

11 March 2025

# NatWest North West Growth Tracker

Businesses report challenging market conditions but hope for a turnaround later in the year



NatWest

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by **S&P Global**

11 March 2025

# NatWest North West Growth Tracker

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# Key findings

February 2025

**Business activity down slightly again in February**

**Firms look to streamline workforces**

**Growth expected in the year ahead**

The NatWest North West Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit [www.natwest.com/business/insights/economics](http://www.natwest.com/business/insights/economics)





# Businesses report challenging market conditions but hope for a turnaround later in the year

Business activity fell slightly across the North West private sector economy in February, but firms remained hopeful for a return to growth over the coming year, the latest NatWest Growth Tracker survey results showed.

At 49.0 in February, the headline North West Business Activity Index registered just below the 50.0 threshold that separates growth from contraction. This matched

the result seen in January. The UK as a whole saw a reading of 50.5, which signalled marginal growth in business activity.

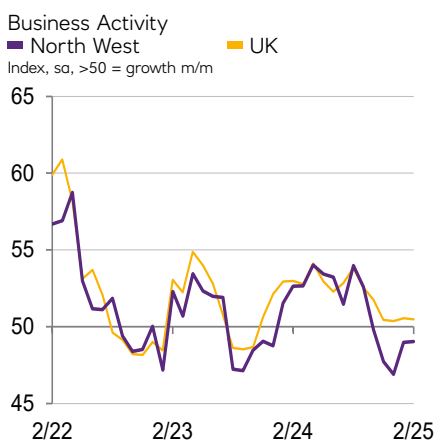
Underlying data indicated that conditions remained challenging for both local manufacturers and services firms. Survey participants indicated that activity was curbed to some extent by uncertainty among customers, who were also reported to be tightening spending budgets and bringing more work in-house.

## NatWest North West Business Activity Index February 2025

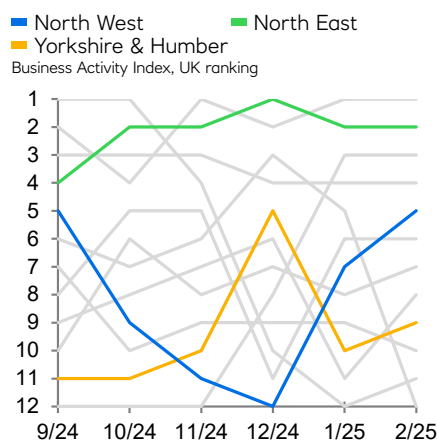
# 49.0

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 10-26 February



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.





# Comment

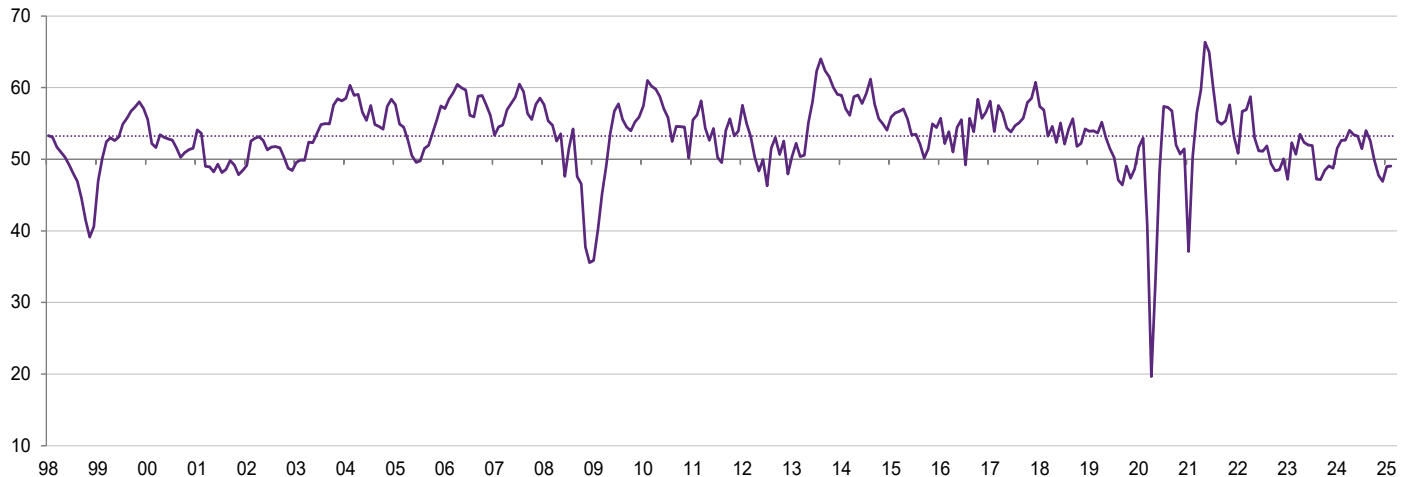
## Sebastian Burnside, Chief Economist at NatWest, commented:

"The latest Growth Tracker data show that businesses in the North West, like in many other parts of the country, are going through a bit of a quieter spell, reflecting uncertainty and belt-tightening among customers. Business activity hasn't fallen off a cliff edge, however, and firms remains cautiously optimistic about the outlook.

"The streamlining of workforces has become a theme in recent months, with firms taking the opportunity to consolidate during this current quieter spell for business. Inflationary pressures remain comfortably above historical trends, which isn't helping demand at the moment. The current backdrop is challenging, but local firms report a range of strategies they hope will drive growth in the coming 12 months, from investing in new products and marketing, to diversification and looking to untapped markets."

### Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Demand and outlook

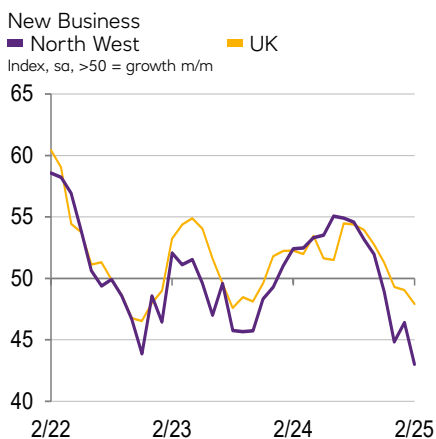
## Local firms report challenges securing new work, but do see the potential for growth

Survey responses collected in February highlighted a range of headwinds to demand faced by companies operating in the North West. These included a lack of confidence among customers and tighter budgets. There were also mentions of fewer sales wins abroad, linked to high price levels and subdued market conditions across Europe.

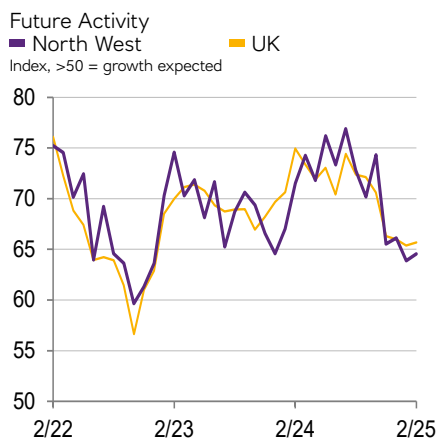
Inflows of new work showed the steepest decline for a little over four years in February. The rate of contraction exceeded the national average.

Nevertheless, local businesses remained cautiously optimistic about the outlook, and were slightly more upbeat than in January. Investing in sales teams, launching new products, expanding marketing, diversifying, and looking to new markets were all seen as ways to boost activity in the next 12 months.

"The current backdrop is challenging, but local firms report a range of strategies they hope will drive growth in the coming 12 months"

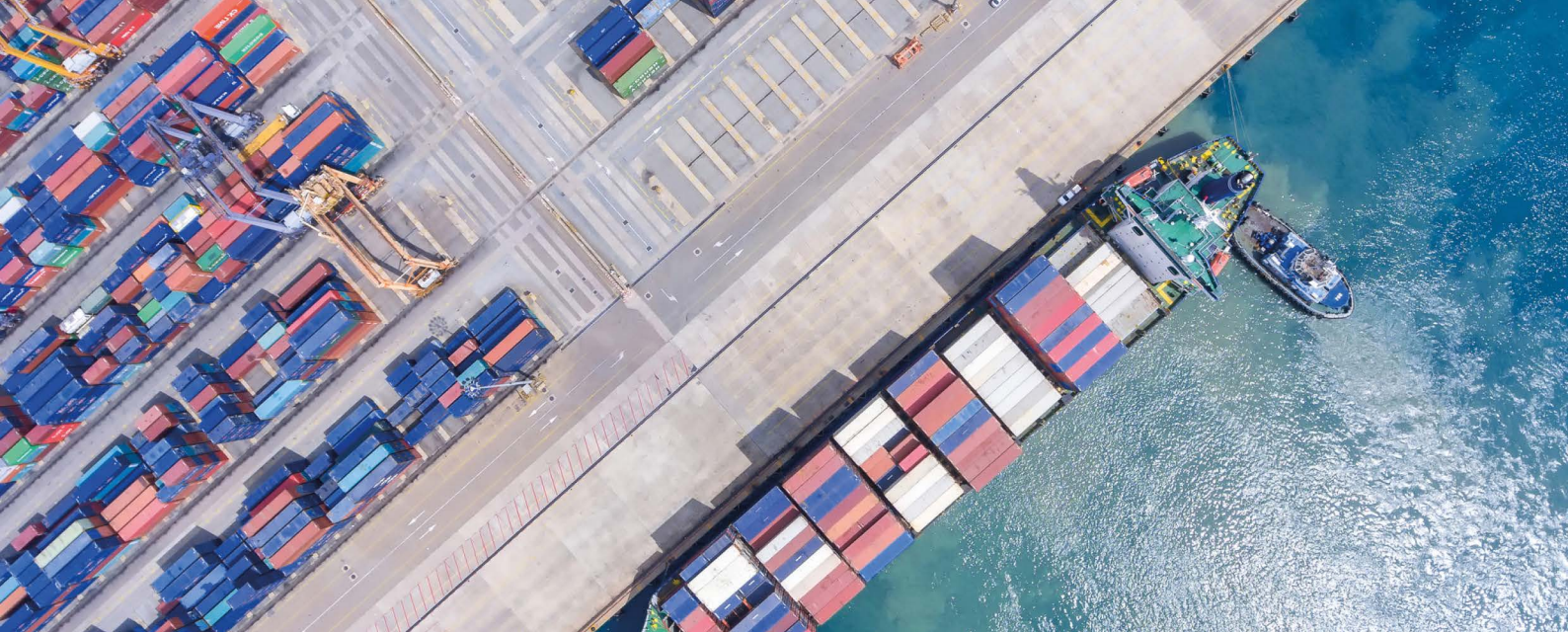


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



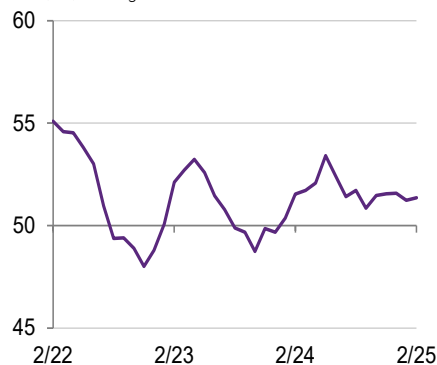


# Export markets

## February sees further steady improvement in export climate

The export climate for firms in the North West continued to improve steadily midway through the first quarter, as growth was recorded on trade-weighted basis across the region's international markets. This was underlined by the ECI registering 51.4, up slightly from 51.2 in January. The economies of the US, Germany, Ireland and China all grew during the month.

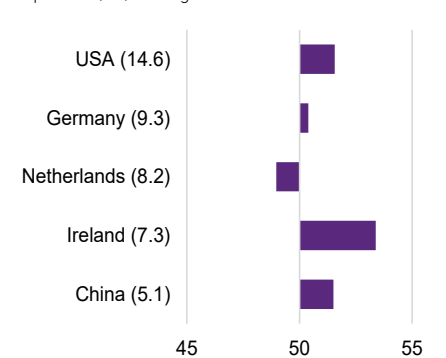
Export Conditions  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

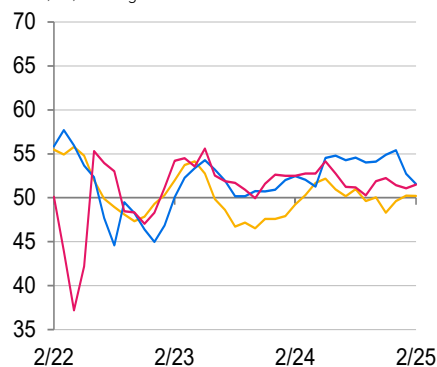
The North West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the North West. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, North West  
% share of exports shown in brackets  
Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



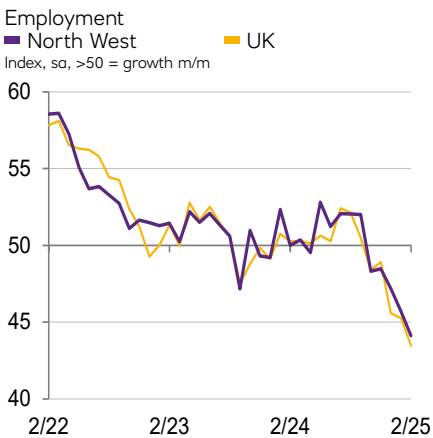
# Jobs and capacity

## Firms look to streamline staffing numbers as workloads decrease

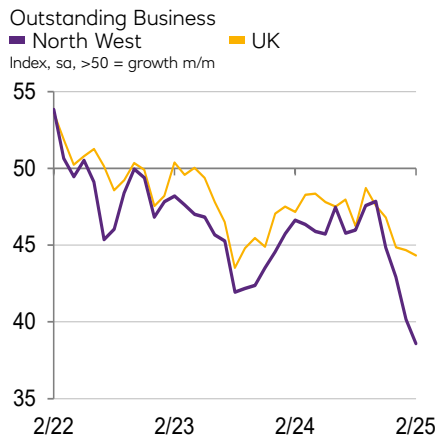
Lower levels of business activity and intakes of new work, combined with upward pressure on labour costs, led firms in the North West to streamline staffing numbers in February. This continued the trend seen throughout the past five months and reflected the picture seen across the UK as a whole. The rate at which employment fell was the quickest since November 2020, although it was slower than that recorded nationally.

Firms sought to consolidate workforces at a time when there was little pressure on business capacity. The amount of work waiting to be processed or completed fell during February, posting the steepest drop for more than four-and-a-half years. Spare capacity was particularly evident in the manufacturing sector, underlying data showed.

"The streamlining of workforces has become a theme in recent months, with businesses taking the opportunity to consolidate"



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.





# Inflation

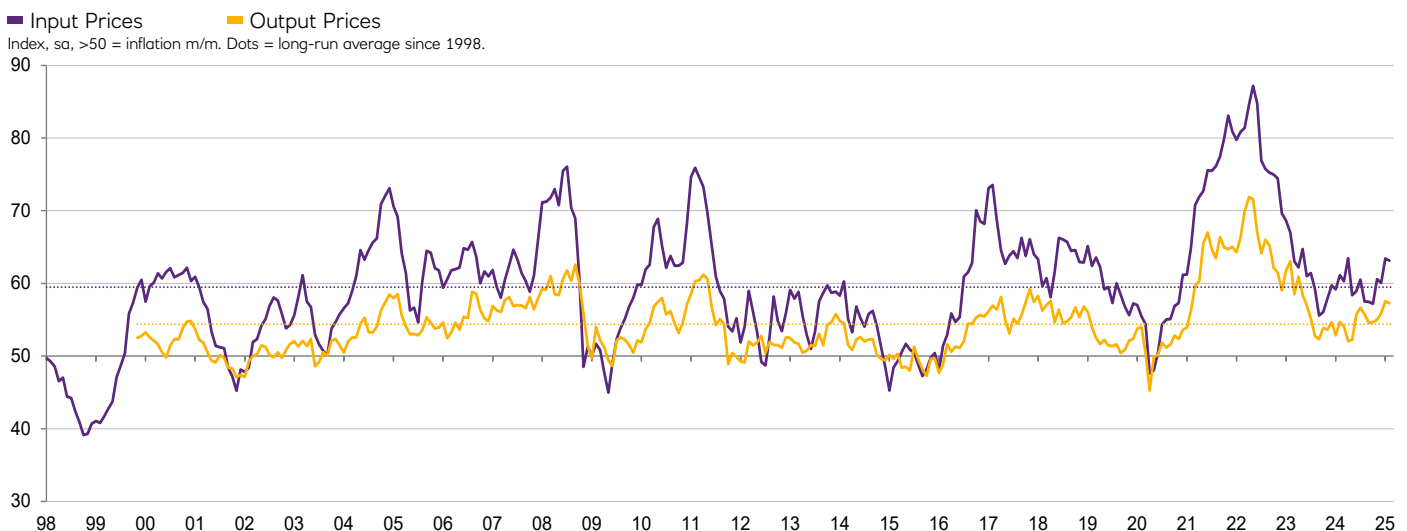
## Inflationary pressures down slightly since January, but they remain historically elevated

February once again saw above-trend rates of inflation in both firms' input costs and their output prices. The pace of increase in costs was slightly below the nine-month high recorded in January. It was also the second-slowest among the 12 UK nation and regions monitored by the survey, but it remained above the average over the series history.

Operating expenses rose particularly steeply in the service sector, where there were numerous reports of pressure from rising labour and energy costs.

Average prices charged by businesses for goods and services similarly rose at a marked, but fractionally slower pace in February, reflecting the pass-through of higher costs. Again, the rate of output price inflation was below the UK-wide average.

"Inflationary pressures remain comfortably above historical trends, which isn't helping demand at the moment"



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

# UK Regional Growth Tracker

## Business Activity

London topped the rankings for business activity growth in February, having enjoyed another robust expansion, ahead of the North East, Wales and South West, respectively. Lower output was seen in several nations and regions, however. The steepest falls were registered in the East Midlands and Northern Ireland\*.

## Employment

Workforces numbers were streamlined across each of the 12 UK nations and regions monitored by the survey in February, the first time this has happened for a little over four years. Employment fell only slightly in the likes of the North East and Scotland, however. The most marked decreases were seen in the East of England and West Midlands.

## Future Activity

Year-ahead growth expectations improved in the majority of areas in February. Firms in the West Midlands were the most optimistic about future activity, while those in the North East reported the greatest upswing in confidence since January. At the other end of the scale, Northern Ireland recorded the weakest business sentiment, although it did pick up somewhat from the low seen at the start of the year.

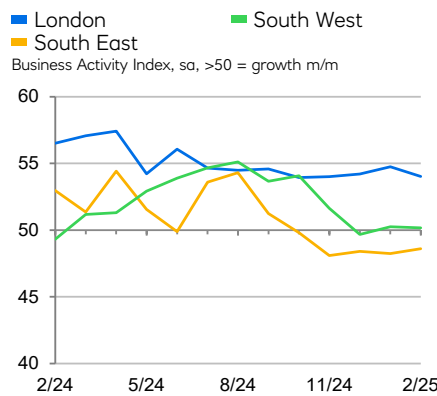
\*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



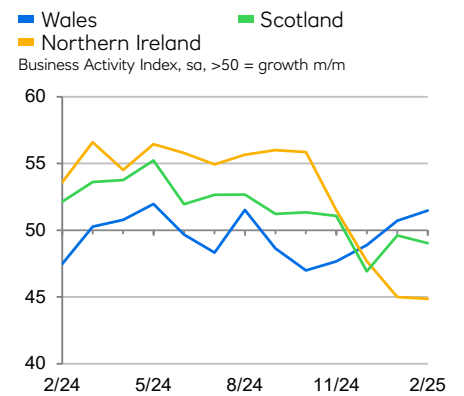
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



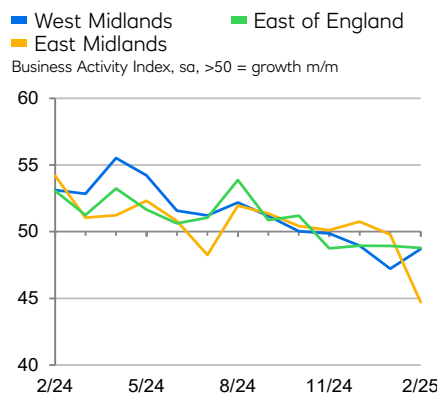
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



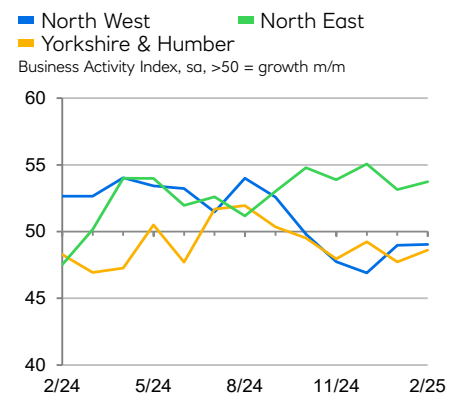
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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# Growth Tracker heat map

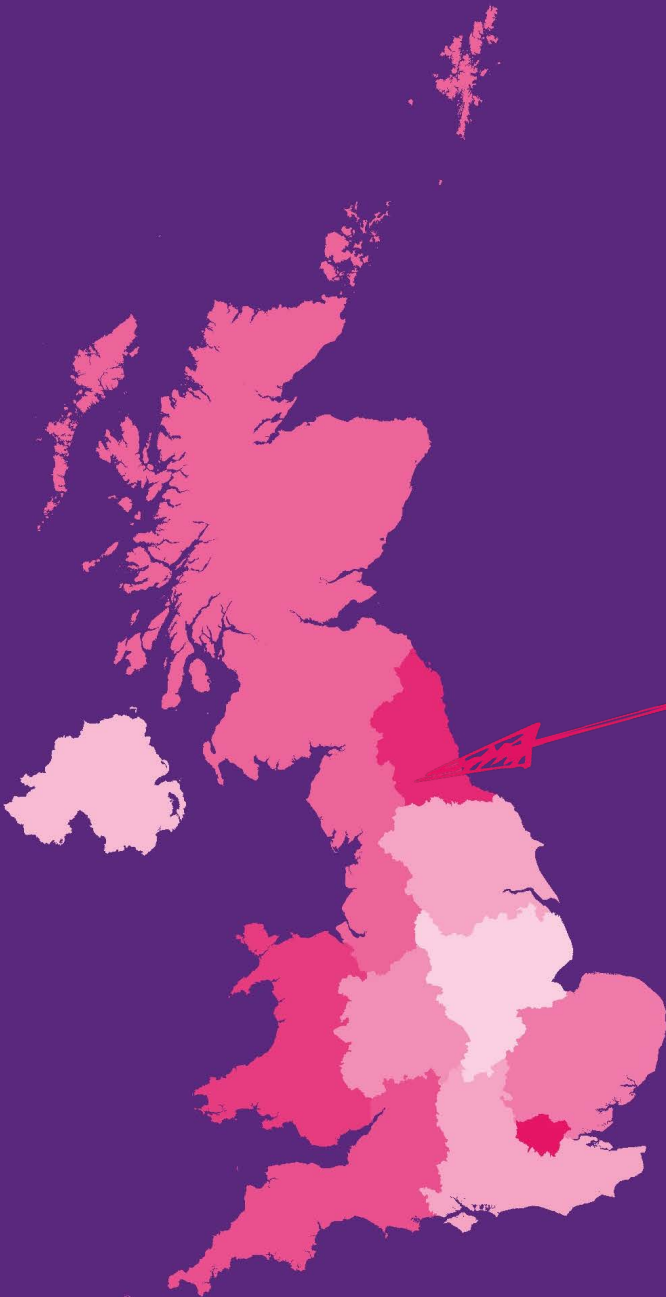
February 2025

Darker colour = higher business growth

## North West

Business Activity Index  
sa, >50 = growth m/m

**49.0**



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



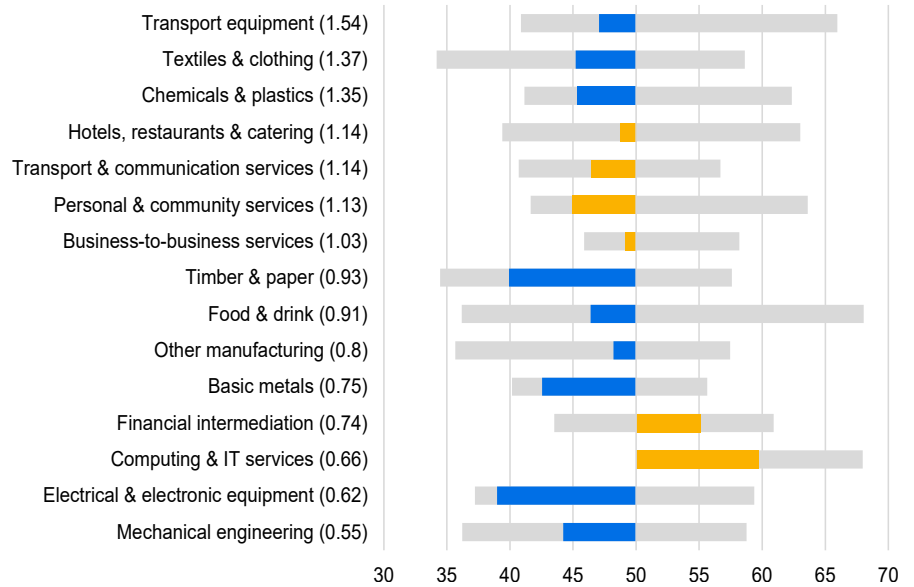
# UK sectors

## Sector specialisation: North West

The chart shows UK output indices by sector, ranked by location quotients for the North West. Location quotients (LQs) 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.

UK sectors ranked by importance to the North West economy  
 ■ Manufacturing ■ Services ■ 3-year range  
 UK Output Index, sa, >50 = growth m/m Feb '25



Sources: NatWest, S&P Global PMI. ©2025 S&P Global. Location quotients for the North West are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

## Sector in focus: Mechanical engineering

Output in the UK's mechanical engineering sector contracted in the three months to February, according to underlying PMI data. The decline was steep and followed growth throughout most of 2024. A lack of new orders, particularly from abroad, was the defining factor behind the sector's recent downturn.

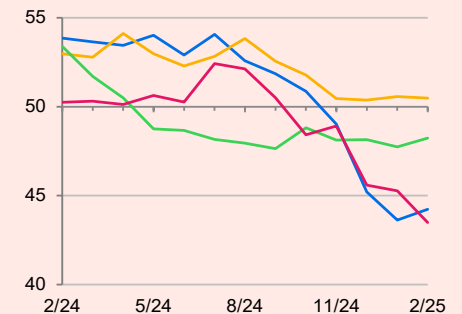
Shrinking backlogs of work at mechanical engineering companies led to further job losses. This extended the current sequence of job shedding seen since spring last year. Inventories were also scaled

back, especially stocks of inputs.

Prices paid for purchases rose at a steady rate that was below the long-run series average. Firms managed to pass on a sizeable proportion of the cost increases they faced, with the pace of output price inflation ticking up to its highest for almost a year and running above its historic trend level.

Looking ahead, firms in the sector were optimistic about growth prospects in the coming year, though less so than at almost any time since the pandemic.

Output / Employment  
 ■/■ Mechanical engineering\*  
 ■/■ Manufacturing & services  
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global. \*Data are smoothed as three-month moving averages (3mma).

# Methodology

The NatWest North West Growth Tracker 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

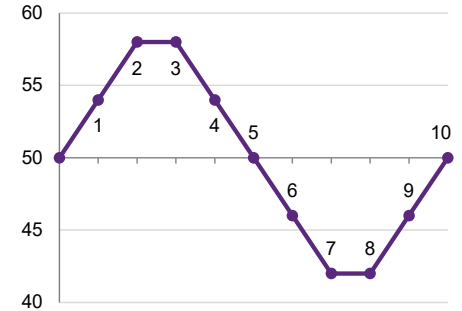
overall decrease. The indices are then seasonally adjusted.

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.

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 survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

Index interpretation  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

**Key**

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

# Data

North West manufacturing and services Index, sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
9/24	52.6	53.2	50.8	52.0	47.6	70.2	57.5	54.6
10/24	49.8	52.0	51.5	48.3	47.8	74.3	57.2	54.6
11/24	47.7	48.9	51.6	48.5	44.8	65.5	60.6	55.0
12/24	46.9	44.8	51.6	47.2	42.9	66.1	60.1	55.9
1/25	49.0	46.4	51.2	45.7	40.2	63.9	63.4	57.6
2/25	49.0	43.0	51.4	44.1	38.6	64.6	63.1	57.3

# Further information

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