

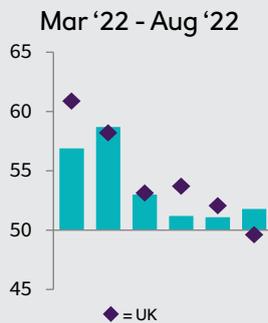


NatWest

NatWest North West PMI®

North West sees modest business activity growth in August

North West Business Activity Index



Key findings

North West Business Activity Index ticks up to three-month high of 51.8

Demand remains strained by high inflation and economic uncertainty

Further sharp rise in prices charged for goods and services

The North West private sector saw modest growth in business activity during August, contrasting with a downturn across the UK as a whole, latest Regional PMI® data from NatWest showed. 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 – came in at 51.8 in August. This represented a slight improvement from July’s 51.1 and took it further above the 50.0 threshold that separates growth from contraction. Of the 12 regions monitored, just two others (London and Yorkshire & Humber) recorded an increase business activity during the month.

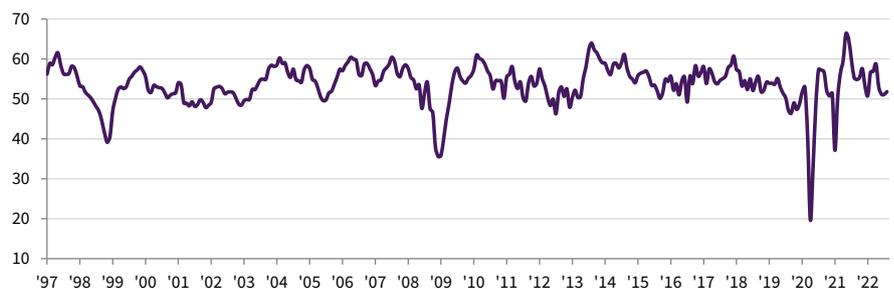
The pace of growth remained muted compared to earlier in the year, however, amid signs that high inflation and the uncertain economic outlook were weighing on demand. Business confidence in the region declined, whilst the pace of job creation slowed to an 18-month low.

Malcolm Buchanan, Chair of North Regional Board, commented:

"In the context of a slowdown in the wider economy, growth of business activity in North West, albeit only modest, is a positive result for the region. However, there are a number of warnings signs in the latest PMI survey, which point to an increasingly difficult operating environment for local firms. Companies now gone two months without any growth in new business and are quickly eating into their backlogs of work. Indeed, firms are less optimistic about the outlook and have slowed the rate job creation accordingly. With businesses spending more on energy and inputs generally, they have been left with little choice but to raise prices and could well take an even more cautious approach to hiring going forward."

North West 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 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

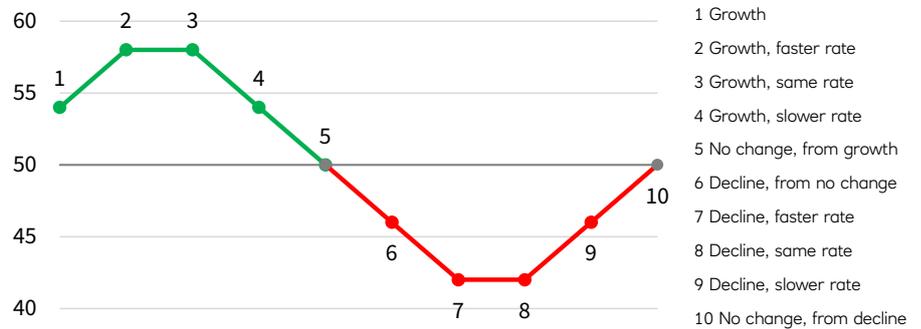
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Inflows of new business show little-change in August

After decreasing in July – albeit marginally – for the first time in 17 months, inflows of new work across the North West private sector broadly stagnated during August. The result was in line with the UK-wide trend. Anecdotal evidence pointed to increased difficulty securing new work due to cost of living pressures and a general economic slowdown.

Business confidence towards outlook weakens

August data showed a drop in confidence among firms in the North West towards the year-ahead outlook for activity. After recovering somewhat in July, expectations moved back closer to June's 25-month low and were below the historical series average (since 2012). Concerns about weaker demand conditions and a potential contraction in the economy weighed on companies' growth forecasts.

Exports

Export conditions worsen for first time in over two years

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 below 50 signals a deterioration in export conditions.

The ECI fell to below the neutral 50.0 threshold for the first time since the initial global COVID-19 outbreak over two years ago in August, registering 49.3 from 50.6 in July. This partly reflected deepening declines in activity across the region's top two export markets, the US and Germany.

New Business Index

sa, >50 = growth since previous month

49.9

Aug '22



Future Activity Index

>50 = growth expected over next 12 months

64.6

Aug '22



Export Climate Index

sa, >50 = growth since previous month

49.3

Aug '22



Top export markets, North West

Rank	Market	Weight	Output Index, Aug '22
1	USA	13.1%	47.7
2	Germany	10.5%	48.1
3	Ireland	7.2%	52.9
4	China	6.8%	54.0
5	Netherlands	6.4%	51.7

New Business Index

Mar '22 - Aug '22



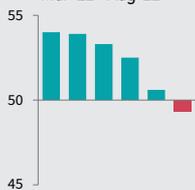
Future Activity Index

Mar '22 - Aug '22



Export Climate Index

Mar '22 - Aug '22



Business capacity

Employment growth to slows to 18-month low

Employment levels continued to rise across the North West private sector during August, albeit with waning momentum. Easing for the fourth time in the past five months, the rate of job creation was in fact the slowest seen since the current upturn in workforce numbers began in March 2021 and below the UK average. Underling data indicated that hiring was centred on the region's service sector, with local factory employment levels showing little-change.

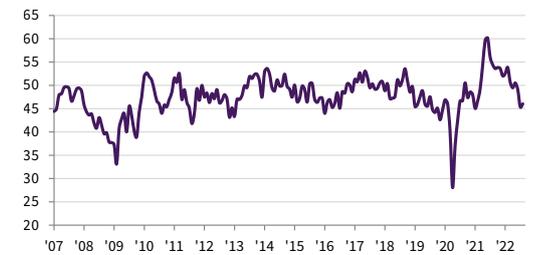
Employment Index
sa, >50 = growth since previous month
53.3
Aug '22



Further steep decline in backlogs of work

Latest data showed further evidence of easing capacity pressures across the North West's private sector, with August seeing another notable decline in backlogs of work (i.e. orders received but not yet completed) at firms. The decline was the fourth in the past five months and broad-based by sector, albeit slightly less than marked in July.

Outstanding Business Index
sa, >50 = growth since previous month
46.0
Aug '22



Prices

Rate of input price inflation edges down further, though still remains elevated

Business expenditure continued to rise sharply during August, with surveyed firms commenting on increases in energy bills, wages, food prices and charges from suppliers. That said, whilst remaining well above its historical series average, the overall rate of input price inflation retreated further from May's record high to the lowest since July 2021.

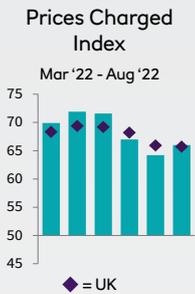
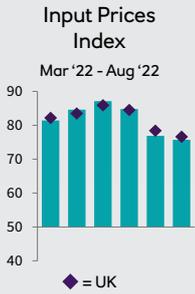
Input Prices Index 75.7
Aug '22
sa, >50 = inflation since previous month



Charges for goods and services rise sharply as firms pass on higher costs

Soaring costs led many businesses across the North West to raise prices charged for goods and services during August. The rate of inflation even ticked up from July's 11-month low and, although still down on the record highs seen earlier in the year, was among the quickest in the series history.

Prices Charged Index 66.0
Aug '22
sa, >50 = inflation since previous month



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

North West specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Aug '22 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	47
3	Textiles & Clothing	1.18	46
4	Timber & Paper	0.91	45
5	Basic Metals	0.84	44
6	Food & Drink	0.79	43
7	Other Manufacturing	0.72	42
8	Mechanical Engineering	0.56	41
9	Electrical & Optical	0.51	40

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Aug '22 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	47
3	Business-to-business Services	1.03	46
4	Personal & Community Services	1.03	45
5	Computing & IT Services	0.81	44
6	Financial Intermediation	0.76	43

UK sector focus

Timber & Paper

Latest UK PMI data showed a sustained downturn in activity across the Timber & Paper sector. Output levels fell sharply in the three months to August, maintaining a period of contraction stretching back a year.

Inflows of new orders decreased at an even faster rate, thereby leading to markedly reduced levels of outstanding business and a near-record build-up of finished goods. By contrast, pre-production inventories returned to contraction.

Positively, delays in the receipt of inputs were the lowest in almost two-and-a-half years. The easing of supply-chain pressures was further reflected in a moderation in the rate of input price inflation, down the lowest since the start of 2021, although it still remained elevated by historical standards. Similarly, there was a further sharp, albeit notably slower, rise in output prices across the sector.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Just three out of the 12 monitored UK regions recorded a rise in business activity in August. Growth in London was solid but eased notably since July, whilst both the North West and Yorkshire & Humber recorded only modest rates of expansion. Activity fell elsewhere, with the steepest declines registered in the North East and East of England.

Employment

Despite signs of weakness in activity and demand, almost all regions recorded a rise in employment in August. The only exception was the North East, where workforce numbers fell for the third month running. Rates of job creation not only slowed, however, but they varied widely, with a further steep rise in workforce numbers in London contrasting with only marginal growth in the South West.

Future Activity

The majority of regions recorded a drop in business confidence towards the outlook in August. The three highest-ranked areas, Yorkshire & Humber, the South East and London, went against the broader trend and recorded improved sentiment, as did the East Midlands (ranked eighth). Expectations turned negative in the North East, while firms in Northern Ireland* grew more pessimistic.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Aug '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
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
May '22	53.0	53.8	53.3	72.4	55.1	50.5	87.1	71.6
Jun '22	51.2	50.6	52.5	64.0	53.7	49.1	84.8	67.0
Jul '22	51.1	49.4	50.6	69.2	53.8	45.4	76.9	64.2
Aug '22	51.8	49.9	49.3	64.6	53.3	46.0	75.7	66.0

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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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