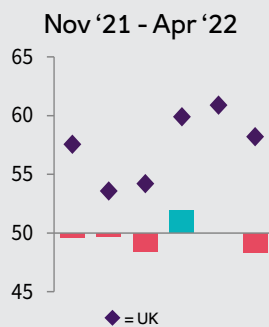


NatWest North East PMI[®]

Business activity falls at sharpest pace for 15 months

North East Business Activity Index



Key findings

Steepest reduction in new orders since May 2020

Fresh series-record rise in output charges for third month in a row

Business confidence at weakest level for two years

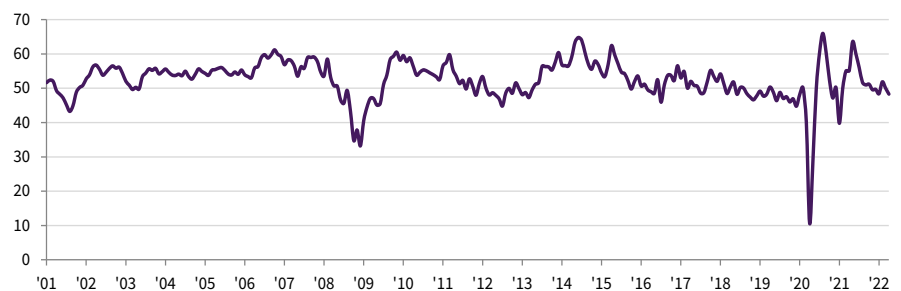
Businesses based in the North East reported a renewed downturn in business activity at the start of the second quarter of 2022, according to the latest NatWest Regional PMI[®] data. The headline NatWest North East Business Activity Index — a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors — dipped from 50.0 in March to 48.3 in April. This signalled a moderate decline in private sector activity that was the sharpest recorded since January 2021. Firms noted that high cost burdens, supply-chain issues, international concerns regarding COVID-19 restrictions in China and the Ukraine war had dampened output. Moreover, the North East was the only monitored UK region to post a reduction in activity.

Richard Topliss, Chairman of NatWest North Regional Board, commented:

"Private sector firms in the North East recorded a loss of momentum in April, as business activity was at or below the neutral 50.0 threshold for the fifth time in six months, with the latest fall the quickest for 15 months. The reduction came amid a steep contraction in new orders that was the fastest since the early months of the pandemic in 2020. Firms commented that output and demand were hindered by higher costs and supply chain disruptions, both of which were exacerbated by lockdown restrictions in China and the Ukraine war. Input costs continued to rise substantially as a result, which contributed to a record increase in prices charged for local goods and services for the third month running. As a result, firms were less upbeat about the prospects for activity, with the degree of optimism at the lowest level for two years."

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

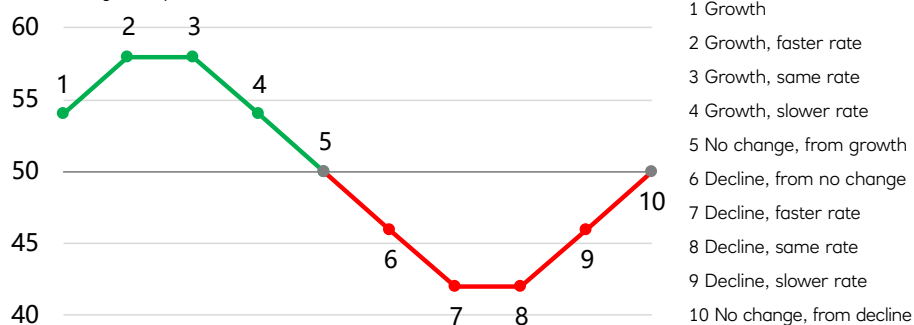
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month

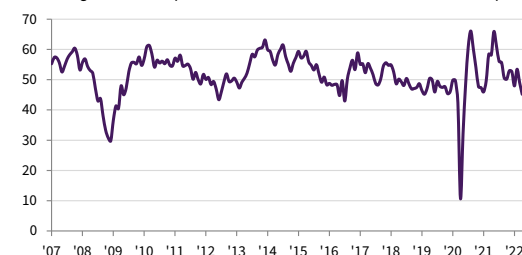


Demand and outlook

Decline new business accelerates in April

April data indicated a second successive decline in new business received by North East private sector firms. The pace of contraction was sharp overall, and the quickest since May 2020. Moreover, the North East was the only region to record a decline in sales. Local firms linked the downturn to higher prices, supply chain delays, Brexit and renewed COVID-19 restrictions in China.

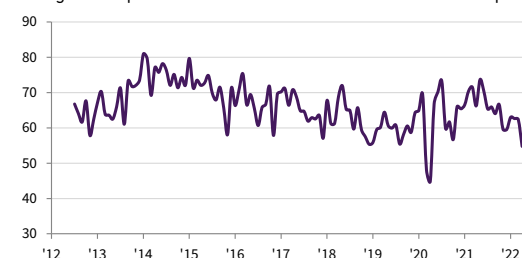
New Business Index
sa, >50 = growth since previous month
45.2
Apr '22



Business confidence at lowest since April 2020

Private sector businesses based in the North East were optimistic regarding the year-ahead outlook for activity in April. That said, the degree of confidence slowed considerably from March and was the weakest in the current two-year sequence of positive expectations. Confidence was underpinned by hopes that the war in Ukraine would end and demand would recover further. However, concerns were raised about the rise in the cost of living and the wider impact of the war and Brexit on exports in particular. The overall degree of optimism in the North East was the second-lowest of all UK regions, ahead only of Northern Ireland.

Future Activity Index
>50 = growth expected over next 12 months
54.8
Apr '22



Exports

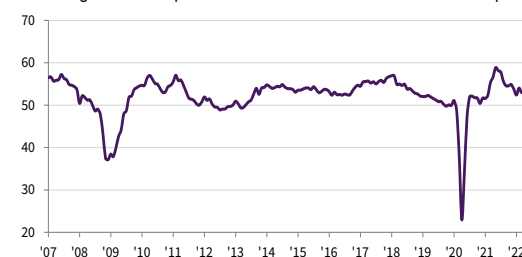
Stronger improvement in export conditions

The North East Export Climate Index 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 Export Climate Index rose from 53.0 in March to 53.5 in April, signalling a stronger and solid improvement in export conditions at North East-based firms. The improvement was the second-strongest recorded in the year-to-date and extended the current sequence of growth to 22 months.

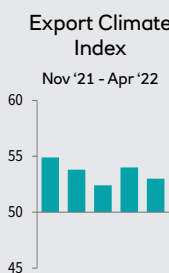
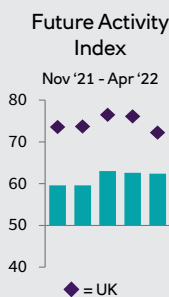
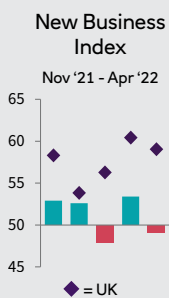
The upturn was largely the result of an acceleration in growth across the Netherlands, Spain and Italy. At the same time, the US and Germany recorded softer increases in output.

Export Climate Index
sa, >50 = growth since previous month
53.5
Apr '22



Top export markets, North East

Rank	Market	Weight	Output Index, Apr '22
1	Netherlands	13.6%	55.7
2	USA	12.9%	56.0
3	Germany	12.8%	54.3
4	Spain	6.8%	55.7
5	Italy	5.6%	54.5



Business capacity

Renewed reduction in employment levels

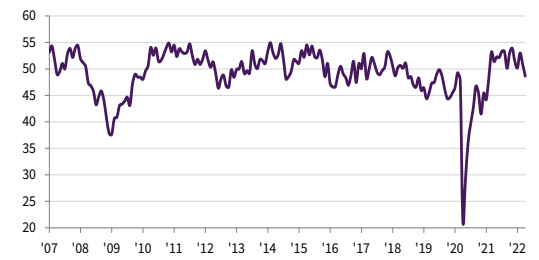
Employment levels among North East businesses decreased for the first time since February 2021 at the start of the second quarter. According to anecdotal evidence, rising wage costs and an inadequate supply of suitably skilled staff was behind the renewed fall. The North East was the only region to report job shedding in April.

Employment Index

sa, >50 = growth since previous month

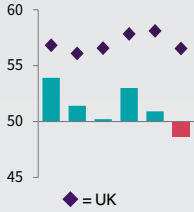
48.6

Apr '22



Employment Index

Nov '21 - Apr '22



◆ = UK

Backlogs of work fall at softer pace

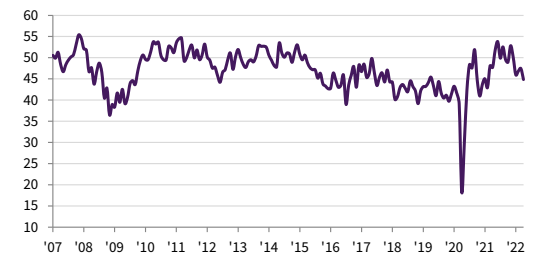
Following the sharp reduction in new orders, North East private sector businesses reported a quicker reduction in outstanding business in April. The contraction was steep, as the respective seasonally adjusted index was at its lowest level for 14 months. Furthermore, the latest reading was below that seen at the national level and the lowest of the 12 monitored regions.

Outstanding Business Index

sa, >50 = growth since previous month

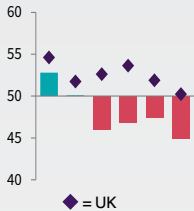
44.9

Apr '22



Outstanding Business Index

Nov '21 - Apr '22



◆ = UK

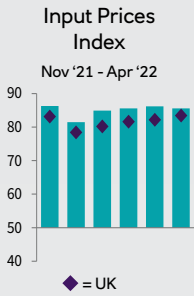


Prices

Input price inflation slows for the first time in four months

April data signalled that private sector firms operating in the North East faced another substantial rise in average input costs. That said, the rate of inflation eased for the first time since last December. Panellists associated higher prices with rising raw material prices, notably for fuel and energy as well as increased freight and staff costs. Some firms also commented that the Ukraine war had exacerbated price rises.

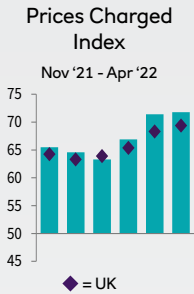
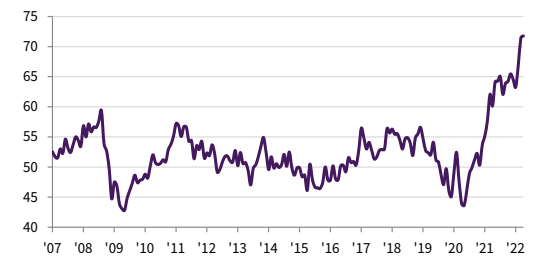
Input Prices Index
sa, >50 = inflation since previous month
85.6
Apr '22



Output price inflation reaches record high for third month running

Average prices charged for goods and services in the North East rose for the twentieth time in as many months in April. The upturn quickened slightly from March to reach a fresh series peak for the third month in a row. The rate of inflation also outpaced the UK average. Businesses commonly linked the rise in prices charged to the partial pass-through of greater cost burdens to clients.

Prices Charged Index
sa, >50 = inflation since previous month
71.8
Apr '22



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, Apr '22*
1	Chemicals & Plastics	1.58	
2	Timber & Paper	1.17	
3	Mechanical Engineering	1.17	
4	Basic Metals	1.13	
5	Transport	0.91	
6	Other Manufacturing	0.71	
7	Textiles & Clothing	0.70	
8	Electrical & Optical	0.69	
9	Food & Drink	0.54	

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '22*
1	Transport & Communication	1.51	
2	Hotels, Restaurants & Catering	1.20	
3	Personal & Community Services	1.13	
4	Business-to-business Services	0.90	
5	Financial Intermediation	0.75	
6	Computing & IT Services	0.57	

UK sector focus

Mechanical Engineering

The UK's Mechanical Engineering sector saw sustained growth in output levels in the three months to April, albeit at a relatively subdued pace that was below the average for manufacturing as whole. The upturn was supported by rising inflows of new work.

Although easing from the record levels seen last year, supply chain bottlenecks remained a key issue facing businesses in the sector, leading to longer lead times on inputs, whilst also helping to fuel a continued surge in purchase prices. Higher costs were increasingly passed on to customers, with factory gate charge inflation reaching a survey-record high.

Still, Mechanical Engineering companies maintained a strongly positive outlook for output in the coming year and, as such, continued to add to workforce numbers at a rapid pace.

Output Index

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



*3-month moving average



UK Regional PMI overview

Business Activity

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East seeing a renewed contraction. London recorded the fastest overall rate of expansion, followed by the South West, while only the North West and Scotland registered quicker increases in business activity than the month before.

Employment

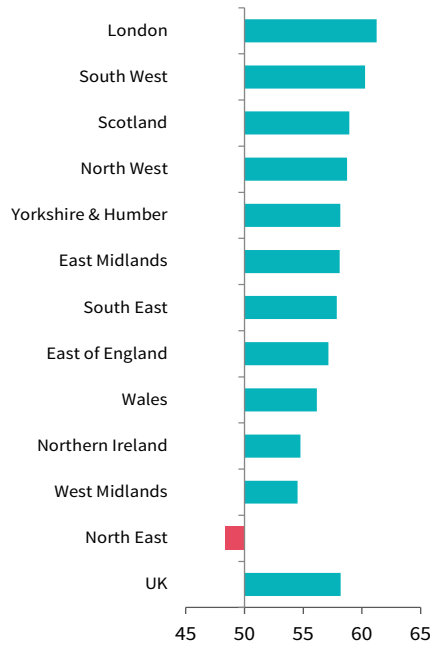
A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only slightly. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

Future Activity

Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland* (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.

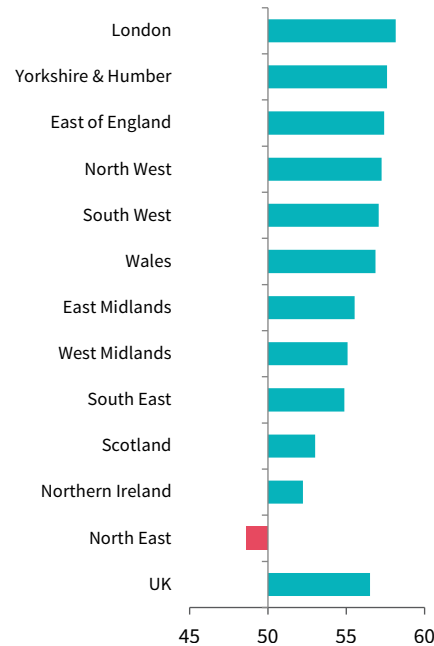
Business Activity Index

sa, >50 = growth since previous month, Apr '22



Employment Index

sa, >50 = growth since previous month, Apr '22



Future Activity Index

>50 = growth expected over next 12 months Apr '22



* 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
Nov '21	49.6	52.9	54.9	59.6	53.9	52.8	86.3	65.5
Dec '21	49.7	52.6	53.8	59.6	51.4	50.1	81.5	64.6
Jan '22	48.4	47.9	52.4	63.0	50.2	46.0	84.9	63.3
Feb '22	51.9	53.4	54.0	62.6	53.0	46.8	85.6	66.9
Mar '22	50.0	49.1	53.0	62.4	50.9	47.4	86.2	71.4
Apr '22	48.3	45.2	53.5	54.8	48.6	44.9	85.6	71.8

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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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