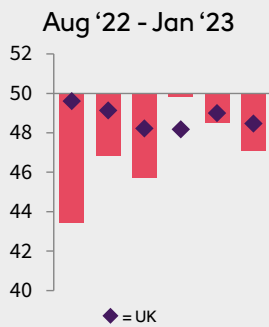


NatWest North East PMI[®]

Outlook brightens as new business increases in January

North East Business Activity Index



Key findings

Strongest expectations since March 2022

New business rises slightly but output contracts

Price pressures pick up but remain below 2022 highs

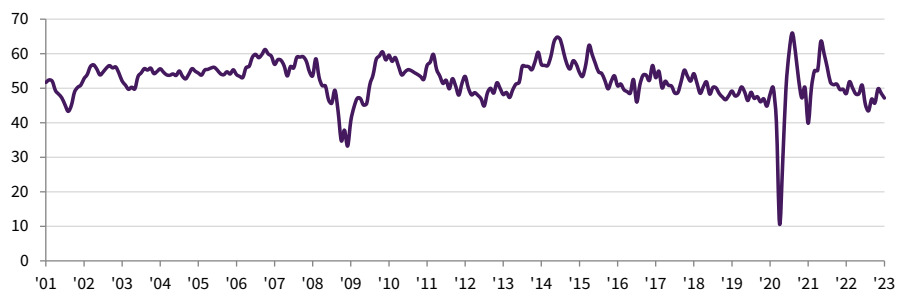
The opening month of 2023 saw a further drop in output in the North East private sector economy but a rise in new business and stronger confidence towards the outlook, according to the January NatWest Regional PMI[®] data. The headline NatWest North East PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – remained below the no-mark of 50.0 in January at 47.1, down from 48.5 in December. This signalled a steeper drop in output and extended the current downturn to seven months. The North East also saw a slightly stronger decline than the UK average. The latest survey results also signalled a rise in inflationary pressures, although the increases in input and output prices remained well down on their 2022 highs.

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

"Although the North East posted a further drop in output in January, the rise in new business and rebound in confidence provided glimmers of hope that the worst of the current economic crisis may already be behind us. Less positively, employment fell at the fastest rate in two years as firms grappled with costs and a steeper drop in outstanding work. The rise input price inflation was only slight, however, and the recent easing trend should resume in the coming months, providing hope that firms will resume recruitment once cost pressures are less acute."

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

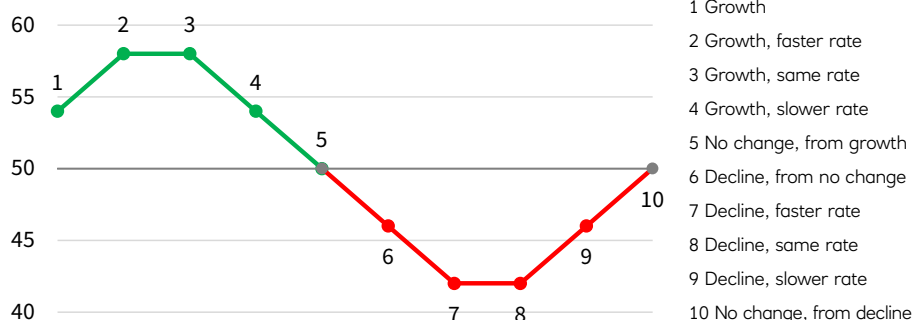
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

North East private sector firms reported growth in new orders in January, the first expansion since February 2022. Companies cited increased competitiveness at the start of 2023 and success in winning new customers.

The North East was one of only four UK regions to record growth in demand in January, the others being London, the South East and the East of England. That said, the rate of expansion in the North East was only marginal.

New Business Index

sa, >50 = growth since previous month

50.4

Jan '23



Expectations strengthen at start of 2023

Confidence among private sector firms in the North East improved in January. The Future Activity Index rose sharply since December to the highest level since March 2022, recovering further ground from last October's record low. Confidence was partly linked to improved competitiveness.

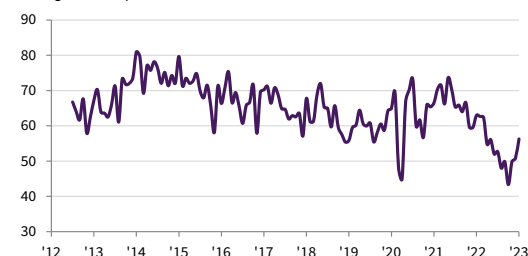
Although expectations strengthened in January, the North East still had the second-weakest 12-month outlook among the 12 UK regions, ahead of Northern Ireland.

Future Activity Index

>50 = growth expected over next 12 months

56.3

Jan '23



Exports

Export conditions broadly stable in January

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 49.8 in January, from 48.3 in December, indicating a broad stabilisation in activity across the North East's export markets. This followed a six-month downturn.

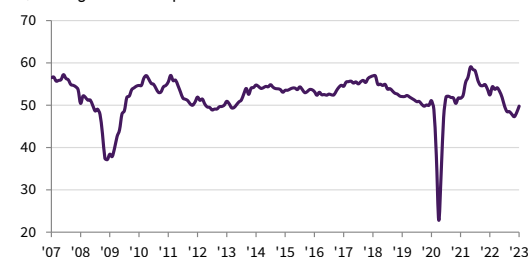
Among the region's largest export markets, the Netherlands and Italy posted increases in output in January. There was broadly no change in Germany while the US and France both contracted.

Export Climate Index

sa, >50 = growth since previous month

49.8

Jan '23

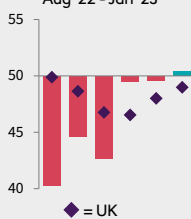


Top export markets, North East

Rank	Market	Weight	Output Index, Jan '23
1	Germany	15.6%	49.9
2	USA	14.5%	46.8
3	Netherlands	10.1%	50.7
4	France	9.6%	49.1
5	Italy	6.4%	51.2

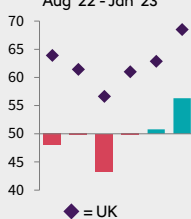
New Business Index

Aug '22 - Jan '23



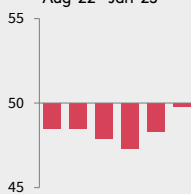
Future Activity Index

Aug '22 - Jan '23



Export Climate Index

Aug '22 - Jan '23



Business capacity

Fastest drop in employment in two years

Although new business rose in January and confidence improved, companies in the North East continued to shed staff as part of efforts to become more efficient and competitive. The region's private sector workforce shrank for the eighth month running, and at the fastest rate in two years.

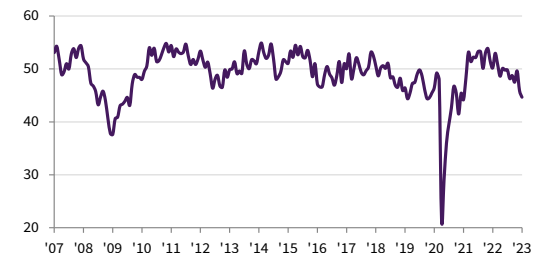
The North East also registered the fastest decline in employment among the five UK regions to record lower staffing levels in January. At the UK level, private sector employment was unchanged since December.

Backlogs cleared at faster rate

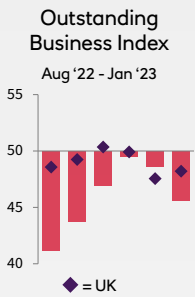
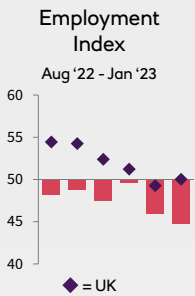
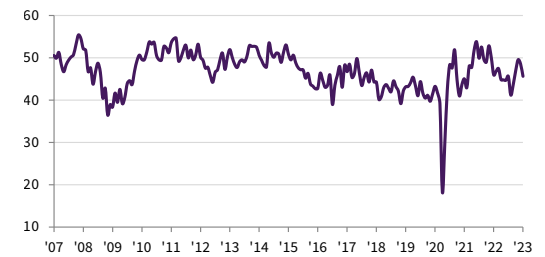
The level of outstanding business in the North East private sector economy fell for the thirteenth month running in January. Moreover, the rate of contraction was the fastest in four months despite the rise in new work at the start of 2023.

The North East posted one of the fastest drop in backlogs regionally, with only Scotland, Wales and Northern Ireland seeing steeper falls.

Employment Index
sa, >50 = growth since previous month
44.7
Jan '23



Outstanding Business Index
sa, >50 = growth since previous month
45.6
Jan '23



Prices

Input price inflation picks up from 22-month low

Average input prices increased at a faster rate in January, extending the current sequence of inflation to 32 months. The rate of inflation remained well above the long-run survey average and picked up since December, but was still the second-weakest in nearly two years, partly reflecting the recent drop in energy and fuel prices.

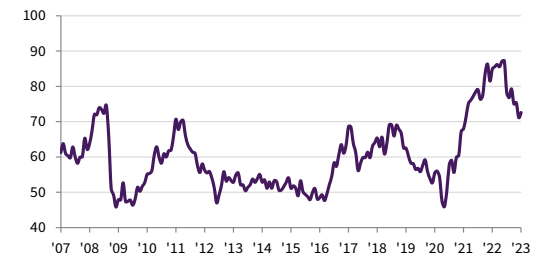
Cost pressures in the North East were slightly higher than the UK average in January.

Fastest rise in charges in four months

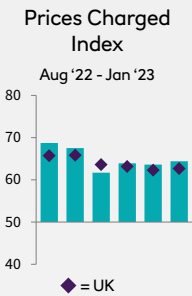
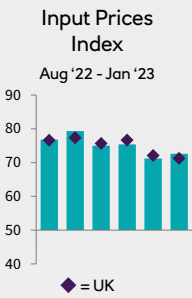
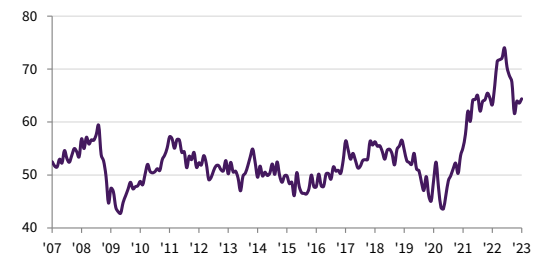
Companies raised their charges for goods and services in January at one of the fastest rates on record. The rate of output price inflation was below the 2022 average, but accelerated to a four-month high and was stronger than in any survey period prior to July 2021.

Among 12 UK regions monitored, only Wales saw a stronger rate of charge inflation than the North East in January.

Input Prices Index 72.6
sa, >50 = inflation since previous month Jan '23



Prices Charged Index 64.4
sa, >50 = inflation since previous month Jan '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, Jan '23 ⁺
1	Chemicals & Plastics	1.58	48
2	Timber & Paper	1.17	42
3	Mechanical Engineering	1.17	52
4	Basic Metals	1.13	48
5	Transport	0.91	48
6	Other Manufacturing	0.71	48
7	Textiles & Clothing	0.70	48
8	Electrical & Optical	0.69	48
9	Food & Drink	0.54	55

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '23 ⁺
1	Transport & Communication	1.51	48
2	Hotels, Restaurants & Catering	1.20	52
3	Personal & Community Services	1.13	50
4	Business-to-business Services	0.90	52
5	Financial Intermediation	0.75	48
6	Computing & IT Services	0.57	52

UK sector focus

Personal & Community Services

After seeing activity levels decline in the latter stages of last year, the UK's Personal & Community Services sector started 2023 on a more stable footing. Key to this was a renewed, albeit marginal, upturn in inflows of new businesses in the three months to January.

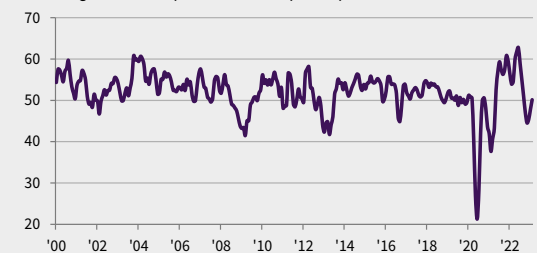
However, with survey data showing a lack of pressure on operating capacity, as evidenced by a marked and accelerated reduction in backlogs of work, firms reduced workforce numbers.

On the cost front, the rate of input price inflation eased only slightly and remained close to the record highs seen in 2022. Of the services sub-sectors mentioned, it was second only to that recorded by Hotels, Restaurants & Catering. Prices charged by Personal & Community Services firms meanwhile rose to the greatest extent since mid-2022.

Positively, expectations towards the year ahead improved, although they remained subdued by historical standards.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

London was alone among the 12 UK regions monitored by the survey in recording higher activity in January. The rate of growth in the capital remained only marginal, however. There were renewed downturns in output in both Wales and the North West, while the steepest decrease in activity was once again recorded in Northern Ireland.

Employment

Seven of the 12 regions and nations monitored posted a rise in employment in January, up from just four in December. Northern Ireland topped the rankings, registering its steepest rise in workforce numbers for six months, ahead of the West Midlands. The most marked fall in employment was in the North East, as had been the case in the previous survey period.

Future Activity

January data showed a broad-based improvement in business expectations. The greatest increase in confidence was recorded in the West Midlands, which also saw the strongest overall optimism. Sentiment in Northern Ireland turned positive for the first time in nine months, although it remained lower than in any other region or nation.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Jan '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
Aug '22	43.4	40.3	48.5	48.0	48.2	41.2	76.8	68.7
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

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

Trevor Balchin
Economics Director
S&P Global Market Intelligence
+44 149 146 1065
trevor.balchin@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 (0) 7967 447 030
sabrina.mayeen@spglobal.com

About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

ihsmarket.com/products/pmi.html

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.