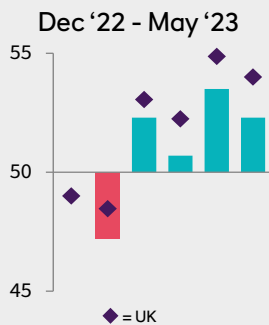


NatWest North West PMI[®]

North West business activity rises for fourth month running in May, but rate of growth eases

North West Business Activity Index



Key findings

Business Activity Index registers 52.3, down from 53.5 in April

New business intakes down for first time in four months

Output price inflation falls but remains historically elevated

Firms in the North West saw business activity rise for a fourth straight month in May, but the rate of growth eased slightly as inflows of new work edged lower, the latest UK Regional PMI[®] survey from NatWest showed. On the price front, firms raised charges for goods and services at the slowest rate since February 2021, though the pace of inflation was still historically high amid the pass-through of growing salary costs.

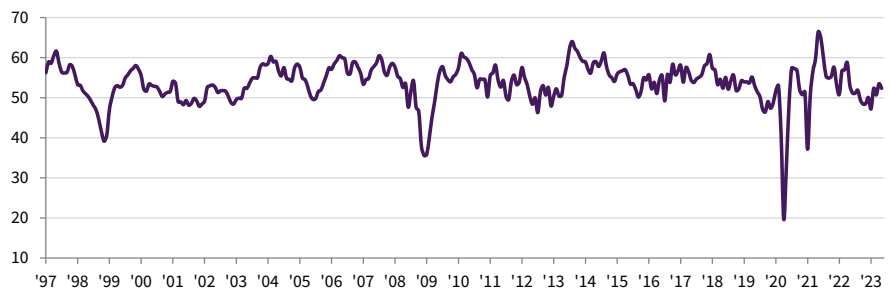
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – came in at 52.3 in May, registering above the neutral 50.0 that separates growth from contraction for the fourth month running. That said, the index was down from a 12-month high of 53.5 in April and below the UK average (54.0).

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

"Latest PMI data showed a fourth consecutive monthly rise in business activity levels across the North West, marking a sustained upturn in the region's economy. What's less encouraging is that growth slowed further behind the national rate amid a decline in inflows of new work, with higher interest rates, the still-rising cost of living and customer uncertainty having an adverse effect on demand. Indeed, companies have become less confident about growth prospects in the coming year. Although inflationary pressures have passed their peak, they remain historically high and are being supported in part by wage-price spiral effects, with companies raising charges for goods and services to offset growing wage demands. So far, the region's labour market remains resilient, with employment rising once again in May, and at a rate that was broadly in line with the national average."

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

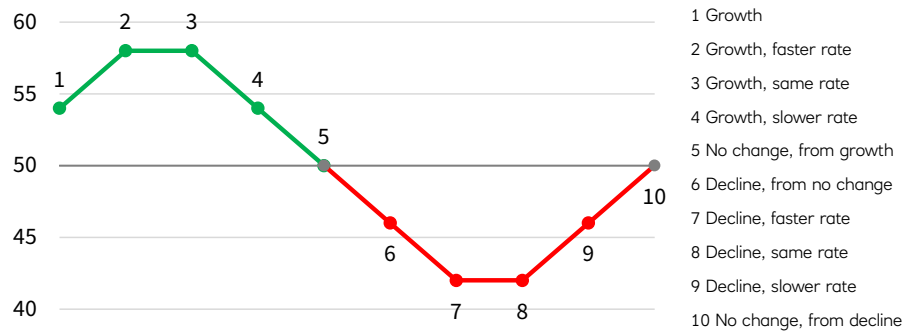
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Businesses operating across the North West reported a decrease in inflows of new work for the first time in four months in May. Although only marginal, the decrease in new business contrasted with solid growth across the UK as a whole. Among the local businesses that recorded a decrease in new work, there were reports of cost of living pressures and uncertainty amongst customers.

Business expectations tick down to five-month low

In line with the trend seen across most UK regions and nations, the North West saw a drop in business confidence in May. Although still firmly in positive territory, with far more firms anticipating a rise in activity in the year ahead than those predicting a decline, expectations ticked down to the lowest level in 2023 so far and moved slightly below the long-run average. Interest rate rises were a factor weighing on sentiment, anecdotal evidence showed.

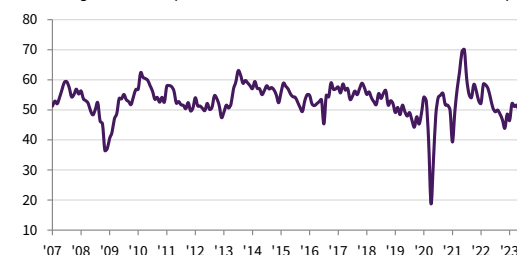
Exports

Export climate conditions continue to improve

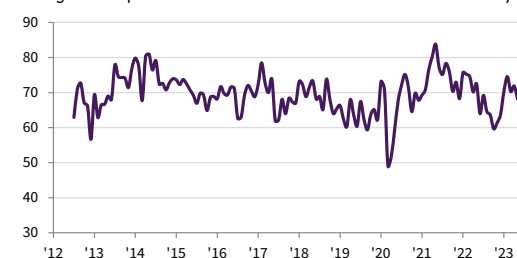
The North West Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North West. This produces an indicator for the economic health of the region's export markets. A reading above 50 signals an improvement in export conditions.

With many of the North West's key international markets seeing growth in business activity in May, export conditions for the region's businesses continued to improve. This was underscored by the ECI registering 52.3 (albeit down somewhat from April's 11-month high of 53.1). The US, the region's largest export market, recorded the fastest output growth for over a year.

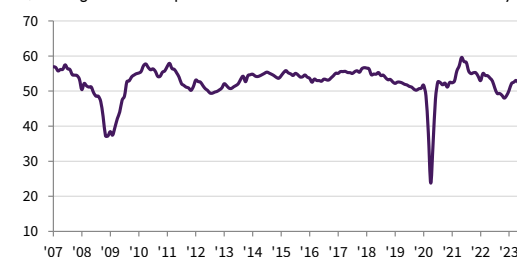
New Business Index
sa, >50 = growth since previous month
49.6
May '23



Future Activity Index
>50 = growth expected over next 12 months
68.1
May '23



Export Climate Index
sa, >50 = growth since previous month
52.3
May '23



Top export markets, North West

Rank	Market	Weight	Output Index, May '23
1	USA	13.7%	54.3
2	Netherlands	10.0%	44.2
3	Germany	9.9%	53.9
4	Ireland	6.5%	51.9
5	China	5.8%	55.6



Business capacity

Businesses across the North West continue to hire

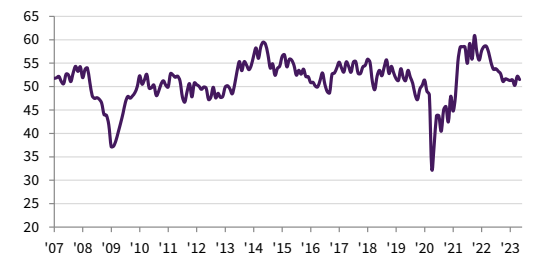
Latest data showed a further rise in employment across the North West private sector in May, maintaining a sequence of uninterrupted workforce growth that stretches back to March 2021. The pace of job creation eased slightly since April, but it was nevertheless broadly in line with both the year-to-date average and the national rate.

Underlying data showed that hiring activity was centred on the local services sector, with manufacturing payroll numbers declining.

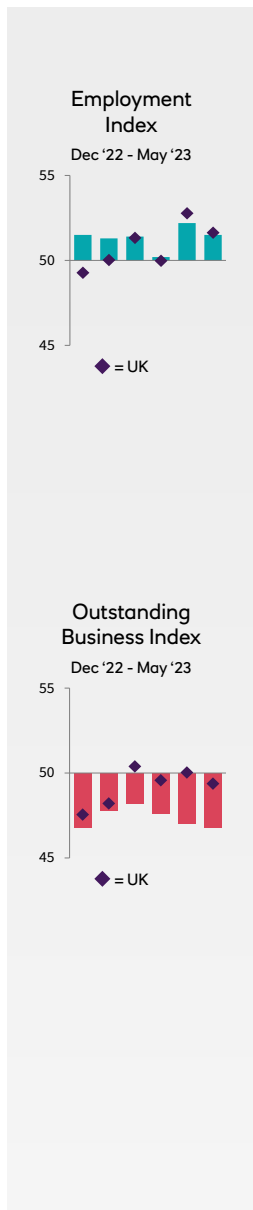
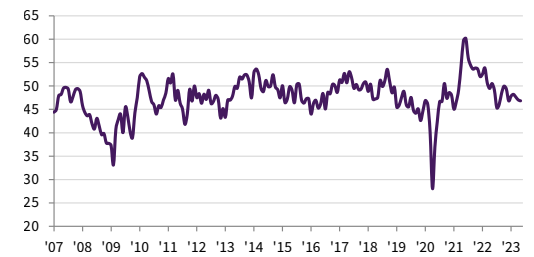
Backlogs of work fall at faster rate

The amount of outstanding business (i.e. work awaiting completion) at firms in the North West fell in May, the twelfth month in a row in which this has been the case. Owing to a combination of reduced inflows of new work and increased staffing capacity, the rate of backlog depletion accelerated to the quickest since December last year. It was also one of the quickest among the 12 monitored regions, surpassed only by those recorded in Wales and Yorkshire & Humber.

Employment Index
sa, >50 = growth since previous month
51.5
May '23



Outstanding Business Index
sa, >50 = growth since previous month
46.8
May '23



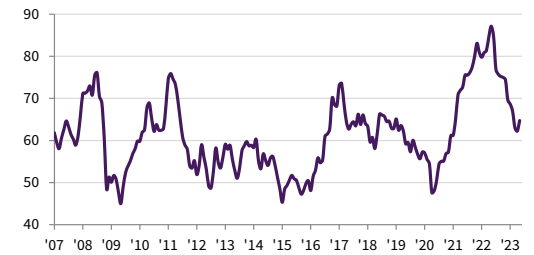
Prices

Input price inflation ticks up for first time in 12 months

After slowing continuously for almost a year, down to a 27-month low in April, the rate of input price inflation faced by North West businesses ticked up in May. Where an increase in operating expenses was recorded, firms often cited the influence of higher salaries.

Service sector costs rose sharply and a much quicker rate than those faced by manufacturers, underlying data for the region showed.

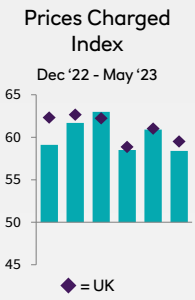
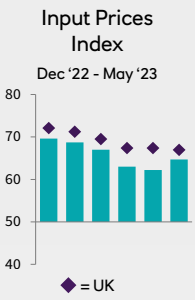
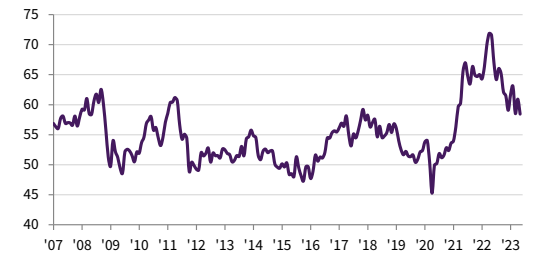
Input Prices Index
sa, >50 = inflation since previous month
64.7
May '23



Firms raise output prices at slowest rate since February 2021

Whilst firms across the North West continued to raise prices charged for goods and services in line with increasing cost burdens, they did so at the slowest rate since February 2021. The rate of output price inflation – which was the third-lowest nationally – nevertheless remained well above the long-run series average.

Prices Charged Index
sa, >50 = inflation since previous month
58.4
May '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, May '23 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	55
3	Textiles & Clothing	1.18	48
4	Timber & Paper	0.91	42
5	Basic Metals	0.84	48
6	Food & Drink	0.79	50
7	Other Manufacturing	0.72	50
8	Mechanical Engineering	0.56	48
9	Electrical & Optical	0.51	52

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '23 ⁺
1	Transport & Communication	1.18	52
2	Hotels, Restaurants & Catering	1.10	55
3	Business-to-business Services	1.03	55
4	Personal & Community Services	1.03	55
5	Computing & IT Services	0.81	58
6	Financial Intermediation	0.76	55

UK sector focus

Transport & Communication

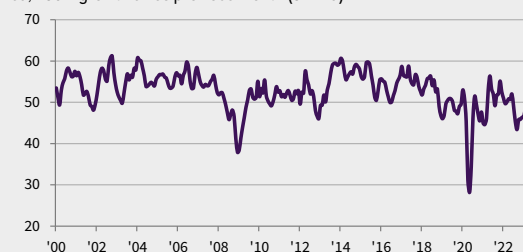
Almost all areas of the UK services economy saw growth in business activity in the three months to May, the only exception being the Transport & Communications sector. Here, activity fell - albeit only slightly - in the latest three-month period, thereby resuming a downward trend after a brief return to growth in Q1.

The survey data pointed to weakness in underlying demand, with inflows of new work in decline. Businesses in the sector reacted to falling workloads by reducing workforce numbers, in line with the trend seen since the end of last year. That said, the latest round of job cuts was only marginal as firms showed greater confidence towards the outlook.

Cost pressures remained historically elevated, although they did at least ease further from the record highs seen in 2022. This was reflected in a slower rise in prices charged, the weakest for almost two-and-a-half years.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Almost all UK nations and regions saw a rise in business activity in May, the only exception being Wales where output fell marginally and for the first time in four months. London once again recorded by far the strongest growth rate, albeit one that was slightly slower than in April. In fact, only the West Midlands saw an acceleration in the rate of expansion in business activity.

Employment

The vast majority of areas monitored by the survey recorded an increase in private sector employment in May. Scotland topped the rankings for job creation for the first time since June 2018, pushing Northern Ireland* into second position. Only the North East and Wales saw decreases in staffing levels, and even there the declines were modest and marginal respectively.

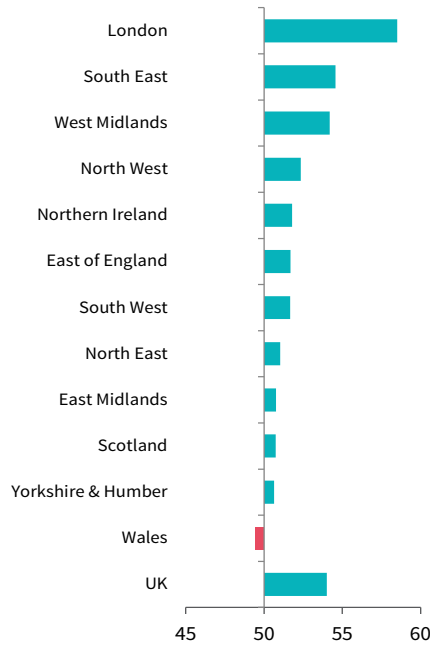
Future Activity

Business expectations remained positive across the board in May, although they weakened in three-quarters of the areas monitored. The West Midlands went against the trend and recorded the strongest overall optimism for the fifth month running. At the other end of the scale, firms in Northern Ireland were the least upbeat towards the outlook.

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

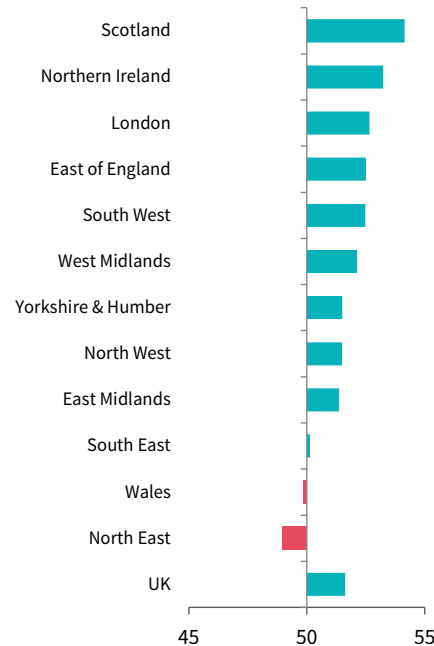
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '22	50.0	48.6	48.8	63.6	51.5	46.8	69.6	59.1
Jan '23	47.2	46.5	50.2	70.3	51.3	47.8	68.7	61.7
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

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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.

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