



NatWest

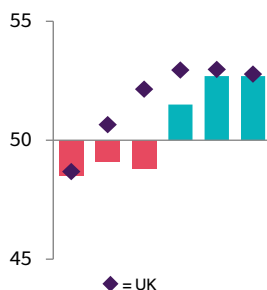
NatWest North West PMI[®]

Business activity continues rising across North West private sector in March

North West Business Activity Index



Oct '23 - Mar '24



Key findings

Business Activity Index unchanged at 52.7, signalling moderate growth

Confidence towards outlook reaches highest in over a year

Rising demand supports slight uptick in employment

Latest Regional PMI[®] survey data from NatWest signalled a positive end to the first quarter for the North West private sector, with firms in the region reporting a sustained upturn in business activity. Employment in the region also ticked up, albeit only marginally, as demand showed further signs of strengthening and business confidence reached the highest for over a year. Price pressures meanwhile eased and were among the lowest seen across the UK.

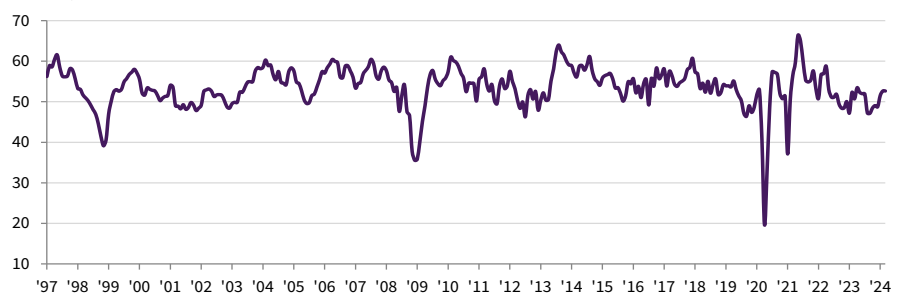
The headline North West PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – registered a second successive reading of 52.7 in March, signalling further moderate growth of regional output. It was broadly in line with the average for the UK as a whole (52.8).

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

"The North West private sector has enjoyed a promising start to the year, with business activity rising throughout the opening quarter. Demand has started to turn around in recent months after having been on the decline during most of last year, and this is feeding through to improved business confidence. Firms are feeling increasingly optimistic about the outlook, expressing plans for new investments and greater marketing efforts, as concerns about the economy and inflation ease. Inflationary pressures in the North West have come down a touch and are low compared to most other nations and regions, with the rate of increase in prices charged for goods and services running broadly in line with the long-run average in recent months."

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

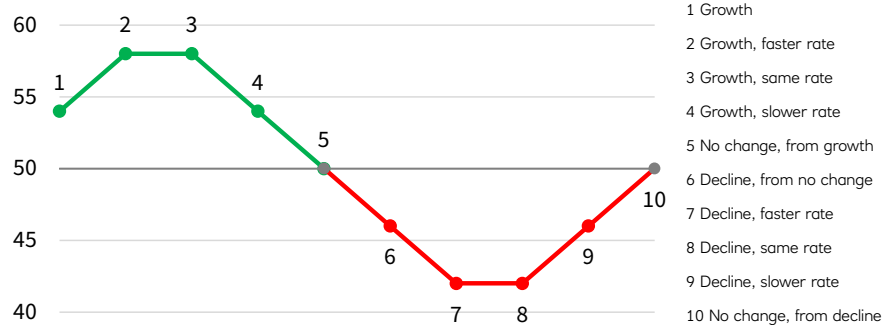
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

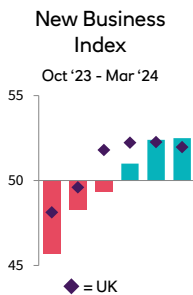
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month

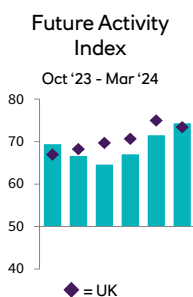
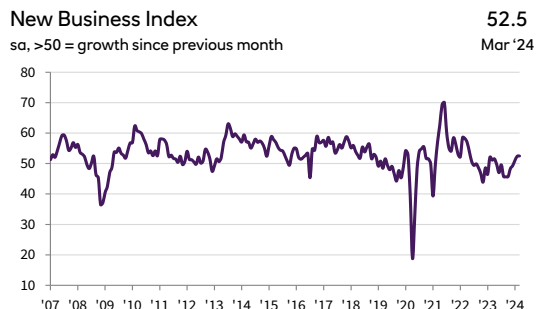


Demand and outlook



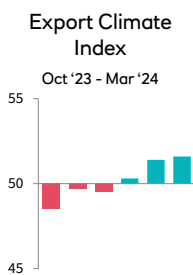
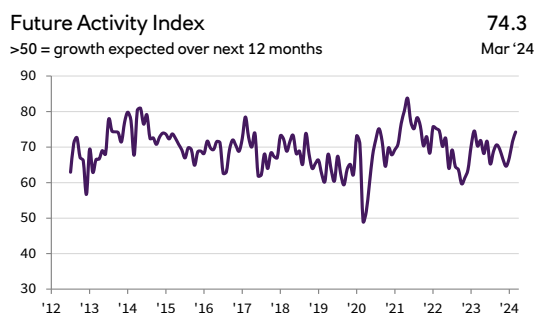
Sustained upturn in new business

Demand conditions continued to improve across the North West during March, as highlighted by a third straight monthly rise in inflows of new business. The rate of growth picked up slightly to the quickest since May 2022 and was faster than the average observed for the UK as a whole. Where an increase in inflows of new work was recorded, surveyed firms remarked on improving client confidence and greater business wins in the domestic market.



Optimism continues to rise across the North West

Latest data showed business confidence continuing to rise across the North West private sector at the end of the first quarter. The degree of optimism reached the highest for more than a year and was the fourth-strongest among the 12 regions and nations monitored by the survey, behind the West Midlands, South East and East of England. Planned investment, new product launches and increasing marketing efforts were some of the factors expected to support highest activity over the next 12 months.

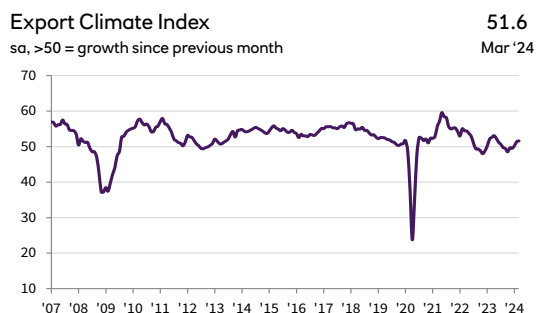


Exports

Gradual improvement in export climate extends into March

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 above 50 signals an improvement in export conditions.

March saw the ECI register above the neutral 50.0 threshold for the third month running and rise to its highest since May 2023. The uptick was supported by a renewed increase in output in the Netherlands alongside a stronger expansion in China. Further, albeit slower, growth was also seen in both the US and Ireland, while the downturn in the German economy eased slightly.



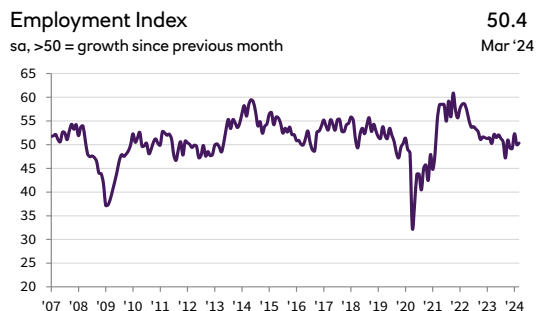
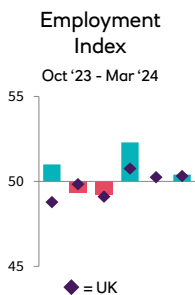
Top export markets, North West

Rank	Market	Weight	Output Index, Mar '24
1	USA	13.7%	52.1
2	Netherlands	10.0%	50.3
3	Germany	9.9%	47.7
4	Ireland	6.5%	53.2
5	China	5.8%	52.7

Business capacity

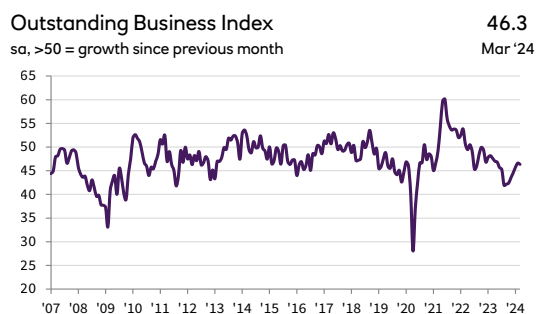
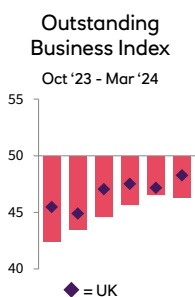
Employment ticks up slightly

There was a slight increase in employment across the North West private sector in March, following no change in the previous month. Underlying data indicated that modest jobs growth in the service sector was sufficient to offset mild staff shedding in the manufacturing sector. The increase in regional workforce numbers, which panellists generally linked to growing business requirements, broadly matched the result for the UK as a whole.

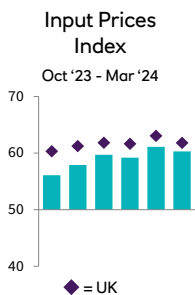


Backlogs of work continue to fall

As has been the case in every month since June 2022, companies operating in the North West recorded a decrease in outstanding business (i.e. new orders awaiting completion) during March. The rate of depletion was solid and accelerated slightly from that seen in February, when it had reached the slowest for nine months. The decline in work-in-hand was again centred on the manufacturing sector, where panellists commented on the influence of still-soft demand for goods.

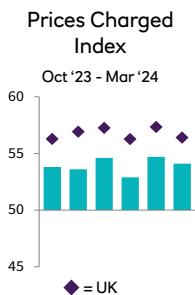
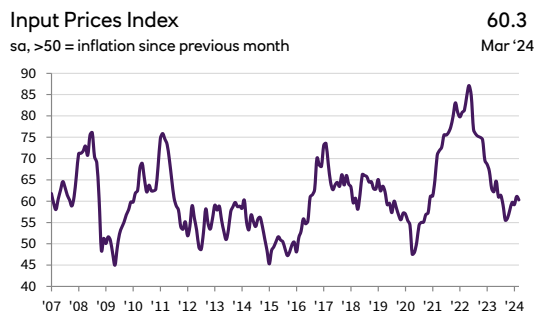


Prices



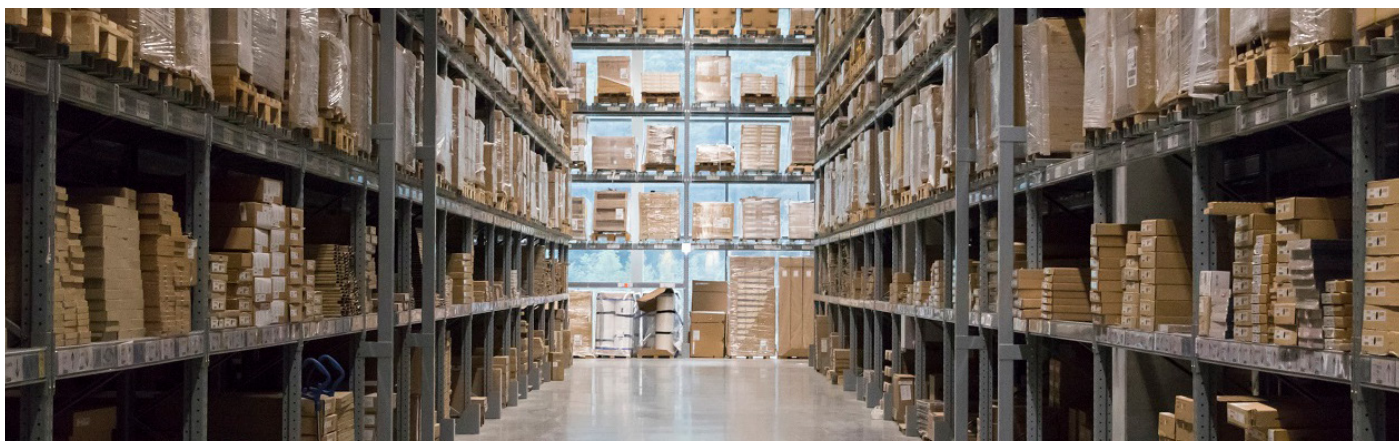
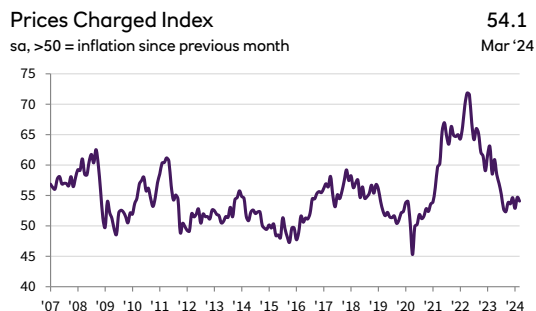
Input price inflation cools from February's seven-month high

The rate of input price inflation faced by firms in the North West ticked down slightly in March, after having reached a seven-month high in February. It remained just above the series long-run average but was the second-lowest among the 12 monitored regions and nations. According to anecdotal evidence, higher wages and supplier price hikes were the main drivers of the increase in operating expenses.



Prices charged rise broadly in line with the long-run rate

Higher input costs once again led businesses in the North West to raise their average prices charged for goods and services. The rate at which output prices rose remained broadly in line with the series average, despite it having eased slightly from the previous month. That said, of the monitored regions and nations, only Scotland recorded a slower rise in prices charged.



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, Mar '24*
1	Chemicals & Plastics	1.66	
2	Transport	1.27	
3	Textiles & Clothing	1.09	
4	Timber & Paper	0.92	
5	Food & Drink	0.85	
6	Basic Metals	0.84	
7	Other Manufacturing	0.77	
8	Mechanical Engineering	0.59	
9	Electrical & Optical	0.55	

40 45 50 55 60

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '24*
1	Transport & Communication	1.19	
2	Personal & Community Services	1.16	
3	Hotels, Restaurants & Catering	1.11	
4	Business-to-business Services	1.00	
5	Computing & IT Services	0.76	
6	Financial Intermediation	0.75	

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UK sector focus

Hotels, Restaurants & Catering

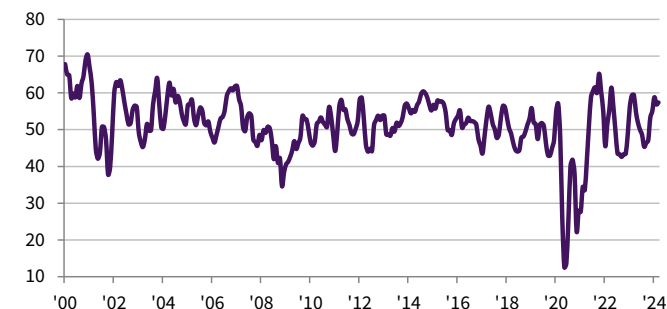
The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland*, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

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

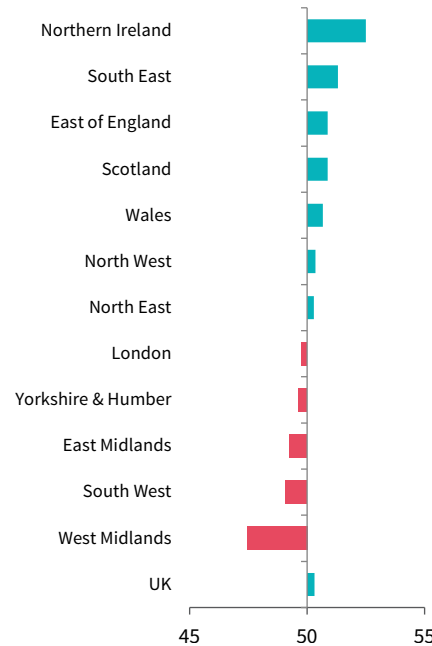
Business Activity Index

sa, >50 = growth since previous month, Mar '24



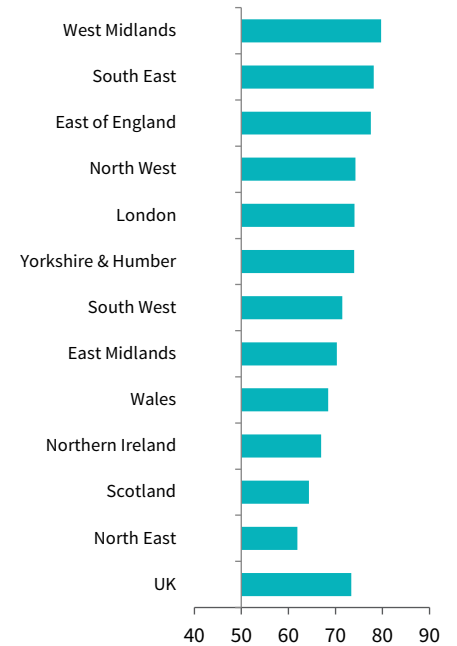
Employment Index

sa, >50 = growth since previous month, Mar '24



Future Activity Index

>50 = growth expected over next 12 months, Mar '24



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
Oct '23	48.5	45.7	48.5	69.4	51.0	42.4	56.1	53.8
Nov '23	49.1	48.3	49.7	66.6	49.3	43.5	57.9	53.6
Dec '23	48.8	49.3	49.5	64.6	49.2	44.6	59.7	54.6
Jan '24	51.5	51.0	50.3	67.0	52.3	45.7	59.2	52.9
Feb '24	52.7	52.4	51.4	71.5	50.0	46.6	61.1	54.7
Mar '24	52.7	52.5	51.6	74.3	50.4	46.3	60.3	54.1

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About NatWest

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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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