

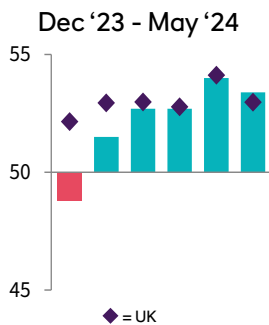


NatWest

NatWest North West PMI®

North West sees further solid growth in business activity in May

North West Business Activity Index



Key findings

Business Activity Index remains firmly in growth territory, at 53.4

Demand conditions continue to improve, driving job creation

Cost inflation eases after April's spike

Business activity continued to rise at a solid pace across the North West during May, supported by improving demand conditions, latest Regional PMI® survey data from NatWest showed. The upturn coincided with stronger confidence towards the outlook, which in turn contributed to a pick-up in employment growth. Cost pressures meanwhile subsided somewhat, after having spiked in April with the change to the National Minimum Wage.

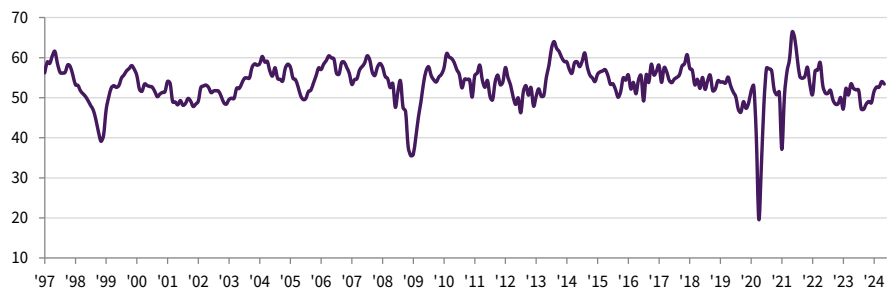
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – registered above the 50.0 mark that separates growth from contraction for the fifth month running in May, coming in at 53.4. Although down slightly from a two-year high of 54.0 in April, the latest reading was still above the UK average of 53.0.

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

"May's PMI survey makes for encouraging reading. Growth is becoming more entrenched across the North West private sector, as we see business activity rising for the fifth month running on the back improving underlying demand. Companies are looking to the future with optimism, and this positive mood, alongside greater workloads, has translated into a solid rise in employment in May. There was also some relief for local firms on the cost front, with April's spike in input prices followed up by a much more moderate increase in May."

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

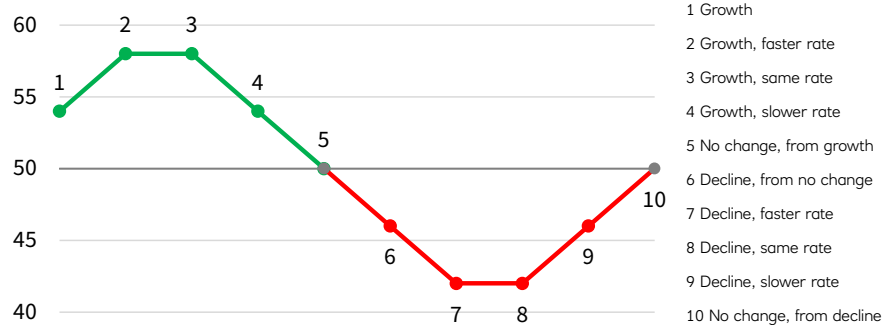
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

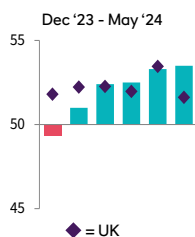
Index interpretation

50.0 = no change since previous month



Demand and outlook

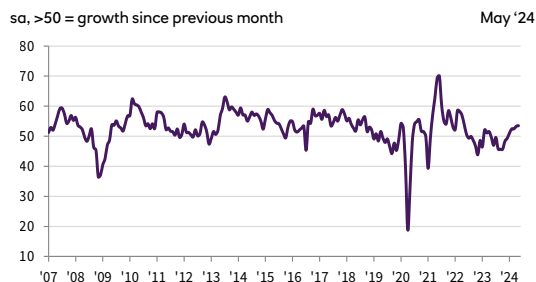
New Business Index



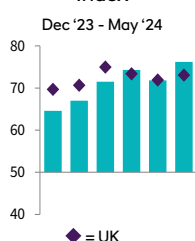
Intakes of new business rise for fifth month running

A fifth consecutive monthly increase in new business across the North West in May pointed to a sustained improvement in underlying demand facing the region's businesses. The rate of new order growth was strong and the second-fastest among the 12 nations and regions monitored by the survey. The upturn was supported by a sustained and sharp rise in the services sector, which was accompanied by a fresh expansion in manufacturing new orders. Firms cited more confidence among clients and successful marketing campaigns.

New Business Index



Future Activity Index



Notable improvement in business confidence

May's survey showed a notable improvement in business expectations across the North West private sector. Firms were the most optimistic about their growth prospects in the coming year since August 2021. A cooling of inflation and cuts to interest rates were two factors that businesses hoped would lead to an expansion in activity. Local manufacturers were particularly upbeat about the outlook, underlying data showed.

Future Activity Index



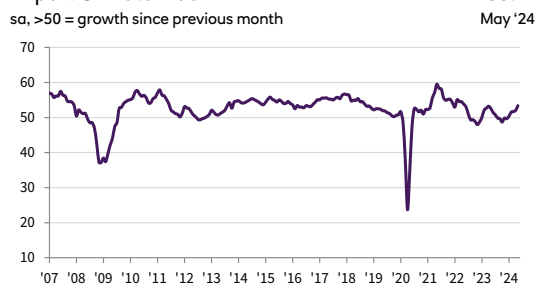
Export Climate Index



Export conditions go from strength to strength

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.

Export Climate Index

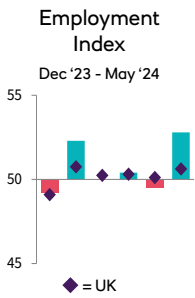


The ECI continued its recent ascent in May, climbing to a two-year high of 53.4. The latest rise reflected stronger growth in each of the region's top export markets. Notably, the increase in business activity in the US, the region's biggest export destination by some margin, was the steepest since April 2022.

Top export markets, North West

Rank	Market	Weight	Output Index, May '24
1	USA	14.6%	54.5
2	Germany	9.3%	52.4
3	Netherlands	8.2%	55.1
4	Ireland	7.3%	52.5
5	China	5.1%	54.1

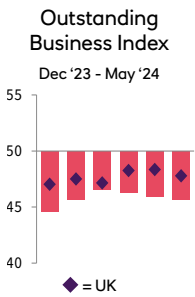
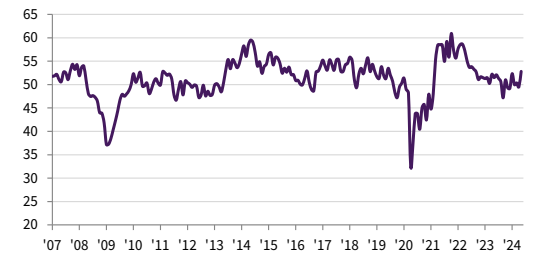
Business capacity



Employment rises the most since August 2022

May saw private sector employment in the North West return to growth, following a slight decline in workforce numbers at the start of the second quarter. Furthermore, the rate of job creation was the strongest seen since August 2022 and the second-fastest of the 12 monitored nations and regions, behind that seen in Northern Ireland. Where a rise was recorded, panellists remarked on increased workloads and strategic hires.

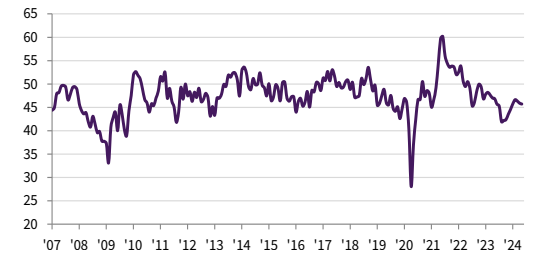
Employment Index
sa, >50 = growth since previous month
52.8
May '24



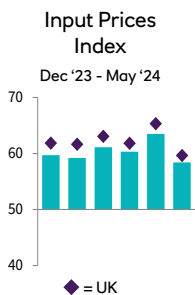
Decline in outstanding business gathers pace

Firms in the North West once again reported a decrease in outstanding business (i.e. work received but not yet completed), as has been the case in every month throughout the past two years. The rate at which backlogs were depleted accelerated for the third month in a row to the fastest since January. It was also much faster than the UK-wide average, pointing to relatively low business capacity pressures in the region.

Outstanding Business Index
sa, >50 = growth since previous month
45.7
May '24

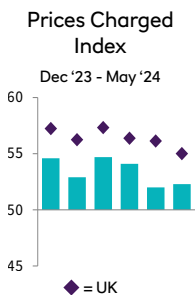
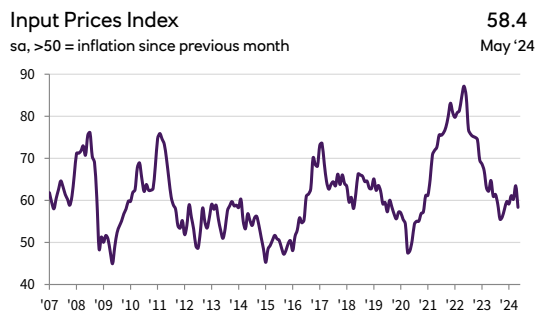


Prices



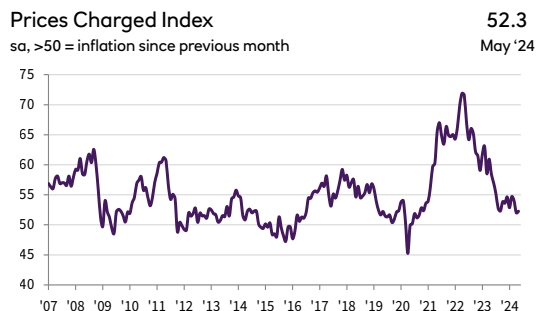
Cost inflation slows sharply to six-month low

Following a spike in costs in April, which was linked to changes in the National Minimum Wage (both its level and coverage), the rate of input price inflation faced by firms in the North West eased sharply to a six-month low in May. It was also one of the slowest among the 12 monitored nations and regions. Where a rise in operating costs was recorded, firms cited higher prices paid for a range of materials, including copper, alongside wage demands.



Modest rise in prices charged for goods and services

Firms in the North West raised average prices charged for goods and services only modestly in May. The rate of inflation stayed close to April's 43-month low and was below the average seen since the series began in 1999. Moreover, it was weakest nationally for the second month running.



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 '24*
1	Chemicals & Plastics	1.66	55
2	Transport	1.27	50
3	Textiles & Clothing	1.09	50
4	Timber & Paper	0.92	50
5	Food & Drink	0.85	55
6	Basic Metals	0.84	45
7	Other Manufacturing	0.77	50
8	Mechanical Engineering	0.59	50
9	Electrical & Optical	0.55	45

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '24*
1	Transport & Communication	1.19	45
2	Personal & Community Services	1.16	50
3	Hotels, Restaurants & Catering	1.11	45
4	Business-to-business Services	1.00	50
5	Computing & IT Services	0.76	55
6	Financial Intermediation	0.75	55

UK sector focus

Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

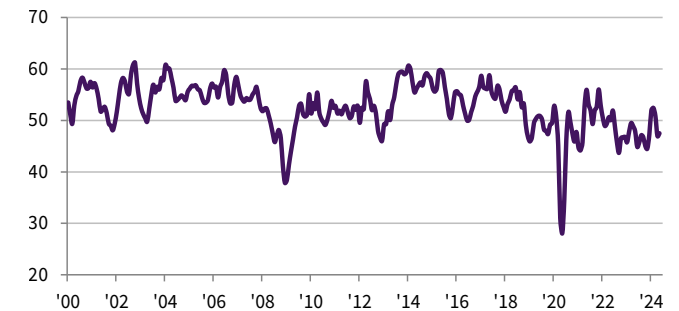
Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

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

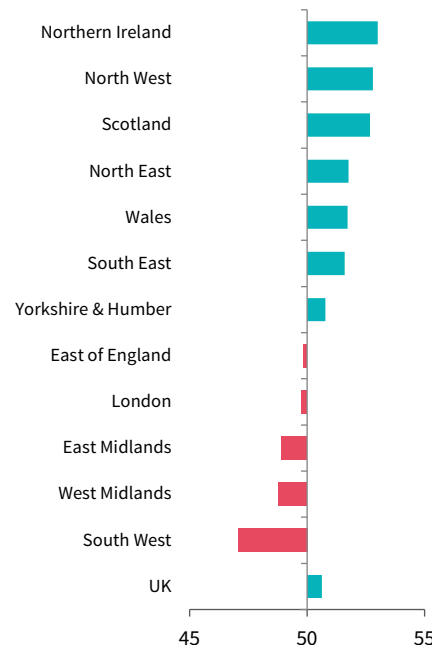
Business Activity Index

sa, >50 = growth since previous month, May '24



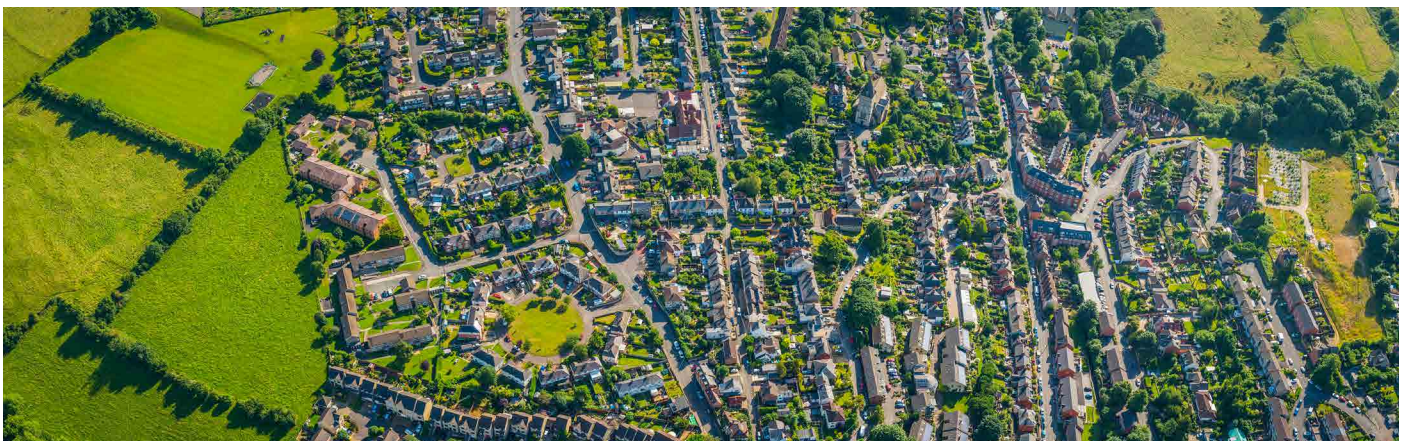
Employment Index

sa, >50 = growth since previous month, May '24



Future Activity Index

>50 = growth expected over next 12 months, May '24



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 '23	48.8	49.3	49.7	64.6	49.2	44.6	59.7	54.6
Jan '24	51.5	51.0	50.4	67.0	52.3	45.7	59.2	52.9
Feb '24	52.7	52.4	51.5	71.5	50.0	46.6	61.1	54.7
Mar '24	52.7	52.5	51.7	74.3	50.4	46.3	60.3	54.1
Apr '24	54.0	53.3	52.1	71.8	49.5	45.9	63.5	52.0
May '24	53.4	53.5	53.4	76.2	52.8	45.7	58.4	52.3

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