

12 November 2024

NatWest North West Growth Tracker

North West business growth expectations
highest in the UK



NatWest

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by **S&P Global**

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Key findings

October 2024

Companies strongly optimistic about the year ahead

Activity marginally falls for first time in 10 months in October

Small downturn in employment

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





North West business growth expectations

Expectations of future business growth for the UK are being driven by companies in the North West – despite a marginal drop in private sector activity for the region.

The headline North West Business Activity Index registered 49.8 in October, down from 52.6 in September, taking it below the 50.0 threshold that separates growth from contraction for the first time so far in 2024.

Reports from surveyed businesses indicated that there were some cases where output was scaled back in line with signs of softer demand, but also some temporary delays to the start of projects.

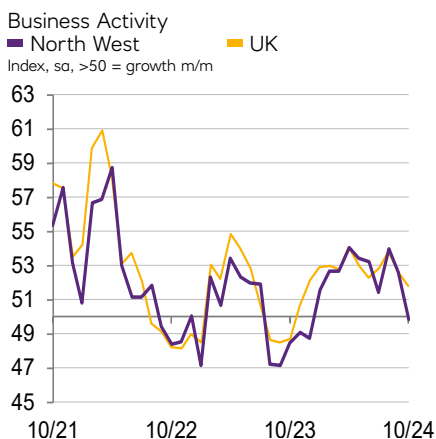
Business activity continued rising across the UK as a whole, but the rate of growth eased to an 11-month low. Out of the 12 nations and regions monitored, the North West was one of four where output fell.

NatWest North West Business Activity Index October 2024

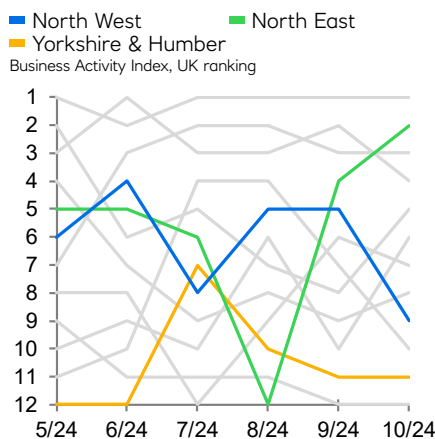
49.8

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 10-29 October



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



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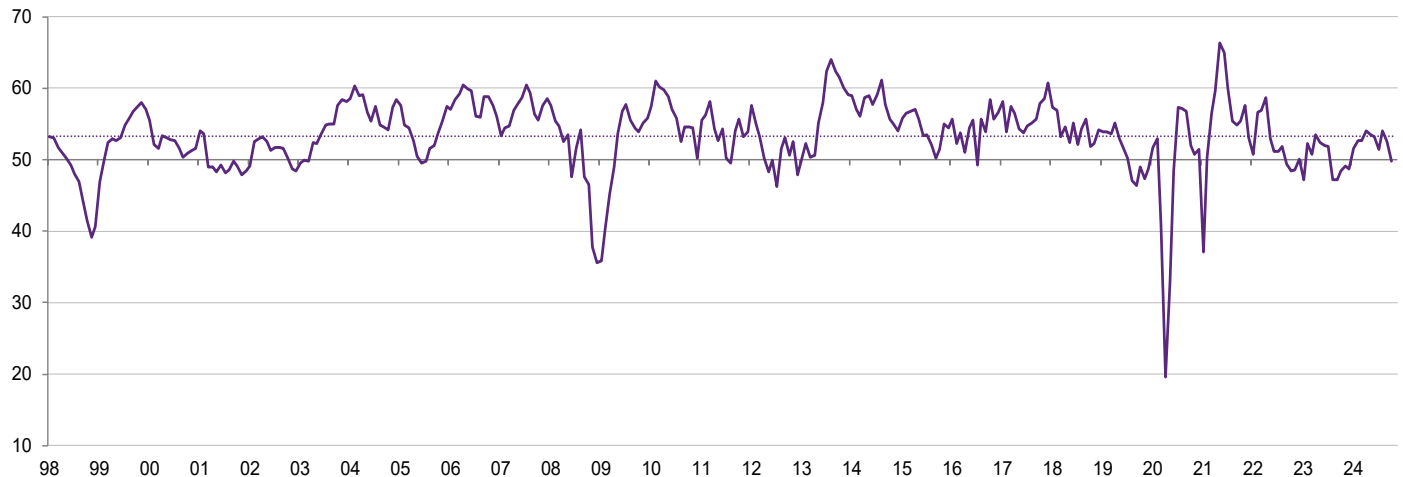
Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"The fall in output in October is of course slightly disappointing, but it's important to put the result into context - it followed nine straight months of growth and was only marginal. There's still plenty to be optimistic about, including the fact that business expectations in the region are higher than anywhere else in the UK. Employment, too, has seen a slight setback, but based on just a single month of decline it's too early to draw any firm conclusions about a turning in the labour market. Price increases have settled in around about, or even slightly below, their long-run averages, which after years of high inflation is further encouraging news."

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

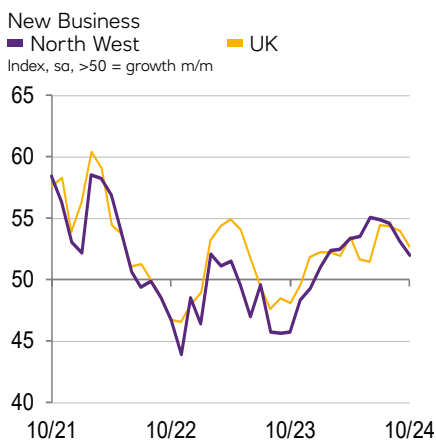
Business expectations strengthen amid a solid pipeline of new work

Inflows of new business rose across the North West private sector for the tenth month running in October. Qualitative evidence provided by surveyed businesses indicated an undercurrent of stronger demand, particularly in the service sector. The rate at which new business increased was solid, although it did ease further from the highs seen mid-year and was below the UK average.

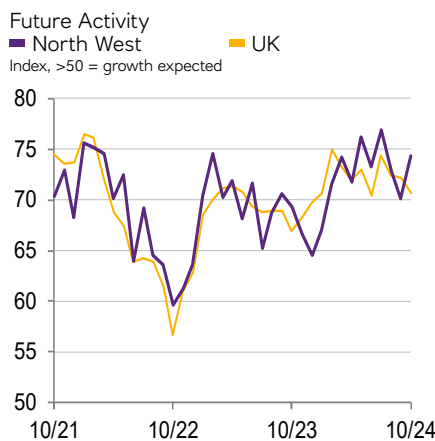
Firms operating in the North West were strongly optimistic about the year-ahead outlook, with expectations having rebounded from an eight-month low recorded in September. The degree of optimism was in fact the highest among the 12 nations and regions monitored by the survey.

Businesses that predicted a rise in output over the next 12 months cited planned investments, the introduction of new products, lower interest rates and greater marketing efforts.

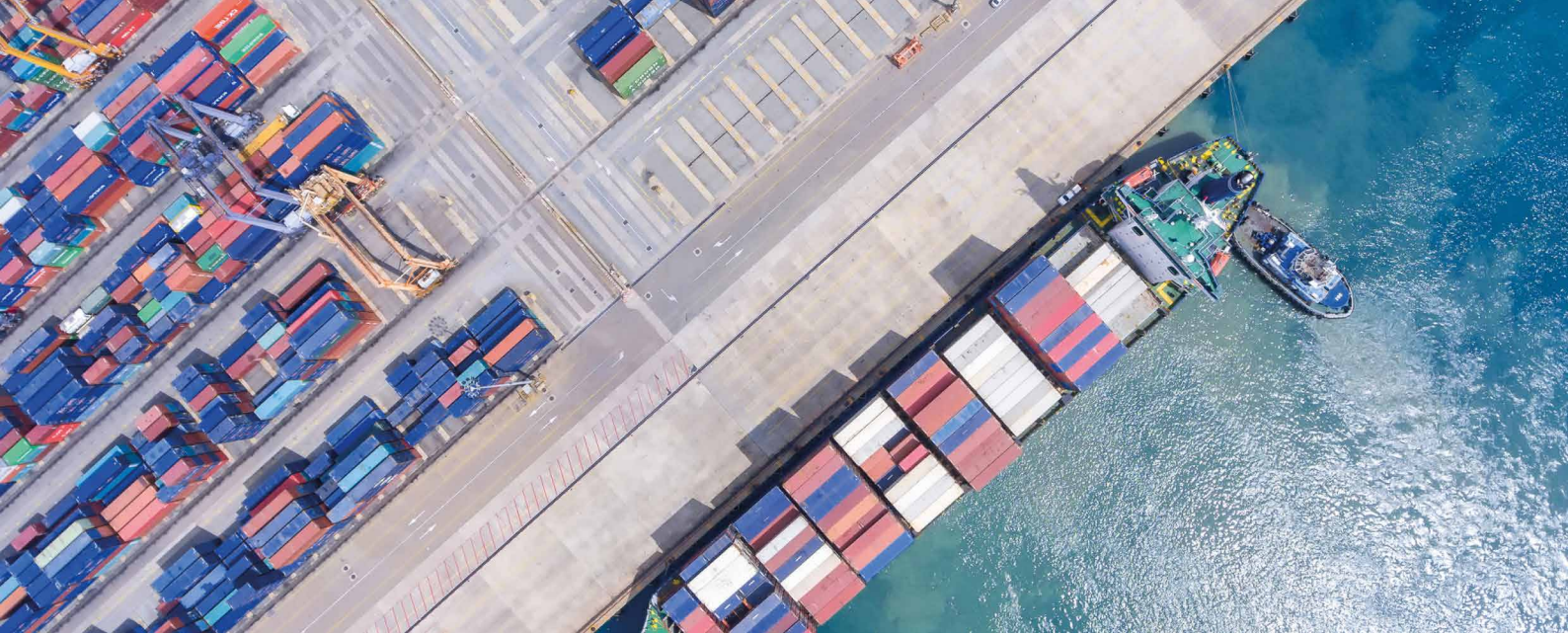
"Business expectations in the region are higher than anywhere else in the UK"



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



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

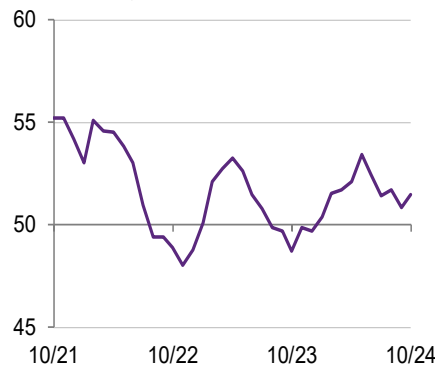


Export markets

Growth in export markets accelerates

The North West Export Climate Index improved to 51.5 in October, from September's 50.8, signalling stronger growth in the region's international markets on a trade-weighted basis. Driving the upturn were faster economic expansions in both Ireland and China. At the same time, the US – the North West's biggest market – continued to enjoy a strong rate of growth, offsetting slowdowns in parts of mainland Europe.

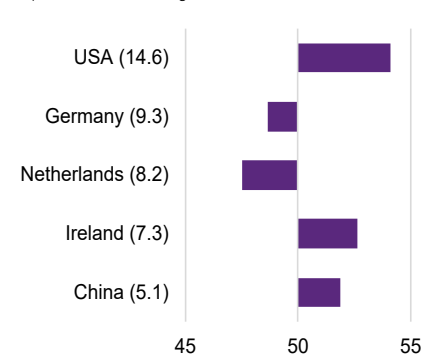
Export Conditions
Index, sa, >50 = growth m/m



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

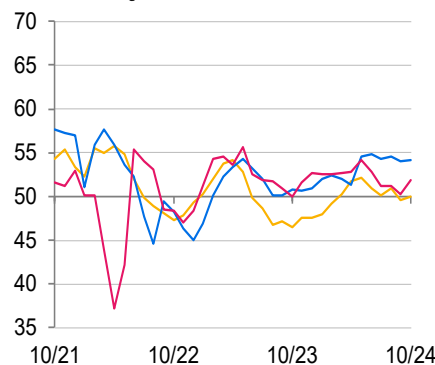
The North West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the North West. A reading above 50 signals an improvement in 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. ©2024 S&P Global.

Output
Index, sa, >50 = growth m/m



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



Jobs and capacity

Employment decreases, ending a five-month sequence of job creation

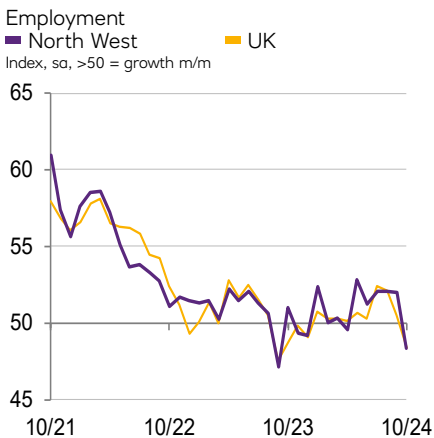
As was the case with business activity, firms in the North West recorded a decrease in employment in October. The reduction, which was modest, ended a five-month sequence of job creation. A number of surveyed firms mentioned not replacing staff who had left, in part due to cost-saving efforts.

The fall in workforce numbers in the region was consistent with a decrease across the UK as a whole in October. In fact, only Northern

Ireland, Scotland, the South West and Yorkshire & Humber saw a rise in employment.

In a sign of a lack of pressure on staffing capacity, firms in the North West continued to complete orders more quickly than they were being received, leading to a twenty-ninth straight monthly decrease in backlogs of work. The rate of depletion was broadly in line with the national average.

"Employment has seen a slight setback, but based on just a single month of decline it's too early to draw any firm conclusions about a turning in the labour market"



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



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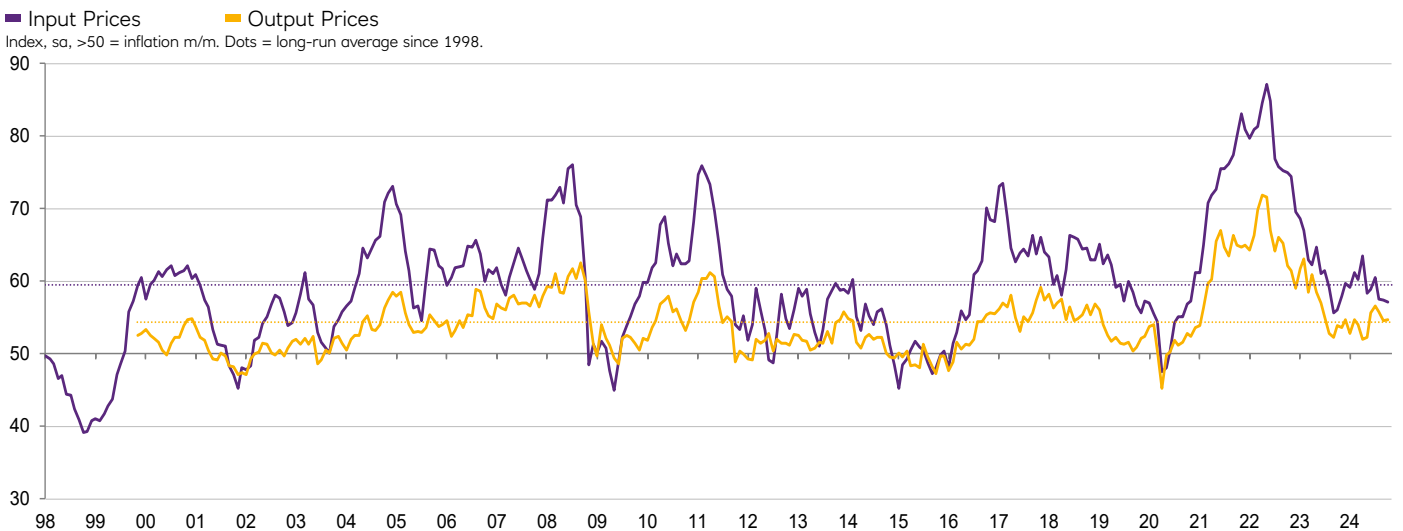
Inflation

Cost pressures weakest for 12 months

Although businesses' input costs continued rising during October, linked in most part to wage increases, the rate of inflation slowed for the second time in three months and was the weakest seen for a year. The pace of increase was also not only below the long-run average, but softer than in the majority of the 11 other nations and regions monitored by the survey.

Higher costs were nevertheless partially passed on to customers via hikes in prices charged for goods and services. The rate of inflation in average output prices was unchanged from the month before and broadly in line with the historical series trend.

"Price increases have settled in around about, or even slightly below, their long-run averages, which after years of high inflation is further encouraging news"



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

UK Regional Growth Tracker

Business Activity

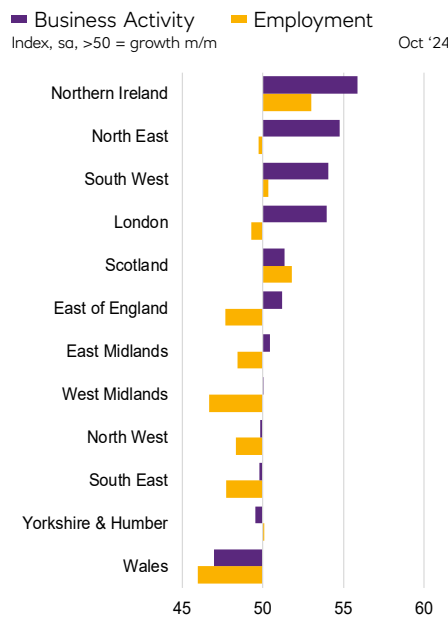
Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September. Northern Ireland continued to see the strongest growth, while there were also solid increases in output across the North East, South West and London. Wales recorded the steepest drop in activity and was joined in contraction by Yorkshire & Humber, the South East and North West.

Employment

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Future Activity

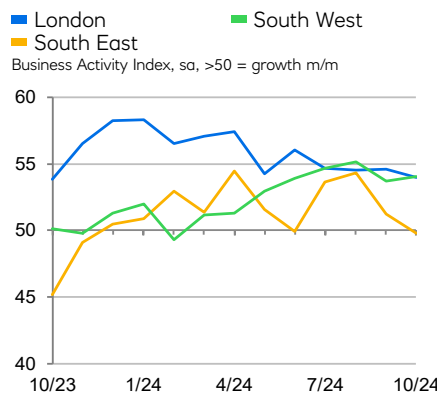
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.



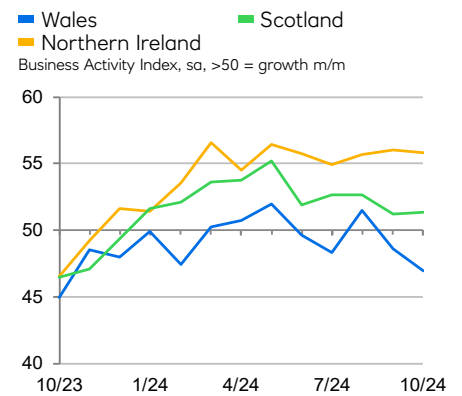
Sources: NatWest, S&P Global PMI. ©2024 S&P



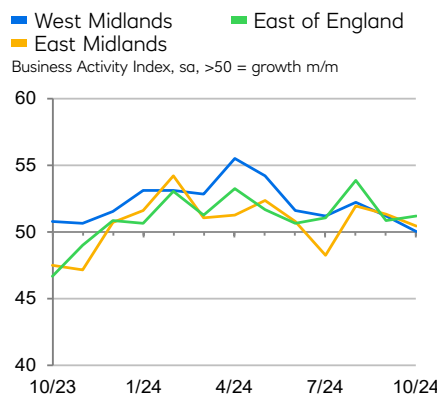
Sources: NatWest, S&P Global PMI. ©2024 S&P



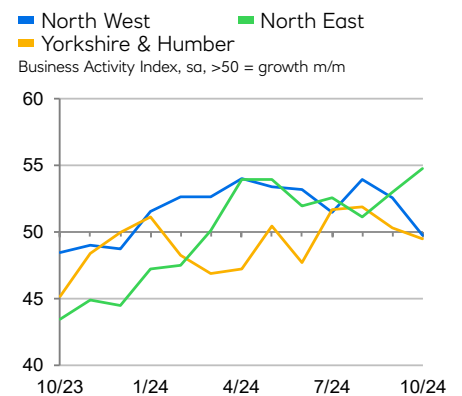
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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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

Growth Tracker heat map

October 2024

Darker colour = higher business growth

North West

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

49.8



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

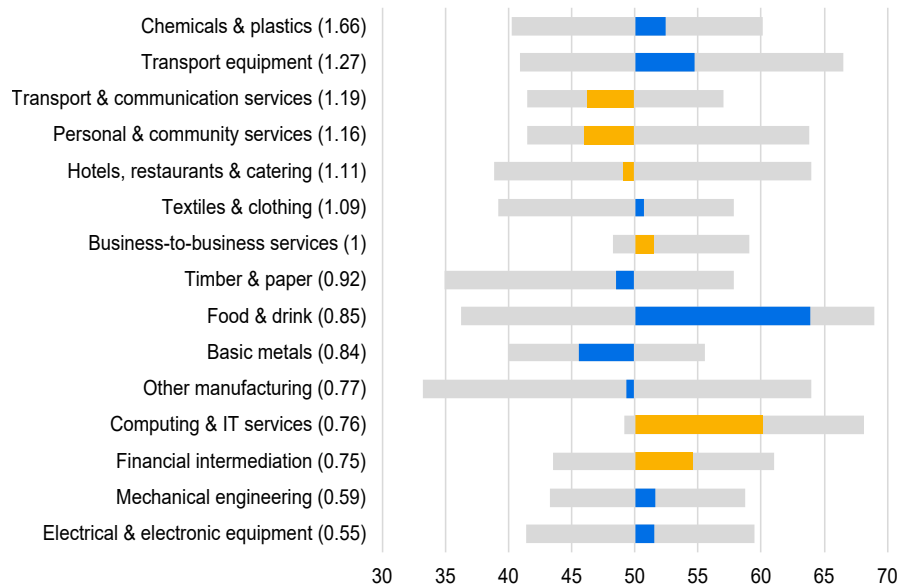
UK sectors

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 Oct '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).

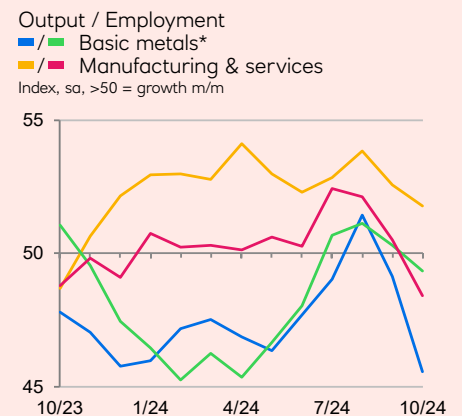
Sector in focus: Basic metals

The basic metals sector acted as a notable drag on overall UK economic growth in the three months to October. It recorded the steepest drop in output since Q2 2023 and was the worst-performing sector of those monitored across manufacturing and services.

Basic metals producers reported persistent weakness in demand, with new orders having been in decline for almost two-and-a-half years. A lack of export sales was a contributing factor, underlying data showed.

Employment was also down in the three months to October, following a brief spell of job creation over the summer months. This reversal in recruitment activity coincided with a dip in optimism towards the outlook.

Turning to prices, the basic metals sector saw muted inflationary pressures, with both input costs and output prices rising at rates well below their respective historical averages. Supply-side conditions were relatively stable, as highlighted by only a fractional increase in average lead times on inputs.



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

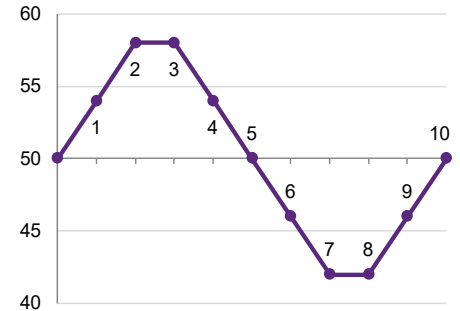
overall decrease. The indices are then seasonally adjusted.

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.

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
5/24	53.4	53.5	53.4	52.8	45.7	76.2	58.4	52.3
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

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