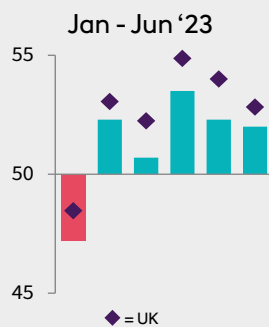


NatWest North West PMI®

North West business activity continues to rise, but rate of growth slows down another notch

North West Business Activity Index



Key findings

Business Activity Index posts 52.0 in June, from May's 52.3

Expectations strengthen despite further drop in new orders

Rates of inflation fall to lowest since early-2021

Firms in the North West recorded a fifth consecutive monthly rise in business activity in June, albeit with the rate of growth easing to the slowest since March amid a drop in inflows of new work, the latest NatWest UK Regional PMI® survey showed. Still, businesses grew more optimistic about the outlook and continued to take on additional staff. Although still historically high, price pressures showed signs of easing as rates of input cost and output price inflation fell to their lowest since early-2021.

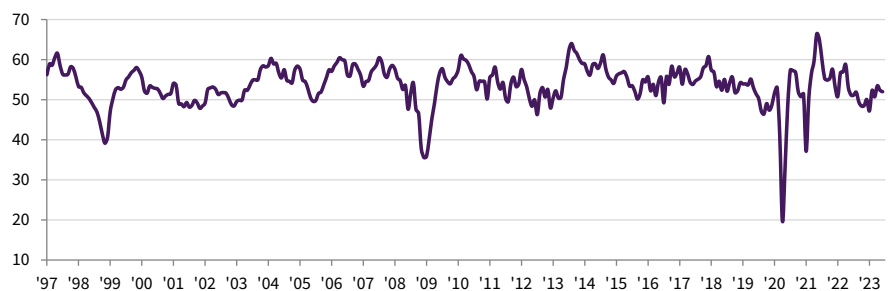
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – registered above the critical 50.0 mark for a fifth successive month in June. At 52.0, the index indicated a moderate rate of growth, but one that was slightly slower than in May (52.3) and below the national average (52.8). At the sector level, expansion in the service sector continued to be partially offset by falling manufacturing production.

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

"The North West economy continued to tick along in June, registering a fifth straight monthly rise in business activity. A weakening of growth and back-to-back falls in new business are somewhat of a concern, but business confidence did pick up in June to suggest that firms view any slowdown as only temporary. Indeed, a steady rise in employment points to the fact that businesses are still willing to hire in the current environment. Although inflation remains high, we're seeing things on this front improve as the rates of increase in firms' input costs and output prices slow, dropping to their lowest since early-2021 in June."

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

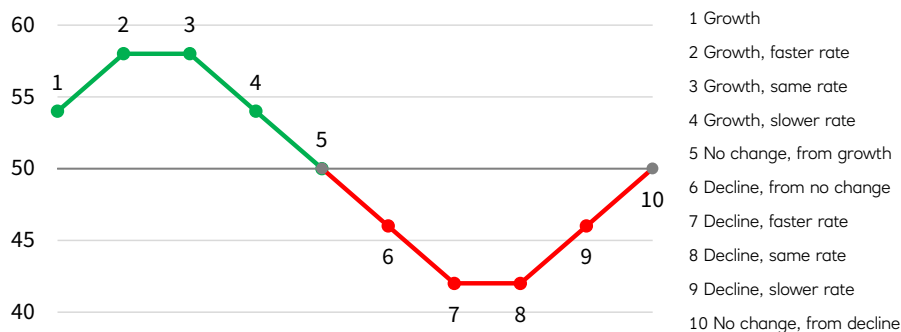
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Back-to-back falls in new work point to sustained softening of demand

Latest data signalled a second straight monthly decline in inflows of new work across the North West, indicating a sustained softening of demand faced by the region's businesses. Furthermore, the rate of decline accelerated and was the second-fastest nationally after than seen in the North East. The result was driven by a deepening downturn in manufacturing new orders, although local services providers also reported a slight drop in demand.

Business expectations rebound and go above UK average

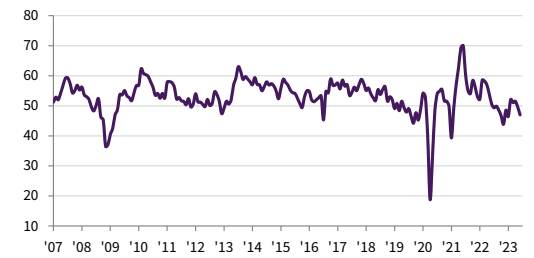
After having dipped to a five-month low in May, business expectations among firms in the North West rebounded in June. Confidence moved back above the national average and was even slightly higher than the historical series trend (since July 2012). Businesses anticipating a rise in activity in the coming year commented on plans for new products and greater marketing, alongside hopes of a general upturn in demand.

New Business Index

sa, >50 = growth since previous month

47.0

Jun '23

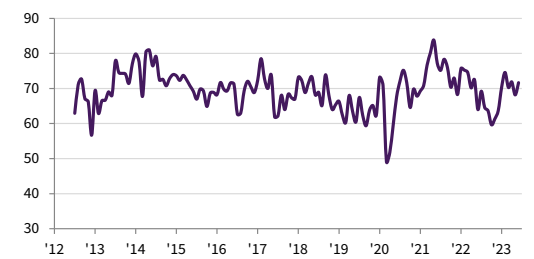


Future Activity Index

>50 = growth expected over next 12 months

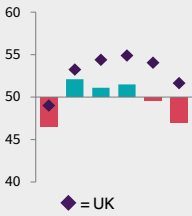
71.7

Jun '23



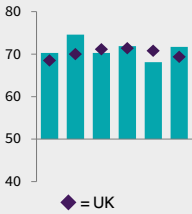
New Business Index

Jan - Jun '23



Future Activity Index

Jan - Jun '23



Business capacity

Employment continues to rise steadily

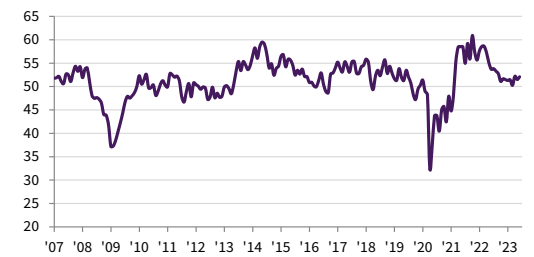
June saw a further rise in workforce numbers across the North West private sector, thereby extending the current sequence of uninterrupted job creation that stretches back to March 2021. Although still only moderate, the rate of employment growth picked up slightly and was the second-quickest over the past nine months.

A rise in service sector staffing levels contrasted with further job losses in manufacturing, underlying data showed.

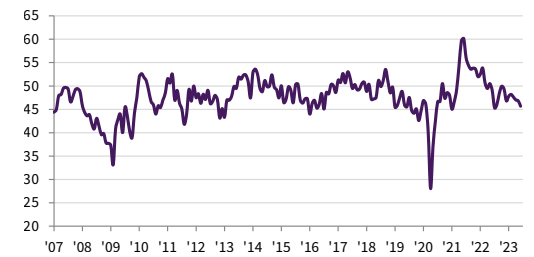
Decline in backlogs of work accelerates

Firms in the North West recorded a sharp and accelerated decline in backlogs of work in June. The rate of depletion reached the quickest for almost a year and was noticeably faster than the average for the UK as a whole. Where a reduction in outstanding business was recorded, this was generally linked to a lack of incoming new work to replace completed projects.

Employment Index
sa, >50 = growth since previous month
52.1
Jun '23



Outstanding Business Index
sa, >50 = growth since previous month
45.7
Jun '23



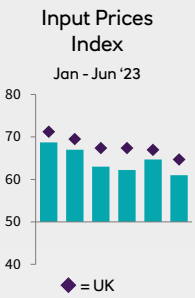
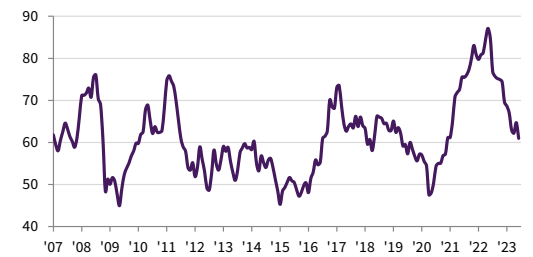
Prices

Input price inflation resumes its recent slowing trend

After ticking up in May for the first time in 12 months, the rate of input cost inflation faced by firms in the North West resumed its slowing trend in June. The respective seasonally adjusted index slipped to its lowest since November 2020. Reports from surveyed businesses highlighted the influence of falling material prices, particularly in the manufacturing sector.

Overall, however, cost pressures were still historically strong (the index remained firmly above its pre-pandemic average), which was due in large part to rising wages.

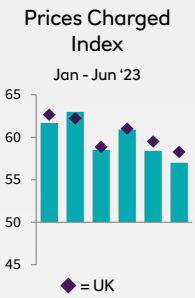
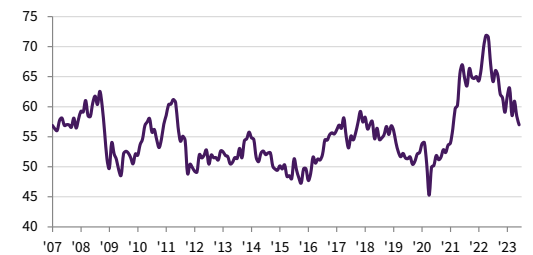
Input Prices Index
sa, >50 = inflation since previous month
61.0
Jun '23



Output price inflation hits 28-month low

In line with the trend in business costs, latest data showed a slower – albeit still sharp – rise in average prices charged by firms in the North West. The rate of inflation was the lowest for two-and-a-half years and below the national average by the biggest margin so far this year. Higher output prices were largely confined to the service sector, underlying data showed.

Prices Charged Index
sa, >50 = inflation since previous month
57.0
Jun '23



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 '23 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	58
3	Textiles & Clothing	1.18	50
4	Timber & Paper	0.91	48
5	Basic Metals	0.84	48
6	Food & Drink	0.79	58
7	Other Manufacturing	0.72	50
8	Mechanical Engineering	0.56	48
9	Electrical & Optical	0.51	48

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '23 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	50
3	Business-to-business Services	1.03	52
4	Personal & Community Services	1.03	52
5	Computing & IT Services	0.81	58
6	Financial Intermediation	0.76	62

UK sector focus

Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

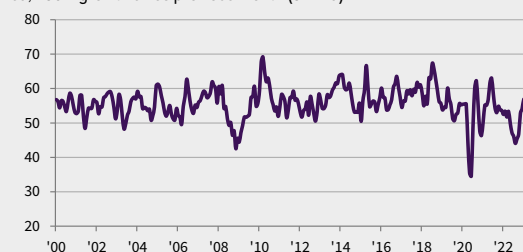
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '23



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 '23	47.2	46.5	50.2	70.3	51.3	47.8	68.7	61.7
Feb '23	52.3	52.1	52.1	74.6	51.4	48.2	67.0	63.0
Mar '23	50.7	51.1	52.6	70.3	50.2	47.6	63.0	58.5
Apr '23	53.5	51.5	53.1	71.9	52.2	47.0	62.2	60.9
May '23	52.3	49.6	52.3	68.1	51.5	46.8	64.7	58.4
Jun '23	52.0	47.0	51.2	71.7	52.1	45.7	61.0	57.0

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