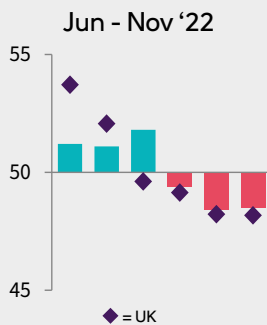


NatWest North West PMI®

North West business activity falls for third consecutive month in November

North West Business Activity Index



Key findings

Rate of decline in activity modest and little-changed from October

Faster fall in new orders points to weakening underlying demand

Expectations still low, but show slight recovery as price pressures ease

Business activity continued to fall across the North West's private sector economy during November, in line with signs of further weakness in demand for goods and services, latest Regional PMI® data from NatWest showed. Elsewhere, the survey signalled that firms' input costs and output prices continued to rise sharply, albeit at slower rates than in recent months.

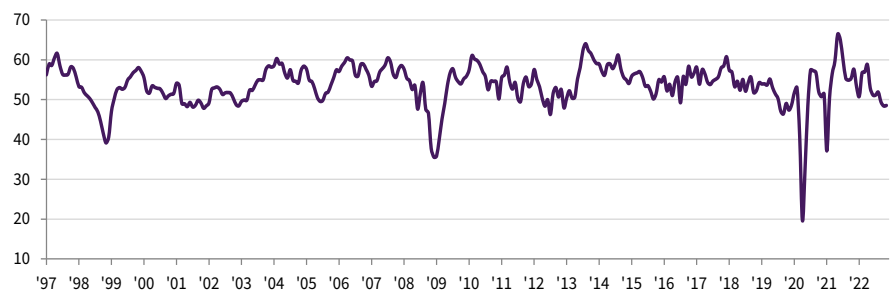
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – registered 48.5 in November, little-changed from October's 48.4. A reading below 50, which signals falling business activity, has now been recorded in each of the past three months. The modest decline in output was led by weakness in the manufacturing sector.

Malcolm Buchanan, Chair of North Regional Board, commented:

"The North West business activity index remained in sub-50 contraction territory for a third successive month in November, signalling a sustained slowdown in the region's private sector economy. The survey pointed to strong downward pressure on demand, as the decline in new orders deepened under the weight of high inflation and uncertainty. A more settled political backdrop helped ease businesses' nerves about the economic outlook somewhat, with expectations picking up from October's recent low, but confidence nevertheless remained relatively subdued owing to continued concerns towards rising interest rates and the prospect of a recession in the UK. Firms' input costs and output charges continued to rise sharply, but the fact that the rates of increase have slowed offers a glimmer of hope that underlying price pressures are easing."

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

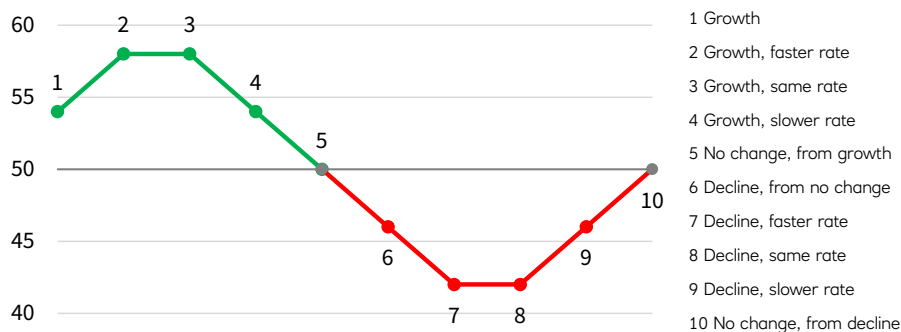
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

New orders decline as demand weakens

November saw a fifth straight monthly decline in inflows of new work across the North West private sector, highlighting a sustained weakening in underlying demand for the region's goods and services. Uncertainty among customers and high inflation were main two factors weighing on sales activity, anecdotal evidence showed.

Furthermore, the rate of decline in new orders continued to gather pace, reaching the quickest since January 2021 and outstripping the UK average.

Business expectations improve, but remain historically subdued

After deteriorating in each of the previous three months, firms' expectations towards business activity over the next 12 months improved in November. They were still the second-lowest since the initial COVID-19 wave, however, reflecting ongoing concerns towards high inflation, rising interest rates, and the prospect of a recession.

Exports

Export conditions becoming more and more difficult

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 below 50 signals a deterioration in export conditions.

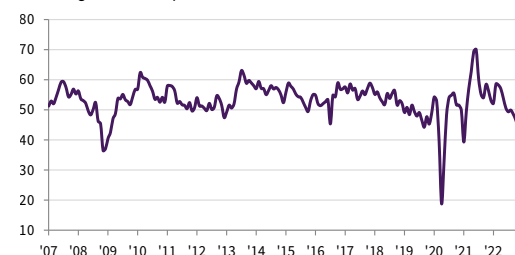
Export conditions continued to worsen during November, as highlighted by the ECI registering below the neutral 50.0 threshold once again, at 48.1. This was its lowest reading since May 2020 and reflected decreases in economic activity in each of the region's top five export markets.

New Business Index

sa, >50 = growth since previous month

43.9

Nov '22

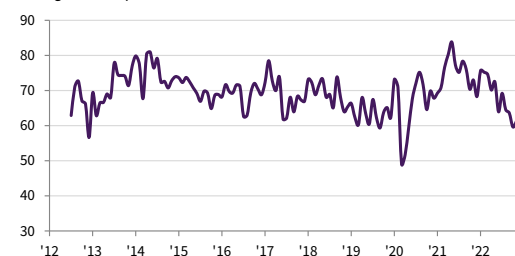


Future Activity Index

>50 = growth expected over next 12 months

61.3

Nov '22

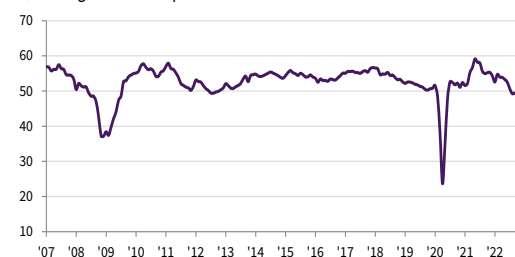


Export Climate Index

sa, >50 = growth since previous month

48.1

Nov '22

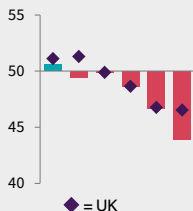


Top export markets, North West

Rank	Market	Weight	Output Index, Nov '22
1	USA	13.1%	46.4
2	Germany	10.5%	46.3
3	Ireland	7.2%	48.8
4	China	6.8%	47.0
5	Netherlands	6.4%	43.2

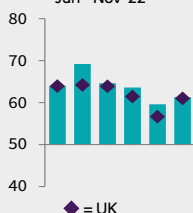
New Business Index

Jun - Nov '22



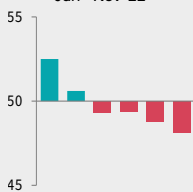
Future Activity Index

Jun - Nov '22



Export Climate Index

Jun - Nov '22

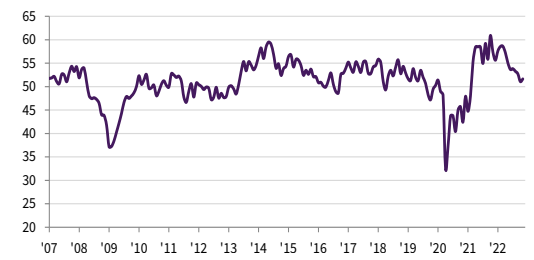


Business capacity

November sees further modest rise in employment

Latest data showed a further increase in employment across the North West private sector, extending a sequence of uninterrupted job creation stretching back to March 2021. The pace of hiring picked only slightly from October and was the second-weakest in the aforementioned sequence, however. Recruitment activity was mainly centred on the service sector, where there were reports of sales staff being added and firms planning ahead for future growth.

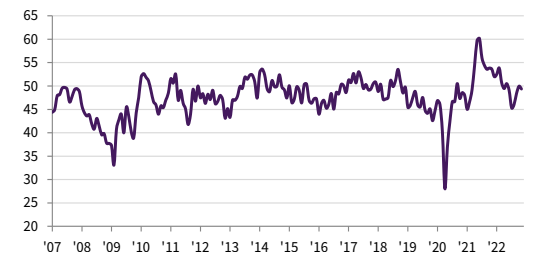
Employment Index
sa, >50 = growth since previous month
51.6
Nov '22



Firms make further inroads into backlogs of work

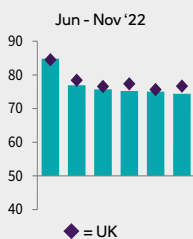
A lack of incoming new work during November meant that firms across the North West were able to reduce outstanding business (i.e. orders received but not yet completed). It marked the sixth month in a row in which a decrease in work-in-hand has been recorded, pointing to easing business capacity pressures. The rate of decline was slightly faster than in October, though still only modest overall.

Outstanding Business Index
sa, >50 = growth since previous month
49.4
Nov '22



Prices

Input Prices Index
Jun - Nov '22



Input price inflation edges lower once again, but remains strong

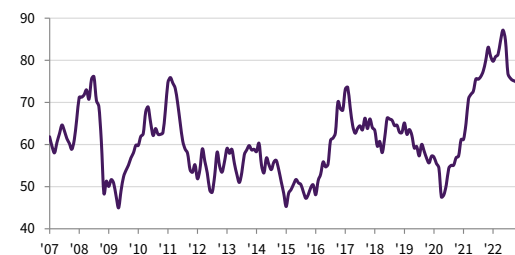
Higher energy costs, a weak pound and rising salaries each contributed to an ongoing sharp increase in businesses' operating expenses during November. The rate of input price inflation ticked down for the sixth month in a row and was the lowest since May 2021. But despite this, it was still well above its historical series average. In contrast to the trend seen throughout most of the past two-and-a-half years, it was services firms, rather than manufacturers, that saw the strongest cost inflation.

Input Prices Index

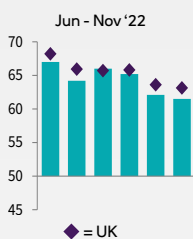
sa, >50 = inflation since previous month

74.4

Nov '22



Prices Charged Index
Jun - Nov '22



Output price inflation eases further from recent highs

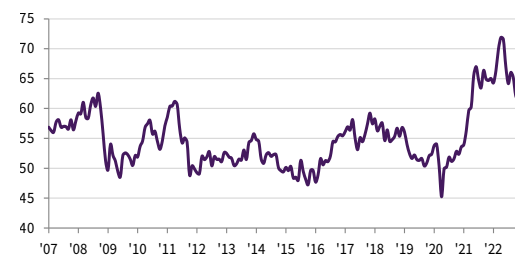
Rising costs spurred many firms across the North West to increase their output prices during November. However, although still historically elevated, the rate of inflation in average charges for goods and services slipped to its lowest since April 2021 and was the second-weakest among the 12 monitored regions.

Prices Charged Index

sa, >50 = inflation since previous month

61.5

Nov '22



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, Nov '22 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	48
3	Textiles & Clothing	1.18	48
4	Timber & Paper	0.91	42
5	Basic Metals	0.84	48
6	Food & Drink	0.79	52
7	Other Manufacturing	0.72	50
8	Mechanical Engineering	0.56	50
9	Electrical & Optical	0.51	50

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '22 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	48
3	Business-to-business Services	1.03	50
4	Personal & Community Services	1.03	48
5	Computing & IT Services	0.81	52
6	Financial Intermediation	0.76	50

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.

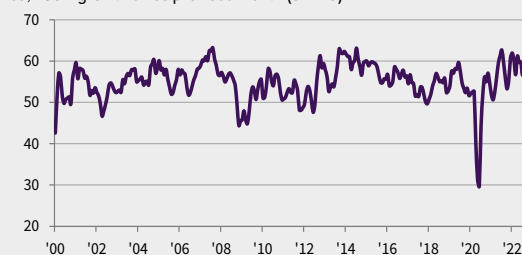
The sector did, however, exhibit a loss of momentum, with the rate of business activity growth slowing to its weakest since the opening quarter of 2021. This reflected a softening trend in new business.

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.

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

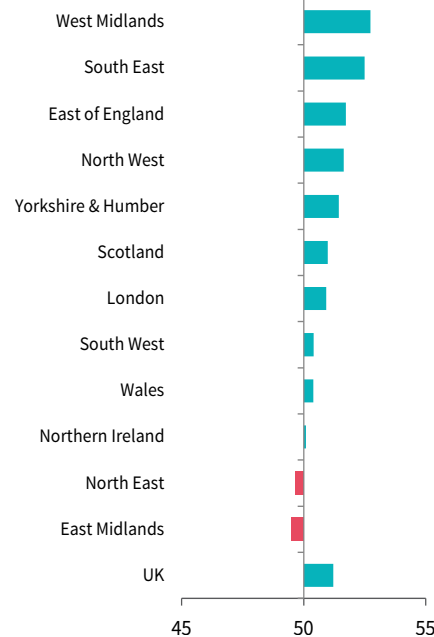
Business Activity Index

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



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
Jun '22	51.2	50.6	52.5	64.0	53.7	49.1	84.8	67.0
Jul '22	51.1	49.4	50.6	69.2	53.8	45.4	76.9	64.2
Aug '22	51.8	49.9	49.3	64.6	53.3	46.0	75.7	66.0
Sep '22	49.4	48.6	49.4	63.6	52.7	48.4	75.2	65.2
Oct '22	48.4	46.7	48.8	59.6	51.1	49.9	75.0	62.1
Nov '22	48.5	43.9	48.1	61.3	51.6	49.4	74.4	61.5

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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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