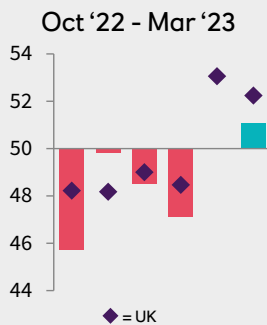


# NatWest North East PMI<sup>®</sup>

## Output rises for first time in nine months as demand strengthens

### North East Business Activity Index



### Key findings

Third successive increase in new work drives overall activity higher

Input price inflation at 26-month low, but still elevated

Strongest output expectations since March 2022

The headline NatWest North East PMI<sup>®</sup> 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 51.1 in March, from 50.0 in February, indicating a renewed increase in private sector output in the North East. This marked the first expansion since June 2022 and the strongest since February 2022. The North East climbed from last to eighth in the UK regional rankings, but growth was still modest overall. New business rose for the third month running, helping to lift confidence to a 12-month high. That said, companies continued to shed staff and cost pressures remained elevated despite easing further.

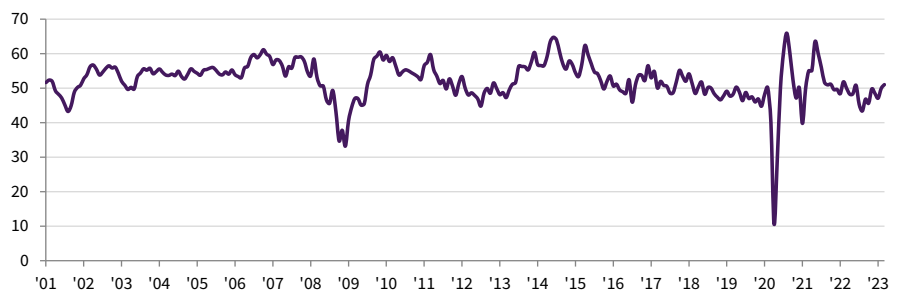
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

*"The North East returned to expansion in March, with the first overall rise in business activity across the combined manufacturing and service sectors since June 2022. This reflected the sustained growth of new business throughout the first quarter of 2023, which accelerated to a 19-month high in March. Moreover, only London saw a steeper gain in new work than the North East."*

*"Although the North East ascended the UK regional rankings, its rate of expansion was only modest. Moreover, firms shed jobs at a faster rate during the month, leaving the region at the bottom of the UK employment rankings. Input price inflation eased to the lowest in over two years, but still remained historically strong."*

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

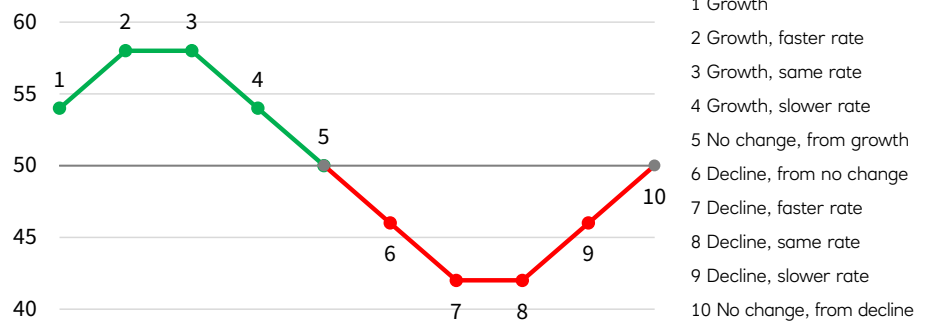
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Fastest rise in new business since August 2021

The volume of new orders received by private sector companies in the North East rose for the third month running in March, and at the sharpest rate since August 2021. Growth also moved further above the long-run series average. Firms reported increased confidence and sales activity at clients.

The North East posted the second-strongest gain in new work of any UK region, with only London seeing a faster rise in March.

### Expectations strengthen, but still softest among UK regions

The Future Activity Index signalled overall optimism among private sector firms in the North East for the fourth successive month in March. Confidence was linked to new customers, reorganisation plans, national marketing campaigns and investment.

The overall level of sentiment was the highest since March 2022, but remained the weakest among all 12 UK areas monitored and was below the series trend.

## Exports

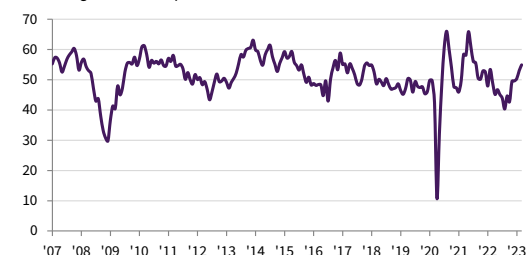
### Export conditions continue to improve in March

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.

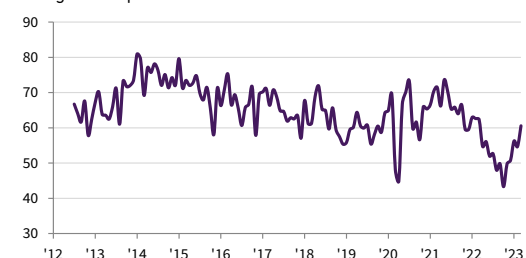
The ECI remained unchanged at 51.5 in March, indicating a second successive expansion in activity across the North East's export markets. Previously, output had fallen (on average) across these markets for seven straight months.

Among the North East's five largest export markets, four registered growth: Germany, the US, France and Italy. The Netherlands posted a fall for the first time in 2023 so far.

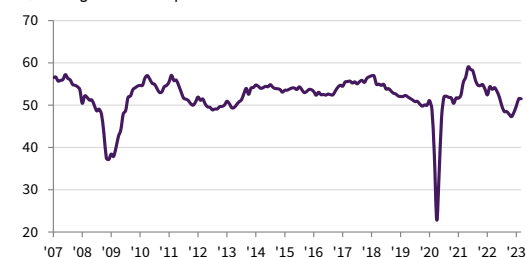
New Business Index  
sa, >50 = growth since previous month  
54.9  
Mar '23



Future Activity Index  
>50 = growth expected over next 12 months  
60.6  
Mar '23



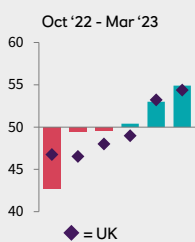
Export Climate Index  
sa, >50 = growth since previous month  
51.5  
Mar '23



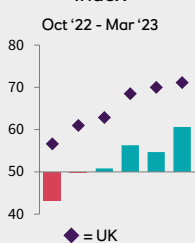
Top export markets, North East

Rank	Market	Weight	Output Index, Mar '23
1	Germany	15.6%	52.6
2	USA	14.5%	52.3
3	Netherlands	10.1%	48.2
4	France	9.6%	52.7
5	Italy	6.4%	55.2

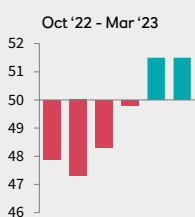
New Business Index  
Oct '22 - Mar '23



Future Activity Index  
Oct '22 - Mar '23



Export Climate Index  
Oct '22 - Mar '23



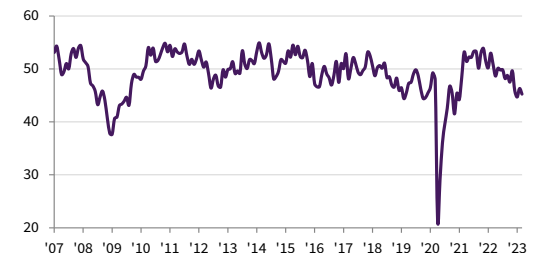
## Business capacity

### Employment falls at fastest rate regionally

Companies in the North East continued to reduce workforces in March, extending the current sequence of falling private sector employment to ten months. Moreover, the rate of job shedding was the second-strongest in over two years. Firms reported workers leaving for better paid roles and difficulties filling vacancies.

The North East was the bottom-ranked UK region in terms of private sector employment in March. The other areas to see falling jobs were Wales, the South West, East Midlands and the South East.

Employment Index  
sa, >50 = growth since previous month  
45.2  
Mar '23

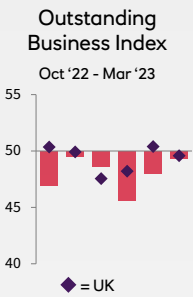
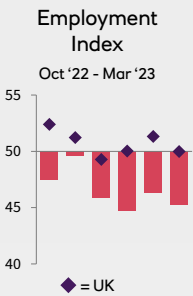
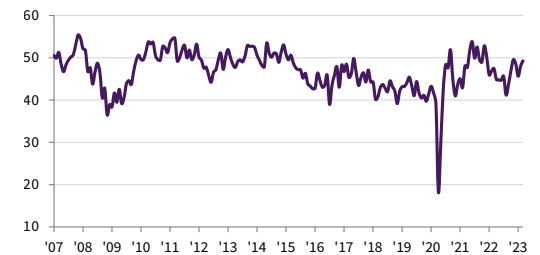


### Backlogs decline only marginally as demand rises

The level of outstanding business in the North East private sector economy fell for the fifteenth month running in March. That said, the rate of contraction was only marginal and the second-weakest over the current sequence.

The North East posted a decline in backlogs that was broadly in line with the UK average in March.

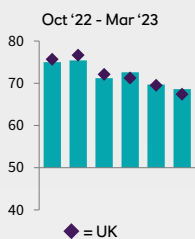
Outstanding Business Index  
sa, >50 = growth since previous month  
49.3  
Mar '23





## Prices

Input Prices Index



### Input price inflation eases to 26-month low

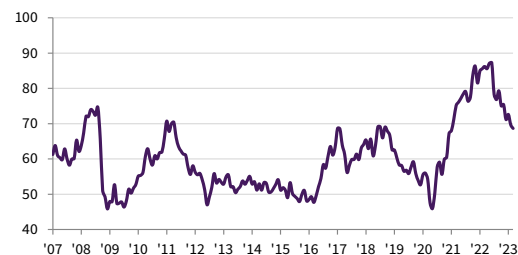
Cost burdens facing private sector firms in the North East eased to a 26-month low in March, but inflationary pressure remained high overall. Raw materials, energy, fuel, salaries and Brexit were all reported as sources of inflationary pressure. The seasonally adjusted Input Prices Index was still above its long-run trend level of 59.4, but well down on the record high of 87.2 posted last June.

Input price inflation in the North East was the second-highest among the 12 UK regions, with only London seeing a steeper rise in average input prices.

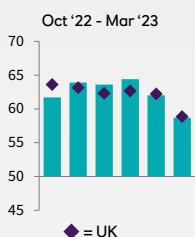
Input Prices Index

sa, >50 = inflation since previous month

68.6  
Mar '23



Prices Charged Index



### Weakest rise in charges since February 2021

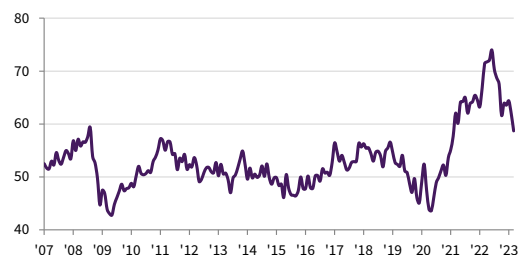
With average input costs continuing to rise steeply in March, private sector firms in the North East increased their charges further. The rate of output price inflation eased to a 25-month low, but remained historically high. The seasonally adjusted Prices Charged Index was well above its long-run trend level of 52.6.

Charge inflation in the North East was broadly in line with the UK average in March, which eased to a 23-month low.

Prices Charged Index

sa, >50 = inflation since previous month

58.7  
Mar '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, Mar '23*
1	Chemicals & Plastics	1.58	55
2	Timber & Paper	1.17	45
3	Mechanical Engineering	1.17	50
4	Basic Metals	1.13	50
5	Transport	0.91	50
6	Other Manufacturing	0.71	55
7	Textiles & Clothing	0.70	45
8	Electrical & Optical	0.69	50
9	Food & Drink	0.54	50

#### North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '23*
1	Transport & Communication	1.51	55
2	Hotels, Restaurants & Catering	1.20	60
3	Personal & Community Services	1.13	55
4	Business-to-business Services	0.90	55
5	Financial Intermediation	0.75	60
6	Computing & IT Services	0.57	60



## UK sector focus

### Hotels, Restaurants & Catering

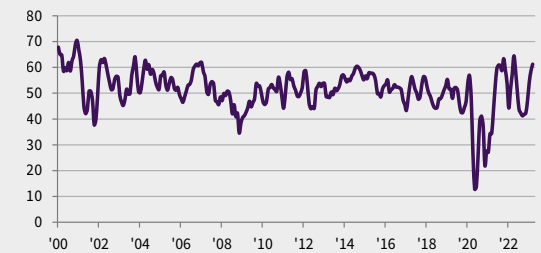
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

#### Output Index

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



\*3-month moving average

## UK Regional PMI overview

### Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

### Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

### Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Mar '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
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
Mar '23	51.1	54.9	51.5	60.6	45.2	49.3	68.6	58.7

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### 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.

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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](https://ihsmarket.com/products/pmi.html)

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