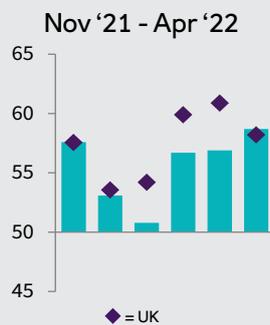


NatWest North West PMI®

North West sees sustained strong growth in business activity despite record price rises

North West Business Activity Index



Key findings

Business Activity Index registers at nine-month high of 58.7 in April

Rates of input cost and output price inflation climb to fresh record highs

Further strong rise in employment, but pace of job creation slows

Latest Regional PMI® data from NatWest showed a continued strong recovery in the North West private sector economy in April, with the region recording its fastest upturn in business activity since July last year. That was despite signs of ever-increasing price pressures, with average charges for goods and services rising at a record rate as local firms sought to offset soaring costs. Employment levels continued to rise strongly in the region, although the pace of job creation eased to the slowest this year, in line with a drop in business confidence towards the outlook.

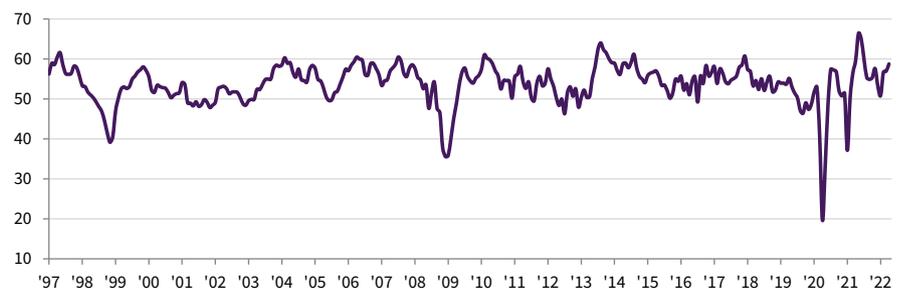
The headline North West Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – climbed to a nine-month high of 58.7 in April, up from 56.9 in March. This signalled a sharp and accelerated rate of growth, and went against the broader UK-wide trend.

Richard Topliss, Chairman of North Regional Board, commented:

"The North West economy carried strong momentum into the second quarter of the year, with the region's business activity index pointing to the strongest growth for nine months in April. Less positively, however, firms' optimism towards the outlook waned as concerns grew about the sustainability of the current rate of growth, especially given the strong inflationary environment and the associated cost-of-living squeeze. While many local firms continued to take on new staff, the rate of job creation eased to the weakest so far in 2022 as firms showed some signs of reining in their hiring plans amid record cost and price increases."

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

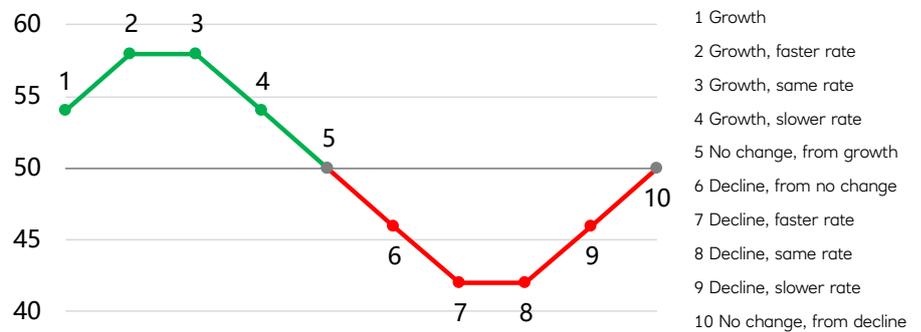
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Growth of new business remains strong

Latest data showed a sustained improvement in the level of demand faced by firms in the North West, with inflows of new work rising for the fourteenth month running amid reports of growing sales opportunities. The rate of expansion eased to a three-month low, although it remained robust by historical standards and was quicker than the UK-wide average.

Underlying data showed increases in new business across the region's manufacturers and services firms, with the latter recording the more marked rise.

Businesses lower their growth expectations

April's survey showed that, on balance, firms in the North West anticipated a rise in activity over the next 12 months. This reflected hopes of a continued upturn in demand and improving investment prospects. Expectations did, however, ease to a four-month low, as businesses voiced concerns about rising prices and associated squeeze on purchasing power.

Exports

Export demand conditions continue to improve

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.

Demand conditions continued to improve across the North West's export markets during April, as underscored by the ECI registering a reading of 53.9. Indeed, many of the region's top export destinations, including the US, Germany, Ireland and the Netherlands, saw robust growth during the month. Activity in China declined against the broader trend amid a tightening of COVID-related restrictions.

New Business Index

sa, >50 = growth since previous month

56.9

Apr '22



Future Activity Index

>50 = growth expected over next 12 months

70.2

Apr '22



Export Climate Index

sa, >50 = growth since previous month

53.9

Apr '22



Top export markets, North West

Rank	Market	Weight	Output Index, Apr '22
1	USA	13.1%	56.0
2	Germany	10.5%	54.3
3	Ireland	7.2%	59.6
4	China	6.8%	37.2
5	Netherlands	6.4%	55.7



Business capacity

Pace of job creation remains strong despite easing

Employment across the North West private sector continued to rise during April, as local businesses expanded their workforces to accommodate for improving demand. Despite easing to a four-month low, the pace of job creation remained among the fastest on record.

Although data showed increases in employment across both manufacturing and services, the latter made by far the larger contribution to the overall rise.

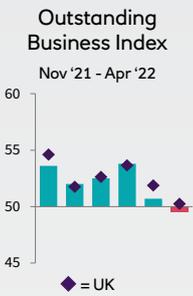
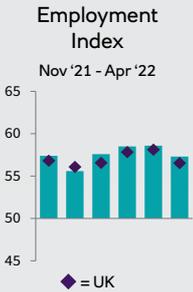
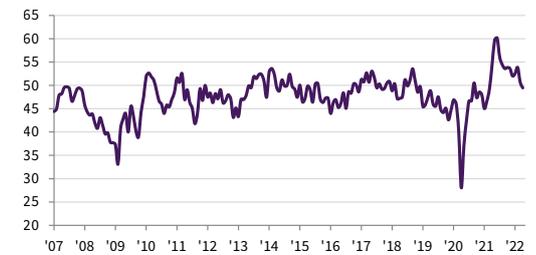
Backlogs of work decline for first time in over a year

April saw a first – albeit marginal – decline in the level of outstanding business at firms in the North West for over a year. A number of surveyed firms commented that increased staffing capacity had enabled them to complete orders in a timelier manner. Across the UK as a whole, backlogs rose marginally and at the slowest rate in the current 14-month growth sequence.

Employment Index
sa, >50 = growth since previous month
57.3
Apr '22



Outstanding Business Index
sa, >50 = growth since previous month
49.5
Apr '22



Prices

Business cost pressures reach new high in April

Firms across the North West faced yet another steep rise in operating expenses in April. Furthermore, having accelerated for the third month in a row, the rate of input price inflation surpassed last November's previous survey-record high. Energy, labour, raw materials, and transportation were all cited as key sources of cost inflation during the month.

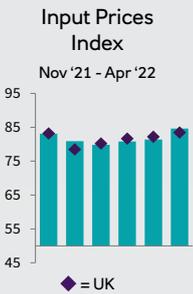
Input Prices Index 84.6
sa, >50 = inflation since previous month Apr '22



Fresh record increase in average prices charged

The pass-through of costs by businesses led to a sharp and accelerated rise in average prices charged for goods and services in April. As was the case with input prices, the rate of output price inflation reached a fresh record high and exceeded the average across the UK as a whole. In fact, only Northern Ireland and Yorkshire & Humber saw faster increases in prices charged.

Prices Charged Index 71.9
sa, >50 = inflation since previous month Apr '22



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, Apr '22 ⁺
1	Chemicals & Plastics	1.72	55
2	Transport	1.25	58
3	Textiles & Clothing	1.18	50
4	Timber & Paper	0.91	48
5	Basic Metals	0.84	55
6	Food & Drink	0.79	55
7	Other Manufacturing	0.72	55
8	Mechanical Engineering	0.56	55
9	Electrical & Optical	0.51	55

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '22 ⁺
1	Transport & Communication	1.18	50
2	Hotels, Restaurants & Catering	1.10	60
3	Business-to-business Services	1.03	55
4	Personal & Community Services	1.03	55
5	Computing & IT Services	0.81	55
6	Financial Intermediation	0.76	55

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.

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

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



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
Nov '21	57.6	56.3	55.3	73.0	57.4	53.6	83.1	64.7
Dec '21	53.1	53.1	54.3	68.3	55.6	52.0	80.9	65.0
Jan '22	50.8	52.2	52.6	75.7	57.6	52.5	79.8	64.3
Feb '22	56.7	58.6	54.8	75.2	58.5	53.8	80.8	66.3
Mar '22	56.9	58.2	54.0	74.5	58.6	50.7	81.4	69.9
Apr '22	58.7	56.9	53.9	70.2	57.3	49.5	84.6	71.9

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About NatWest

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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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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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