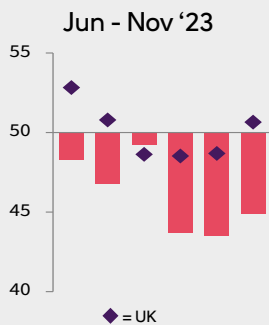


NatWest North East PMI[®]

Operating conditions deteriorate while inflationary pressures cool further

North East Business Activity Index



Key findings

Sustained contractions in activity and new orders

Lowest level of business sentiment in nearly a year

Cost and charge inflation ease to 38- and 34-month lows respectively

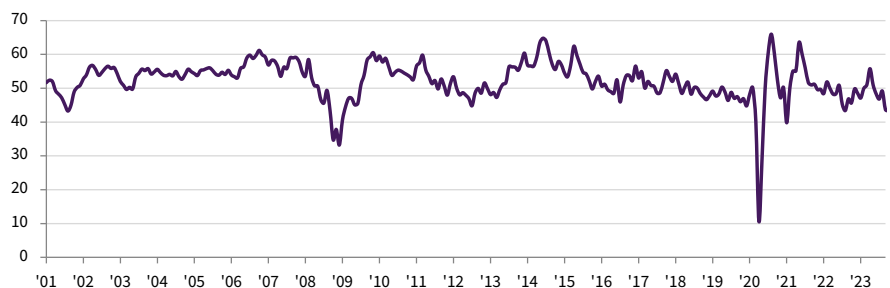
The headline NatWest North East PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – signalled a sixth successive contraction in output in November. The pace of decline was the softest in three months as the index was up from 43.5 in October to 44.9. Still, the local trend for business activity was the worst of the 12 monitored UK regions and nations. Panellists reduced output levels in line with deteriorating new orders, anecdotal evidence showed.

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

"Companies across the North East faced another difficult month midway through the final quarter of 2023. Firms scaled back activity levels given lower intakes of new orders. With that, business sentiment towards the outlook for output in the North East slipped to an 11-month low and was the weakest of all 12 monitored UK regions and nations. With new business down since October, companies were able to keep outstanding work to a minimum. Spare capacity signals and reports of high wage costs influenced firms' employment decisions in November as they opted to not retain their current workforce levels. As demand continued to diminish, inflationary pressures cooled further. November saw input prices rise at the slowest rate in over three years. A similar trend was seen for local selling prices, with charges raised at the softest rate in 34 months reflecting attempts to stimulate demand in the region."

North East Business Activity Index

sa, >50 = growth since previous month



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About the North East PMI® report

The NatWest North East PMI® is compiled by S&P Global from responses to questionnaires sent to North East 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

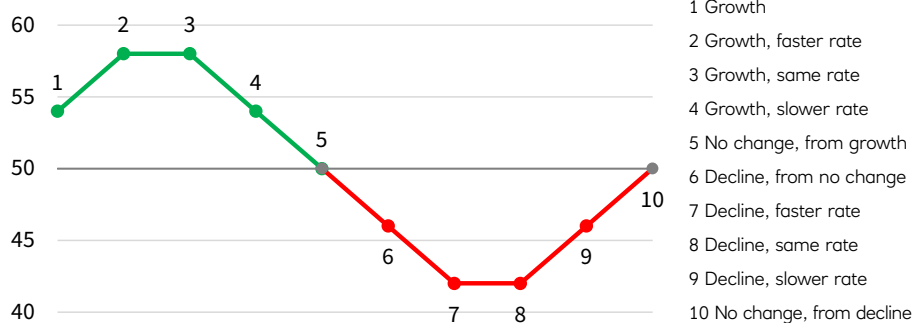
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

New business falls at slowest rate since July

For the seventh month running, private sector companies across the North East recorded a decline in new work in November. Firms mentioned that they had lost customers given the current economic conditions.

Although the rate of contraction was the slowest in four months, it remained faster than the UK average.

New Business Index 46.6
sa, >50 = growth since previous month Nov '23

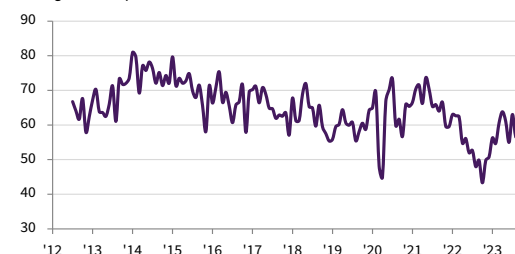


North East firms least confidence across the UK

November data indicated that North East firms remained confident in a rise in output over the coming 12 months. Expectations of stronger pipelines of new business and an increase in customer bases underpinned upbeat projections. That said, the overall level of sentiment seen in November dropped to its lowest in nearly a year.

Local firms displayed the weakest degree of optimism of the 12 monitored UK regions and nations.

Future Activity Index 54.0
>50 = growth expected over next 12 months Nov '23



Exports

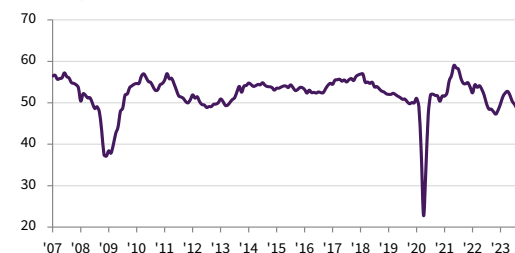
Trade prospects remain subdued

The North East Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North East. This produces an indicator for the economic health of the region's export markets.

The ECI posted at 48.8 in November to signal a sustained weakening in export market conditions across firms in the North East. Although remaining below the neutral 50.0 threshold, this was up from 47.8 and highlighted the softest decline since July.

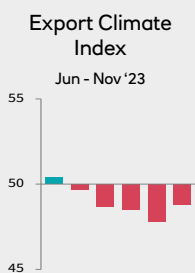
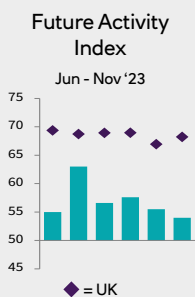
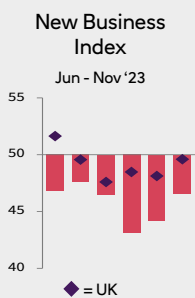
Of the top five export destinations, only European-based markets posted contractions. France posted the strongest decline, closely followed by the Netherlands. Albeit modest, the US remained the only market to register economic growth in November.

Export Climate Index 48.8
sa, >50 = growth since previous month Nov '23



Top export markets, North East

Rank	Market	Weight	Output Index, Nov '23
1	Germany	15.6%	47.8
2	USA	14.5%	50.7
3	Netherlands	10.1%	45.5
4	France	9.6%	44.6
5	Italy	6.4%	48.1



Business capacity

Fifth consecutive month of job losses

In line with the current trend of declining new work, November saw private sector firms in the North East reduce workforce numbers for a fifth consecutive month. In some cases, companies noted that they struggled to fill vacancies given difficulties in finding suitably-skilled staff. The rate at which employment decreased was the least pronounced in four months and solid overall.

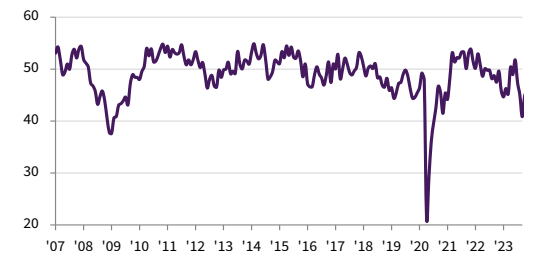
Of the 12 monitored UK regions and nations, only Wales recorded quicker job shedding than that seen locally.

Backlogs depleted rapidly

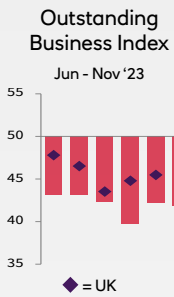
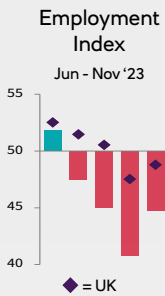
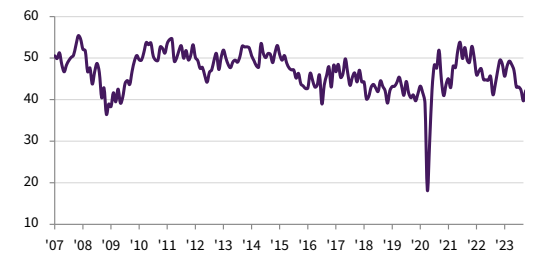
There was evidence of excess capacity in the North East private sector economy in November, as outstanding business fell further. This stretched the current sequence of reduction that began in January 2022. Firms noted that their ability to work through backlogs was aided by muted demand conditions. Furthermore, the pace of depletion picked up from October and was steep overall.

The North East continued to see incomplete business fall at a faster rate than the UK average.

Employment Index
sa, >50 = growth since previous month
45.9
Nov '23

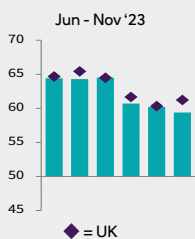


Outstanding Business Index
sa, >50 = growth since previous month
41.9
Nov '23



Prices

Input Prices Index
Jun - Nov '23



Slowest rate of cost inflation since September 2020

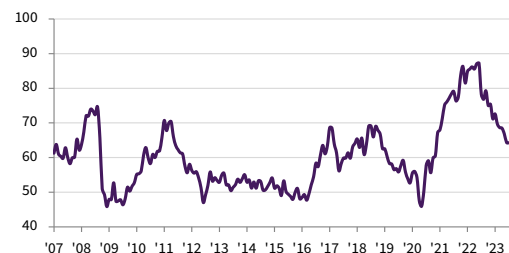
Firms across the North East indicated a further increase in input costs midway through the fourth quarter. Some panellists linked price rises to greater staff or transport costs. Although sharp, the rate of inflation was the weakest in over three years.

Local companies registered a softer rate of input inflation than that seen at the UK level.

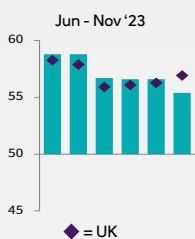
Input Prices Index

sa, >50 = inflation since previous month

59.4
Nov '23



Prices Charged Index
Jun - Nov '23



Selling prices rise at softest rate in 34-months

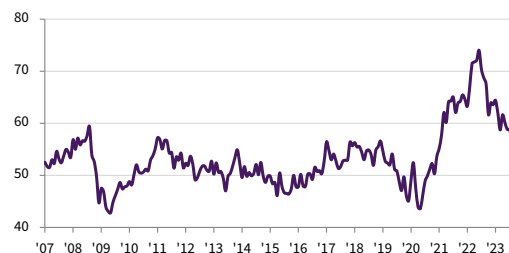
Private sector companies increased their selling prices in November, extending the current sequence of rises which began in September 2020. Some survey respondents noted that output prices were lifted in line with higher labour costs. The pace of charge inflation was strong, but the slowest since January 2021.

The hike in selling prices in the North East was less pronounced than the UK average.

Prices Charged Index

sa, >50 = inflation since previous month

55.4
Nov '23



UK Sector PMI

Sector specialisation: North East

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 East, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

North East specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Nov '23 ⁺
1	Chemicals & Plastics	1.58	55
2	Timber & Paper	1.17	45
3	Mechanical Engineering	1.17	50
4	Basic Metals	1.13	50
5	Transport	0.91	50
6	Other Manufacturing	0.71	45
7	Textiles & Clothing	0.70	55
8	Electrical & Optical	0.69	45
9	Food & Drink	0.54	55

North East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '23 ⁺
1	Transport & Communication	1.51	45
2	Hotels, Restaurants & Catering	1.20	55
3	Personal & Community Services	1.13	50
4	Business-to-business Services	0.90	50
5	Financial Intermediation	0.75	55
6	Computing & IT Services	0.57	55

UK sector focus

Computing & IT Services

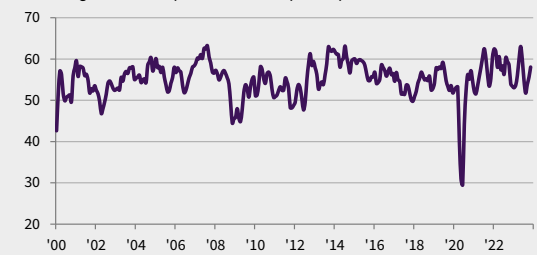
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

Business Activity Index

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



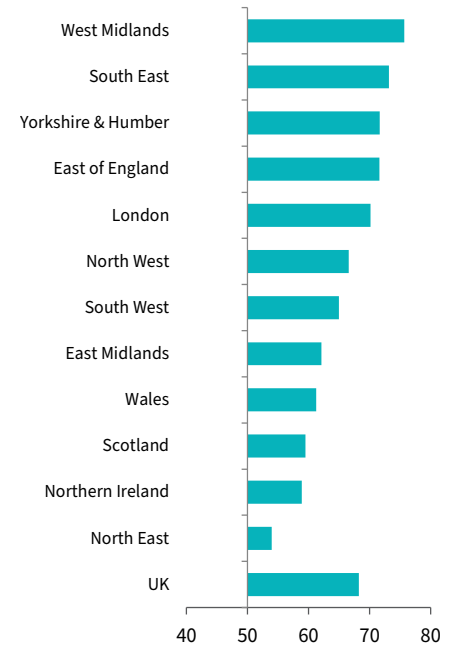
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months Nov '23



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



Index summary

North East

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
Jun '23	48.3	46.8	50.4	55.0	51.8	43.1	64.4	58.8
Jul '23	46.8	47.6	49.7	63.0	47.5	43.1	64.3	58.8
Aug '23	49.2	46.5	48.7	56.6	45.0	42.3	64.5	56.7
Sep '23	43.7	43.1	48.5	57.6	40.8	39.7	60.7	56.6
Oct '23	43.5	44.2	47.8	55.5	44.8	42.2	60.2	56.6
Nov '23	44.9	46.6	48.8	54.0	45.9	41.9	59.4	55.4

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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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