

10 September 2024

NatWest North West Growth Tracker

Growth revives across North West private
sector in August



NatWest

PMI[®]

by **S&P Global**

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Key findings

August 2024

Fastest increase in business activity for four months

Stronger underlying demand fuels further job creation

Inflationary pressures ease as costs rise at slowest rate since last October

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





Growth revives across North West private sector

The North West saw an acceleration in business activity growth in August, the latest NatWest Growth Tracker report showed, in line with a generally improved performance across the UK as a whole.

The total output of goods producers and service providers in the region rose at the fastest rate since April, with the pace of expansion outstripping the UK average.

The headline North West Business Activity Index came in at 54.0 in August, up from 51.5 in July and above a UK-wide figure of 53.8.

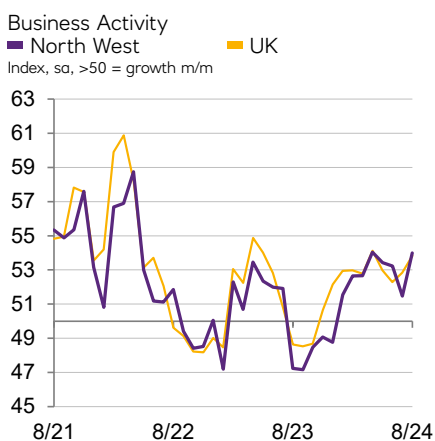
Driving the upturn was stronger customer demand and an associated pick-up in inflows of new business, reports from surveyed businesses showed. Underlying data indicated that growth was seen across both manufacturing and services, with the former recording the stronger rate of expansion.

NatWest North West Business Activity Index August 2024

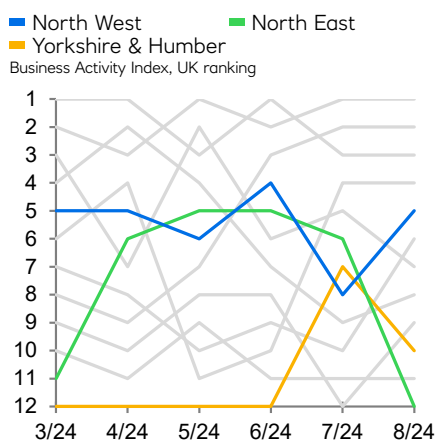
54.0

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 12-28 August



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



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



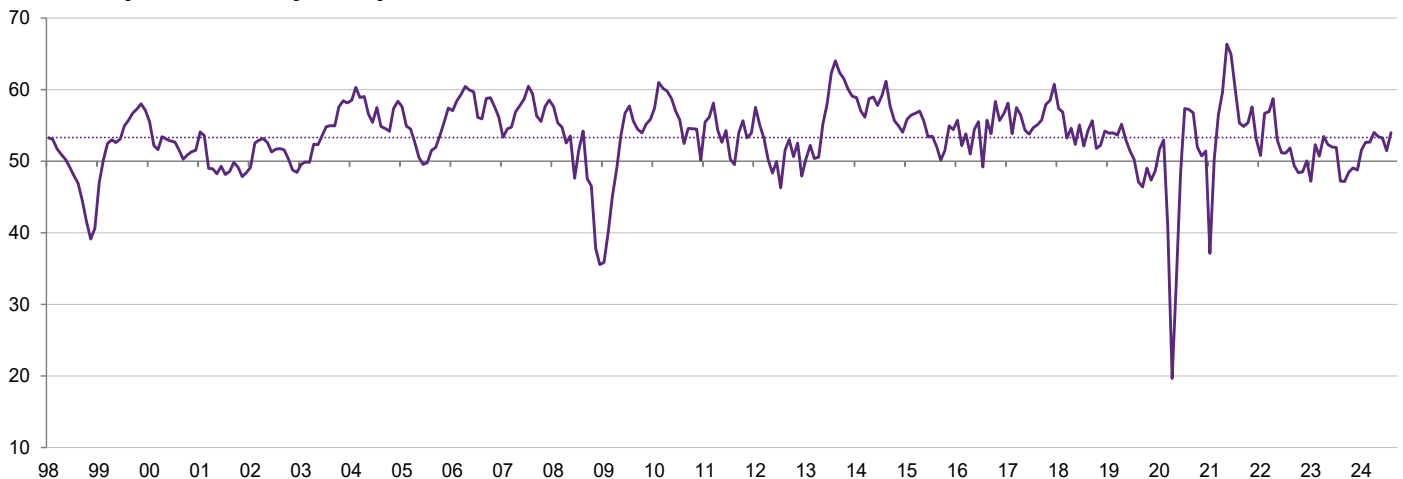
Comment

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

"August saw a welcome revival in business activity growth across the North West private sector, reversing the loss of momentum seen in previous months. The data signalled a healthy pipeline of incoming new work, which not only bodes well for growth being sustained as we move into the latter stages of the year, but is also supporting the creation of jobs across the local economy. Employment has now risen fairly solidly for four successive months, with firms looking to the future with relatively high optimism. As for prices, there was some relief for businesses as costs rose at the weakest for ten months in August."

Business Activity

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



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



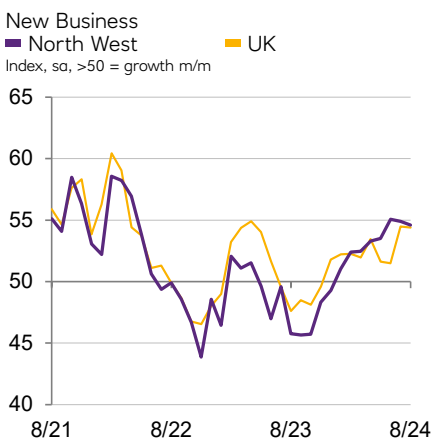
Demand and outlook

Inflows of new business continue to rise strongly

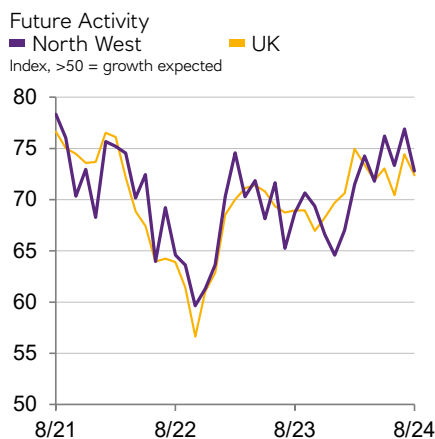
The volume of new business received by firms in the North West rose for the eighth month in a row in August. Furthermore, the rate of increase remained robust and among the quickest seen over the past two years. Of the other 11 monitored nations and regions, only London and the South West saw stronger rates of growth in new work than the North West, while the uptick in Northern Ireland matched that seen locally.

Firms in the North West remained optimistic towards their growth prospects in the coming year in August. Although expectations slipped back from July's near three-year high to the lowest since April, they were above the UK-wide average and stronger than the historical series trend. Local businesses reported hopes of a general upturn in market conditions, alongside plans for entry into new markets.

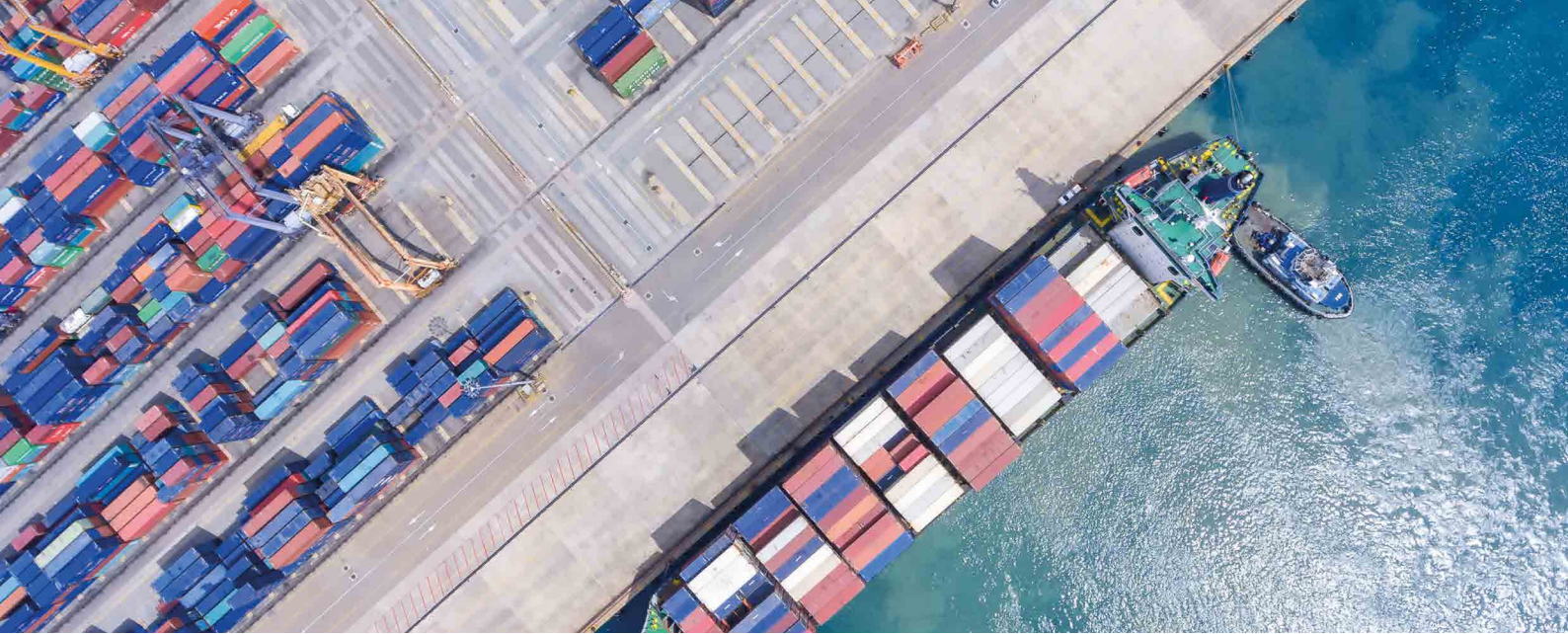
"The data signalled a healthy pipeline of incoming new work, which bodes well for growth being sustained as we move into the latter stages of the year"



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



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

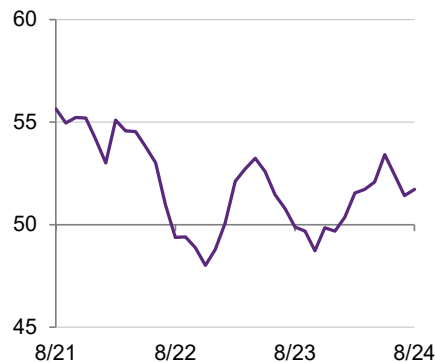


Export markets

US growth helps strengthen export conditions

Rising from 51.4 in July to 51.7 in August, the North West Export Climate Index signalled a slightly stronger improvement in the health of the region's export markets. The result largely reflected a steep and accelerated rise in business activity in the North West's top export market, the US. This helped to offset weakness in parts of Europe, including Germany and the Netherlands.

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



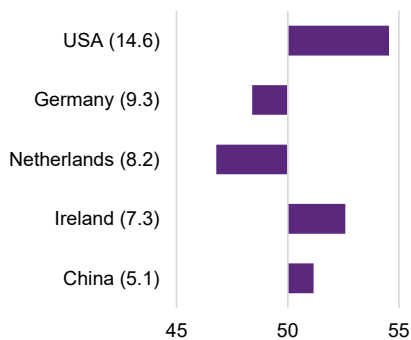
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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

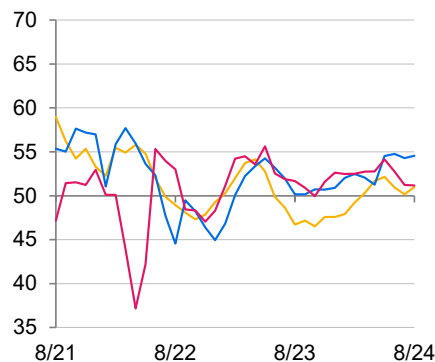
Aug '24



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

Output

Legend: Eurozone (yellow), US (blue), China (red)
Index, sa, >50 = growth m/m



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



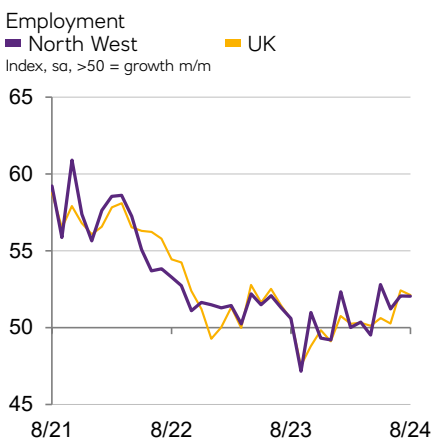
Jobs and capacity

Upturn in employment extends into August

August data indicated another rise in the level of employment across the North West private sector, thereby extending the current sequence of workforce growth to four months. The pace of job creation remained solid and was little-changed from that recorded in July. It was also broadly in line with the average seen across the UK as a whole. The hiring of additional staff was primarily driven by order book requirements, according to anecdotal evidence.

Extra staffing capacity helped firms in the North West reduce their backlogged orders during August. The result continued a sequence of continuous decline in outstanding business stretching back to mid-2022. The rate of depletion was slightly quicker than that seen across the UK as a whole.

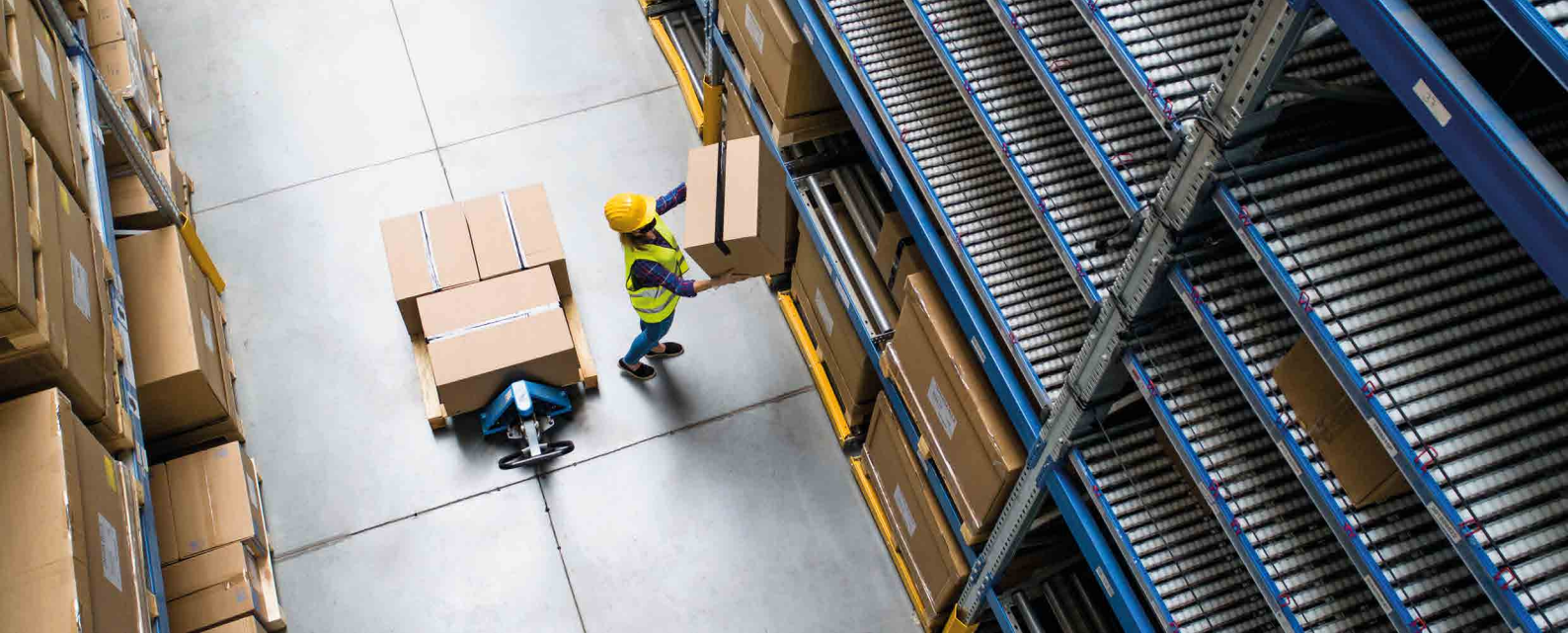
"Employment has now risen fairly solidly for four successive months, with firms looking to the future with relatively high optimism"



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



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



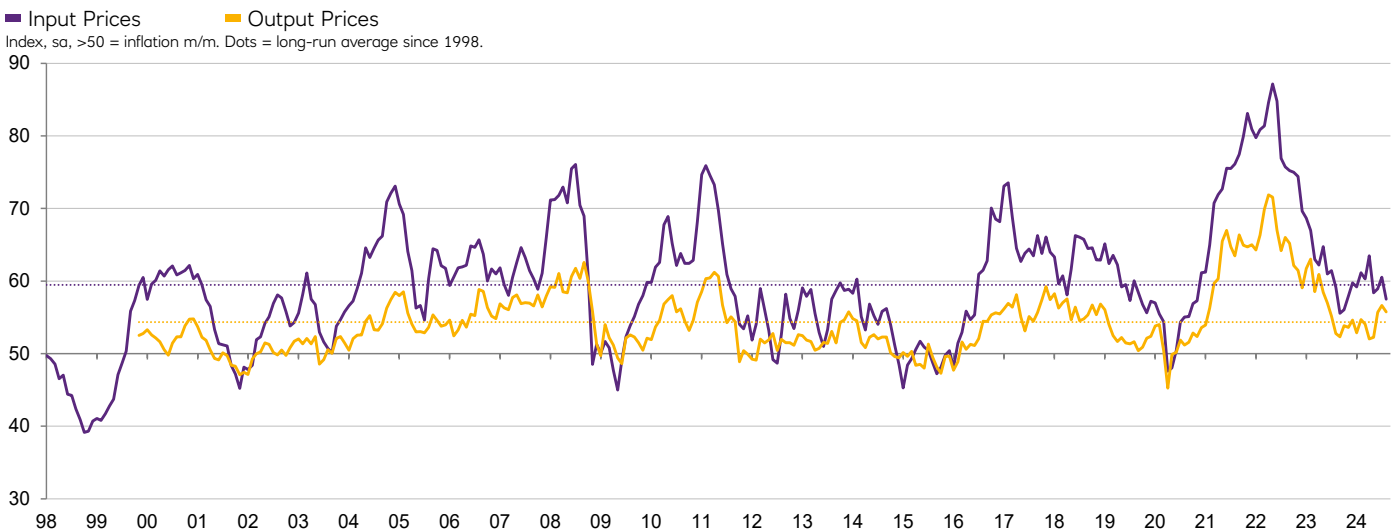
Inflation

Firms raise average prices charged for goods and services at a slower rate as cost pressures ease

Businesses' operating expenses rose more slowly in August. The rate of cost inflation in fact fell noticeably from the month before and was the weakest seen since October last year. It was also back below its historical series average and softer than the UK-wide rate.

Accordingly, local firms were less aggressive in their own price-setting compared with the month before. Nevertheless, despite ticking down from July's 13-month high, the rate of increase in average prices charged for goods and services was above long-run average and the second-highest nationally, behind that recorded in the South West.

"There was some relief for businesses as costs rose at the weakest for ten months in August"



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

UK Regional Growth Tracker

Business Activity

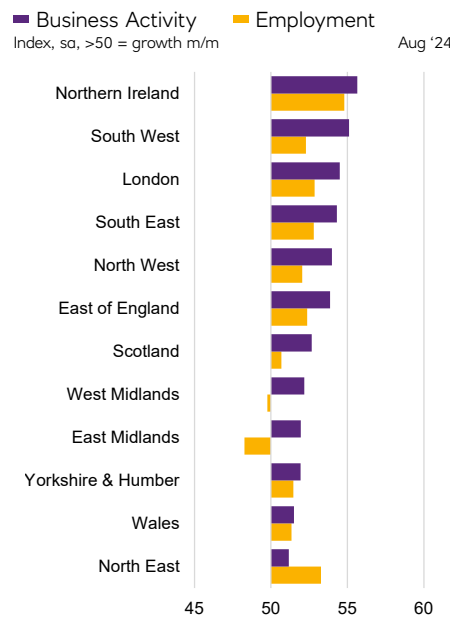
Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

Future Activity

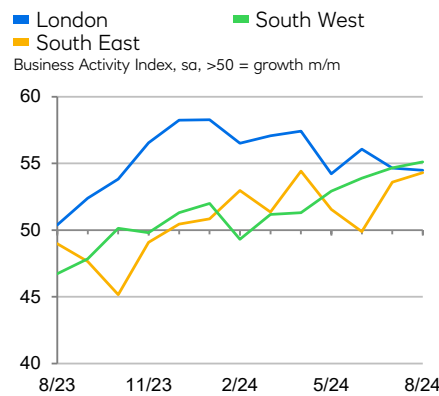
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



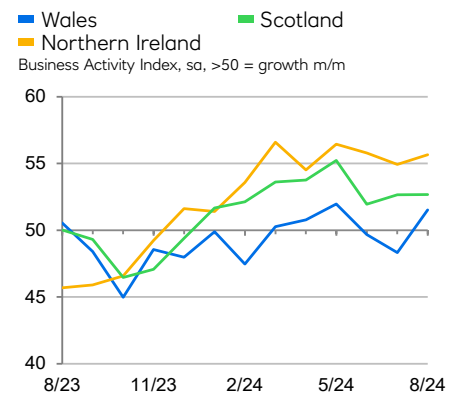
Sources: NatWest, S&P Global PMI. ©2024 S&P



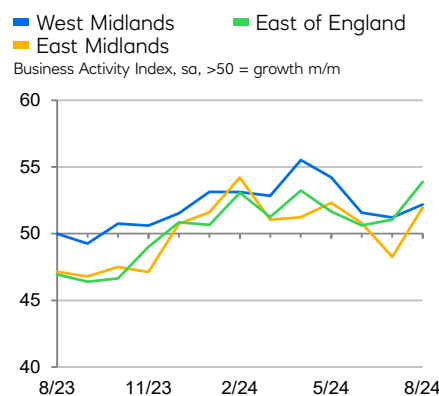
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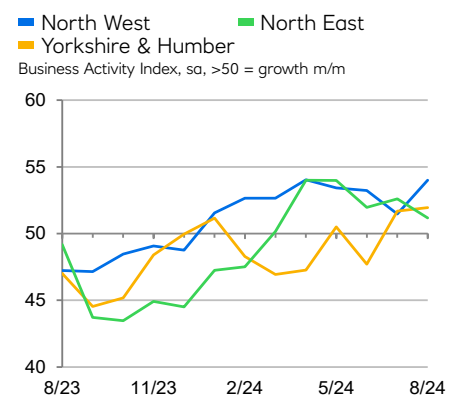
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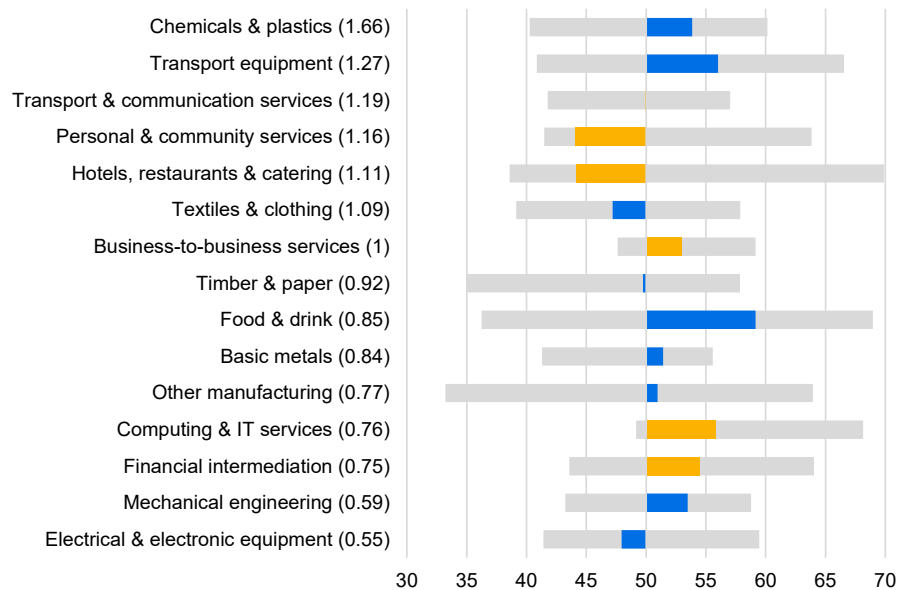
UK sectors

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 Aug '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: Food & drink

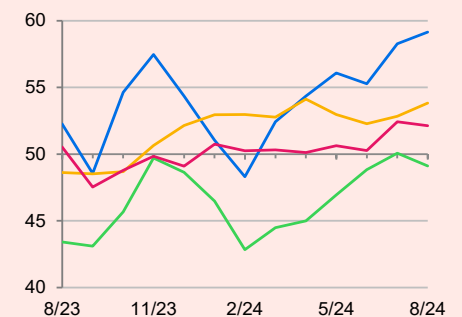
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

Output / Employment
 ■/■ Food & drink*
 ■/■ 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

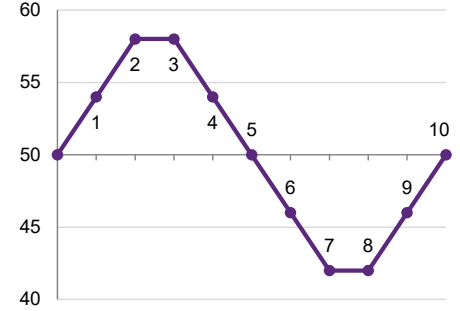
overall decrease. The indices are then seasonally adjusted.

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
3/24	52.7	52.5	51.7	50.4	46.3	74.3	60.3	54.1
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

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