



NatWest North West PMI[®]

North West sees back-to-back declines in business activity

North West Business Activity Index



Key findings

Sustained downturn in demand for region's goods and services

Employment falls for first time since February 2021

Firms' costs and prices charged rise at slowest rates for three years

Latest NatWest Regional PMI[®] survey data showed a second straight monthly decline in business activity across the North West, amid a sustained downturn in demand for the region's goods and services. With pressure on business capacity easing, employment fell for the first time in over two-and-a-half years. More positively, inflationary pressures softened as firms' costs and prices charged rose at the slowest rate since September 2020, while business expectations improved.

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 – stayed at 47.2 in September. This was below the 50.0 mark that separates growth from contraction and signalled a faster rate of decline than across the UK as a whole (48.5).

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

"The latest PMI data indicate that a slowdown has set in across the North West economy, with businesses in the region registering back-to-back reductions in activity and a first decrease in employment for more than two-and-a-half years. What we're seeing is the result of a sustained downturn in demand for goods and services due to high inflation, tighter financial conditions and general uncertainty. Encouragingly, price pressures are subsiding, with local firms reporting the slowest rise in costs for three years and a much weaker rate of increase than the national average, which perhaps explains why business confidence in the region has started to rebound."

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

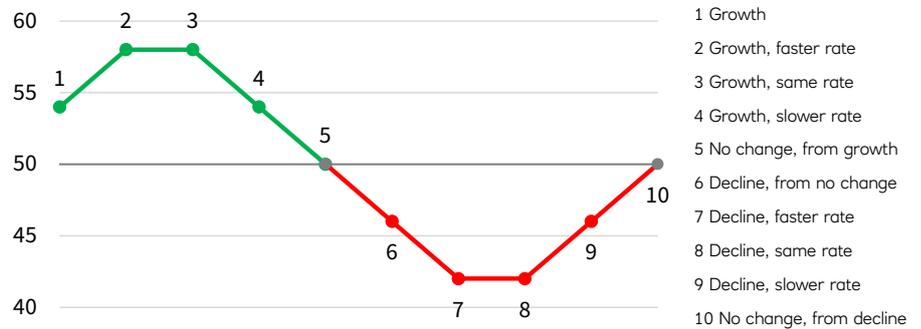
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Demand for goods and services continues to fall

Firms operating in the North West reported a fifth straight monthly decline in inflow of new business in September, indicating a sustained weakening of demand for the region's goods and services. The rate of decline accelerated slightly from the month before and was the quickest since November 2022. Of the 12 monitored regions, only the North East and Yorkshire & Humber recorded more marked decreases in new work.

New Business Index

sa, >50 = growth since previous month

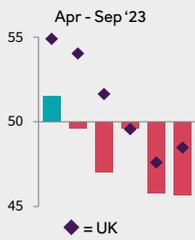
45.7

Sep '23



New Business Index

Apr - Sep '23



Business confidence improves slightly

Business expectations across the North West improved slightly in September, the second month running in which this has been the case. As a result, confidence in the region crept back above the UK-wide average. Optimism towards the year-ahead outlook was attributed to marketing plans, new product launches and hopes of a general improvement in economic conditions.

Future Activity Index

>50 = growth expected over next 12 months

70.6

Sep '23



Future Activity Index

Apr - Sep '23



Business capacity

Employment falls for first time in over two-and-a-half years

Mirroring the trend seen across the UK as a whole, employment in the North West decreased in September. It marked the first time in a little over two-and-a-half years that workforce numbers have fallen in the region. Where staffing levels dropped during the month, companies reported adjusting to lower demand and leaving vacancies unfilled.

Employment Index

sa, >50 = growth since previous month

47.2

Sep '23



Employment Index

Apr - Sep '23



◆ = UK

Backlogs down sharply again in September

September's survey indicated easing pressure on business capacity due to weakening demand, with firms reducing their backlogs of work for a sixteenth straight month. Although slowing since August, when it reached the fastest for over three years, the rate of depletion remained sharp and faster than the national average.

Outstanding Business Index

sa, >50 = growth since previous month

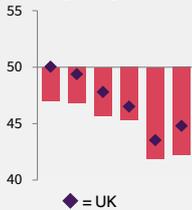
42.2

Sep '23



Outstanding Business Index

Apr - Sep '23



◆ = UK



Prices

Cost pressures continue to soften

Business costs rose at a slower rate in September. Input price inflation eased notably from the previous month to a three-year low. It also fell below its long-run average and was the second-slowest among the 12 regions monitored by the survey.

Underlying data showed an easing of cost pressures in the service sector, while manufacturing purchase prices continued to fall.

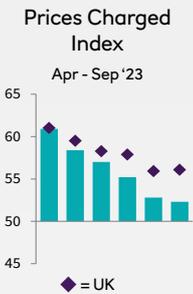
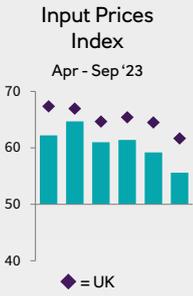
Input Prices Index
sa, >50 = inflation since previous month
55.6
Sep '23



Output price inflation at three-year low

Although there was some pass-through of higher input costs by businesses in the North West, average prices charged for goods and services rose only modestly in September. The rate of inflation was the slowest in three years and softer than in any other region. There was a lack of pricing power among manufacturers and services providers alike, underlying data showed.

Prices Charged Index
sa, >50 = inflation since previous month
52.3
Sep '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, Sep '23 ⁺
1	Chemicals & Plastics	1.72	50
2	Transport	1.25	50
3	Textiles & Clothing	1.18	50
4	Timber & Paper	0.91	43
5	Basic Metals	0.84	50
6	Food & Drink	0.79	50
7	Other Manufacturing	0.72	50
8	Mechanical Engineering	0.56	50
9	Electrical & Optical	0.51	43

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep '23 ⁺
1	Transport & Communication	1.18	50
2	Hotels, Restaurants & Catering	1.10	50
3	Business-to-business Services	1.03	50
4	Personal & Community Services	1.03	50
5	Computing & IT Services	0.81	50
6	Financial Intermediation	0.76	50

UK sector focus

Business-to-business services

The UK's large Business-to-business services sector contracted during the third quarter. Activity fell at a solid rate that was the fastest for over three years.

The downturn reflected a softening of demand across the sector, with firms recording a notable decline in inflows of new work in the three months to September. Business confidence towards the outlook was at its lowest since the start of the year and subdued by historical standards.

Although employment in the sector continued to rise, the rate of job creation slowed to the weakest in the year-to-date as firms made increasingly rapid inroads into their backlogs of work.

On the price front, input cost inflation remained historically elevated, driven by rising salaries and fuel prices, but it slowed to a two-and-a-half year low. It was a similar story for prices charged.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Business activity fell across all but one of the 12 monitored UK regions and nations, the exception being London. Furthermore, output in the capital increased at an accelerated rate. The North East recorded the sharpest drop in business, its quickest for more than a year, followed by neighbouring Yorkshire & Humber.

Employment

Employment growth was confined to just Northern Ireland* and Scotland in September, albeit with the rates of job creation there slowing to a crawl. Ten of the 12 monitored areas recorded a reduction in staffing levels, the highest number since January 2021. For the third month running, the deepest job cuts were seen in the North East.

Future Activity

As was the case throughout the third quarter, firms in the West Midlands were the most optimistic about future activity in September. Next in the rankings was the South East, which was one of seven regions where confidence improved. The most marked increase in sentiment was in the East of England. Expectations were lowest in the North East.

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

Business Activity Index

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



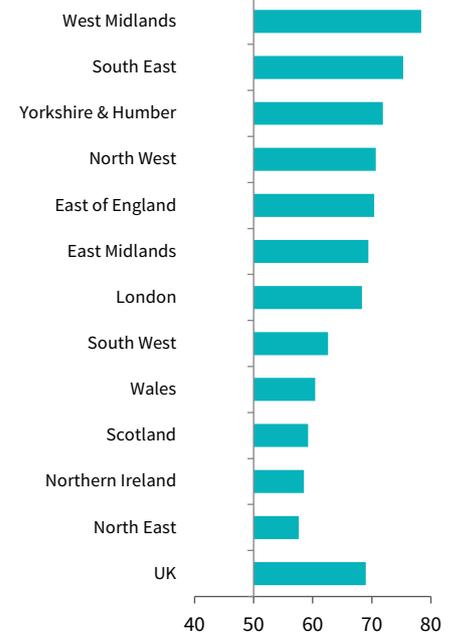
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Sep '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
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
Jun '23	52.0	47.0	51.2	71.7	52.1	45.7	61.0	57.0
Jul '23	51.9	49.6	50.7	65.2	51.3	45.3	61.4	55.2
Aug '23	47.2	45.8	49.7	68.7	50.6	41.9	59.2	52.8
Sep '23	47.2	45.7	49.4	70.6	47.2	42.2	55.6	52.3

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Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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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.

About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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