

9 October 2024

NatWest North West Growth Tracker

North West business activity grows in line
with the national rate in September



NatWest

PMI[®]

by **S&P Global**

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Key findings

September 2024

Business activity growth ticks down but still solid

Firms look to the future with less optimism

Local rate of job creation remains resilient

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





Business activity grows in line with the national rate

The latest NatWest Growth Tracker report showed a ninth straight monthly rise in the level of business activity across the North West private sector in September.

The headline North West Business Activity Index registered 52.6, down from a reading of 54.0 in August. The fall in the index towards the 50.0 no-change threshold indicated a slowdown in the rate of expansion compared with that seen the month

before. Nevertheless, the latest increase in total output of goods and services was still solid overall and matched the rate of growth recorded across the UK as a whole.

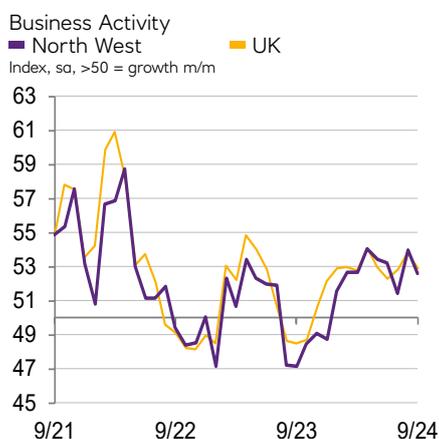
Higher levels of activity were underpinned by increased numbers of new orders and projects, reports from local businesses showed, with both the manufacturing and services sectors making positive contributions to growth in September.

NatWest North West Business Activity Index September 2024

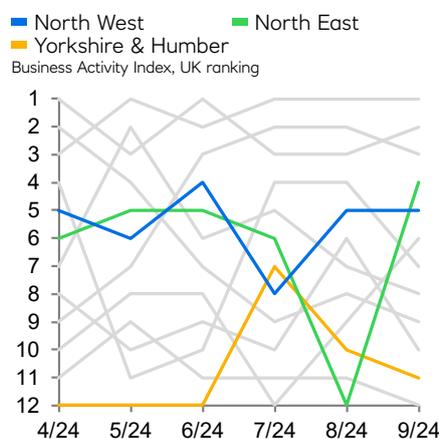
52.6

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 12-26 September



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



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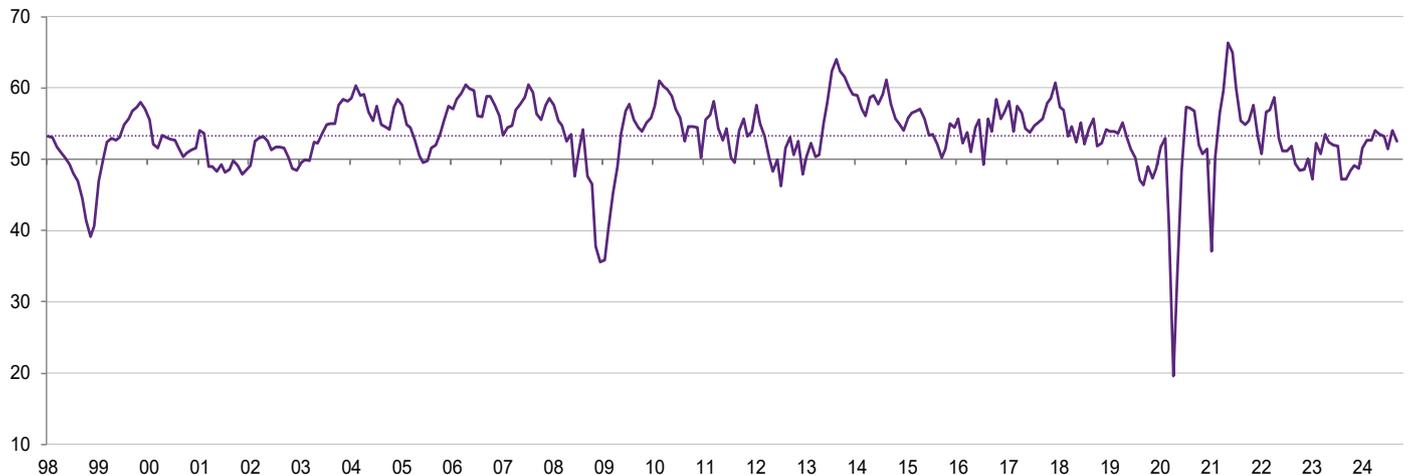
Comment

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

"The North West finished the third quarter with another solid month of growth in September. Stronger demand and rising inflows of new business continued to provide tailwinds for the local economy. Business expectations have, however, fallen back further from July's post-election high, perhaps a reflection of recent rhetoric around the fiscal outlook. Even so, employment growth is still ticking along nicely. Cost pressures have been running at a more comfortable level in the past couple of months, with firms reporting a rate of increase that matches the pre-pandemic trend as well as slower price rises of their own."

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

September sees further solid, albeit slower, rise in new business

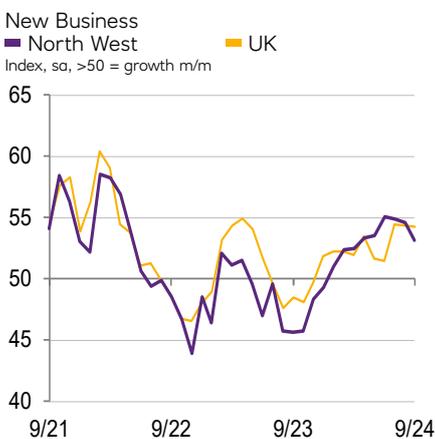
Demand conditions continued improving across the North West private sector during September, as highlighted by a sustained upturn in inflows of new work received by local firms. The rate of growth was solid, although it eased for the third consecutive month to the weakest since March.

Alongside stronger underlying demand, the increase in new business was attributed by surveyed

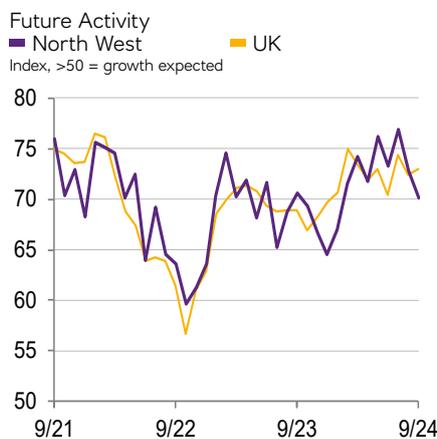
companies to greater marketing efforts, changes in sales strategies, and new products and services.

Although remaining positive, local firms' expectations towards activity in the coming year weakened for a second straight month to the lowest since January. They also moved below the UK average. Anecdotal evidence attributed this partly to the news flow around possible tax increases, as well concerns for health of economic conditions in mainland Europe.

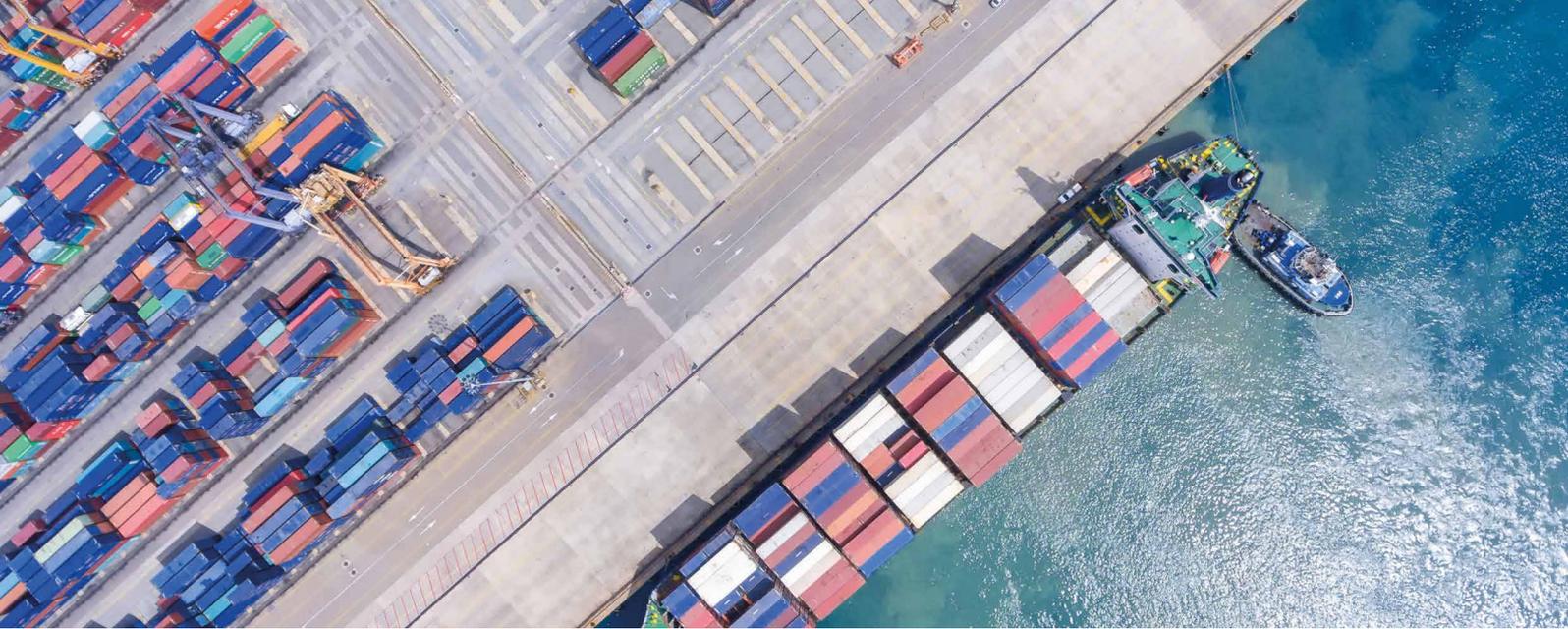
"Stronger demand and rising inflows of new business continued to provide tailwinds for the local economy"



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



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

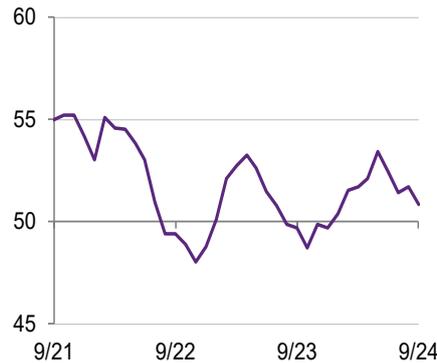


Export markets

Global growth increasingly reliant on the US

The North West Export Climate Index ticked down to an eight-month low of 50.8 in September, down from 51.7 in August, signalling only a marginal increase in global activity on a trade-weighted basis. Growth was increasingly reliant on the US, with China broadly stagnating and Eurozone activity declining. The latter was driven in part by downturns in key markets such as Germany and the Netherlands.

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

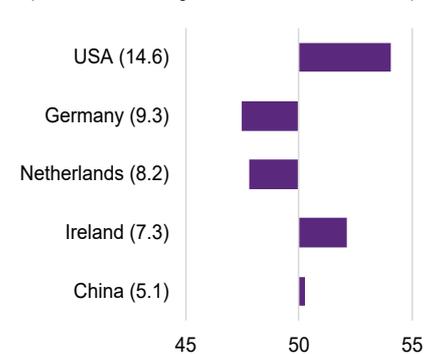


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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

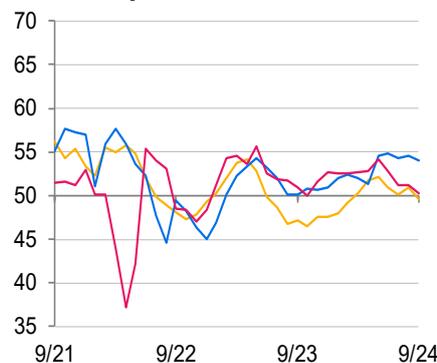
Output Index, sa, >50 = growth m/m



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

Output
Eurozone US China

Index, sa, >50 = growth m/m



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



Jobs and capacity

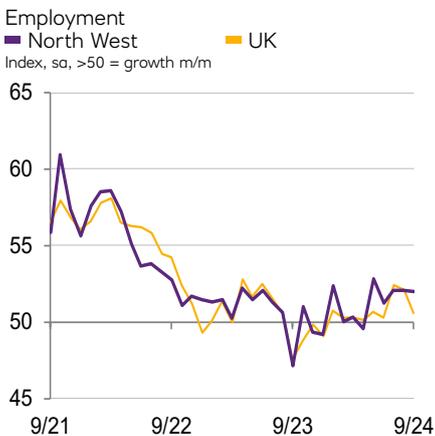
North West employment rises for fifth month running

In line with trend seen in each month since May, firms in the North West reported a rise in the workforce numbers in September. Higher employment was linked to not only growing workloads, but also business expansion plans, which included investment in sales and marketing teams.

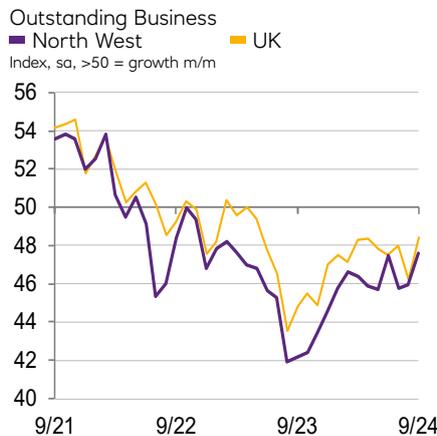
The pace of job creation was solid and unchanged from that recorded in August. It also exceeded the UK average.

Staffing capacity was sufficient that local businesses were able to complete orders more quickly than they received them, leading to a further reduction in the amount of backlogged work. The rate of depletion was the slowest for a year-and-a-half, although it was still quicker than that seen across the UK as a whole.

"Employment growth is still ticking along nicely"



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



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



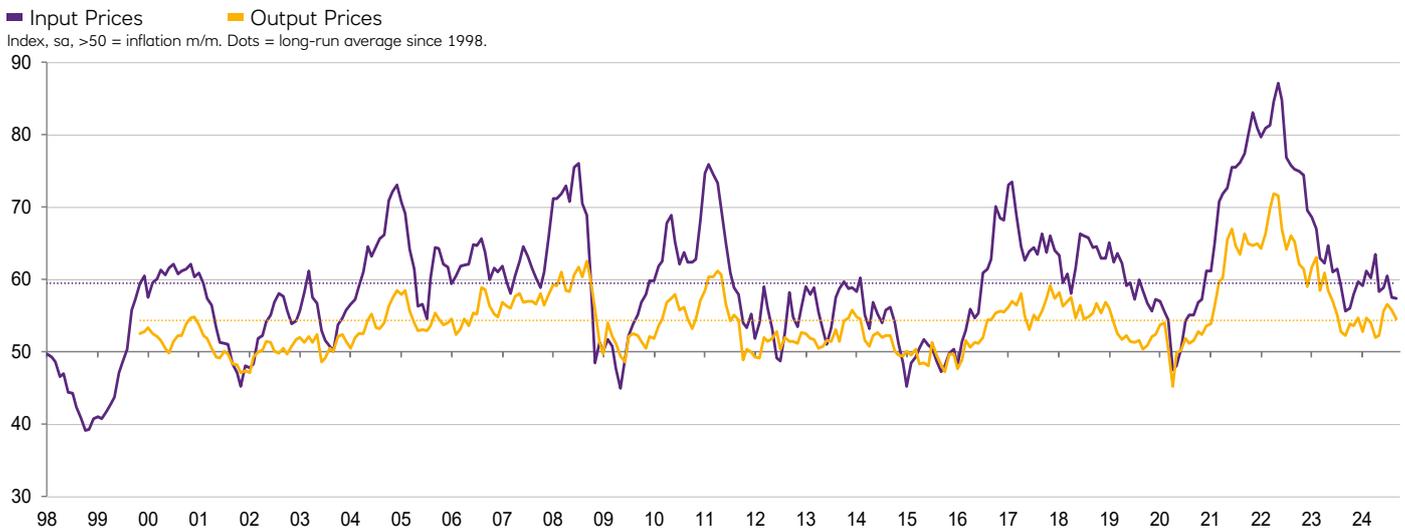
Inflation

Average charges for goods and services rise at slowest rate for four months

Firms based in the North West were less aggressive in their price-setting in September. Average charges for goods and services rose at the slowest rate since May and one that broadly matched the long-run series average. Output price inflation in the region was virtually in line with the national rate.

Where businesses raised prices, they generally linked this to the pass-through of higher costs, such as wages and various raw materials, to customers. Overall, operating expenses increased at a rate that was unchanged from August's ten-month low and equal to the long-run trend seen before the pandemic. The region's cost inflation was the slowest nationally.

"Cost pressures have been running at a more comfortable level in the past couple of months, with firms reporting a rate of increase that matches the pre-pandemic trend and slower price rises of their own"



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

UK Regional Growth Tracker

Business Activity

A renewed – albeit only slight – decrease in business activity in Wales in September prevented a second successive month of universal growth across the UK. Notably, rates of expansion generally eased compared to those seen in August. Northern Ireland was one of the exceptions, cementing its position at the top of the growth rankings with its fastest rise in output since May.

Employment

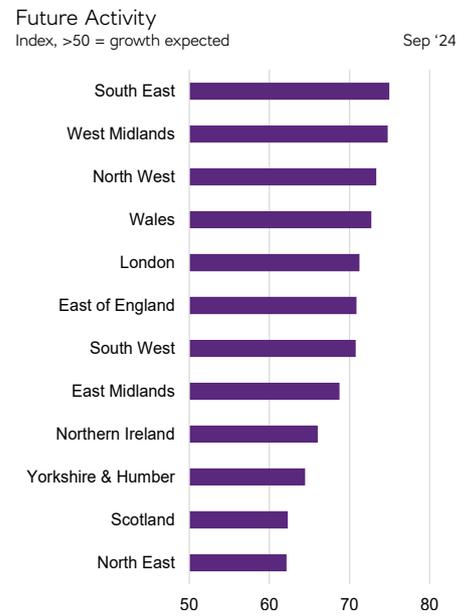
Employment growth in September was also led by Northern Ireland, as was the case throughout the third quarter. Only half of the 12 UK nations and regions monitored reported a rise in workforce numbers, down from ten in August. Wales saw the steepest drop in staffing levels, although the decline was only modest overall.

Future Activity

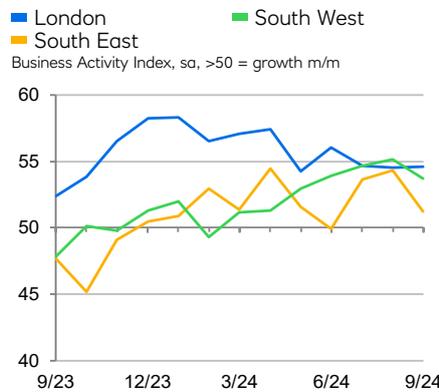
Trends in business expectations varied in September. Just over half of the monitored nations and regions reported a reduction in business confidence, but sentiment nevertheless remained positive across the board. Firms in the South East recorded not only the strongest overall growth expectation, but also the biggest upswing in optimism.



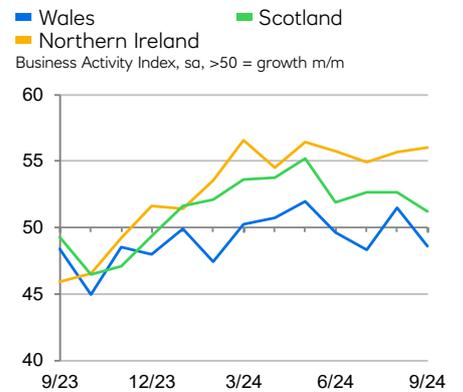
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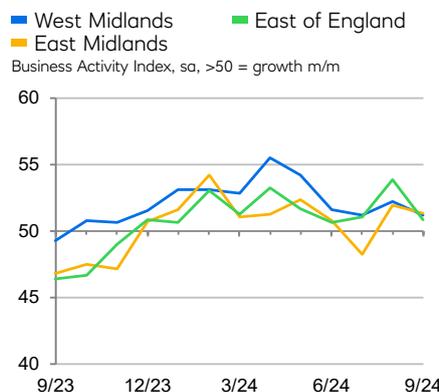
Sources: NatWest, S&P Global PMI. ©2024 S&P



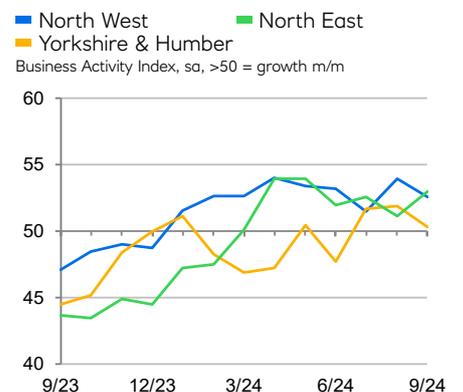
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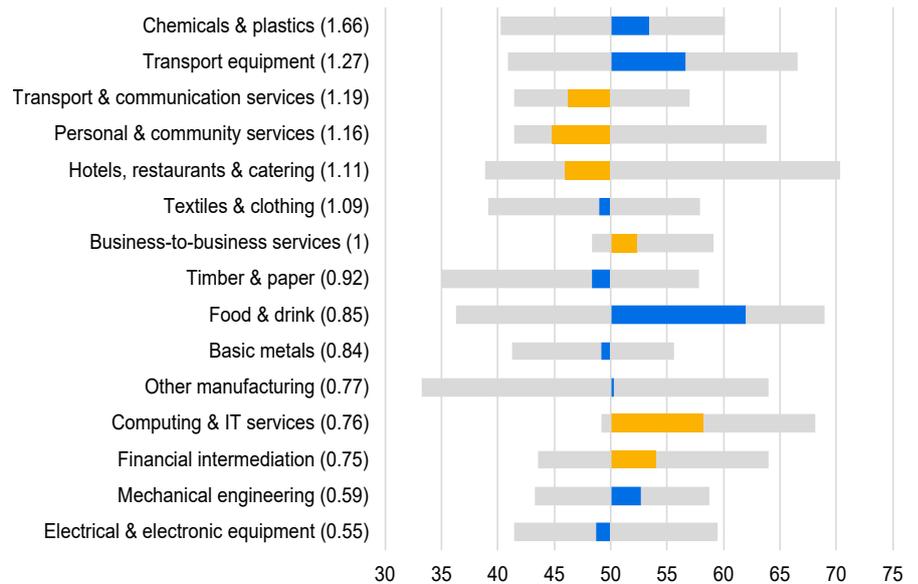
UK sectors

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 Sep '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: Business-to-business services

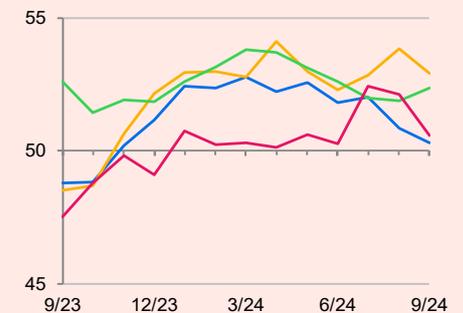
Growth in the UK's Business-to-business services sector came close to stalling in the third quarter. Activity rose only marginally and at the weakest rate for almost a year, with the lack of growth momentum reflecting only modest gains in new business in recent months. Firms in the sector increasingly turned to backlogged work to support growth, with outstanding business falling at a faster rate in the three months to September.

Latest data nevertheless showed sustained job creation across

business-to-business services, continuing a sequence of rising employment that stretches back to early 2021. The rate at which staffing levels rose even ticked up slightly and exceeded the average across the UK private sector as a whole.

As for prices, rates of inflation in both input costs and output charges remained among the lowest seen over the past three-and-a-half years, although they were still above their respective pre-pandemic long-run averages.

Output / Employment
 ■/■ Business-to-business services*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



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

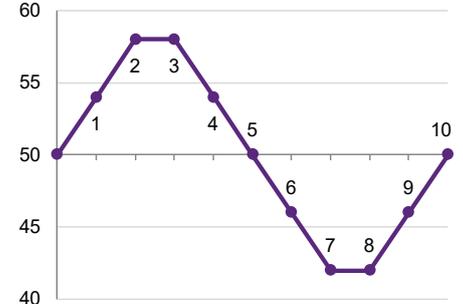
overall decrease. The indices are then seasonally adjusted.

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
4/24	54.0	53.3	52.1	49.5	45.9	71.8	63.5	52.0
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

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