

11 February 2025

# NatWest North West Growth Tracker

North West private sector starts 2025 from  
a more stable position



NatWest

PMI<sup>®</sup>

by **S&P Global**

11 February 2025

# NatWest North West Growth Tracker

## Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



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# Key findings

January 2025

**Business activity posts slowest fall for three months in January**

**Employment slips further as cost pressures rise**

**Firms cautiously optimistic about year-ahead outlook**

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)





# Downturn in business activity softens at start of 2025

Business activity fell at a slower rate across the North West private sector in January, recording its weakest contraction for three months, according to this year's first NatWest Growth Tracker survey results.

The headline North West Business Activity Index registered 49.0 in January. Although this was still below the 50.0 no-change threshold that separates growth from contraction, it was up from 46.9 in

December and the highest reading for three months.

The UK as a whole saw a slight increase in business activity during the opening month of the year (index at 50.6), with London and the North East enjoying the fastest rates of growth.

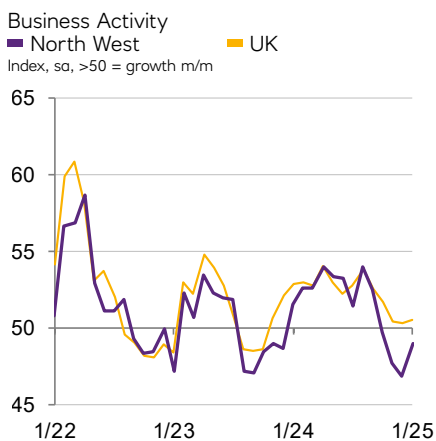
Local businesses reported that softer demand in the domestic market was the main reason why activity had fallen, linking this to tighter budgets among customers and low confidence.

NatWest North West Business Activity Index January 2025

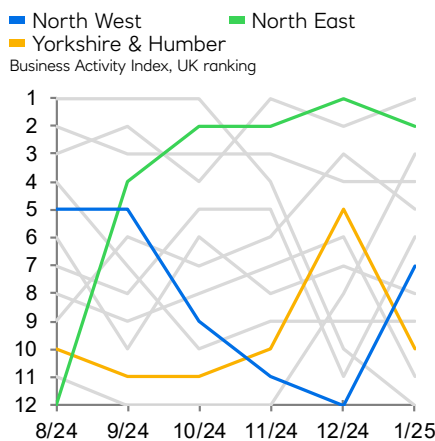
## 49.0

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 9-29 January



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



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



# Comment

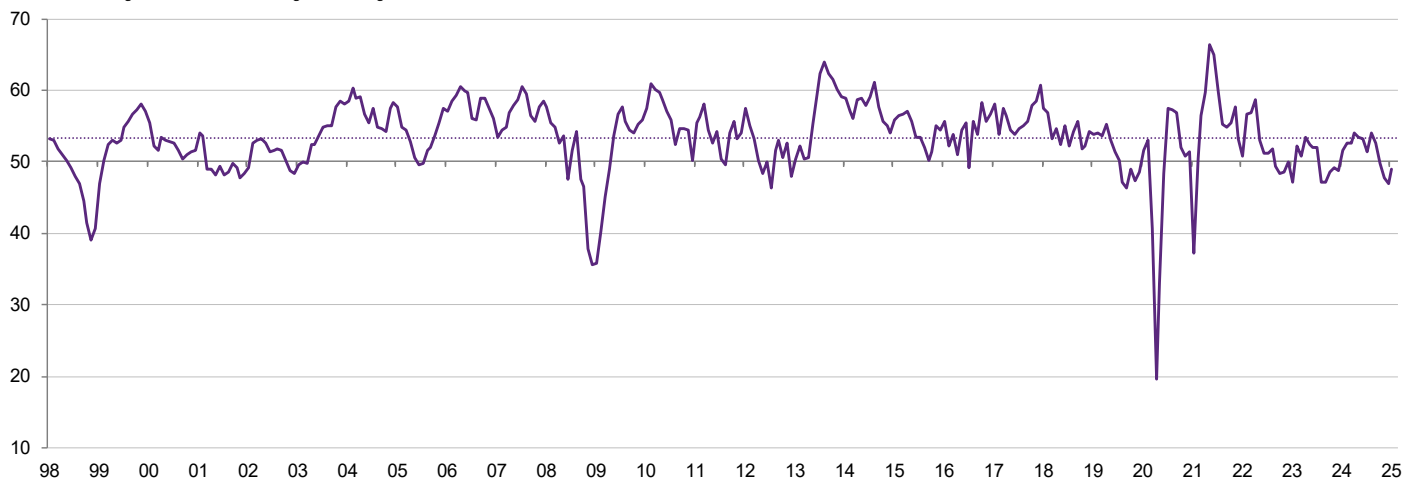
**Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:**

"The North West private sector enjoyed more stability in January compared to the situation at the end of last year, with business activity edging down only slightly and at the slowest rate for three months. Local companies are still looking to the future with some optimism, even though confidence has taken a knock in recent months.

"The Bank of England's interest rate cut last week means that policy is now less restrictive, with further loosening expected in the year ahead."

## 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

## Business confidence continues to wane as firms see sustained softening of demand

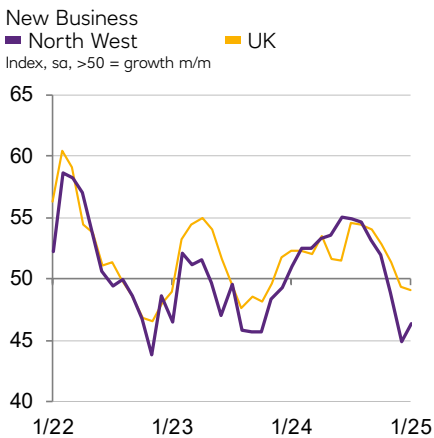
January saw a third successive monthly decrease in the amount of new business received by firms across the North West private sector. Reports from survey participants partly linked this to low market confidence. Underlying data indicated that there was weakness in demand for both goods and services.

Nine of the 11 other nations and regions monitored by the survey also

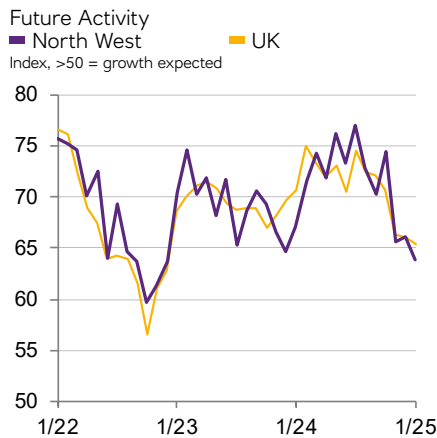
recorded lower intakes of new work, with Northern Ireland recording the steepest decline.

Local businesses were less confident about their future growth prospects at the start of the year. Expectations slipped to the lowest for just over two years, mirroring the trend observed across the UK as a whole. Businesses hoped that greater marketing efforts, diversification and new products would lead to higher activity, but concerns for the economy increasingly dampened optimism.

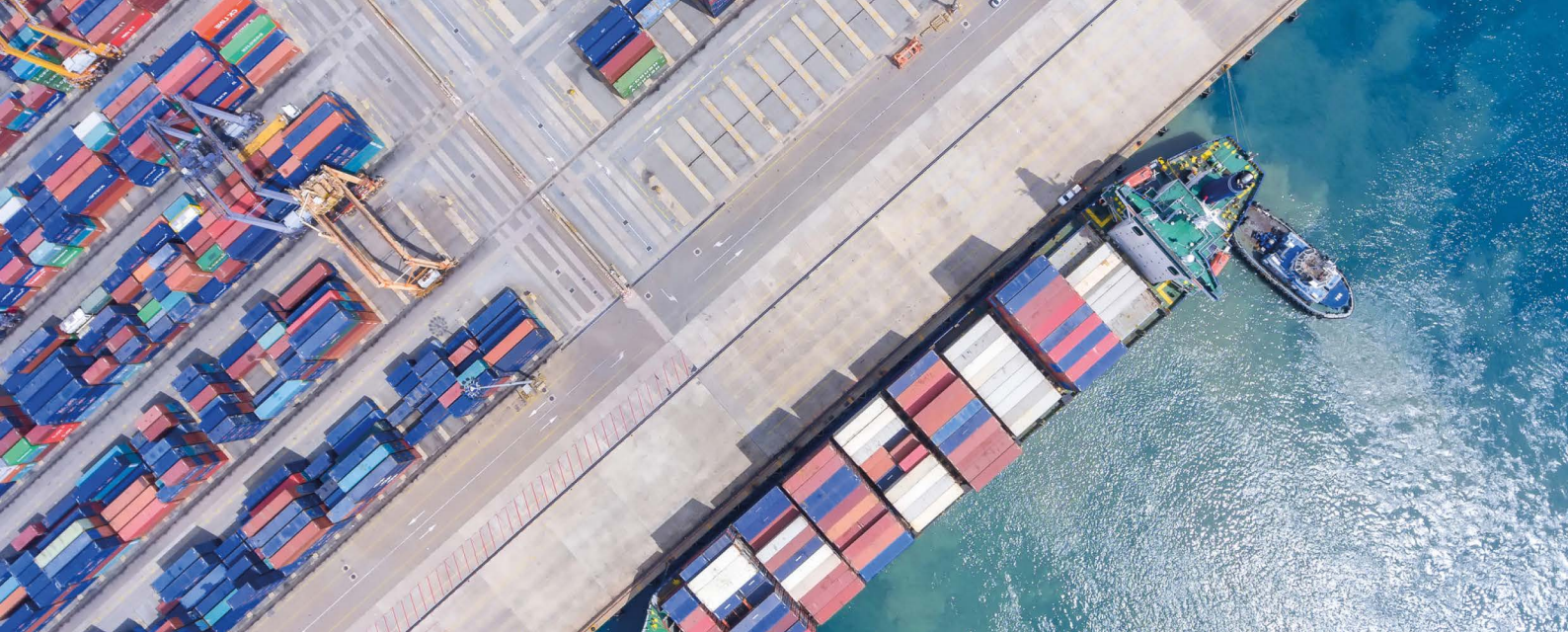
"Local companies are still looking to the future with some optimism, even though confidence has taken a knock in recent months"



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



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

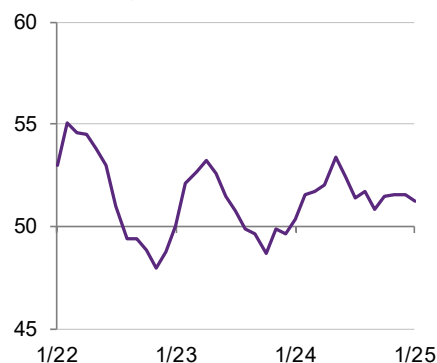


# Export markets

## Health of export markets continues to improve

Growth continued to be seen on a trade-weighted basis across the North West's export markets at the start of the year. The ECI registered 51.2 in January, down slightly from 51.6 in December. Rates of expansion eased in both the US and China eased, but this was partly offset by better performances in some key European markets. Germany saw business activity rise – albeit marginally – for the first time in seven months, while growth ticked up in Ireland.

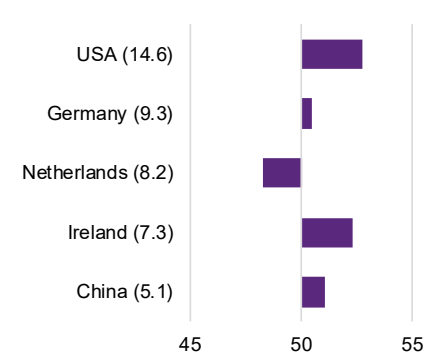
Export Conditions  
Index, sa, >50 = growth m/m



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

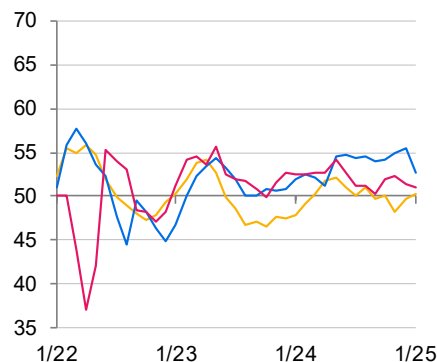
The North West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the North West. A reading above 50 signals an improvement in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

## Job cuts accelerate amid signs of easing capacity pressures

Private sector employment decreased across the North West in January, the fourth month running in which this has been the case. Furthermore, the rate at which workforce numbers fell accelerated to the quickest for four years.

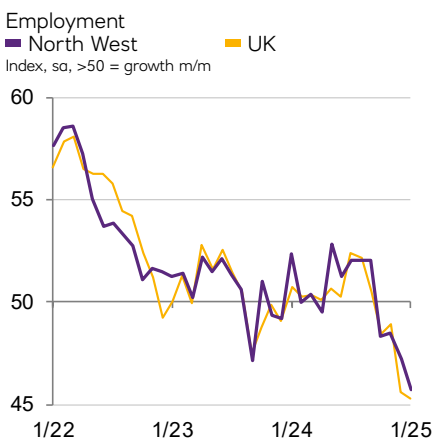
Job shedding was also observed across the UK as a whole, with staffing levels falling in all nations and regions except Northern Ireland.

Surveyed firms often linked staff retrenchment to rising labour costs, including the upcoming National

Insurance increase, but the result also reflected decreasing pressure on operating capacity.

Businesses continued to complete orders and projects more quickly than new ones were being received, leading to a further reduction in backlogged work during January. The rate of depletion was the quickest seen since May 2020. Underlying data indicated that work-in-hand fell particularly sharply in the local manufacturing sector.

"Ahead of the rise in businesses' national insurance contributions, we're already seeing an impact on employment"



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



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





# Inflation

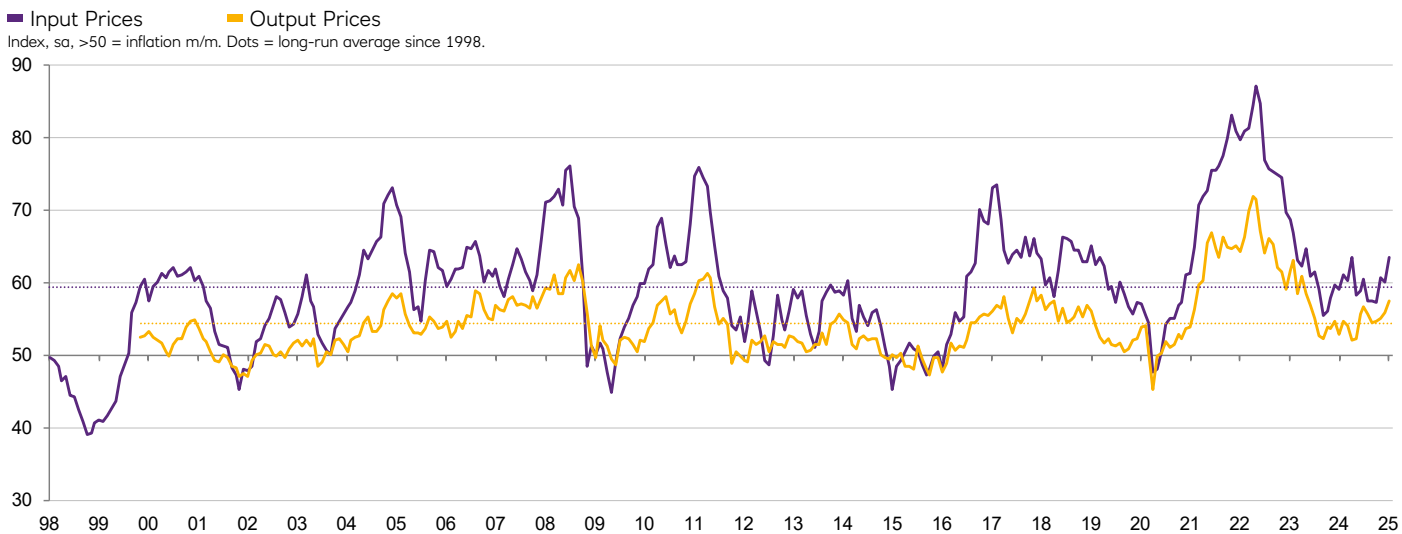
## Cost pressures continue to build, leading to greater increases in prices charged for goods and services

Latest data indicated growing cost pressures faced by firms in the North West. The rate at which average input prices increased was the fastest since April 2024 and above the long-run series average. Alongside rising wages, there was a range of other factors pushing up costs, according to reports

from surveyed firms, including higher energy and fuel prices and a stronger US dollar.

Elevated cost pressures in turn led to a steep and accelerated rise in average prices charged for goods and services across the North West in January. The rate of output price inflation was the strongest observed since May 2023. It was broadly in line with the national rate.

"There are bigger price rises going on as businesses look to cover for increasing running costs"



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

# UK Regional Growth Tracker

## Business Activity

London was the fastest-growing region for business activity in January, followed by the North East. The only other areas to see increases in output were Wales and the South West, although in both cases rates of expansion were only marginal. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity\*.

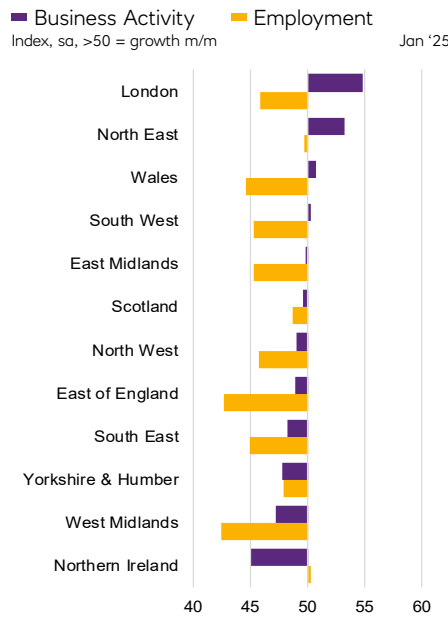
## Employment

For the second month running, all but one of the 12 monitored nations and regions recorded a decrease in employment in January. The exception was once again Northern Ireland, although employment there rose only fractionally and at the slowest rate for over two years. The West Midlands saw the steepest drop in workforce numbers, followed closely by East of England.

## Future Activity

Expectations towards growth in the coming year remained positive across the board, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the year-ahead outlook ahead of those in the West Midlands, with both regions going against the general trend and seeing sentiment improve.

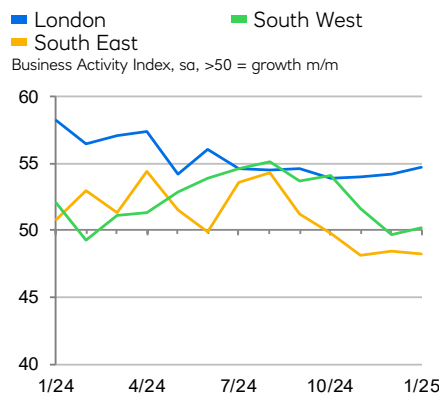
\*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



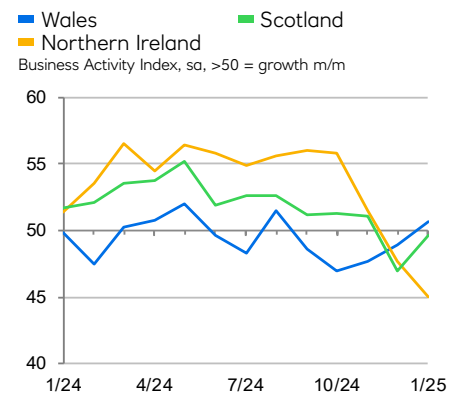
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



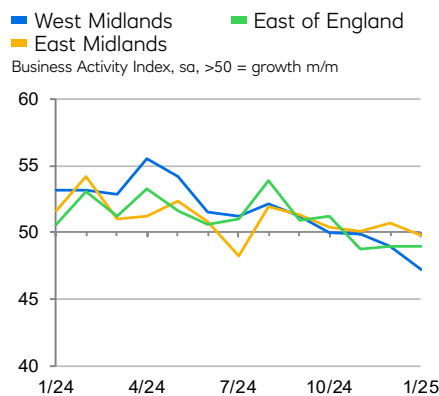
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



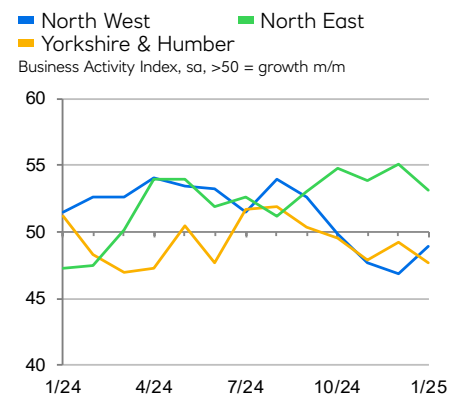
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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



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

# Growth Tracker heat map

January 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.

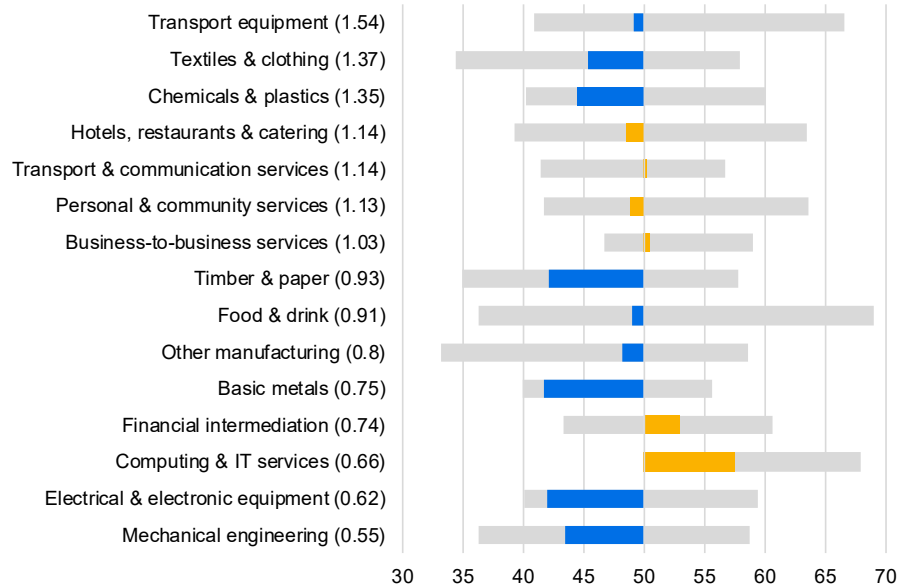
# UK sectors

## 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 Jan '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: Personal & community services

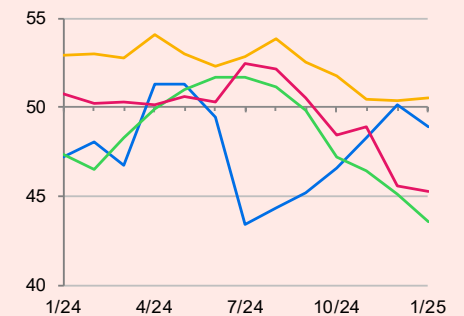
The UK's personal & community services sector underperformed the wider economy in the three months to January. Business activity fell back into contraction following some stability in the latter stages of 2024, weighed down by a marked decline in demand. Qualitative evidence gathered by the PMI surveys highlighted a reduction in confidence and discretionary spending among UK consumers in recent months.

At the same time, businesses in the sector came under pressure from rising costs, including increases in

energy prices and wages. Average prices charged by firms showed a slightly slower rate of inflation, however, pointing to a squeeze on profit margins.

Business confidence towards future growth prospects was meanwhile the lowest on record, excluding the initial phase of the pandemic. The combination of increasing labour costs and muted growth expectations led personal & community services firms to cut workforce numbers at the fastest rate for nearly four years.

Output / Employment  
 ■/■ Personal & community services\*  
 ■/■ 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

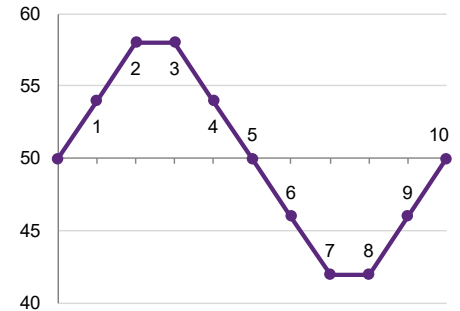
overall decrease. The indices are then seasonally adjusted.

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
8/24	54.0	54.6	51.7	52.0	46.0	72.8	57.5	55.8
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

# Further information

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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.

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