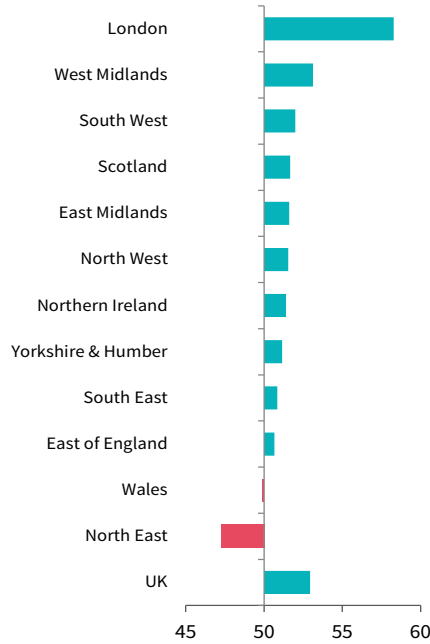
### Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland\*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

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

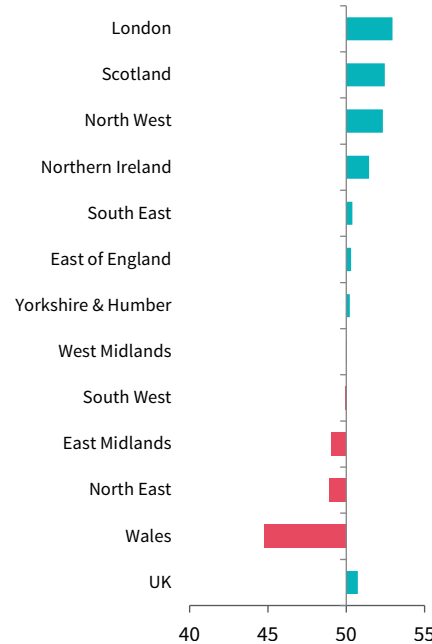
#### Business Activity Index

sa, >50 = growth since previous month, Jan '24



#### Employment Index

sa, >50 = growth since previous month, Jan '24



#### Future Activity Index

>50 = growth expected over next 12 months, Jan '24



## 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
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
Dec '23	48.8	49.3	49.5	64.6	49.2	44.6	59.7	54.6
Jan '24	51.5	51.0	50.3	67.0	52.3	45.7	59.2	52.9

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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.

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### 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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