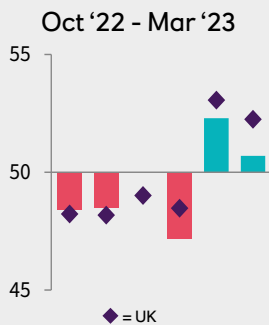


NatWest North West PMI®

North West business activity grows for second successive month in March, but below the national rate

North West Business Activity Index



Key findings

Business activity rises modestly at end of first quarter

Pace of job creation slows down

Price pressures still above normal but easing

Firms across the North West recorded a second successive monthly increase in business activity in March, albeit with the rate of growth easing and falling further below the UK average, latest UK Regional PMI® data from NatWest showed. Positively, there was a further cooling of price pressures, with rates of input cost and output charge inflation slipping to the lowest in just over two years.

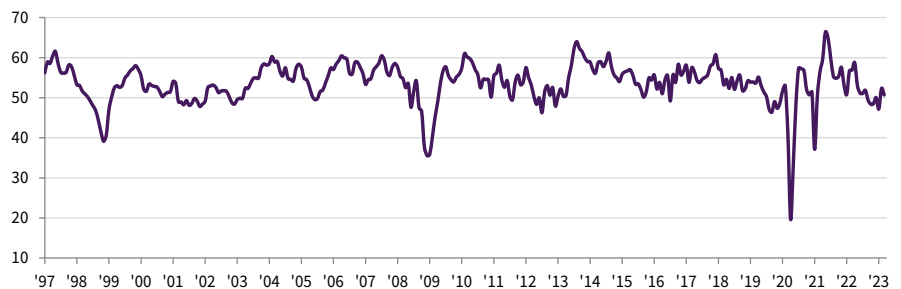
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – registered above the 50.0 no-change mark in March, at 50.7. However, this was down from 52.3 in February and compared with a UK-wide reading of 52.2.

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

"Amidst a cost of living crisis, it's encouraging to see companies across the North West recording growth in business activity for a second consecutive month in March. However, it was a slightly stuttering performance at the end of the first quarter, as growth slowed to only a modest rate and fell further below the UK average. The labour market has slowed down as well, with local businesses reporting the smallest rise in employment for over two years. More positively, inflationary pressures are starting to come off the boil, with businesses' costs and output prices rising at the slowest rates since early-2021, albeit still quicker than normal. Business confidence has recovered a lot since the start of winter and, despite a slight setback in March, is still firmly in positive territory."

North West 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 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

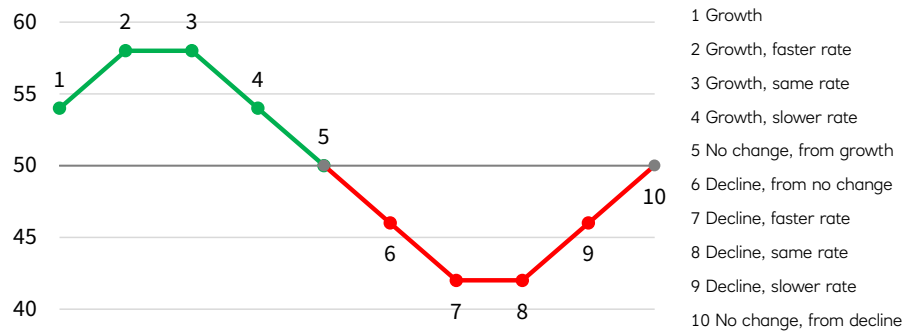
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

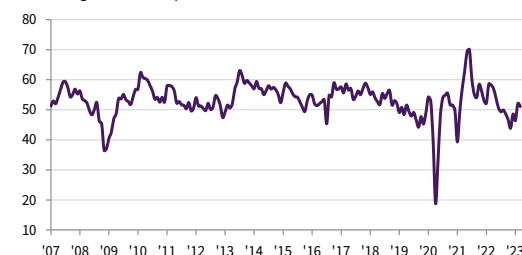


Demand and outlook

New business rises for second month running, albeit marginally

After increasing in February for the first time in eight months, inflows of new business across the North West private sector rose again in March. However, with the rate of growth having slowed to only a marginal pace, the region was one of the worst-performing areas of the UK for new work. Underlying data indicated that growing demand for local services was largely offset by a downturn in sales amongst the region's manufacturers.

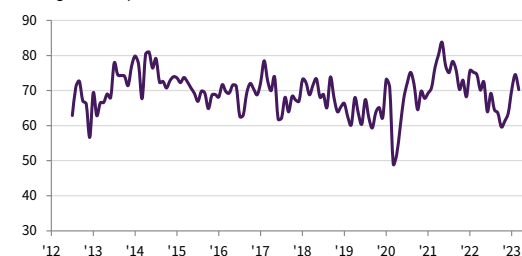
New Business Index
sa, >50 = growth since previous month
51.1
Mar '23



Business expectations tick down in March

Businesses in the North West generally remained optimistic towards growth prospects in the coming year in March, citing plans for expansion into new markets, new product launches and an upturn in demand. That said, the degree of confidence ticked down from the previous survey period. It marked the first time in five months that a drop in expectations has been recorded, with sentiment having previously been on a steep upward trajectory from a recent low last October to a 12-month high in February.

Future Activity Index
>50 = growth expected over next 12 months
70.3
Mar '23



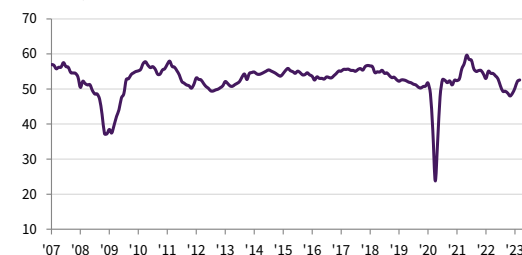
Exports

Export conditions continue to improve

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.

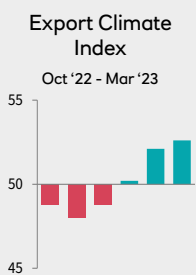
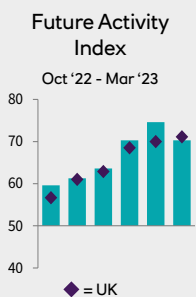
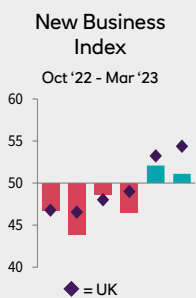
The ECI registered above the neutral 50.0 threshold for a third successive month in March. Furthermore, amid stronger growth in the US, Germany and China, it rose from February's 52.1 to 52.6 – its highest since June 2022. Of the North West's top five export markets, only the Netherlands recorded a drop in business activity at the end of the first quarter.

Export Climate Index
sa, >50 = growth since previous month
52.6
Mar '23



Top export markets, North West

Rank	Market	Weight	Output Index, Mar '23
1	USA	13.7%	52.3
2	Netherlands	10.0%	48.2
3	Germany	9.9%	52.6
4	Ireland	6.5%	52.8
5	China	5.8%	54.5



Business capacity

Employment close to stagnation

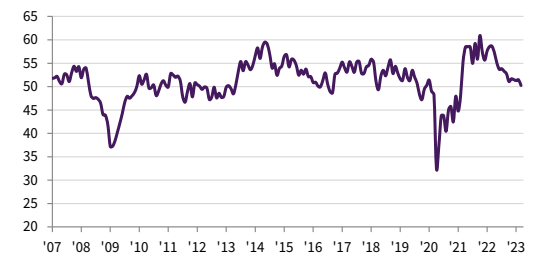
Private sector employment across the North West rose only fractionally in March. The rate of job creation was the weakest since the current upturn in staffing levels began in March 2021. That said, the result compared positively with no change at all in workforce numbers across the UK as a whole.

Once again, sector trends diverged, with increasing employment levels at local services firms contrasting with a further drop of factory headcounts.

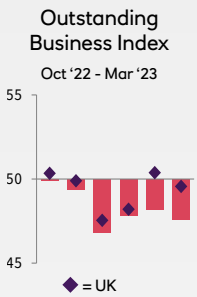
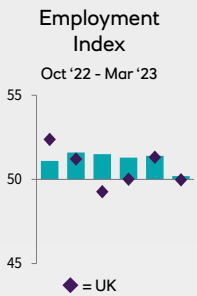
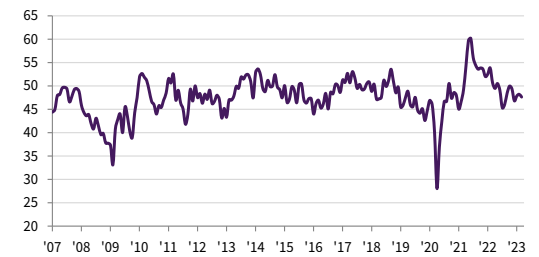
Sustained decline in backlogs of work

Latest data indicated a sustained reduction in the amount of outstanding business (i.e. work awaiting completion) at firms operating in the North West, with the respective seasonally adjusted index registering in sub-50 territory for a tenth straight month in March. The decline in backlogs, which was centred on the manufacturing sector and attributed to a lack of incoming new work, was the most marked for three months.

Employment Index
sa, >50 = growth since previous month
50.2
Mar '23



Outstanding Business Index
sa, >50 = growth since previous month
47.6
Mar '23

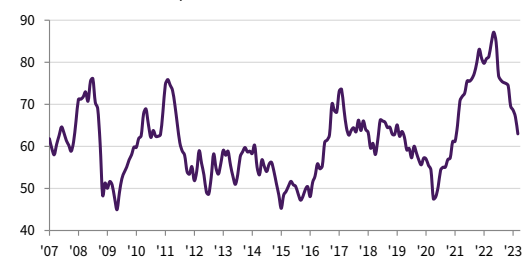


Prices

Input price inflation maintains slowing trend

Whilst remaining elevated by historical standards (the respective seasonally adjusted index still firmly above its long-run average), input cost inflation faced by firms in North West maintained its slowing trend in March, dropping to a 26-month low and registering the weakest among the 12 regions monitored. Wages, energy and food remained sources of cost inflation, anecdotal evidence showed. However, falling freight prices and lower costs for certain raw materials were cited as offsetting factors.

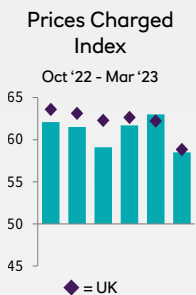
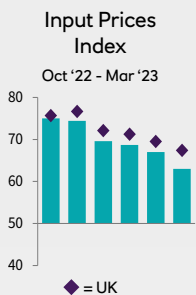
Input Prices Index 63.0
sa, >50 = inflation since previous month Mar '23



Slower, but still-sharp, rise in prices charged

The pass-through of higher costs by businesses in the North West led to a further steep rise in prices charged for goods and services across the region in March. However, in line with the trend in underlying input prices, the rate of output charge inflation slowed notably compared to the month before, taking it to its lowest since February 2021.

Prices Charged Index 58.5
sa, >50 = inflation since previous month Mar '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, Mar '23 ⁺
1	Chemicals & Plastics	1.72	55
2	Transport	1.25	50
3	Textiles & Clothing	1.18	50
4	Timber & Paper	0.91	40
5	Basic Metals	0.84	50
6	Food & Drink	0.79	50
7	Other Manufacturing	0.72	55
8	Mechanical Engineering	0.56	50
9	Electrical & Optical	0.51	50

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '23 ⁺
1	Transport & Communication	1.18	50
2	Hotels, Restaurants & Catering	1.10	55
3	Business-to-business Services	1.03	50
4	Personal & Community Services	1.03	50
5	Computing & IT Services	0.81	50
6	Financial Intermediation	0.76	50

UK sector focus

Hotels, Restaurants & Catering

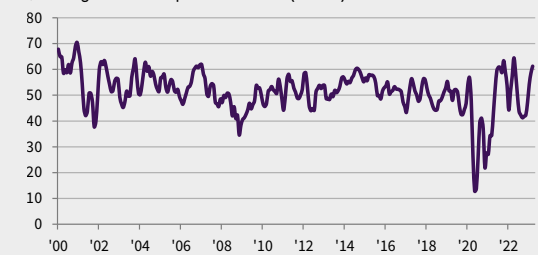
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported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

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

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



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
Oct '22	48.4	46.7	48.8	59.6	51.1	49.9	75.0	62.1
Nov '22	48.5	43.9	48.0	61.3	51.6	49.4	74.4	61.5
Dec '22	50.0	48.6	48.8	63.6	51.5	46.8	69.6	59.1
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

Contact

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

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

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 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.

ihsmarkit.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.