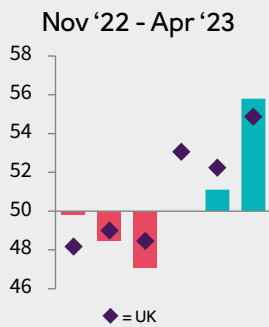


NatWest North East PMI®

Output growth accelerates in April

North East Business Activity Index



Key findings

Fastest rise in activity since July 2021

Business expectations strengthen

Inflationary pressures remain elevated

The headline NatWest North East 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 – rose to 55.8 in April, from 51.1 in March. The latest figure signalled back-to-back expansions in private sector output, and the fastest rate of growth since July 2021. Among the 12 UK regions monitored, the North East registered the second-sharpest increase in output, behind London. New business growth remained solid and the 12-month outlook brightened, driving the first rise in employment in nearly a year. Less positively, the recent slide in inflationary pressures showed signs of stalling.

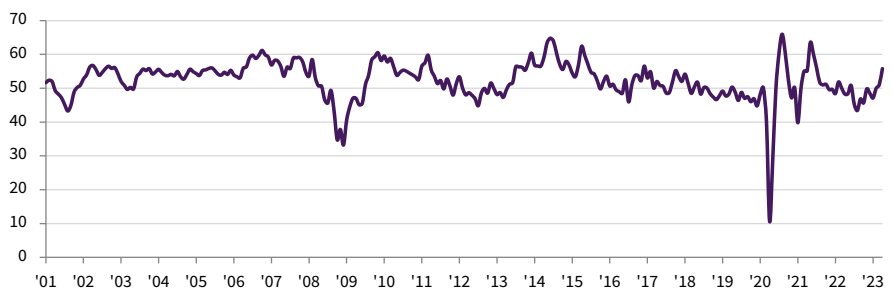
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"April was on the whole a good month for the North East's private sector firms, with a notable acceleration in output growth. This was foretold by March's improvement in new business inflows, and another strong rise in demand in April bodes well for the second quarter as a whole. Expectations for the year ahead also rose, reflected in the first increase in staffing for nearly a year."

"The main note of caution in the latest results concerned inflation. The Input Prices Index barely moved since March, remaining at an elevated level having previously trended lower since the second half of 2022. This is further evidence that headline inflation remains stubbornly high, at least until anticipated base effects on energy prices kick in. Wages and food reportedly drove costs up in April."

North East Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

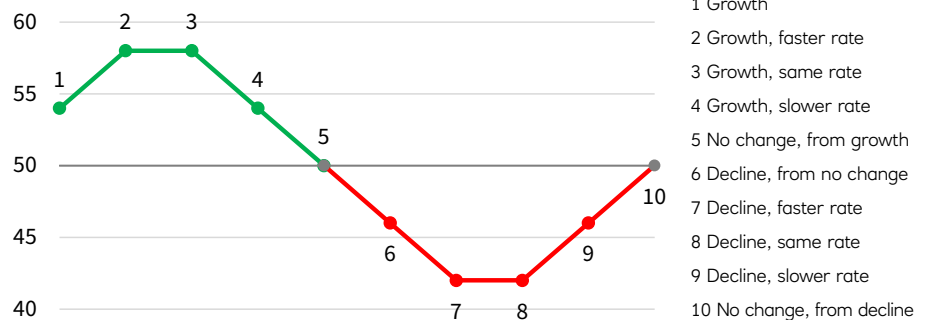
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

New business expansion remains solid

Private sector firms in the North East registered higher incoming new work for the fourth month running in April. The rate of expansion was little-changed from March's 19-month high, and above the long-run series average.

For the third month running the local increase in sales was broadly in line with the UK average.

Strongest outlook for a year-and-a-half

The Future Activity Index rose in April to the highest since October 2021, indicating a brighter outlook among North East companies. Firms mentioned optimistic growth plans, new customers and a recovery in the global economy.

That said, business confidence in the North East remained among the lowest in the UK, with only Scotland and Northern Ireland posting weaker Index readings in April.

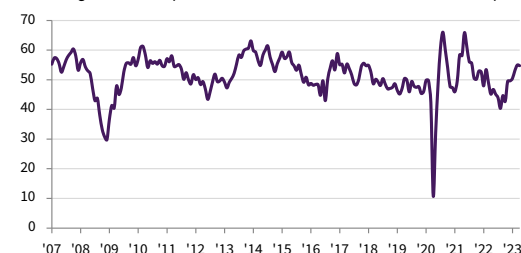
Exports

Further improvement in export markets

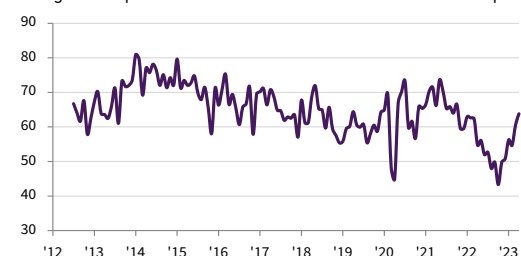
The North East Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North East. This produces an indicator for the economic health of the region's export markets.

The ECI rose further to 52.8 in April, signalling the strongest improvement in export market conditions for firms in the North East since May 2022. It was also equal to its long-run average (since 2000). Solid increases in activity were indicated in four of the region's top five export markets, with only the Netherlands recording a decline.

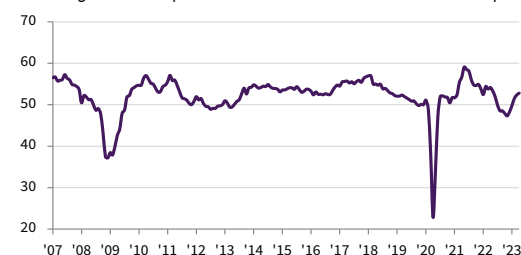
New Business Index
sa, >50 = growth since previous month
54.7
Apr '23



Future Activity Index
>50 = growth expected over next 12 months
63.8
Apr '23

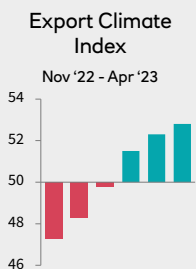
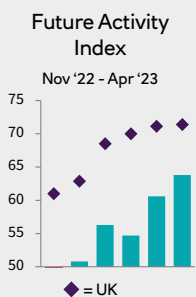
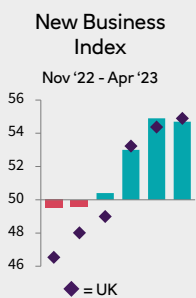


Export Climate Index
sa, >50 = growth since previous month
52.8
Apr '23



Top export markets, North East

Rank	Market	Weight	Output Index, Apr '23
1	Germany	15.6%	54.2
2	USA	14.5%	53.4
3	Netherlands	10.1%	47.7
4	France	9.6%	52.4
5	Italy	6.4%	55.3



Business capacity

Employment increases for first time in nearly a year

The seasonally adjusted Employment Index rose steeply in April, breaching the no-change mark of 50.0 and signalling a rise in staffing levels for the first time since May 2022. Firms hired staff to cope with increased workloads, according to anecdotal evidence, although there were reports that new positions were temporary and that ongoing skill shortages restricted growth.

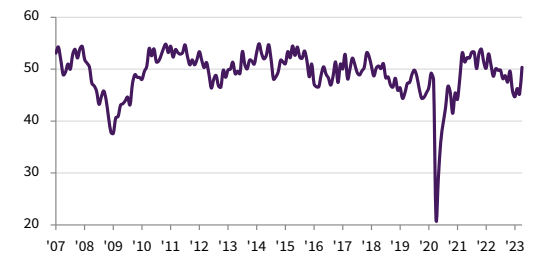
The overall increase in employment was the weakest among the 11 UK regions recording jobs growth (Wales posted a decline in its private sector workforce).

Expanded capacity facilitates further drop in backlogs

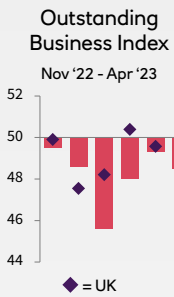
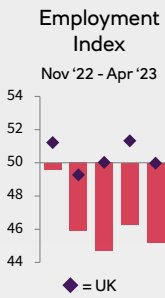
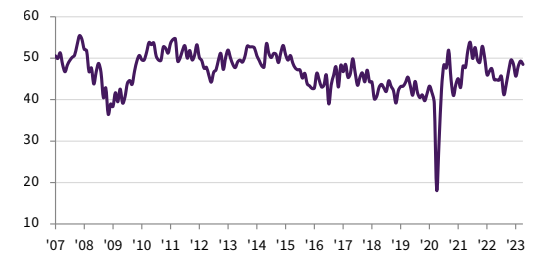
Although new business rose solidly in April, the level of incomplete work fell further. Backlogs of work have declined in every month since January 2022. The rate of contraction was slightly faster than in March as firms boosted staff and expanded capacity to manage workloads.

Across the UK as a whole backlogs were unchanged in April. The strongest decline was in Wales, and the fastest growth in London.

Employment Index
sa, >50 = growth since previous month
50.4
Apr '23



Outstanding Business Index
sa, >50 = growth since previous month
48.5
Apr '23



Prices

Input price inflation remains stubbornly high

Average input prices rose at the slowest rate since January 2021 in April. That said, the seasonally adjusted Input Prices Index was only fractionally lower than in March and still well above its long-run average (59.4), signalling that cost pressures had stabilised at a still very high level. Companies linked high cost inflation to wages, energy, food and imports generally, although fuel was reportedly down in price.

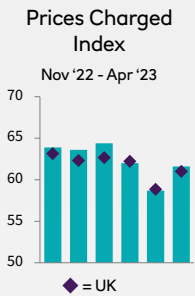
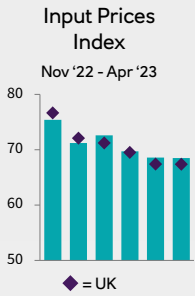
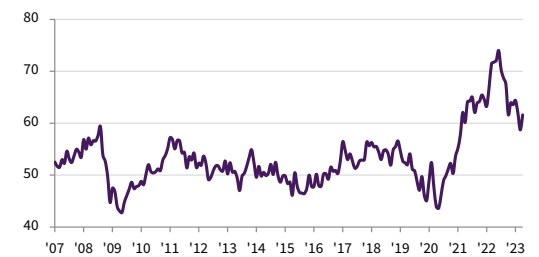
Input Prices Index
sa, >50 = inflation since previous month
68.5
Apr '23



Stronger increase in charges for goods and services

Prices charged for goods and services rose sharply again in April, linked to the pass-through of increased wages and material costs to customers. The rate of inflation remained below the highs posted in 2022, but was still above anything seen prior to March 2021 and accelerated since the prior survey period.

Prices Charged Index
sa, >50 = inflation since previous month
61.6
Apr '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, Apr '23*
1	Chemicals & Plastics	1.58	50
2	Timber & Paper	1.17	45
3	Mechanical Engineering	1.17	55
4	Basic Metals	1.13	50
5	Transport	0.91	55
6	Other Manufacturing	0.71	55
7	Textiles & Clothing	0.70	45
8	Electrical & Optical	0.69	55
9	Food & Drink	0.54	50

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '23*
1	Transport & Communication	1.51	50
2	Hotels, Restaurants & Catering	1.20	55
3	Personal & Community Services	1.13	55
4	Business-to-business Services	0.90	55
5	Financial Intermediation	0.75	60
6	Computing & IT Services	0.57	60

UK sector focus

Basic Metals

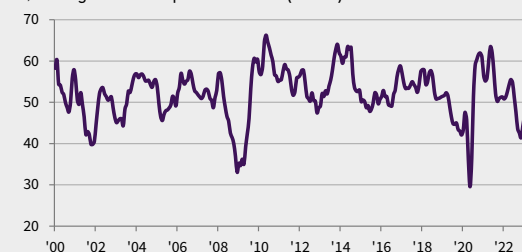
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

Output Index

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



*3-month moving average



UK Regional PMI overview

Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland*) where the pace of expansion slowed.

Employment

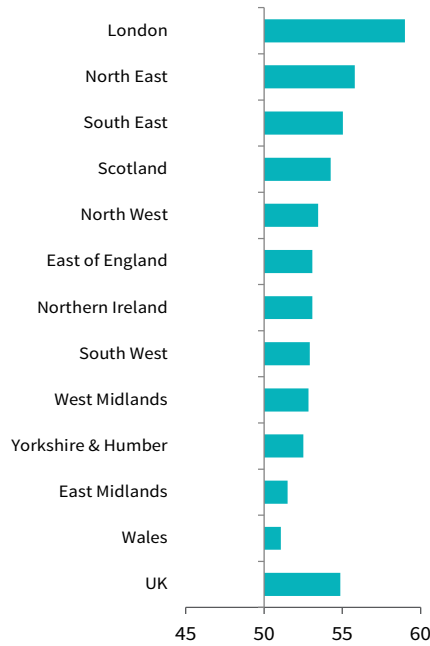
Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

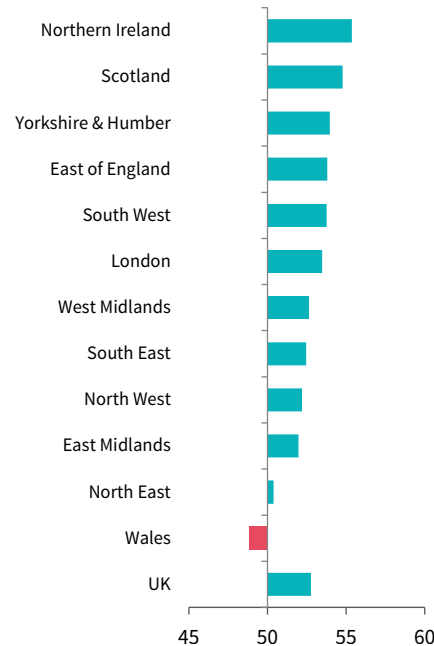
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Apr '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
Nov '22	49.8	49.5	47.3	49.8	49.6	49.5	75.4	63.9
Dec '22	48.5	49.6	48.3	50.8	45.9	48.6	71.2	63.6
Jan '23	47.1	50.4	49.8	56.3	44.7	45.6	72.6	64.4
Feb '23	50.0	53.0	51.5	54.7	46.3	48.0	69.7	62.0
Mar '23	51.1	54.9	52.3	60.6	45.2	49.3	68.6	58.7
Apr '23	55.8	54.7	52.8	63.8	50.4	48.5	68.5	61.6

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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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