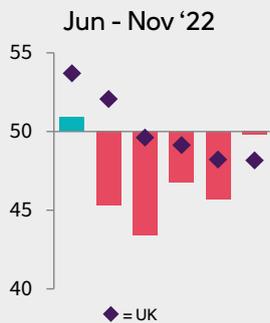


NatWest North East PMI[®]

Slower falls in output and new business in November

North East Business Activity Index



Key findings

Downturn eases, leaving North East joint-top of UK rankings

Price pressures remain elevated

Employment falls for sixth month running

The NatWest Regional PMI[®] data showed a near-stabilisation in activity and new business in the North East, while expectations remained negative but improved relative to October's record low. The headline NatWest North East 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 sharply from 45.7 in October to 49.8 in November, signalling only a fractional reduction in output across the manufacturing and service sectors. Moreover, among the 12 UK regions, the North East posted the joint-slowest contraction alongside Wales. That said, it was still the lowest ranked region across 2022 as a whole.

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

"The North East economy showed signs of stabilising in November, with much slower declines in both output and new business than in October. On both scores, the North East registered the joint-best performance among the UK regions in November, alongside Wales.

"Sentiment remained negative as concerns over a recession and high inflation lingered, but firms were much less pessimistic in November. This may reflect the recent easing of inflationary pressures, although the increase in input prices picked up slightly halfway through the fourth quarter. This contrasted with a substantial slowdown in October, so the price indices will be closely watched over the winter as firms and consumers look for some respite from the cost of living crisis."

North East 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 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

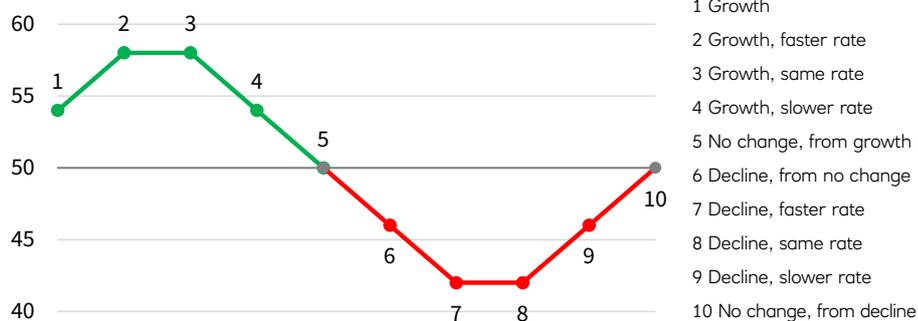
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



Demand and outlook

New business declines at much slower pace

The volume of new work received by private sector firms in the North East fell for the ninth month running in November. Anecdotal evidence suggested that economic uncertainty and high inflation continued to weigh on demand. That said, the rate of decline eased notably from October's marked pace and was only marginal.

The North East registered the joint-slowest decline in new work among the 12 UK regions in November, alongside Wales. This was in stark contrast to the first ten months of 2022 when it had been continually ranked among the bottom three.

Output forecasts recover from record low

The Future Activity Index remained below the no-change mark of 50.0 in November, signalling a fourth successive month of overall pessimism regarding the next 12 months. That said, a sharp rise in the Index indicated that sentiment recovered from October's series record low.

The North East was one of only two UK regions to record overall pessimism in November, the other being Northern Ireland.

Exports

Export conditions deteriorate for fourth month running

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 Index fell to 47.2 in November, from 47.8 in October, signalling a fourth successive deterioration in output across the North East's main export markets that was the sharpest since June 2020.

All five largest export markets for the North East registered lower output in November. The sharpest declines were in the Netherlands, Germany and the US, while much slower contractions were seen in Spain and Italy.

New Business Index
sa, >50 = growth since previous month
49.5
Nov '22



Future Activity Index
>50 = growth expected over next 12 months
49.8
Nov '22



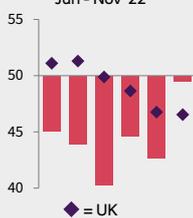
Export Climate Index
sa, >50 = growth since previous month
47.2
Nov '22



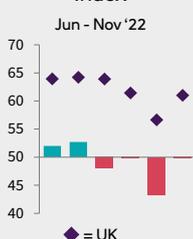
Top export markets, North East

Rank	Market	Weight	Output Index, Nov '22
1	Netherlands	13.6%	43.2
2	USA	12.9%	46.4
3	Germany	12.8%	46.3
4	Spain	6.8%	49.6
5	Italy	5.6%	48.9

New Business Index
Jun - Nov '22



Future Activity Index
Jun - Nov '22



Export Climate Index
Jun - Nov '22



Business capacity

Private sector firms cut staff for sixth month running

Employment across the combined manufacturing and service sectors of the North East fell for the sixth consecutive month in November as companies aimed to cut costs. The rate of contraction eased from October's 21-month record, however, and was only marginal.

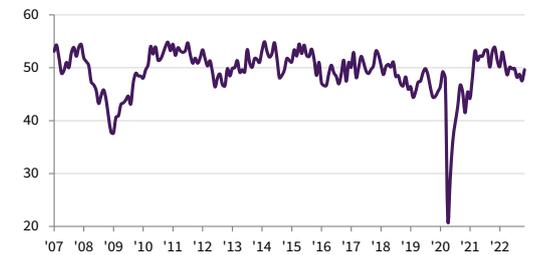
Only one other UK region reported lower staffing in November, with the East Midlands seeing a similarly marginal rate of job shedding.

Outstanding business declines only fractionally

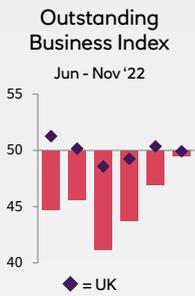
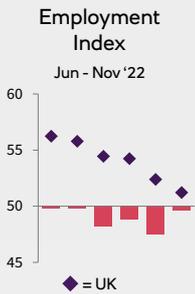
The level of outstanding work held by North East companies fell for the eleventh month running in November, signalling ongoing spare capacity in the private sector economy. The rate of backlog depletion eased for the third month running, however, to the weakest over this period.

Across the UK as a whole backlogs were broadly stable in November, although only three regions – London, Yorkshire & Humber and the West Midlands – posted increases. Northern Ireland and Scotland registered the steepest declines.

Employment Index
sa, >50 = growth since previous month
49.6
Nov '22



Outstanding Business Index
sa, >50 = growth since previous month
49.5
Nov '22



Prices

Cost pressures remain stubbornly high

Companies reported increasing average input prices in November, extending the current inflationary sequence to two-and-a-half years. Rises were linked to energy, fuel, materials and labour. The rate of inflation picked up slightly since October and remained among the highest on record, albeit below the averages for 2021 and 2022 so far.

Input price inflation across the UK as a whole edged higher in November, and was stronger than the rate seen in the North East.

Prices charged increase at faster rate

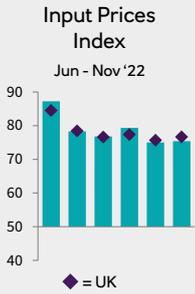
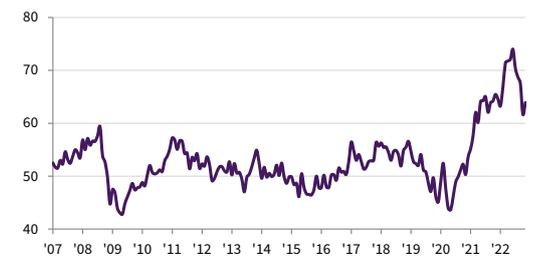
North East private sector firms raised their prices charged for goods and services for the twenty-seventh consecutive month in November. The rate of inflation remained among the highest on record and accelerated for the first time five months.

In comparison to October, when it ranked in the bottom three regions for charge inflation, the North East posted the fifth-fastest rise in charges among the 12 UK regions in November. Overall, output price inflation in the UK eased to a 15-month low.

Input Prices Index 75.4
sa, >50 = inflation since previous month Nov '22



Prices Charged Index 63.9
sa, >50 = inflation since previous month Nov '22



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, Nov '22*
1	Chemicals & Plastics	1.58	45
2	Timber & Paper	1.17	42
3	Mechanical Engineering	1.17	48
4	Basic Metals	1.13	45
5	Transport	0.91	48
6	Other Manufacturing	0.71	48
7	Textiles & Clothing	0.70	45
8	Electrical & Optical	0.69	48
9	Food & Drink	0.54	52

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '22*
1	Transport & Communication	1.51	45
2	Hotels, Restaurants & Catering	1.20	42
3	Personal & Community Services	1.13	45
4	Business-to-business Services	0.90	48
5	Financial Intermediation	0.75	48
6	Computing & IT Services	0.57	52

UK sector focus

Computing & IT Services

Computing & IT Services was the UK's top-performing sector by far in the three months to November. In fact, it was the only part of the services economy to see a rise in business activity.

The sector did, however, exhibit a loss of momentum, with the rate of business activity growth slowing to its weakest since the opening quarter of 2021. This reflected a softening trend in new business.

Computing & IT Services firms remained optimistic about the year-ahead outlook, and more so than any other services sector, which in turn helped drive a sustained rise in employment. That said, both expectations and the pace of job creation eased to the lowest since late-2020.

Cost pressures remained much higher than normal, according to latest data. However, they were relatively subdued compared to other parts of the services economy, with the rate of input cost inflation the lowest among the six monitored sectors.

Output Index

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



*3-month moving average



UK Regional PMI overview

Business Activity

All 12 monitored regions recorded a further fall in business activity in November. However, rates of contraction slowed in just over half of cases, including Wales and the North East, the two top-ranked areas, where activity came close to stabilising. Scotland recorded the most marked fall in output, followed by the South West.

Employment

Workforce numbers rose across the majority of regions and nations in November, albeit more slowly in most instances. The West Midlands saw the fastest pace of job creation, moving ahead of the South East in the rankings. The East Midlands and North East went against the trend and recorded lower employment.

Future Activity

Business expectations improved almost universally in November. Yorkshire & Humber was the most optimistic region and saw the joint-sharpest increase in sentiment from the previous month, with Wales. Firms in Northern Ireland and the North East remained pessimistic, albeit less so than in October.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Nov '22



* 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
Jun '22	50.9	45.1	51.8	52.0	49.8	44.7	87.2	74.0
Jul '22	45.3	43.9	50.0	52.7	49.8	45.6	78.3	70.4
Aug '22	43.4	40.3	48.7	48.0	48.2	41.2	76.8	68.7
Sep '22	46.8	44.6	48.5	49.8	48.8	43.7	79.3	67.5
Oct '22	45.7	42.7	47.8	43.3	47.5	46.9	75.0	61.7
Nov '22	49.8	49.5	47.2	49.8	49.6	49.5	75.4	63.9

Contact

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

Trevor Balchin
Economics Director
S&P Global Market Intelligence
+44 149 146 1065
trevor.balchin@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 (0) 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.

ihsmarket.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.