

10 December 2024

# NatWest North West Growth Tracker

Business optimism eases across the North  
West in November



NatWest

PMI<sup>®</sup>

by **S&P Global**

10 December 2024

# NatWest North West Growth Tracker

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# Key findings

November 2024

Firms revise down growth expectations

Demand headwinds weigh on activity

Cost pressures increase

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)





# Business optimism eases across the North West

Firms in the North West continued to forecast growth of output over coming year, the latest Growth Tracker survey results showed, but the degree of optimism eased amid a dip in business performance in November.

The headline North West Business Activity Index moved to 47.7 in November from 49.8 in October. This signalled a second successive monthly decrease in the output

of goods and services across the region, following continuous growth throughout the first nine months of the year. The latest reading was the lowest since September 2023 and compared with a UK-wide figure of 50.5.

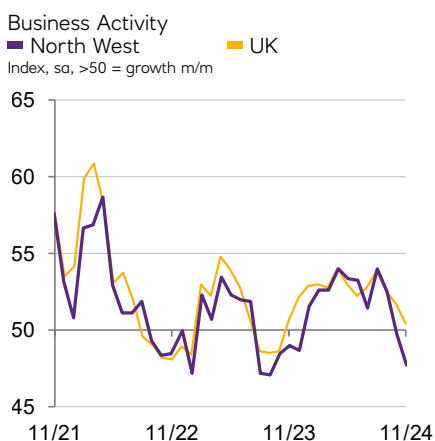
Qualitative evidence gathered by the survey indicated that underlying demand had moderated, thereby weighing on activity. There were reports of projects being put on hold and strong competition on prices.

NatWest North West Business Activity Index November 2024

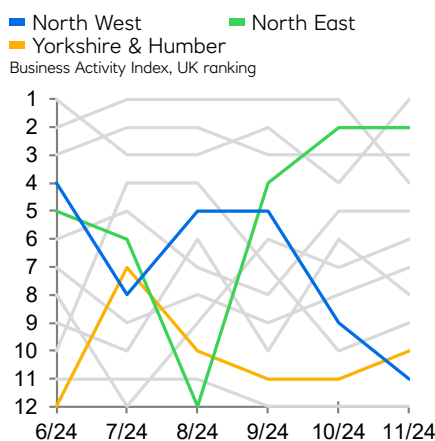
**47.7**

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 12-27 November



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.





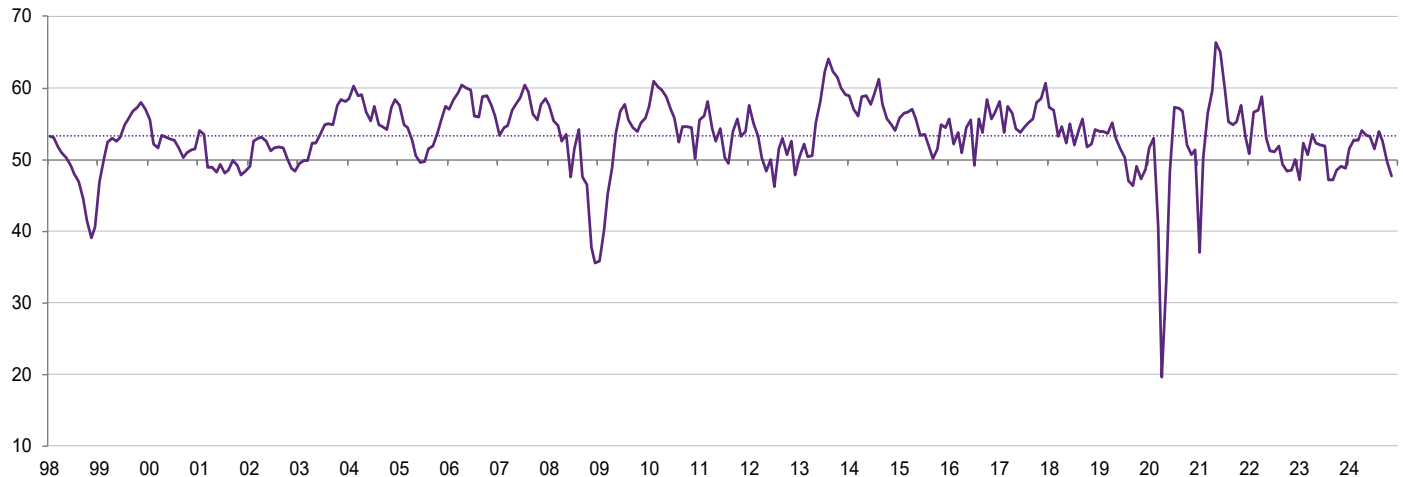
# Comment

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

"The North West private sector has seen a bit of a dip in performance so far in the fourth quarter, although this follows growth in the first nine months of the year. Business confidence has taken a bit of a knock, too, but it's encouraging that firms in the North West still see a path for growth in the coming year, underpinned by the development of new products and increased marketing. The labour market remained under a little bit of pressure, with falling demand reducing firms' staffing needs somewhat. The slowdown in hiring comes at a time when costs facing businesses have increased an above-trend rate."

## Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Demand and outlook

## Inflows of new work fall for first time in almost a year

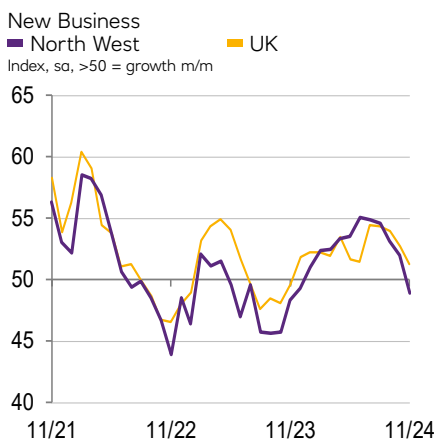
The amount of new business received by firms across the North West private sector decreased for the first time this year in November. The reduction, which surveyed companies linked to a lack of international demand and reduced market confidence following the budget, was only slight, however.

New business continued rising across the UK as a whole, but the

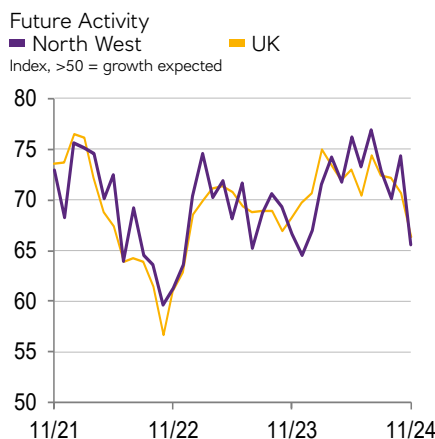
rate of growth was the weakest for 12 months and only modest.

Businesses operating in the North West continued to look to the future with optimism. There was positivity surrounding forthcoming marketing efforts, investment plans and new product launches. Growth expectations did however ease to an 11-month low and move slightly below the UK average, amid reports of greater business uncertainty.

"Confidence has taken a bit of a knock, but it's encouraging that firms in the North West still see a path for growth in the coming year"



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Jobs and capacity

## Job numbers slip for the second month in a row

The level of private sector employment across the North West ticked down again in November, after decreasing for the first time in six months at the start of the fourth quarter. The rate at which workforce numbers fell was only modest and eased slightly from that seen in October. Firms that reported a decline often commented on the non-replacement of leavers such as retirees.

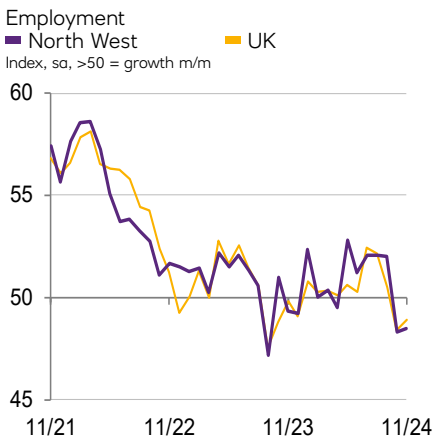
Just over half of the 12 monitored nations and regions saw a drop in

employment.

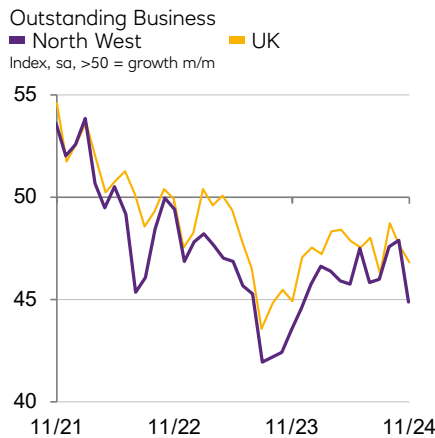
The slight scaling back of jobs across the North West was consistent with signs of a lack of pressure on business capacity, with firms able to reduce backlogs of work once again. Not only that, but the rate at which they did so was the quickest for 11 months in November.

The decline was also one of the quickest seen across the UK, exceeded only by those recorded in Wales and Yorkshire & Humber.

"The labour market remained under a little bit of pressure, with falling demand reducing firms' staffing needs somewhat"



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.





# Inflation

## Cost pressures pick up from October's recent low

Latest data showed a noticeable uptick in cost pressures facing firms across the North West in November. Input price inflation, which measures the rate of change in total operating expenses and had been at a 12-month low in October, accelerated to the quickest seen since April. Reports from surveyed firms showed that raw materials and wages were both sources of cost

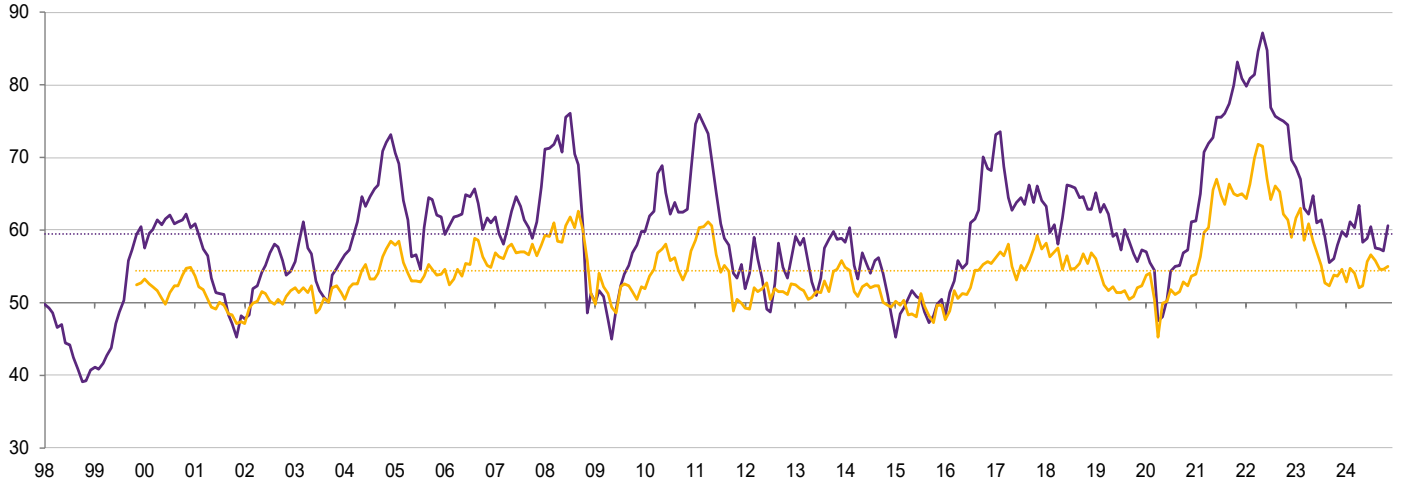
inflation.

The rate of increase was back above its long-run trend and also slightly quicker than that seen nationally.

Prices charged for goods and services by the region's businesses increased, accordingly. The rate of inflation edged up from the month before, matching the trend seen across the UK as a whole.

**"Costs facing businesses have increased at an above-trend rate"**

■ Input Prices    ■ Output Prices  
 Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# UK Regional Growth Tracker

## Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

## Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

## Future Activity

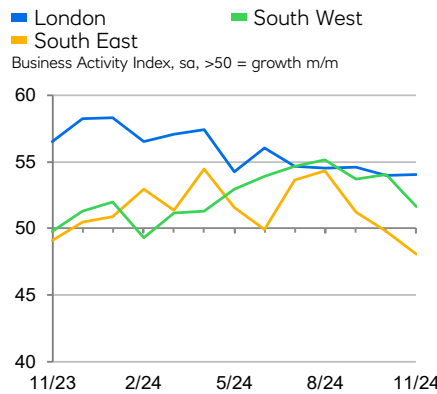
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



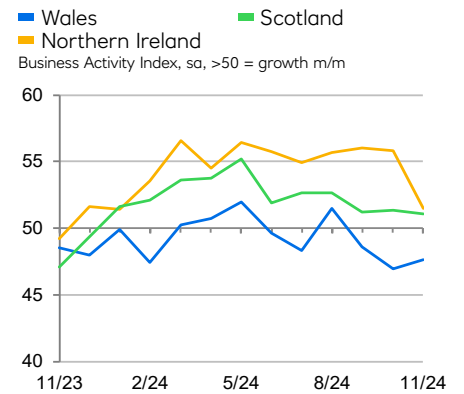
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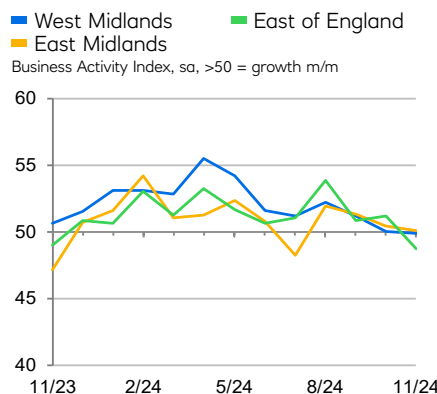
Sources: NatWest, S&P Global PMI. ©2024 S&P



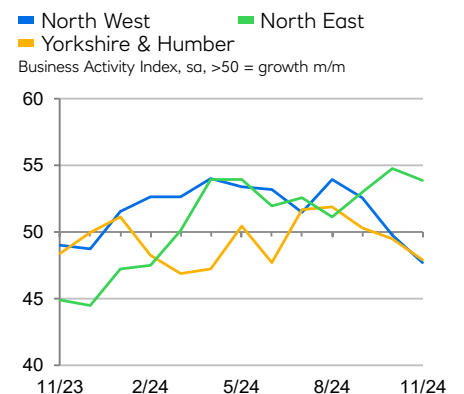
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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# Growth Tracker heat map

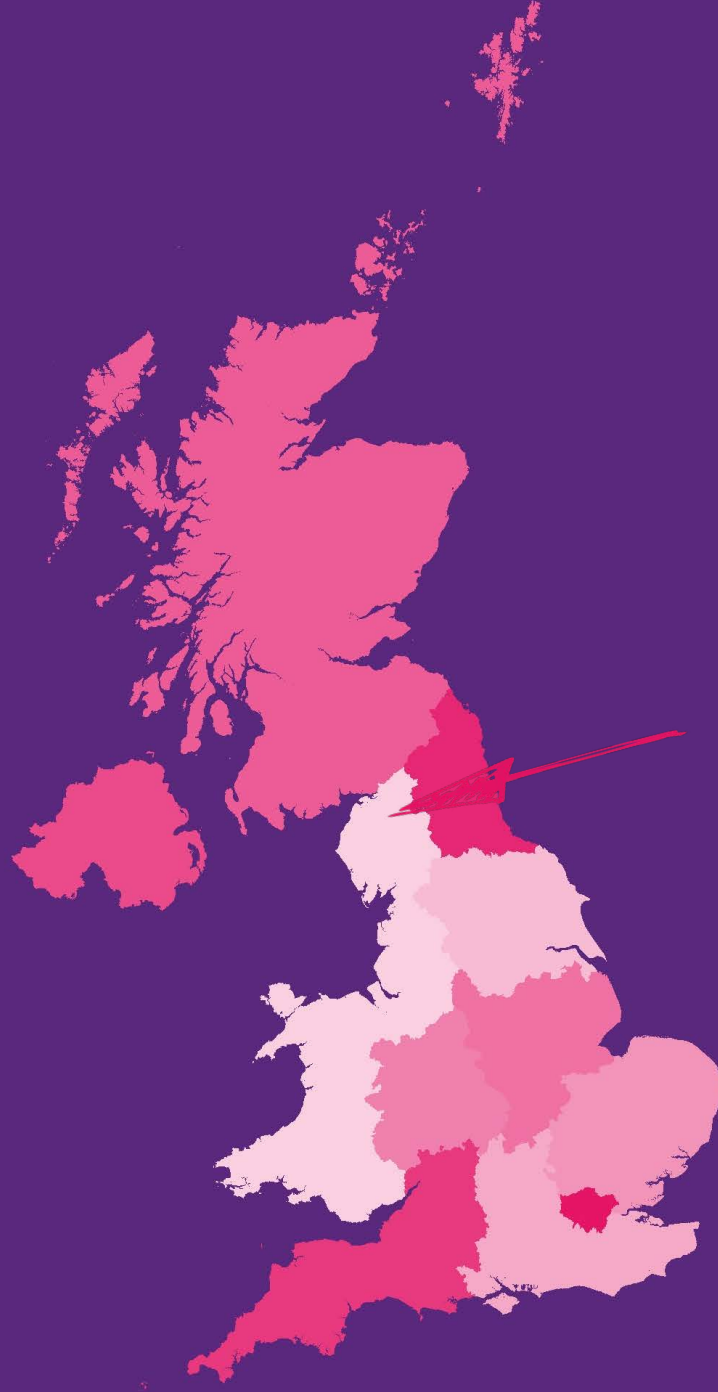
November 2024

Darker colour = higher business growth

## North West

Business Activity Index  
sa, >50 = growth m/m

**47.7**



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



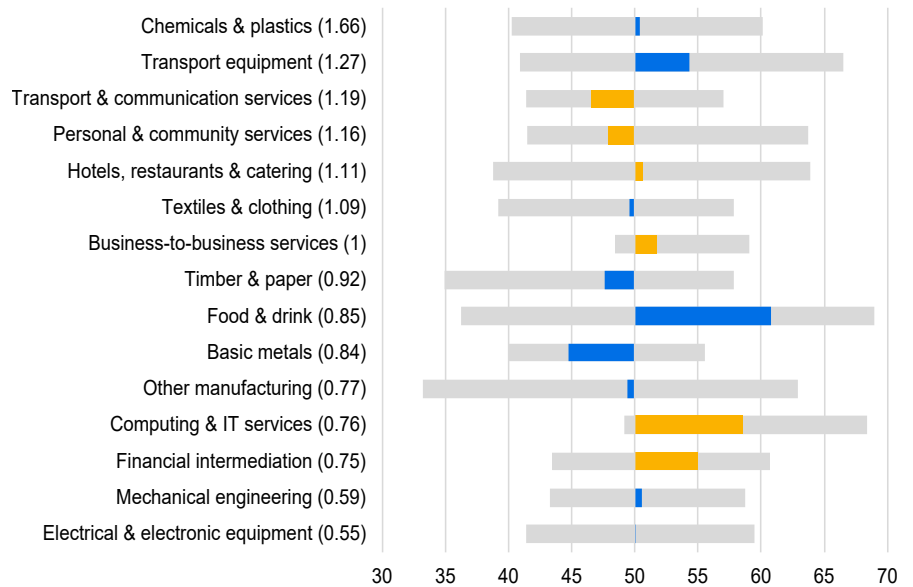
# UK sectors

## 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 Nov '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.  
 Location quotients for the North West are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

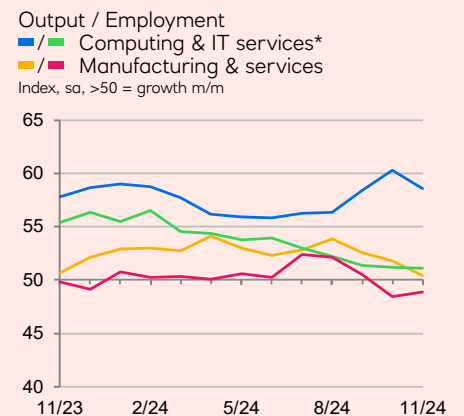
## Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



Sources: NatWest, S&P Global PMI. ©2024 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

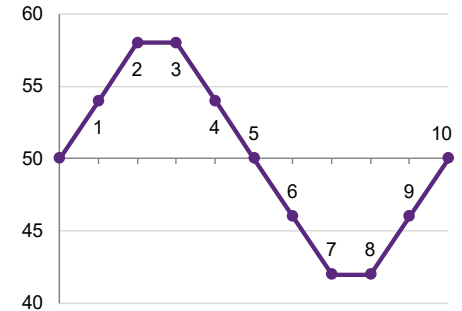
overall decrease. The indices are then seasonally adjusted.

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. ©2024 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
6/24	53.2	55.1	52.4	51.2	47.5	73.3	58.9	55.7
7/24	51.5	54.9	51.4	52.1	45.8	76.9	60.5	56.6
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		48.5	44.8	65.5	60.6	55.0

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