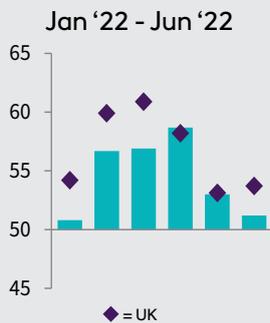




NatWest North West PMI®

North West sees economic recovery come close to stalling in June

North West Business Activity Index



Key findings

Business Activity Index at five-month low of 51.2

Business expectations slips to lowest since May 2020

Output price inflation retreats further from April's record high

Business activity across the North West rose only marginally in June, in a sign that the region's recovery was close to stalling, latest Regional PMI® data from NatWest showed. Economic uncertainty and high inflation were both headwinds to demand, with the same factors also serving to dampen firms' growth expectations. Cost pressures remained elevated, leading many firms to raise prices charged for goods and services, though the rate of output price inflation eased to a four-month low.

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 – registered 51.2 in June, down from 53.0 in May. This was the lowest reading for five months and only just above the 50.0 threshold that separates growth from contraction. The upturn in the region's services economy showed signs of losing momentum, while local manufacturing output declined.

Richard Topliss, Chairman of North Regional Board, commented:

"The latest PMI data indicated that the recovery in the North West private sector economy was petering out in June. Business activity rose only marginally and at the slowest rate for five months, with firms also revising down their expectations for the year ahead amid growing economic uncertainty and an unrelenting surge in prices. Cost pressures remain uncomfortably high for businesses, with increased prices for energy, fuel and materials being compounded by rising wage bills and a weaker pound. To add to matters, firms look to be having increasing difficulty passing on higher costs to customers, with the rate of output price inflation coming down quite sharply in June, although it still was elevated by historical standards."

North West Business Activity Index

sa, >50 = growth since previous month



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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

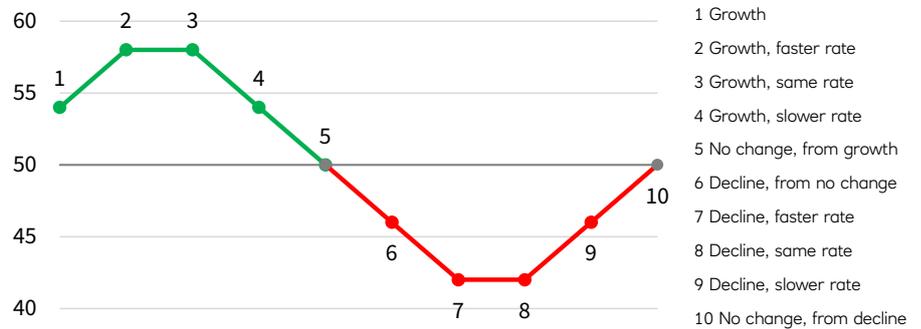
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

New business growth slows to a crawl in June

Inflows of new business at firms in the North West barely rose in June. The rate of growth was only marginal and the weakest seen since the easing of lockdown restrictions in March 2021. The result mirrored that seen for the UK as a whole.

Underlying data for the region indicated that a slowdown in services new business growth had coincided with a deepening downturn in manufacturing new orders.

Business confidence falters to 25-month low

June saw firms in the North West rein in their expectations for activity over the coming year. Sentiment slumped to its lowest since May 2020, although it remained positive overall and well above the level seen during the trough of the first wave of the COVID-19 pandemic just over two years ago. An uncertain economic outlook and inflation concerns both served to dampen business confidence, anecdotal evidence showed.

Exports

Growth in international markets continues to lose momentum

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 above 50 signals an improvement in export conditions.

Growth across international markets continued to slow during June, as underlined by the ECI falling for the fourth month running, down from 53.3 in May to 52.5. This was its lowest since February 2021 and reflected weaker expansions in four of the region's top-five exports markets. China went against the trend, having seen activity return to growth following the easing of COVID restrictions.

New Business Index

sa, >50 = growth since previous month

50.6

Jun '22

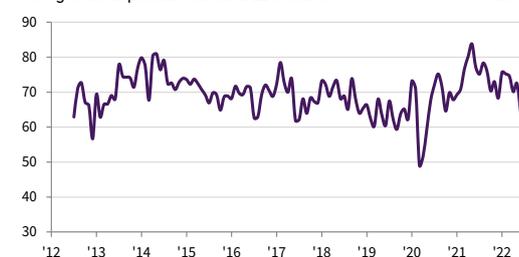


Future Activity Index

>50 = growth expected over next 12 months

64.0

Jun '22



Export Climate Index

sa, >50 = growth since previous month

52.5

Jun '22



Top export markets, North West

| Rank | Market | Weight | Output Index, Jun '22 |
|------|-------------|--------|-----------------------|
| 1 | USA | 13.1% | 52.3 |
| 2 | Germany | 10.5% | 51.3 |
| 3 | Ireland | 7.2% | 52.8 |
| 4 | China | 6.8% | 55.3 |
| 5 | Netherlands | 6.4% | 52.1 |

New Business Index

Jan '22 - Jun '22



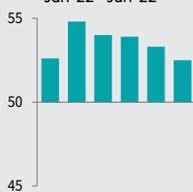
Future Activity Index

Jan '22 - Jun '22



Export Climate Index

Jan '22 - Jun '22



Business capacity

Pace of job creation slows

Private sector employment levels across the North West rose in June, thereby extending the recovery seen since March 2021. However, although still solid by historical standards, the pace of job creation slowed to the weakest in the aforementioned sequence and moved further below the UK-wide average. This reflected weaker rates of hiring among the region's manufacturers and service providers.

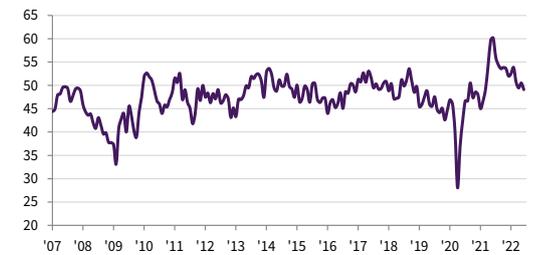
Backlogs of work edge lower for second time in three months

In a further sign of alleviating business capacity pressures, latest data indicated a fall in the volume of outstanding business (i.e. orders received by not yet completed) at firms in the North West for the second time in the past three months. The decline in backlogs of work, which was led by the region's manufacturing sector, contrasted with a rise across the UK as a whole.

Employment Index
sa, >50 = growth since previous month
53.7
Jun '22



Outstanding Business Index
sa, >50 = growth since previous month
49.1
Jun '22



Prices

Cost pressures remain elevated

Firms in the North West reported a continued steep rise in operating expenses in June, citing the influence of higher energy, fuel and material prices, as well as wage pressures and exchange rate factors. The overall rate of input cost inflation ticked down from May's record high but was still the second-quickest seen in the series history.

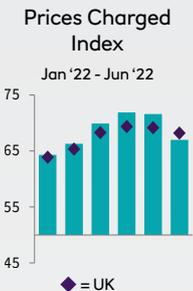
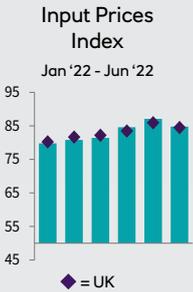
Input Prices Index 84.8
sa, >50 = inflation since previous month Jun '22



Output price inflation eases further from April's record

Higher costs led many businesses in the North West to raise their average prices charged for goods and services during June as they looked to protect margins. However, whilst still among the highest on record, the rate of output price inflation retreated further from April's series peak to the slowest for four months. This reflected signs of a growing resistance to high prices across both the manufacturing and service sectors.

Prices Charged Index 67.0
sa, >50 = inflation since previous month Jun '22



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 Output Index for each sub-sector is also displayed.

North West specialisation: Manufacturing

| Rank | Sector | LQ | UK Output Index, Jun '22 ⁺ |
|------|------------------------|------|---------------------------------------|
| 1 | Chemicals & Plastics | 1.72 | 50 |
| 2 | Transport | 1.25 | 55 |
| 3 | Textiles & Clothing | 1.18 | 45 |
| 4 | Timber & Paper | 0.91 | 45 |
| 5 | Basic Metals | 0.84 | 55 |
| 6 | Food & Drink | 0.79 | 45 |
| 7 | Other Manufacturing | 0.72 | 50 |
| 8 | Mechanical Engineering | 0.56 | 55 |
| 9 | Electrical & Optical | 0.51 | 55 |

North West specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, Jun '22 ⁺ |
|------|--------------------------------|------|--|
| 1 | Transport & Communication | 1.18 | 50 |
| 2 | Hotels, Restaurants & Catering | 1.10 | 50 |
| 3 | Business-to-business Services | 1.03 | 50 |
| 4 | Personal & Community Services | 1.03 | 55 |
| 5 | Computing & IT Services | 0.81 | 55 |
| 6 | Financial Intermediation | 0.76 | 50 |

UK sector focus

Textiles & Clothing

Latest data showed a decline in production levels across the UK's Textiles & Clothing sector during the second quarter. It was one of three manufacturing categories (out of nine monitored) to record lower output, alongside Timber & Paper and Food & Drink.

Weaker underlying demand was a driving factor, with inflows of new work falling in the three months to June. This was despite a slight upturn in export sales over the same period.

Cost pressures continued to build across the Textiles & Clothing sector during the second quarter, reaching a near-record high. With many firms looking to pass on at least part of the burden to customers, output price inflation quickened to a rate unseen for over two decades.

Positively, and despite waning business confidence, employment in the sector continued to rise, with the rate of job creation quickening to a 12-month high.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Regional performances varied markedly in terms of business activity in June. London led the growth rankings by some margin with a steep and accelerated rise in output. However, three areas recorded lower business activity, one being Northern Ireland*, where output fell for the second month running and at the quickest rate since February 2021.

Employment

Employment rose in almost every region in June, the only exception being the North East. Here, staffing numbers fell – albeit fractionally – for the second time in the past three months. London recorded the strongest rate of job creation, as has been the case in each month since February. Five areas recorded a slower rate of employment growth than the month before, however.

Future Activity

Firms' expectations for activity in the year ahead generally worsened in June. Of the 12 monitored areas, only the West Midlands and Wales recorded stronger business confidence. Despite seeing sentiment weaken, Yorkshire & Humber remained the most optimistic region. Expectations were lowest in Northern Ireland, where they turned more pessimistic.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Jan '22 | 50.8 | 52.2 | 52.6 | 75.7 | 57.6 | 52.5 | 79.8 | 64.3 |
| Feb '22 | 56.7 | 58.6 | 54.8 | 75.2 | 58.5 | 53.8 | 80.8 | 66.3 |
| 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 |

Contact

Marion Rannard
Regional Campaign Manager
NatWest
+44 (0) 7966 300 969
marion.rannard@natwest.com

Phil Smith
Economics Associate Director
S&P Global Market Intelligence
+44 1491 461 009
phil.smith@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
+44 207 260 2234
joanna.vickers@spglobal.com

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