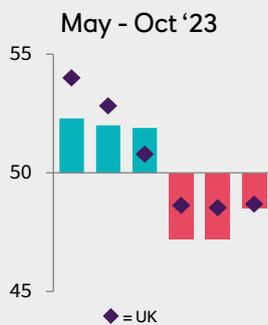




# NatWest North West PMI®

## Downturn in North West business activity slows in October

### North West Business Activity Index



### Key findings

Output falls for third straight month but more slowly

Renewed rise in employment

Inflation measures tick up from September's three-year lows

Business activity across the North West was down for a third straight month in October amid signs of weakness in demand, latest NatWest Regional PMI® survey data showed. Expectations among local firms towards future activity dipped slightly, though they remained more optimistic than most and even recorded a slight rise in employment. Rates of increase in business costs and prices charged meanwhile ticked up, coming off three-year lows in September.

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 – remained below the 50.0 no-change threshold for a third straight month in October. However, following back-to-back readings of 47.2, the index rose to 48.5 to signal only a modest rate of decline that was the slowest in the current sequence.

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

*"The latest PMI survey signals that business conditions remain challenging, but also that there's a degree of resilience being shown by local firms. Demand continues to be constrained amidst a backdrop of economic uncertainty, cost of living pressures and high interest rates, which has led to a third straight monthly decline in business activity. However, business confidence in the region is more or less in line with its long-run average and among the highest nationally, whilst local firms are still showing a willingness to take on new staff. Elsewhere, the survey's measures of business costs and output prices pointed to faster rates of inflation, likely reflecting the impact of the recent upturn in global oil prices."*

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

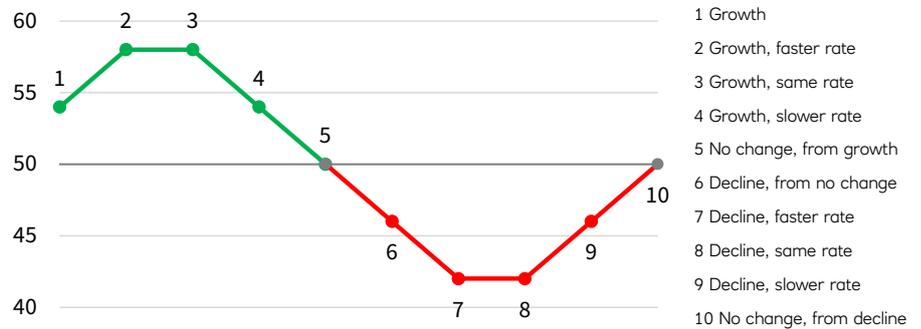
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Inflows of new business remain in decline

The decline in new business across the North West private sector extended to a sixth straight month in October, signalling an ongoing slump in demand for the region's goods and services. The rate of contraction was unchanged from the previous month and remained quicker than the UK-wide average. Low customer confidence, cost of living pressures and high interest rates were some of the factors hampering sales, according to surveyed businesses.

New Business Index  
sa, >50 = growth since previous month  
45.7  
Oct '23



### Business expectations nudge lower, bringing them in line with long-run trend

Firms in the North West generally remained optimistic about their growth prospects for the coming year in October, citing confidence around marketing plans and new product launches. Expectations nudged down slightly from September's three-month high, bringing them broadly in line with the series long-run average (since 2012), though they remained the third-highest among the 12 monitored regions and nations.

Future Activity Index  
>50 = growth expected over next 12 months  
69.4  
Oct '23



## Exports

### Export conditions continue to worsen

The North West Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North West. This produces an indicator for the economic health of the region's export markets. A reading below 50 signals a deterioration in export conditions.

Export Climate Index  
sa, >50 = growth since previous month  
48.5  
Oct '23



Export conditions worsened for a third straight month in October. Furthermore, the ECI fell from September's 49.5 to 48.5, its lowest since November 2022. Europe was the main drag, with some of the region's key export markets such as the Netherlands, Germany and Ireland all recording contractions in activity. Elsewhere, growth in the US ticked up but remained weak, while China stagnated.

Top export markets, North West

Rank	Market	Weight	Output Index, Oct '23
1	USA	13.7%	50.7
2	Netherlands	10.0%	42.3
3	Germany	9.9%	45.9
4	Ireland	6.5%	49.7
5	China	5.8%	50.0



## Business capacity

### Employment returns to growth

After falling in September for the first time in just over two-and-a-half years, private sector employment across the North West returned to growth in October. Although only modest, the rise in workforce numbers in the region contrasted with a further decline seen across the UK as a whole. Where an increase in staffing levels was recorded, surveyed firms remarked on efforts to increase capacity and preparations for future growth.

Employment Index  
sa, >50 = growth since previous month  
51.0  
Oct '23



### Outstanding business declines for seventeenth straight month

As has been the case in each month since June 2022, firms operating in the North West recorded a decrease in their outstanding business (i.e. orders received but not yet started or completed) in October. The rate of depletion remained strong despite easing further from August's 39-month record. Underlying data showed a lack of pressure on business capacity across both manufacturing and services, though particularly in the former.

Outstanding Business Index  
sa, >50 = growth since previous month  
42.4  
Oct '23



## Prices

### Input cost inflation edges slightly higher

After hitting a three-year low in September, the rate of increase in business costs ticked up slightly in October. It nevertheless remained below its long-run average and was one of the slowest among the 12 monitored regions (ahead of only the West Midlands and Yorkshire & Humber). Declining manufacturing purchasing prices continued to contrast with wage- and energy-driven costs increases in the service sector.

Input Prices Index  
Oct '23: 56.1  
sa, >50 = inflation since previous month



### Output price inflation reverses its recent slowing trend

In line with a slightly faster increase in costs, the rate of inflation in average prices charged by businesses across the North West ticked up in October. The result marked the first acceleration in six months, although it left the rate of output price inflation still well below the UK-wide average (which likewise quickened from the previous month). Price increases were centred on the service sector.

Prices Charged Index  
Oct '23: 53.8  
sa, >50 = inflation since previous month



## 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, Oct '23 <sup>+</sup>
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	48
3	Textiles & Clothing	1.18	48
4	Timber & Paper	0.91	42
5	Basic Metals	0.84	48
6	Food & Drink	0.79	52
7	Other Manufacturing	0.72	48
8	Mechanical Engineering	0.56	48
9	Electrical & Optical	0.51	48

#### North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct '23 <sup>+</sup>
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	48
3	Business-to-business Services	1.03	48
4	Personal & Community Services	1.03	48
5	Computing & IT Services	0.81	52
6	Financial Intermediation	0.76	52

## UK sector focus

### Mechanical Engineering

The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

### Employment

Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland\*, North West and East of England also seeing increases.

### Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

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

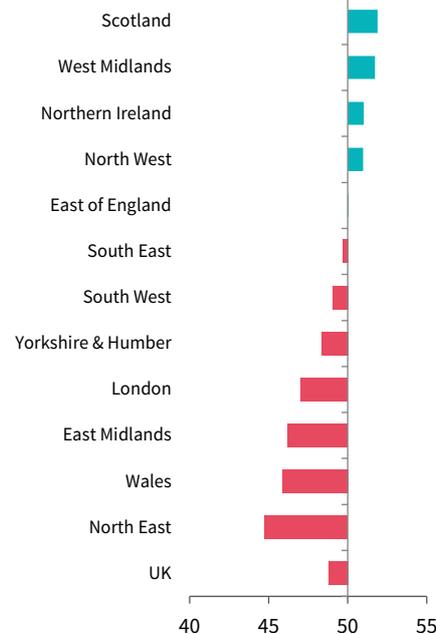
#### Business Activity Index

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



#### Employment Index

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



#### Future Activity Index

>50 = growth expected over next 12 months Oct '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
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
Oct '23	48.5	45.7	48.5	69.4	51.0	42.4	56.1	53.8

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### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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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