

15 April 2026

NatWest North East Growth Tracker

Surging inflationary pressures weigh on
North East private sector performance



NatWest

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by **S&P Global**

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Key findings

March 2026

Charge inflation at near three-year high as expenses surge

Activity and demand growth slow over the month

Business confidence eases to seven-month low

The NatWest North East 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



Surging inflationary pressures weigh on North East private sector performance

The latest Growth Tracker data from NatWest showed a slowdown in activity growth in the North East private sector in March.

The rate of growth was the slowest in the current three-month sequence and only marginal, as companies also registered softer sales growth. Respondents often mentioned that higher prices, partly due to the war in the Middle East, adversely impacted output and demand at the end of the first quarter. In fact, cost pressures faced by North East firms surged to the highest since the start of 2023, and contributed

to the strongest rise in charges in just under three years. Moreover, business confidence moderated over the month with the war in the Middle East weighing on optimism.

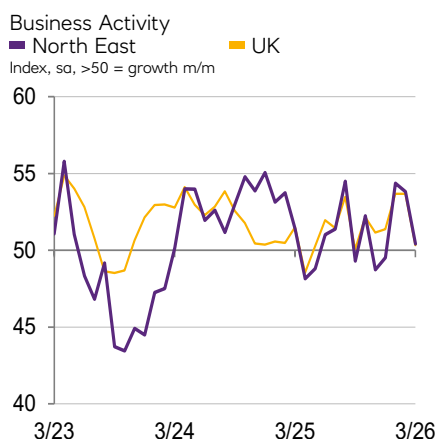
The headline North East Growth Tracker Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – fell from 53.8 in February to 50.4 in March, indicating only a slight increase in business activity. The expansion in the North East was broadly in line with that seen in the UK as a whole.

NatWest North East Business Activity Index March 2026

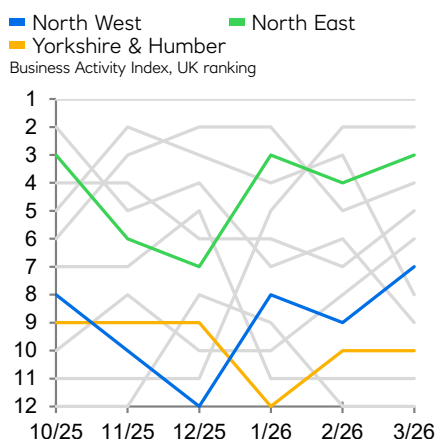
50.4

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 12-27 March



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



Comment

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

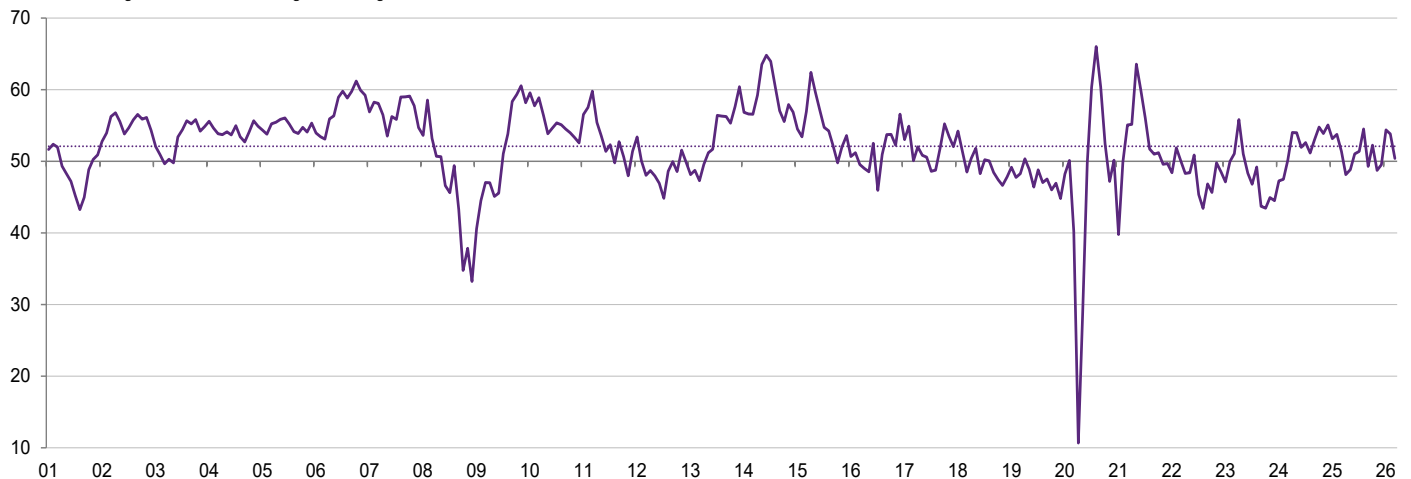
"The North East private sector economy closed the first quarter of 2026 on uneven footing. The region registered only a fractional increase in business activity, following the trend seen at the UK level, with panel members often linking the moderation in growth to a steep jump in cost pressures, largely related to energy price rises following the outbreak of war in the Middle East. In fact, the rate of input cost inflation surged to the highest since January 2023, which pushed firms to raise selling prices to the greatest extent in just under three years as businesses looked to protect profit margins.

"At the same time, the pace of growth in new business slowed to a crawl during March, with some companies stating that fading client confidence had weighed on sales. That said, evidence of demand resilience encouraged firms to raise employment levels.

"Concurrently, business optimism regarding the year-ahead outlook softened from February's recent high, and was the least pronounced since August 2025. While growth was expected to be boosted by new product launches, private sector businesses in the North East cited concerns regarding the health of the domestic economy and the wider impact of the war in the Middle East."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 2001.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



Demand and outlook

New business inflows rose for the fourth month in a row, but slowed sharply from a month prior

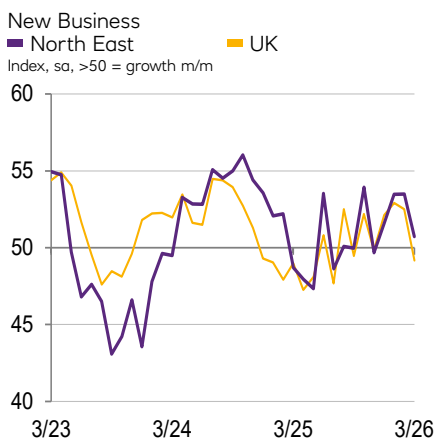
March survey data revealed a further uplift in new business received by private sector firms in the North East. The increase was only marginal, however, and the weakest in the current four-month sequence of growth. The local expansion contrasted with a marginal contraction at the national level.

At the same time, confidence

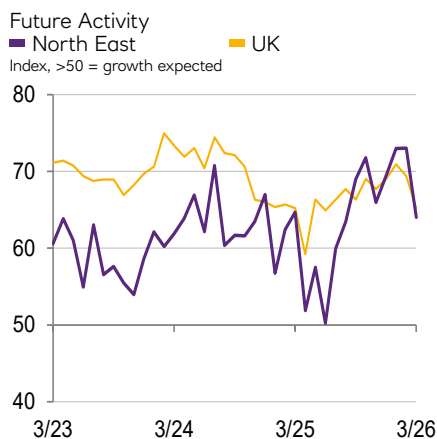
regarding output prospects over the coming 12 months slowed sharply at the end of the first quarter. While still marked, the degree of optimism was the least prominent since August 2025. Firms often identified new product launches as potential growth drivers in the region, but raised concerns regarding the health of the domestic economy and the detrimental impact of the Middle East war.

Confidence in the North East was also less pronounced than that seen at the UK level.

"The pace of growth in new business slowed to a crawl during March, with some companies stating that fading client confidence had weighed on sales."



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



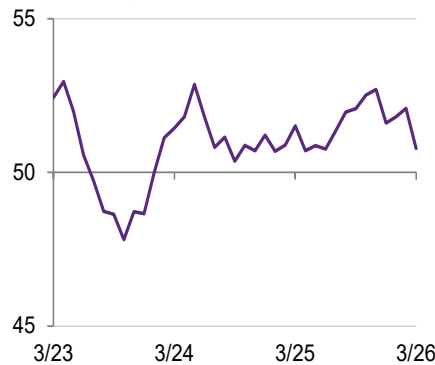
Export markets

North East export climate improves at weaker rate

Export conditions in the North East remained positive for the twenty-sixth month in a row during March. That said, the ECI dropped from 52.1 in February to 50.8 in March to reach the lowest mark since June 2025.

Three of the top five export markets for the North East registered an expansion in output in the latest survey period, led by a four-month high in the Netherlands. That said, slower growth rates were seen in Germany and the US. Italian companies registered a decline for the first time in 14 months, while France saw a quicker contraction.

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

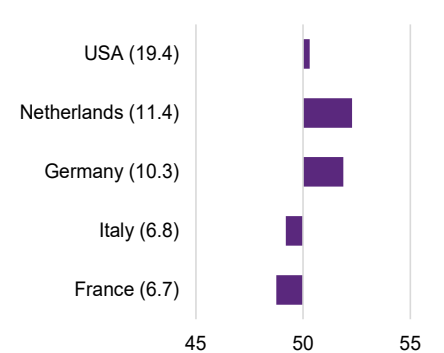


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

The North East 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 from the North East. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

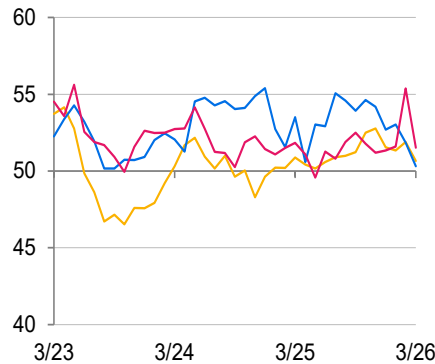
Top export markets, North East

% share of exports shown in brackets
Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



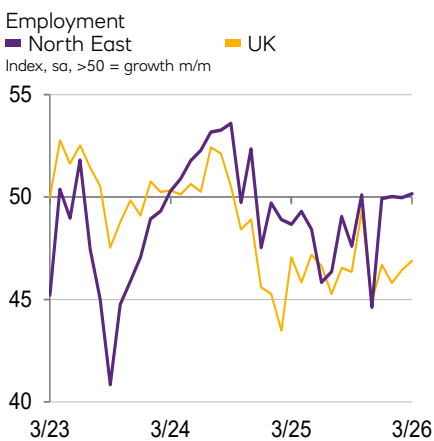
Jobs and capacity

Job creation in the North East region resumed in March

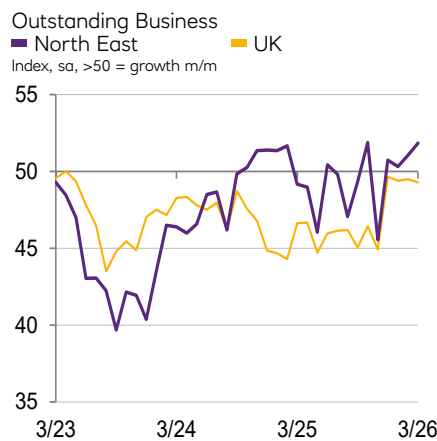
The renewed improvement in staffing levels was the first in five months, but only fractional overall. The uplift in headcounts locally was one of only three seen out of the 12 monitored UK regions and nations, with only Northern Ireland and Scotland also seeing job creation.

North East firms also noted a sustained accumulation in outstanding business during March. The rate of growth in backlogs was the quickest since last October and the strongest of the 12 monitored UK regions and nations. According to anecdotal evidence, demand resilience continued to place strain on existing capacity.

"Evidence of demand resilience encouraged firms to raise employment levels."



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



Inflation

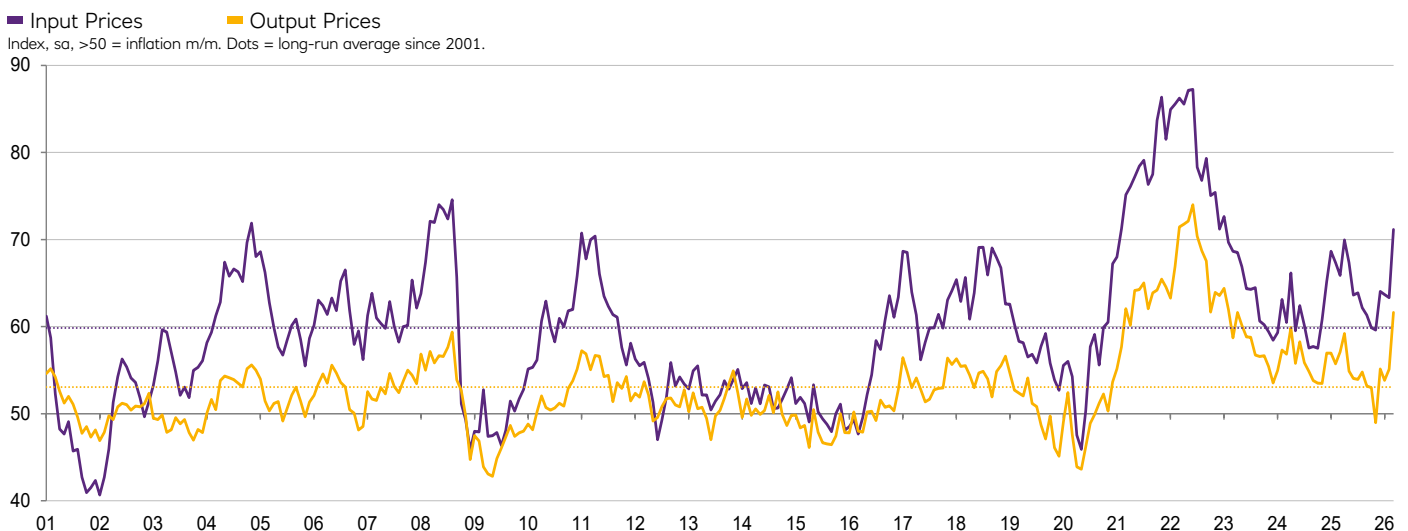
Cost burdens accelerate sharply, leading to a marked increase in prices charged by North East firms

March saw a rapid acceleration in average operating expenses faced by North East private sector companies. The pace of input price inflation strengthened to the fastest since January 2023 and was well above the series average. Higher raw material and labour costs were reportedly the key drivers of rising cost burdens, with the former

partly attributed to the war in the Middle East. The rate of increase in the North East was among the strongest of the 12 monitored UK areas, exceeded only by Northern Ireland and Wales.

In response to higher cost burdens, prices charged for goods and services in the North East rose at a robust rate. The rate of charge inflation was the highest in close to three years and the second-strongest of the 12 monitored UK regions and nations, behind Northern Ireland.

"The rate of input cost inflation surged to the highest since January 2023, which pushed firms to raise selling prices to the greatest extent in just under three years..."



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

UK Regional Growth Tracker

Business Activity

March saw a widespread loss of momentum across the UK's nations and regions. Higher activity was recorded in six out of the 12 areas monitored, down from ten in February, with rates of growth slowing in each case. Output fell elsewhere, with Wales and the East Midlands recording the most marked declines.

Employment

Employment fell in most parts of the UK in March, led by declines in the North West and Wales. Northern Ireland, Scotland and the North East went against the general trend, however, and recorded slight increases in workforce numbers. For both Northern Ireland* and the North East, job creation was recorded for the first time since last October, while the increase in Scotland was the second in as many months.

Future Activity

Although business confidence towards future activity remained positive across the board in March, growth expectations were revised down from the month before in most cases. Only the South West and Yorkshire & Humber recorded increased optimism, while firms in London remained the most upbeat about the outlook.

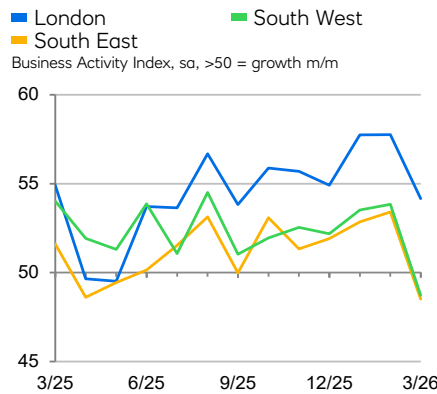
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



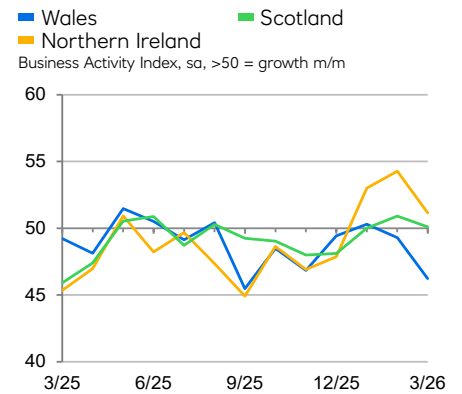
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



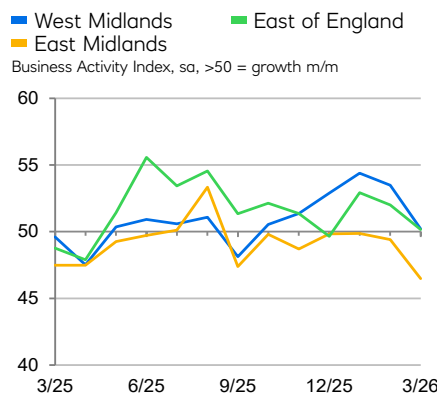
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



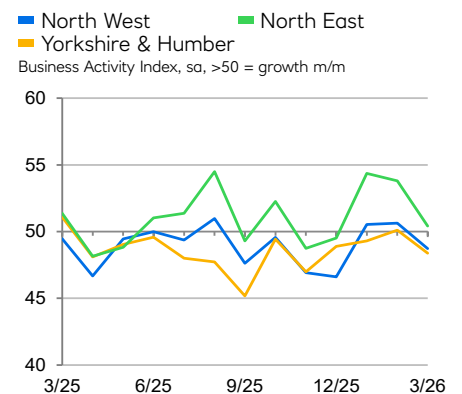
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



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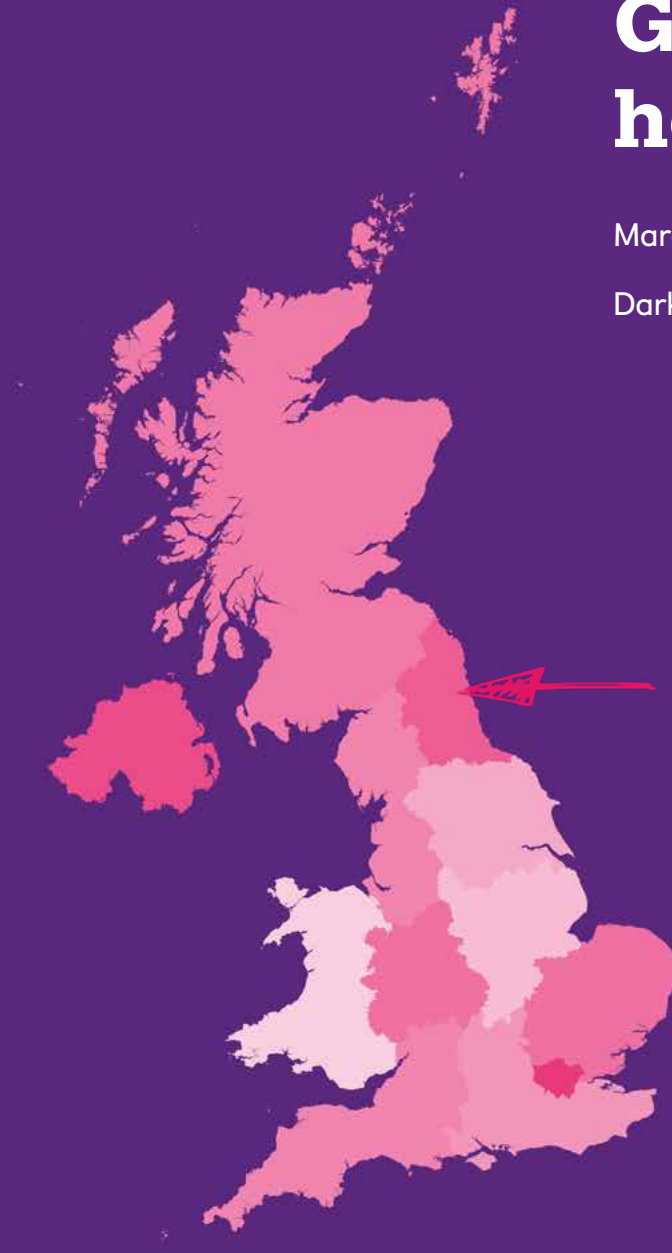


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

March 2026

Darker colour = higher business growth



North East

Business Activity Index
sa, >50 = growth m/m

50.4



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

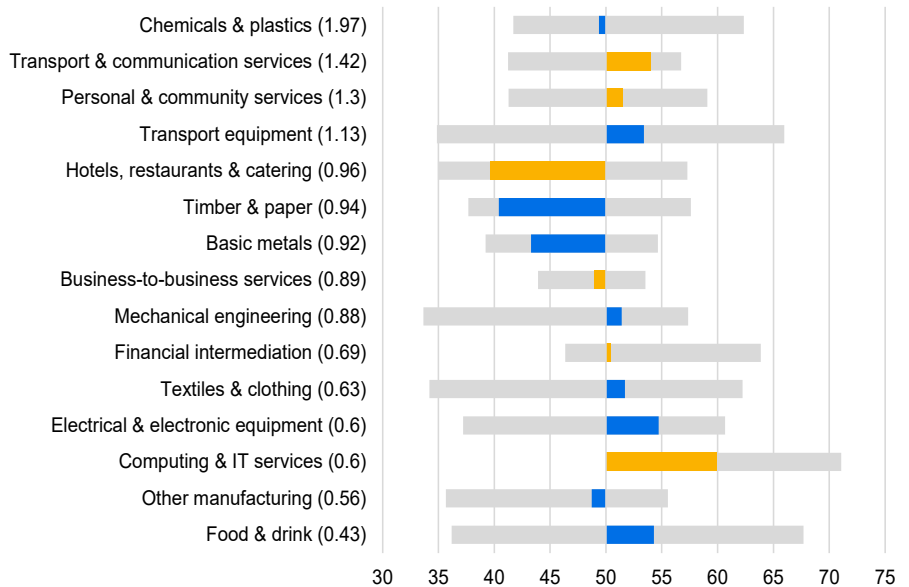
UK sectors

Sector specialisation: North East

The chart shows UK output indices by sector, ranked by location quotients for the North East. 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 East economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Mar '26



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
 Location quotients for the North East are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

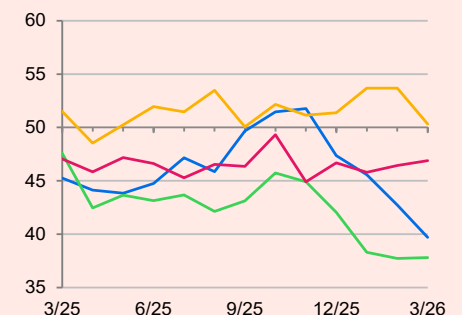
Sector in focus: Hotels, restaurants and catering

Hotels, restaurants and catering was the UK's weakest-performing sector in the opening quarter of the year, according to the latest PMI data (see UK sector chart above). It saw business activity fall sharply and at the quickest rate since the opening quarter of 2021. A steep decline in inflows of new business indicated a marked worsening of underlying demand conditions, which surveyed firms attributed to greater caution among customers and a squeeze on disposable incomes from the rising cost of living.

Hotels, restaurants and catering firms faced added pressure on margins from sharply rising input costs, recording a rate of inflation that was faster than in other part of the services economy. This in turn led to a steep rise in prices charged in the three months to March, albeit with the rate of inflation easing to its lowest in the year to date.

The sector was meanwhile at the forefront of job losses across the UK economy. Positions continued to be cut at one of the quickest rates since the pandemic.

Output / Employment
 ■/■ Hotels, restaurants and catering*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
 *Data are smoothed as three-month moving average

Methodology

The NatWest North East Growth Tracker 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

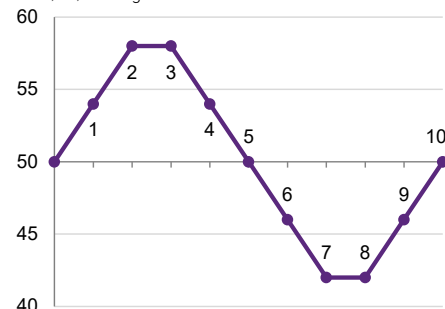
overall decrease. The indices are then seasonally adjusted.

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.

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. ©2026 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 East 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
10/25	52.3	53.9	52.5	50.1	51.9	71.8	59.9	53.0
11/25	48.7	49.7	52.7	44.6	45.6	66.0	59.6	49.0
12/25	49.5	51.6	51.6	49.9	50.8	69.4	64.0	55.1
1/26	54.4	53.5	51.8	50.0	50.3	73.0	63.7	53.8
2/26	53.8	53.5	52.1	50.0	51.0	73.0	63.3	55.1
3/26	50.4	50.7	50.8	50.2	51.9	64.0	71.1	61.6

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