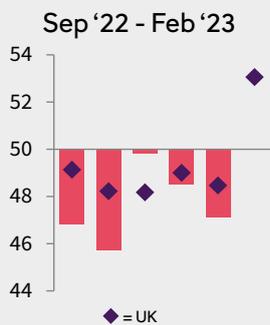


NatWest North East PMI[®]

Output stabilises in February as new business growth strengthens

North East Business Activity Index



Key findings

Activity levels unchanged on January following seven-month downturn

Robust increase in new business

Input price inflation at 25-month low, but still high overall

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 50.0 in February, from 47.1 in January, indicating a stabilisation in private sector output in the North East. This ended a seven-month run of decline, although the North East was the only UK region to not record growth of activity in February. Although new business rose further and price pressures eased, companies continued to shed staff and the 12-month outlook moderated since January. The North East was the only UK region except Wales where private sector employment fell.

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

"Although the North East saw an end to the recent downturn in output in February, the region remained a laggard compared with other parts of the UK, with all 11 other regions registering higher levels of activity. The North East was also a weak spot in terms of private sector jobs, one of only two regions – the other being Wales – to post a decline in February. More encouragingly, new business rose at a faster rate – one that was on a par with the UK as a whole – and price pressures eased."

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

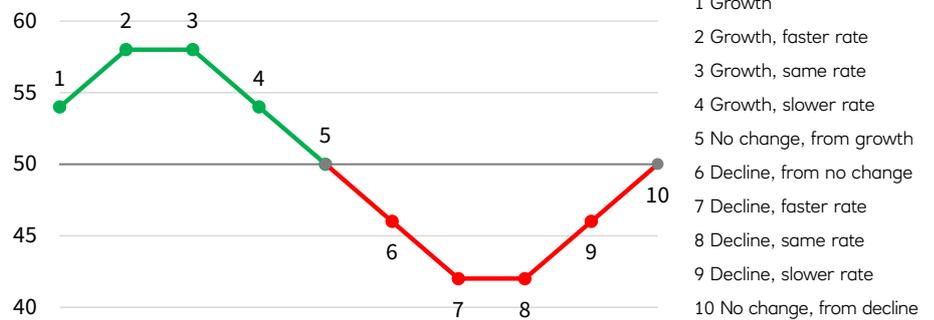
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Faster rise in new business

The volume of new orders received by private sector companies in the North East rose for the second month running in February, and at a faster rate that was greater than the long-run average (since 2001). Some firms reported a general pick-up in market conditions.

The increase in the North East was broadly in line with that seen across the UK as a whole, and faster than those registered in its three neighbouring regions of the North West, Yorkshire & Humber and Scotland.

New Business Index

sa, >50 = growth since previous month

53.0

Feb '23



New Business Index

Sep '22 - Feb '23



Expectations remain positive, but weakest in UK

The Future Activity Index signalled overall optimism among private sector firms in the North East for the third successive month in February. Growth forecasts were linked to new business opportunities, lower inflation and the reduced likelihood of a deep recession. That said, sentiment eased slightly from January's ten-month high. Moreover, confidence in the region was the weakest among all 12 UK areas monitored.

Future Activity Index

>50 = growth expected over next 12 months

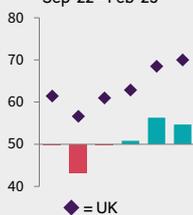
54.7

Feb '23



Future Activity Index

Sep '22 - Feb '23



Exports

Export conditions improve in February

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 to 51.5 in February, from 49.8 in January, indicating an overall expansion in activity across the North East's export markets. Previously, output had fallen across these markets for seven straight months.

Among the North East's largest export markets, Germany, the Netherlands, France and Italy all posted increases in output in February. There was broadly no change in the USA, however.

Export Climate Index

sa, >50 = growth since previous month

51.5

Feb '23



Export Climate Index

Sep '22 - Feb '23

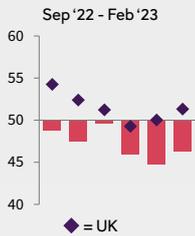


Top export markets, North East

Rank	Market	Weight	Output Index, Feb '23
1	Germany	15.6%	50.7
2	USA	14.5%	50.1
3	Netherlands	10.1%	50.4
4	France	9.6%	51.7
5	Italy	6.4%	52.2

Business capacity

Employment Index



Employment falls further, but at slower pace

Although demand for goods and services produced in the North East picked up in February, companies in the region continued to reduce workforces on average. Private sector employment fell for the ninth month running, albeit at the weakest rate since last November.

The fall in jobs in the North East contrasted with hiring growth in all other UK regions monitored except Wales. UK private sector employment as a whole rose for the first time in three months, albeit modestly.

Outstanding Business Index



Backlogs decline for fourteenth consecutive month

The level of outstanding business in the North East private sector economy fell for the fourteenth month running in February. That said, the rate of contraction was only modest and weaker than the trend over the current sequence.

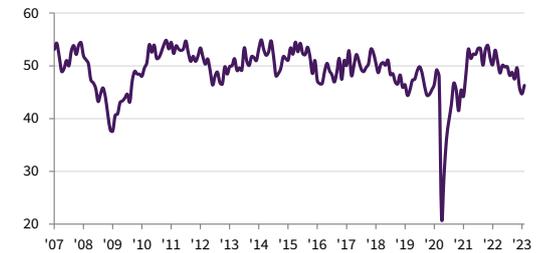
The North East posted the third-fastest decline in backlogs across all UK regions in the latest period, with only Wales and the East Midlands registering steeper drops.

Employment Index

sa, >50 = growth since previous month

46.3

Feb '23



Outstanding Business Index

sa, >50 = growth since previous month

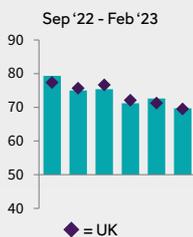
48.0

Feb '23



Prices

Input Prices Index



Slowest rise in input prices in over two years

Cost burdens facing private sector firms in the North East remained high overall in February, but inflationary pressure moderated. The seasonally adjusted Input Prices Index fell to a 25-month low, well down on the record high of 87.2 posted last June. That said, it remained above its long-run average of 59.4.

Input price inflation in the North East was broadly in line with the UK average in February, which eased to a 22-month low.

Input Prices Index

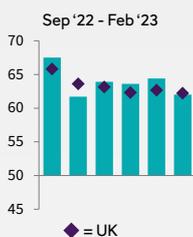
sa, >50 = inflation since previous month

69.7

Feb '23



Prices Charged Index



Weakest rise in charges in four months

With average input costs continuing to rise steeply in February, private sector firms in the North East increased their charges further. The rate of output price inflation eased to a four-month low, but remained higher than in any period prior to March 2021. Firms reported introducing new price lists and passing on higher costs to customers.

Charge inflation in the North East was broadly in line with the UK average in February, which eased to an 18-month low.

Prices Charged Index

sa, >50 = inflation since previous month

62.0

Feb '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, Feb '23*
1	Chemicals & Plastics	1.58	55
2	Timber & Paper	1.17	45
3	Mechanical Engineering	1.17	55
4	Basic Metals	1.13	50
5	Transport	0.91	48
6	Other Manufacturing	0.71	52
7	Textiles & Clothing	0.70	45
8	Electrical & Optical	0.69	50
9	Food & Drink	0.54	55

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '23*
1	Transport & Communication	1.51	50
2	Hotels, Restaurants & Catering	1.20	55
3	Personal & Community Services	1.13	50
4	Business-to-business Services	0.90	52
5	Financial Intermediation	0.75	50
6	Computing & IT Services	0.57	50

UK sector focus

Other Manufacturing

The UK's 'Other Manufacturing' sector - which comprises mainly consumer goods such as furniture, jewellery, sports items and household ceramics - saw a rise in production levels in the three months to February, following several months of declining output. Production was supported by easing supply constraints - the incidence of delivery delays having fallen sharply compared to the situation a year ago - which enabled businesses to catch up on backlogs of work.

Underlying demand continued to exhibit a weak trend, however, as underscored by a sustained decrease in new orders. That said, the rate of decline slowed in the three months to February and firms became more optimistic about the outlook.

Cost pressures in the sector meanwhile eased from the record high levels observed over the previous two years. Selling price inflation nevertheless remained historically elevated.

Output Index

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



*3-month moving average



UK Regional PMI overview

Business Activity

February saw a rise in business activity across all but one of the regions and nations monitored by the survey. The North East was the only exception, although output there did at least stabilise after a seven-month sequence of contraction. London recorded by far the strongest activity growth, registering its best performance since last July, with the South East a distant second place.

Employment

The number of areas recording an increase in employment rose from seven in January to ten in February, with the South West, East of England and Scotland each seeing renewed job creation. Northern Ireland was at the top of the rankings for workforce growth for a second straight month. Further decreases in employment were meanwhile recorded in both Wales and the North East.

Future Activity

There was an improvement in business confidence in two-thirds of areas in February. The most marked upswings in sentiment were in Northern Ireland and Scotland, although these two remained towards the bottom end of the scale for overall levels of optimism. Expectations were highest in the West Midlands, as was the case in January, and lowest in the North East, which saw confidence wane slightly.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Feb '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
Sep '22	46.8	44.6	48.5	49.8	48.8	43.7	79.3	67.5
Oct '22	45.7	42.7	47.9	43.3	47.5	46.9	75.0	61.7
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

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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.

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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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