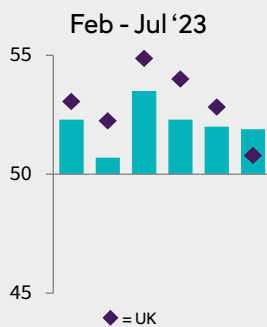


# NatWest North West PMI<sup>®</sup>

## North West sees modest growth in business activity in July despite cracks in demand

### North West Business Activity Index



### Key findings

Output rises for sixth straight month, but inflows of new work fall

Expectations slips to lowest in year-to-date

Output price inflation eases to 30-month low

The North West private sector economy saw further modest growth in business activity in July, according to the latest NatWest Regional PMI<sup>®</sup> survey, but a third straight monthly fall in new work pointed to weakness in underlying demand. Indeed, firms were the least optimistic about the outlook so far this year and slowed down their rate of hiring accordingly. Cost pressures remained stubbornly high, and were even slightly stronger than in June, but growing competition for work nevertheless saw the rate of increase in prices charged for goods and services ease to the slowest since January 2021.

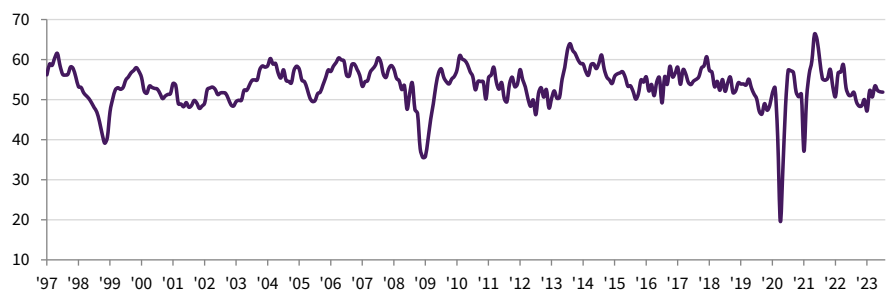
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – registered 51.9 in July, down slightly from June's 52.0. The index has now posted above the 50.0 no-change mark for six months in a row, although the latest reading was the lowest since March.

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

*"A further modest rise in business activity in the current business climate is of course a positive, but it does seem that growth is on borrowed time unless demand starts to pick up soon as inflows of new work fell for a third straight month. Jitters over the outlook for demand amid squeezed client budgets and higher interest rates have knocked business confidence, which is now at its lowest so far this year. Price increases for goods and services were the slowest for two-and-a-half years in July, in a sign that inflationary pressures continue to abate amid weaker pricing power among firms. However, rates of inflation remain above 'normal' levels due to persistently steep increases in the service sector, which in large part reflect wage demands."*

North West 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 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

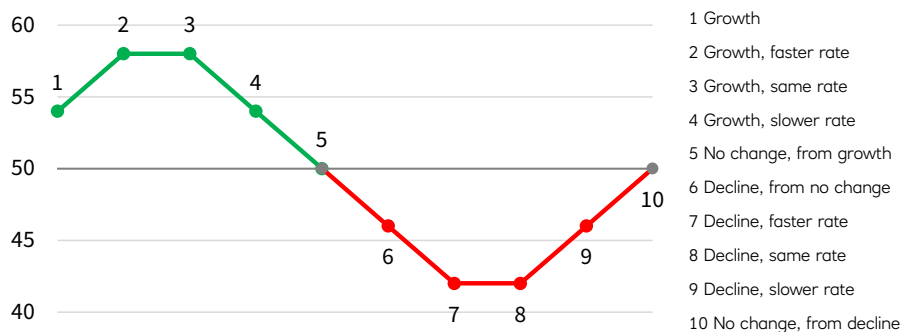
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business falls for third straight month, albeit only slightly

July saw a third straight monthly decline in the volume of new business received by firms across the North West. Subdued customer confidence, high inflation and rising interest rates each acted as headwinds to demand, according to surveyed businesses. That said, the rate of decline eased from the previous month and was only marginal, with a rise in service sector new business partly countering a sustained sharp decline in factory orders.

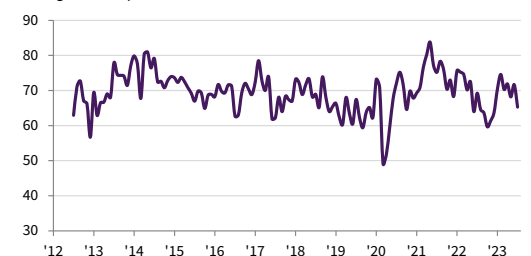
New Business Index  
sa, >50 = growth since previous month Jul '23



### Mood towards 12-month outlook deteriorates

Latest data showed a deterioration in firms' expectations towards business activity over the next 12 months. Confidence in the North West sank to its lowest in 2023 so far and posted the greatest month-on-month decline of the 12 monitored regions. Sentiment weakened across both manufacturing and services, amid concerns over squeezed client budgets, tighter financial conditions and a generally uncertain UK economic outlook.

Future Activity Index  
>50 = growth expected over next 12 months Jul '23



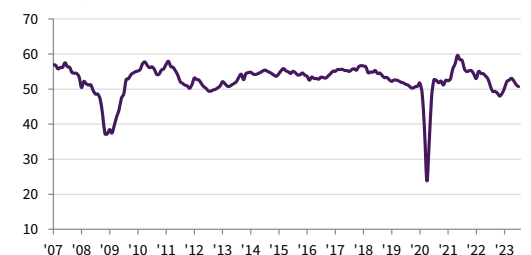
## Exports

### Improvement in export conditions continues to lose steam

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 above 50 signals an improvement in export conditions.

Although signalling a further improvement in international demand conditions in July, the ECI ticked down for a third straight month to its lowest since January. At 50.7, it was only just above the critical 50.0 no-change threshold. Growth in key export markets such as the US and China compared with downturns in both the Netherlands and Germany.

Export Climate Index  
sa, >50 = growth since previous month Jul '23



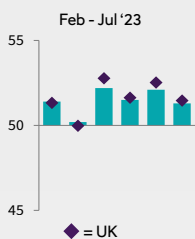
Top export markets, North West

Rank	Market	Weight	Output Index, Jul '23
1	USA	13.7%	52.0
2	Netherlands	10.0%	48.3
3	Germany	9.9%	48.5
4	Ireland	6.5%	50.0
5	China	5.8%	51.9



## Business capacity

Employment Index  
Feb - Jul '23



### Rate of job creation eases to four-month low

Firms operating in the North West reported a rise in employment in July, extending the current sequence of job creation to nearly two-and-a-half years. That said, the rate of workforce growth eased to a four-month low and was modest overall, matching the picture for the UK as a whole. Hiring was once again driven by the service sector, underlying data showed.

Employment Index

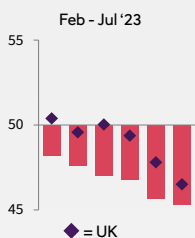
sa, >50 = growth since previous month

51.3

Jul '23



Outstanding Business Index  
Feb - Jul '23



### Downturn in outstanding business deepens

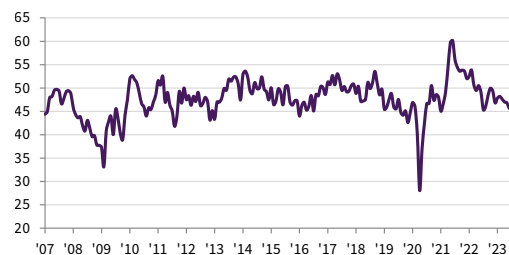
The rate of decline in backlogs of work across the North West private sector continued to accelerate in July. The pace of depletion reached the quickest since January 2021 and outstripped the UK-wide average. Services backlogs were broadly unchanged, meaning the overall reduction was driven exclusively by the manufacturing sector, where there were reports of a lack of incoming new work to replace completed projects.

Outstanding Business Index

sa, >50 = growth since previous month

45.3

Jul '23

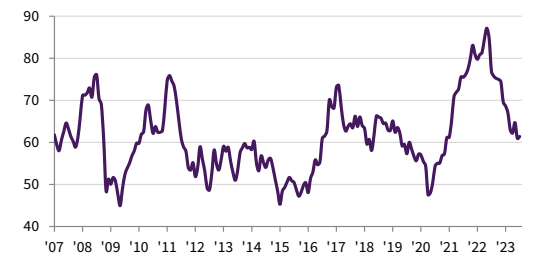


## Prices

### Input price inflation ticks up slightly

Average input prices faced by firms in the North West increased strongly and at a slightly faster rate in July. The respective seasonally adjusted index ticked up from June's 31-month low and stayed above its long-run average. The result masked diverging trends at the sector level, with rapidly declining manufacturing purchase prices contrasting with a sharp rise in service-sector operating costs.

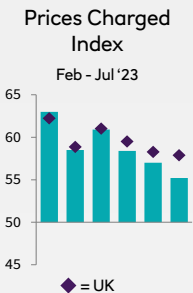
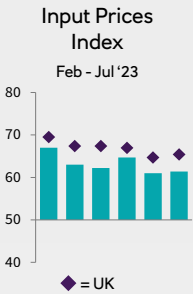
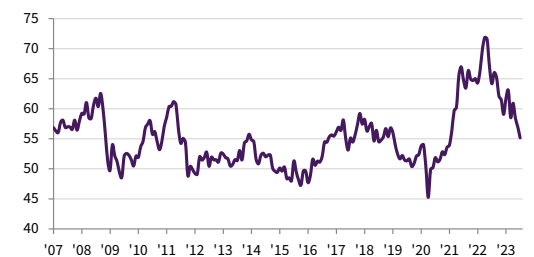
Input Prices Index 61.4  
 sa, >50 = inflation since previous month Jul '23



### Slowest rise in output prices for two-and-half years

The rate of increase in prices charged by firms in the North West continued to slow in July. Output price inflation eased for the third month running to reach its lowest since January 2021. Of the 12 monitored regions, only Northern Ireland and Wales recorded more modest rises in average prices charged. The slowdown was partly driven by discounting in the manufacturing sector.

Prices Charged Index 55.2  
 sa, >50 = inflation since previous month Jul '23



## 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, Jul '23 <sup>+</sup>
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	55
3	Textiles & Clothing	1.18	52
4	Timber & Paper	0.91	48
5	Basic Metals	0.84	48
6	Food & Drink	0.79	52
7	Other Manufacturing	0.72	52
8	Mechanical Engineering	0.56	48
9	Electrical & Optical	0.51	45

#### North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '23 <sup>+</sup>
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	52
5	Computing & IT Services	0.81	55
6	Financial Intermediation	0.76	60

## UK sector focus

### Financial Intermediation

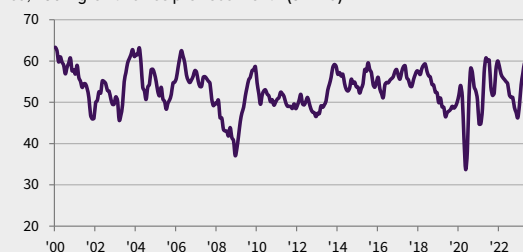
The UK's Financial Intermediation sector displayed strong growth in the three months to July, recording one of the fastest rates of increase in business activity since the global financial crisis. The upturn in performance followed a notable slowdown in the second half of 2022.

Growth was the strongest among the six services sub-sectors monitored by the survey and fuelled by a steep increase in inflows of new business in recent months. With firms' backlogs of work increasing, they continued to take on staff at a historically strong rate and were optimistic about the year-ahead outlook for activity.

Input costs in the sector continued to rise steeply, however, growing at the fastest rate in 2023 so far. This in turn led to a sharp and accelerated increase in prices charged. The rate of output price inflation was surpassed only by that seen in the Hotels, Restaurants and Catering sector.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

Only half of the 12 monitored regions and nations recorded growth in business activity in July. London posted the strongest rate of expansion but saw a notable loss of momentum as growth slowed to a six-month low. The South East and Northern Ireland\* fell the joint-most places in the rankings as both returned to contraction territory, though the steepest overall decline in activity was recorded in the North East.

### Employment

The strongest rate of job creation in July was seen in the South West, followed by the East of England and then London. Northern Ireland also posted a solid rise in workforce numbers. At the other end of the scale, there were renewed declines in staffing levels in both the East Midlands and North East, while no change in employment in the West Midlands ended a 28-month sequence of growth in the region.

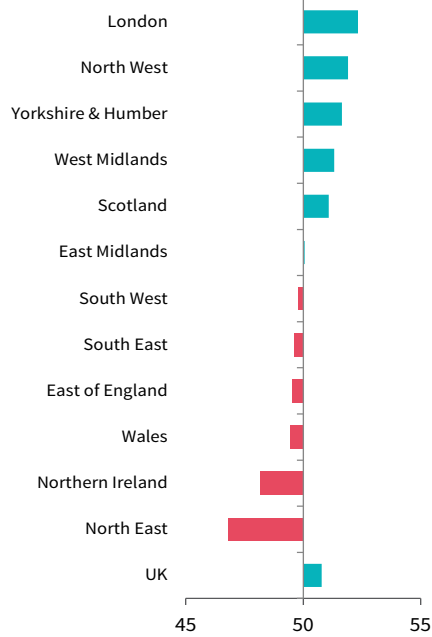
### Future Activity

Trends in business confidence were mixed, with half of the 12 monitored areas registering an improvement in sentiment and the rest seeing a decline. The West Midlands, South East and Yorkshire & Humber topped the rankings and were among those that saw expectations rise since June. Firms in Scotland were the least optimistic about the year-ahead outlook, with sentiment there hitting a six-month low.

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

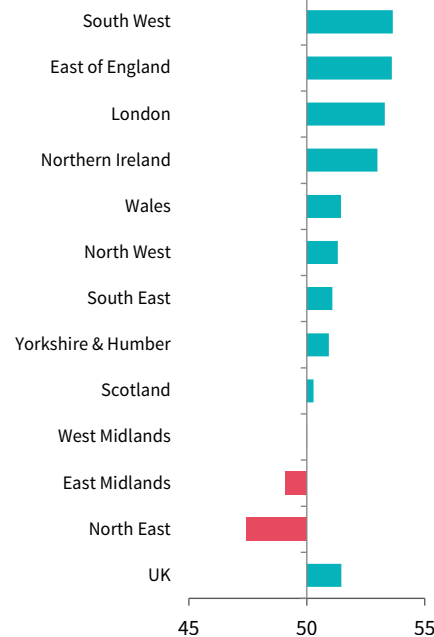
#### Business Activity Index

sa, >50 = growth since previous month, Jul '23



#### Employment Index

sa, >50 = growth since previous month, Jul '23



#### Future Activity Index

>50 = growth expected over next 12 months Jul '23



## 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
Feb '23	52.3	52.1	52.1	74.6	51.4	48.2	67.0	63.0
Mar '23	50.7	51.1	52.6	70.3	50.2	47.6	63.0	58.5
Apr '23	53.5	51.5	53.1	71.9	52.2	47.0	62.2	60.9
May '23	52.3	49.6	52.3	68.1	51.5	46.8	64.7	58.4
Jun '23	52.0	47.0	51.2	71.7	52.1	45.7	61.0	57.0
Jul '23	51.9	49.6	50.7	65.2	51.3	45.3	61.4	55.2

## Contact

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

Phil Smith  
Economics Associate Director  
S&P Global Market Intelligence  
+44 1491 461 009  
[phil.smith@spglobal.com](mailto:phil.smith@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
+44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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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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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.

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