

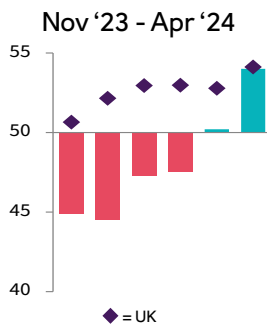


NatWest

NatWest North East PMI[®]

North East business activity expands at fastest rate for a year

North East Business Activity Index



Key findings

Expansions in output and new orders at their most marked in 12 months

Employment rises again, but only marginally

Cost pressures intensify notably

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 – posted 54.0 in April, up notably from 50.2 in March and indicating the second successive rise in output. The uptick largely reflected improved demand for North East goods and services, according to anecdotal evidence. The latest expansion in business activity at North East private sector firms was solid, the strongest for a year and largely in line with the UK average.

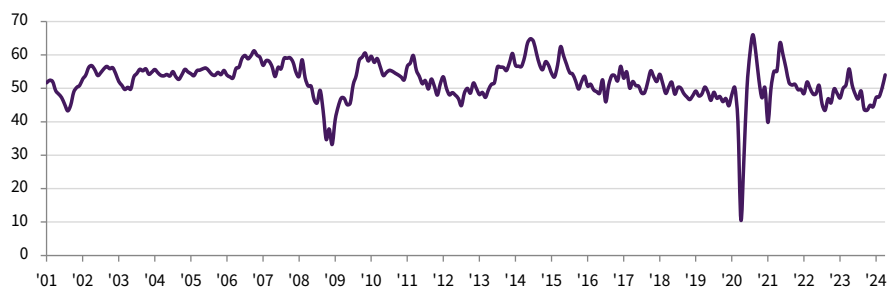
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"It is really encouraging to see the expansion in business activity across the North East sustained for a second consecutive month in April. Improved demand conditions certainly had a part to play in this with growth in new business renewed. In fact, both output and new orders rose at the quickest paces seen for a year. With greater output requirements, firms increase their workforce numbers for the second month in a row in April, albeit only marginally."

"Meanwhile, inflation remained a key concern for North East private sector firms. The introduction of the new national minimum wage and increased raw material costs led to a notable rise in cost pressure and, in turn, companies hiked their selling prices to a greater extent."

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

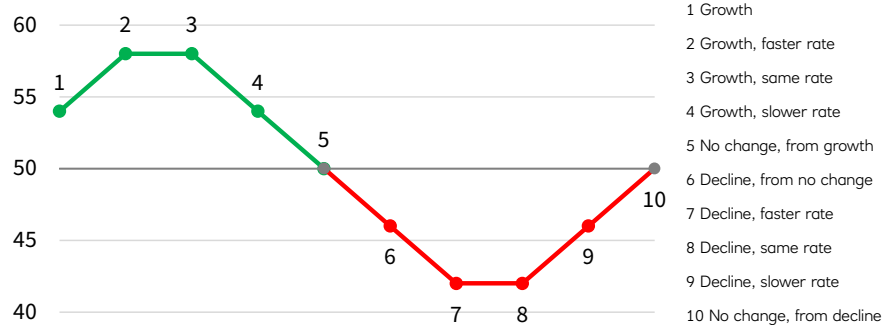
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month

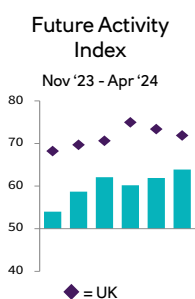
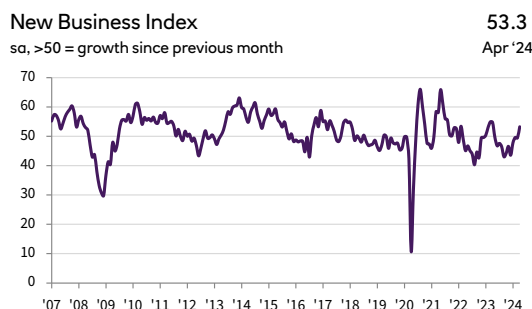
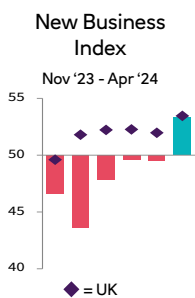


Demand and outlook

North East sees renewed growth in new business

April survey data saw new orders placed with private sector firms across the North East rise for the first time in one year. Increased marketing and an influx of new customers were among the reasons behind growth, anecdotal evidence showed.

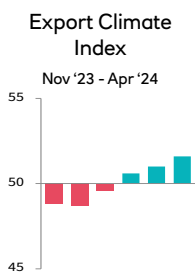
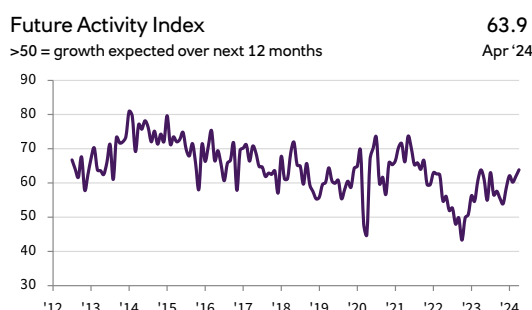
Furthermore, the rate of expansion was solid and largely in line with the UK average.



Brightest output forecast since October 2021

The Future Activity Index edged further above the neutral 50.0 mark in April, to indicate stronger confidence toward activity levels for the year ahead among North East firms. According to anecdotal evidence, improved forecasts for market conditions generally underpinned optimism.

The degree of positive sentiment across the North East was the most upbeat for 30 months, but nevertheless remained subdued compared to the UK average.



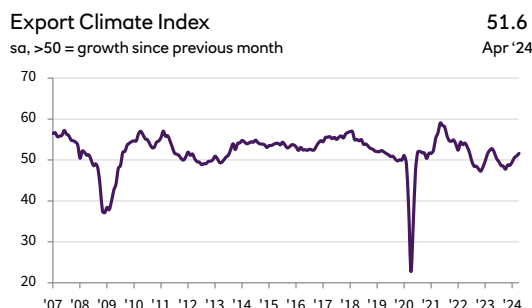
Exports

Export climate improves at most marked rate for 11 months

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 registered 51.6 in April, up from 51.0 in March, to signal the sharpest improvement in export conditions for the North East for nearly a year.

Supporting the upturn in trade conditions was renewed expansions across Germany and France, as well as faster growth in the Netherlands. Meanwhile, the US and Italy recorded softer increases in output in April.



Top export markets, North East

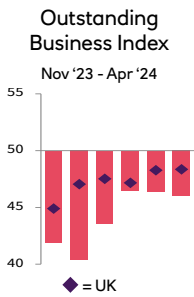
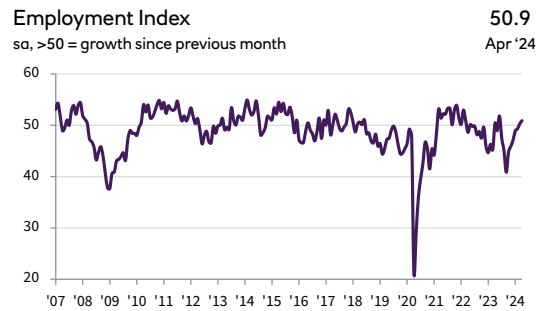
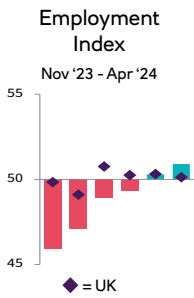
Rank	Market	Weight	Output Index, Apr '24
1	Germany	15.6%	50.6
2	USA	14.5%	51.3
3	Netherlands	10.1%	52.8
4	France	9.6%	50.5
5	Italy	6.4%	52.6

Business capacity

Workforce levels rise for second month running

The level of employment across the combined manufacturing and service sectors of the North East rose for the second month in a row in April. The rate of jobs growth hit a ten-month high and was faster than the UK average, though only marginal overall.

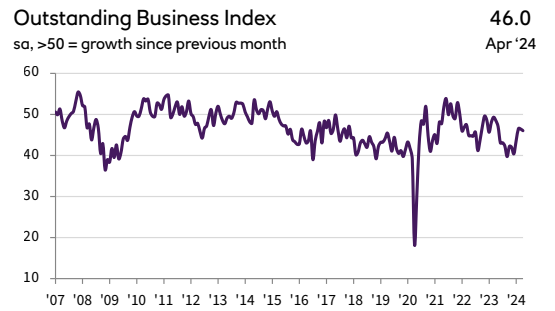
Survey respondents mentioned that job creation reflected an anticipated increase in new business.



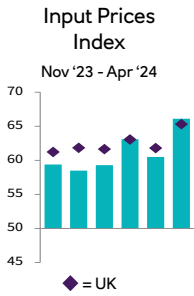
Expanded capacity facilitates solid backlog depletion

Despite an increase in new work, the level of outstanding business at North East private sector companies fell at a sharper pace in April. The rate of depletion was solid and the quickest for three months, supported by the recent uplift in payroll numbers.

The North East posted a decline in backlogs of work that was quicker than that seen at the UK level.



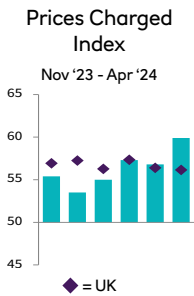
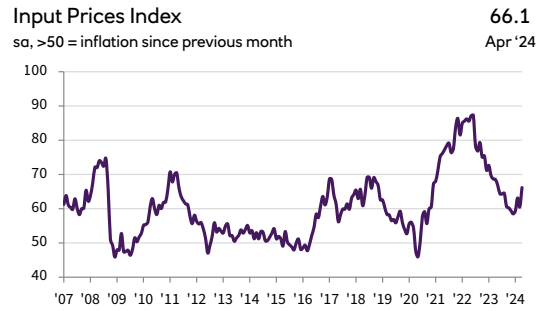
Prices



April sees steep hike in input costs

Companies across the North East reported increasing average input prices in April, as has been the case on a monthly basis for nearly four years. The rate of cost inflation jumped notably to an 11-month high and was elevated by historical standards. The new national minimum wage reportedly raised staffing costs, though some firms reported increased raw material prices.

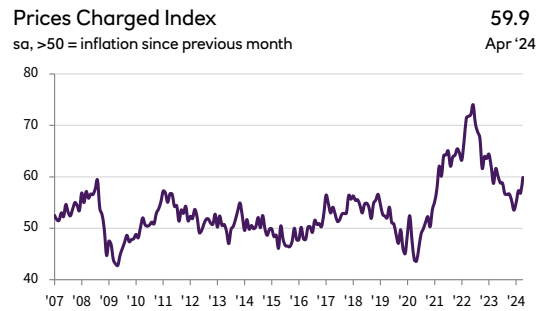
Of the 12 monitored UK regions and nations, only the South West and London posted stronger inflation than that seen locally.



Selling prices rise at fastest rate regionally

Prices charges for the provision of North East goods and services rose again in April. The rate of inflation picked up to the most marked since May last year and was sharp overall. Increased costs, including wages were partly passed on to clients, according to panellists.

The rate of charge inflation in the North East was the strongest of all 12 monitored UK areas.



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 '24 ⁺
1	Chemicals & Plastics	1.65	55
2	Basic Metals	1.21	48
3	Timber & Paper	1.08	55
4	Mechanical Engineering	1.08	55
5	Electrical & Optical	0.80	45
6	Transport	0.75	48
7	Textiles & Clothing	0.71	48
8	Other Manufacturing	0.63	50
9	Food & Drink	0.50	55

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '24 ⁺
1	Transport & Communication	1.42	48
2	Personal & Community Services	1.34	50
3	Hotels, Restaurants & Catering	1.17	55
4	Business-to-business Services	0.92	55
5	Financial Intermediation	0.60	55
6	Computing & IT Services	0.55	55

UK sector focus

Timber & Paper

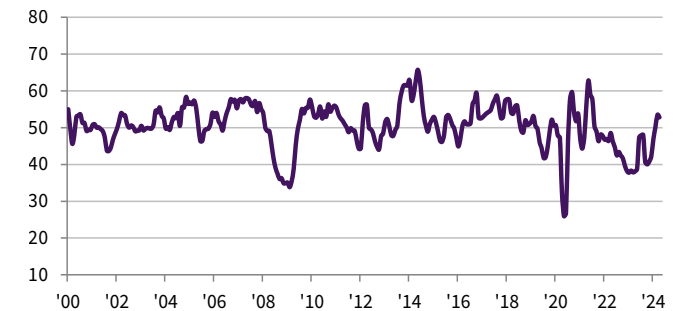
Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

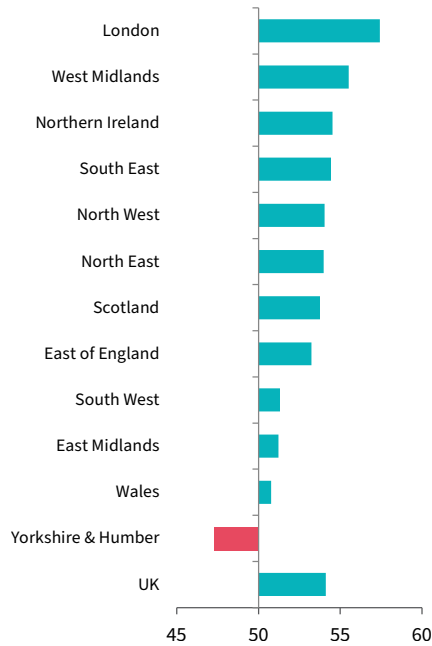
Employment

Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

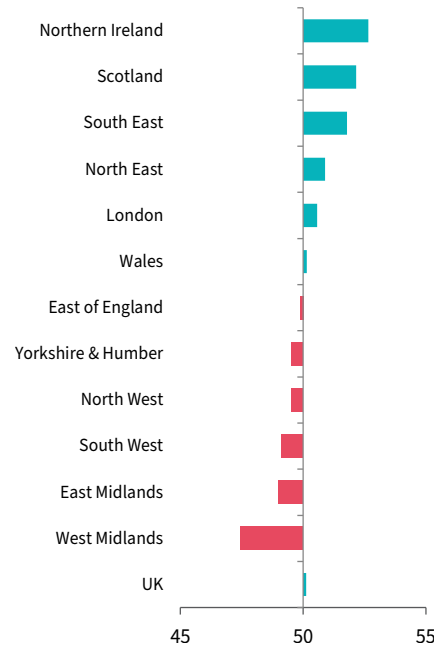
Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

Business Activity Index
sa, >50 = growth since previous month, Apr '24



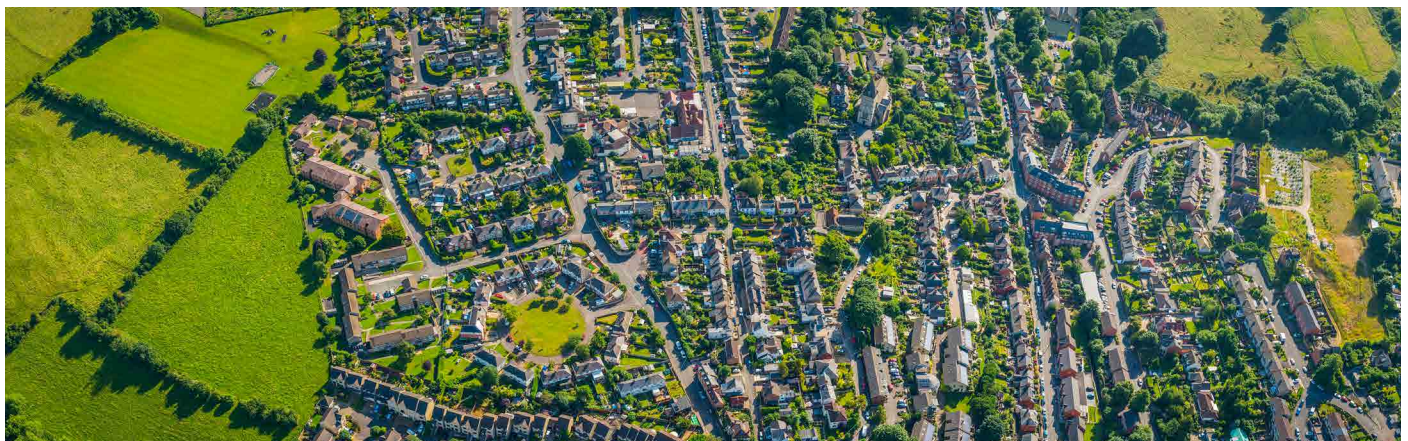
Employment Index
sa, >50 = growth since previous month, Apr '24



Future Activity Index
>50 = growth expected over next 12 months, Apr '24



* 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 '23	44.9	46.6	48.8	54.0	45.9	41.9	59.4	55.4
Dec '23	44.5	43.6	48.7	58.7	47.1	40.4	58.5	53.5
Jan '24	47.3	47.8	49.6	62.1	48.9	43.6	59.3	55.0
Feb '24	47.5	49.6	50.6	60.2	49.3	46.5	63.1	57.3
Mar '24	50.2	49.5	51.0	61.9	50.3	46.4	60.5	56.8
Apr '24	54.0	53.3	51.6	63.9	50.9	46.0	66.1	59.9

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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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