

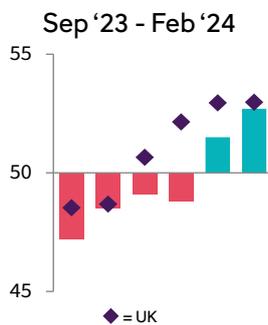


NatWest

NatWest North West PMI[®]

Momentum builds in North West private sector

North West Business Activity Index



Key findings

Business Activity Index climbs to ten-month high of 52.7 in February

Expectations improve amid signs of an upturn in demand

Employment stagnates as business cost pressures increase

Momentum continued building across the North West private sector economy in February, with business activity in the region rising for the second month running and at the quickest rate since April last year, the latest Regional PMI[®] survey from NatWest showed. The upturn was driven by stronger demand and helped lift business confidence to its highest for eight months. Employment held steady, however, with firms coming under pressure from rising input costs.

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 – moved further above the critical 50.0 mark in February, rising from January’s 51.5 to a ten-month high of 52.7. The rate of growth signalled by the index was only slightly below the UK-wide average (53.0).

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

"February's PMI survey made for generally pleasant reading, showing business activity rising for the second month in a row in the North West. More to the point, growth has picked up speed, supported by improved underlying demand. Businesses in the region are now looking to the outlook with greater optimism."

"Despite these positive trends, employment held steady, which wasn't all that surprising given the notable rise in workforce numbers the month before and the fact that business cost pressures have started creeping up again. Input prices rose to the greatest extent for seven months in February, amid ongoing wage pressures and signs that the Red Sea disruption is beginning to impact 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

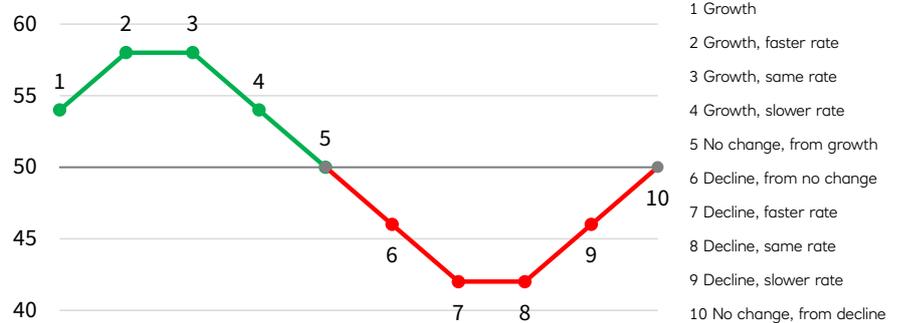
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

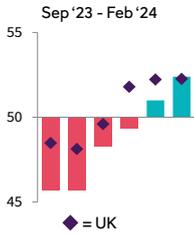
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



Upturn in new business gathers pace

February's survey pointed to a pick-up in demand across the North West private sector, with firms in the region reporting inflows of new business rising for the second month running and at the fastest rate since May 2022. The pace of growth was the third-strongest nationally, behind London and the East Midlands. Underlying data showed that the increase in new work was centred on services firms, who highlighted the influence of greater marketing, new products and a general improvement in client confidence.

New Business Index

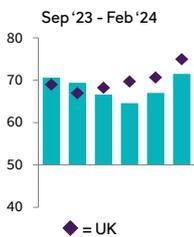
sa, >50 = growth since previous month

52.4

Feb '24



Future Activity Index



Business expectations reach eight-month high

A second consecutive monthly increase in business expectations was seen in the North West in February. The degree of optimism subsequently reached the highest since June last year and was back above its long-run average. In cases where activity was forecast to rise in the next 12 months, firms attributed this to investment plans, increased marketing efforts, entry into new markets and hopes for an upturn in market demand.

Future Activity Index

>50 = growth expected over next 12 months

71.5

Feb '24



Export Climate Index



Export climate continues to improve

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.

Export Climate Index

sa, >50 = growth since previous month

51.4

Feb '24



The ECI moved further into positive territory in February, rising from January's 50.3 to 51.4. The result was driven by solid growth in several key destinations, including the US, Ireland and China. Weak demand conditions remained a theme across parts of continental Europe, however, with markets such as the Netherlands and Germany remaining in contraction.

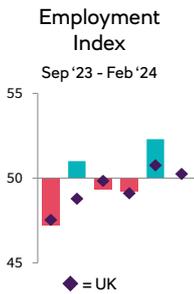
Top export markets, North West

Rank	Market	Weight	Output Index, Feb '24
1	USA	13.7%	52.5
2	Netherlands	10.0%	49.7
3	Germany	9.9%	46.3
4	Ireland	6.5%	54.4
5	China	5.8%	52.5

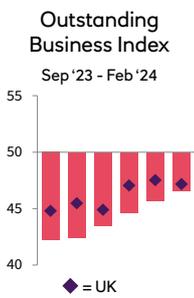
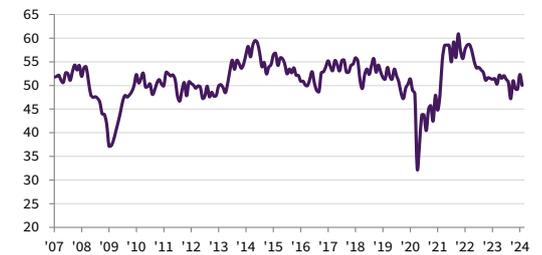
Business capacity

Employment unchanged in February

The level of private sector employment was unchanged in February compared with the month before. The stagnation in the region's workforce numbers followed a solid rise at the start of the year and contrasted with a slight increase across the UK as a whole. Although some companies reported taking on additional staff to meet increased demand, others commented that their priority was to cut costs.



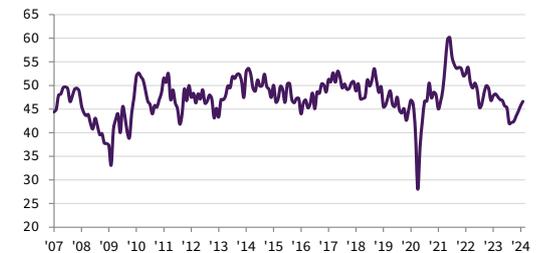
Employment Index 50.0
sa, >50 = growth since previous month Feb '24



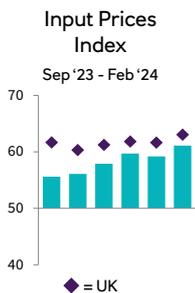
Rate of backlog depletion eases further

Whilst firms in the North West continued to work through their outstanding business (i.e. orders awaiting completion) during February, they did so at a slower rate. The decline in backlogs in fact moderated for the sixth month in a row to the weakest seen since last May. Work-in-hand fell sharply in manufacturing, offsetting a rise in the service sector.

Outstanding Business Index 46.6
sa, >50 = growth since previous month Feb '24



Prices



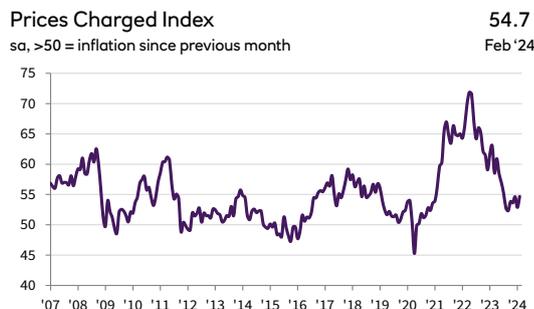
Input prices post steepest rise for seven months

Businesses' input prices rose at a faster rate in February. After slipping to a three-year low last September, cost inflation has now risen in four of the past five months and reached its highest since July last year. That said, it remained below the UK-wide average, which likewise ticked up. Wage pressures were the main driver of the increase in operating expenses, according to feedback from surveyed firms, with higher prices charged by suppliers said to be another factor.



Output price inflation rebounds as costs and demand rise

The sharp and accelerated increase in input costs in February contributed to a pick-up in the rate of output price inflation, as more businesses looked to pass on at least some of the burden to customers. Average charges for goods and services rose to the greatest extent for seven months. That said, pricing power in the region generally remained moderate by national standards, with only Northern Ireland seeing a slower rise in output prices.



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, Feb '24*
1	Chemicals & Plastics	1.66	48
2	Transport	1.27	52
3	Textiles & Clothing	1.09	46
4	Timber & Paper	0.92	50
5	Food & Drink	0.85	48
6	Basic Metals	0.84	48
7	Other Manufacturing	0.77	46
8	Mechanical Engineering	0.59	52
9	Electrical & Optical	0.55	48

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '24*
1	Transport & Communication	1.19	52
2	Personal & Community Services	1.16	48
3	Hotels, Restaurants & Catering	1.11	52
4	Business-to-business Services	1.00	52
5	Computing & IT Services	0.76	52
6	Financial Intermediation	0.75	52

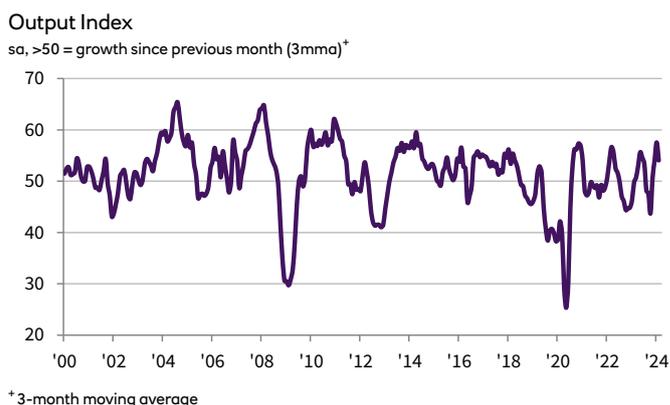
UK sector focus

Transport Manufacturing

Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.



UK Regional PMI overview

Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Feb '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
Sep '23	47.2	45.7	49.5	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
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

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About NatWest

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