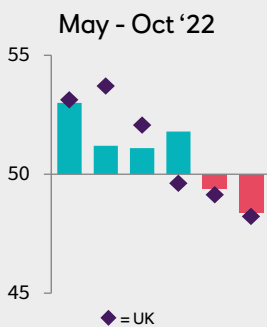


NatWest North West PMI[®]

North West private sector sees sustained decline in business activity in October

North West Business Activity Index



Key findings

Output falls for second straight month amid growing strain on demand

Business confidence slumps to lowest since May 2020

Prices continue to rise steeply, albeit at slower rates

Latest Regional PMI[®] data from NatWest showed a sustained decline in business activity across the North West private sector at the start of the fourth quarter, as growing concerns about the outlook for the economy and persistent high inflation weighed on demand.

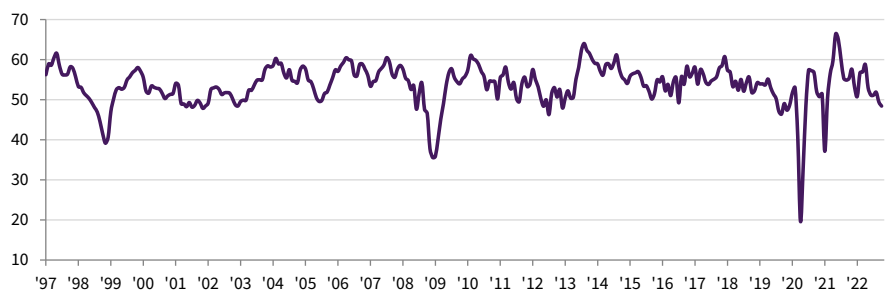
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – registered 48.4 in October, down from September's 49.4 and falling further below the 50.0 threshold that separates growth from contraction. The decline in business activity, which was led by the region's manufacturing sector, was broadly in line with that seen across the UK as a whole (48.2).

Malcolm Buchanan, Chair of North Regional Board, commented:

"October's PMI survey showed back-to-back reductions in business activity across the North West private sector, in the latest sign of growing strain on the economy from soaring inflation and heightened uncertainty. The North West wasn't alone in recording a decrease in output, with all other regions also now in contraction. The local jobs market is starting to feel the effects of the economic slowdown, with pace of job creation across the region falling to the lowest in over a year-and-a-half. In a rare piece of good news, the rates of increase in both firms' input costs and output prices eased further from their recent peaks. Still, inflationary pressures remain stubbornly high, pointing the prospect of yet more interest rate increases and thereby an additional squeeze on disposable incomes. Amid this backdrop, firms in the North West are the least optimistic about their growth prospects since the initial COVID wave two-and-a-half years ago."

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

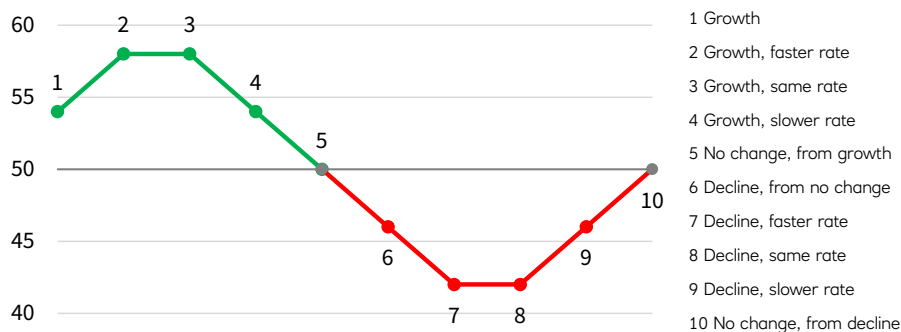
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Inflows of new work show deepening decline

October's survey indicated a further weakening of demand faced by firms in the North West, as underscored by a fourth straight monthly decline in inflows of new business across the region. Furthermore, the rate of contraction accelerated and was the steepest since January 2021.

Underlying data showed that the main drag on new orders came from the manufacturing sector.

Business growth forecasts fall to lowest since initial COVID wave

Firms in the North West grew less optimistic about the year-ahead outlook in October. The decline in expectations continued a trend seen throughout most of 2022 so far, and left confidence at its lowest since May 2020. The result reflected growing concerns about an economic slowdown, both domestically and internationally, anecdotal evidence showed.

Exports

Export conditions continue to become more challenging

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.

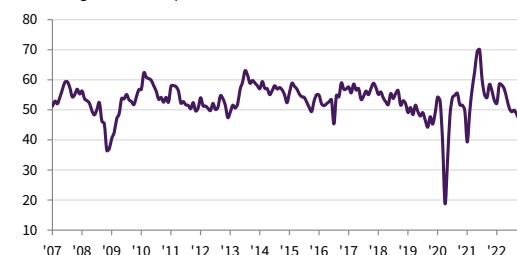
The ECI signalled a third straight monthly decline in export conditions faced by firms operating in the North West. At 48.8, the latest reading was down only slightly from September's 49.4, but nonetheless the lowest since June 2020. Downturns in activity were seen across four of the North West's top five export markets, namely the US, Germany, China and the Netherlands.

New Business Index

sa, >50 = growth since previous month

46.7

Oct '22

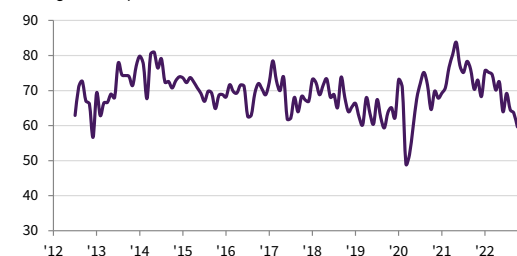


Future Activity Index

>50 = growth expected over next 12 months

59.6

Oct '22

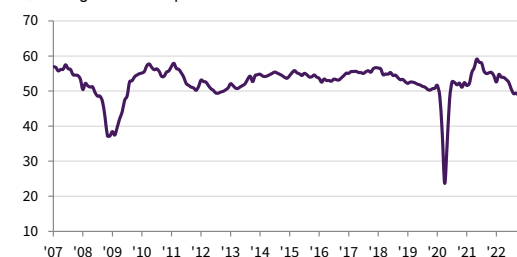


Export Climate Index

sa, >50 = growth since previous month

48.8

Oct '22

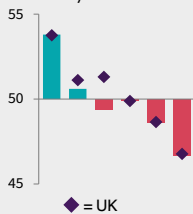


Top export markets, North West

Rank	Market	Weight	Output Index, Oct '22
1	USA	13.1%	48.2
2	Germany	10.5%	45.1
3	Ireland	7.2%	52.1
4	China	6.8%	48.3
5	Netherlands	6.4%	45.6

New Business Index

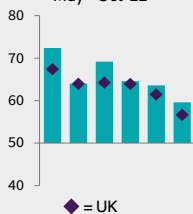
May - Oct '22



◆ = UK

Future Activity Index

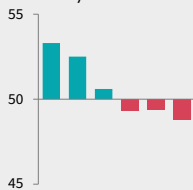
May - Oct '22



◆ = UK

Export Climate Index

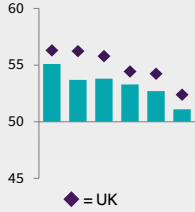
May - Oct '22



Business capacity

Employment Index

May - Oct '22



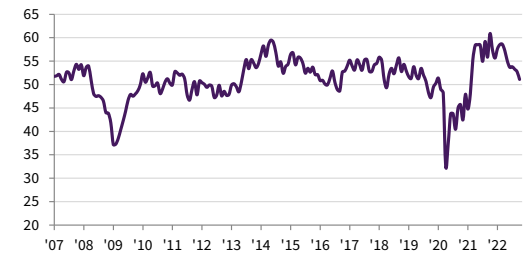
Rate of employment growth slows to 20-month low

A further slowdown in the rate of employment growth across the North West private sector was signalled in October. The rise in workforce numbers was only modest and the slowest in the current sequence of job creation stretching back to March 2021. The region's manufacturing businesses even noted a decline in staffing levels, citing lower output requirements and efforts to trim costs.

Employment Index

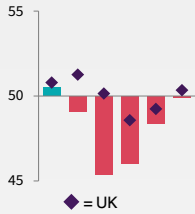
sa, >50 = growth since previous month

51.1
Oct '22



Outstanding Business Index

May - Oct '22



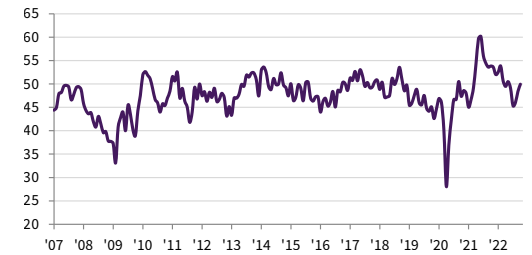
Backlogs of work show broadly no change

After having fallen in each of the previous four months, the level of order backlogs at companies in the North West was little-changed in October. Easing capacity pressures across the region's manufacturing sector contrasted with a modest accumulation of outstanding business at local services firms, who reported difficulty keeping up with inflows of new work.

Outstanding Business Index

sa, >50 = growth since previous month

49.9
Oct '22

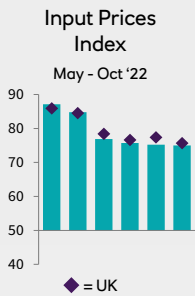
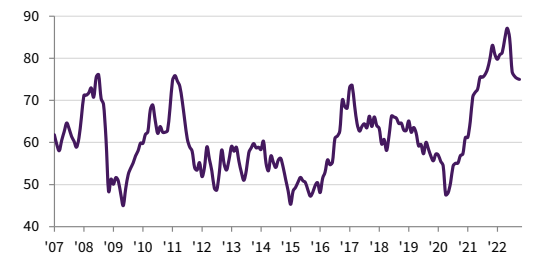


Prices

Input price inflation maintains steady decline but still elevated

There remained strong upward pressure on business costs at the start of the fourth quarter, owing to an array of factors such as soaring energy bills, a weak pound, higher material prices and growing wage demands. Measured overall, input costs continued to rise at a rate well above the historical series average. That said, having ticked down for the fifth month in a row, the rate of increase reached its lowest since May 2021.

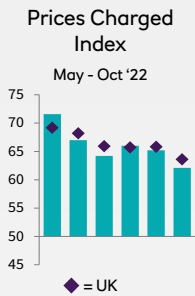
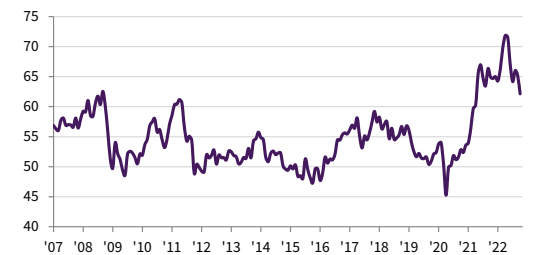
Input Prices Index 75.0
sa, >50 = inflation since previous month Oct '22



Slower rise in average prices charged for goods and services

Although businesses in the North West continued to pass on higher costs to customers during October via hikes in prices charged, they did so less aggressively than in recent months. Average fees charged for the provision of goods and services rose to the least extent since April 2021 (and slower than the national rate). That said, the rate of inflation remained quicker than at almost any time in the series history prior to this.

Prices Charged Index 62.1
sa, >50 = inflation since previous month Oct '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, Oct '22 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	46
3	Textiles & Clothing	1.18	45
4	Timber & Paper	0.91	44
5	Basic Metals	0.84	43
6	Food & Drink	0.79	42
7	Other Manufacturing	0.72	41
8	Mechanical Engineering	0.56	40
9	Electrical & Optical	0.51	39

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct '22 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	46
3	Business-to-business Services	1.03	45
4	Personal & Community Services	1.03	44
5	Computing & IT Services	0.81	43
6	Financial Intermediation	0.76	42

UK sector focus

Transport

UK Transport manufacturers reported a steep and accelerated reduction in output levels in the three months to October, latest PMI data showed. The sector's performance was its worst since the initial COVID-related shutdowns in early-2020.

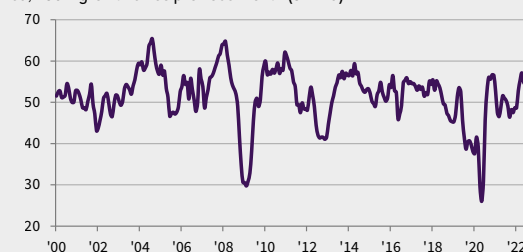
Alongside a softening of demand, which was evidenced by a fall in inflows of new orders, the reduction in production reflected shortages of materials and parts. Surveyed firms continued to report longer lead times on inputs, albeit with the incidence of delays having shown some improvement from the record levels a year earlier.

Cost pressures remained historically high, and even intensified slightly in the three months to October.

Despite these challenges, producers of Transport goods were more upbeat about the outlook for output than those in any other manufacturing sector. As such, they continued to add to workforce numbers.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

October saw a fall in business activity across all 12 monitored regions, the first time this has been the case since the third national lockdown in January 2021. The South West posted the steepest decline, followed by Northern Ireland* and the North East respectively. London's fall in activity was only marginal, but nonetheless its first for over a year-and-a-half.

Employment

Employment continued to rise across almost every region during October, the only exception being the North East where workforce numbers fell for a fifth straight month. However, in most cases, rates of job creation slowed. This included the South East - the region at the top of the rankings for employment growth.

Future Activity

Business expectations, although often still positive, weakened in most cases in October. Firms in Northern Ireland and the North East even noted increased pessimism towards the outlook. Business confidence in the South West was unchanged from September's record low, while Scotland went against the broader trend and registered the strongest optimism for three months.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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
May '22	53.0	53.8	53.3	72.4	55.1	50.5	87.1	71.6
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

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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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