

10 June 2026

NatWest North East Growth Tracker

Marked rise in business activity despite
elevated price pressures



NatWest

PMI[®]

by **S&P Global**

10 June 2026

NatWest North East Growth Tracker

Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



NatWest

PMI[®]

by **S&P Global**

Key findings

May 2026

North East tops the ranking for activity growth

Cost burdens remain historically elevated

Confidence improves for the first time since January

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



Marked rise in business activity despite elevated price pressures

The latest NatWest Growth Tracker data showed a sustained and marked expansion in output amongst firms in the North East.

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 – dipped from 55.0 in April to 53.8 in May, pointing to a softer but still marked increase in business activity. Moreover, the latest upturn was the fifth in consecutive months.

Only three of the 12 monitored UK regions and nations recorded a rise in output, with the North East registering the strongest expansion for the first time since December 2024.

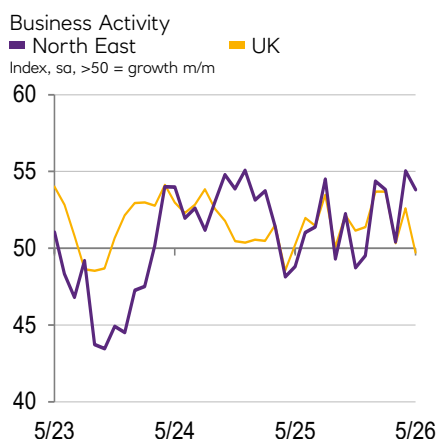
Private sector firms also recorded a softer increase in new business intakes in May. North East companies noted the impact of higher prices on both sales and output, as cost pressures remained historically elevated. That said, business confidence regarding the year-ahead outlook strengthened for the first time since the start of the year.

NatWest North East Business Activity Index May 2026

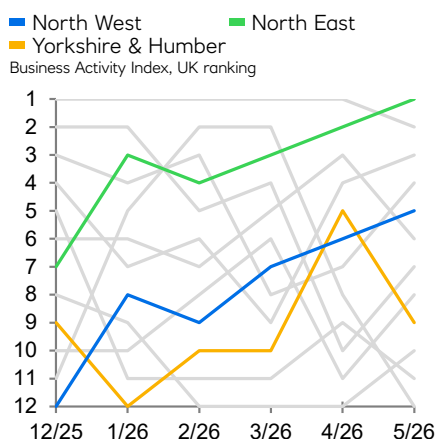
53.8

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 May



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:

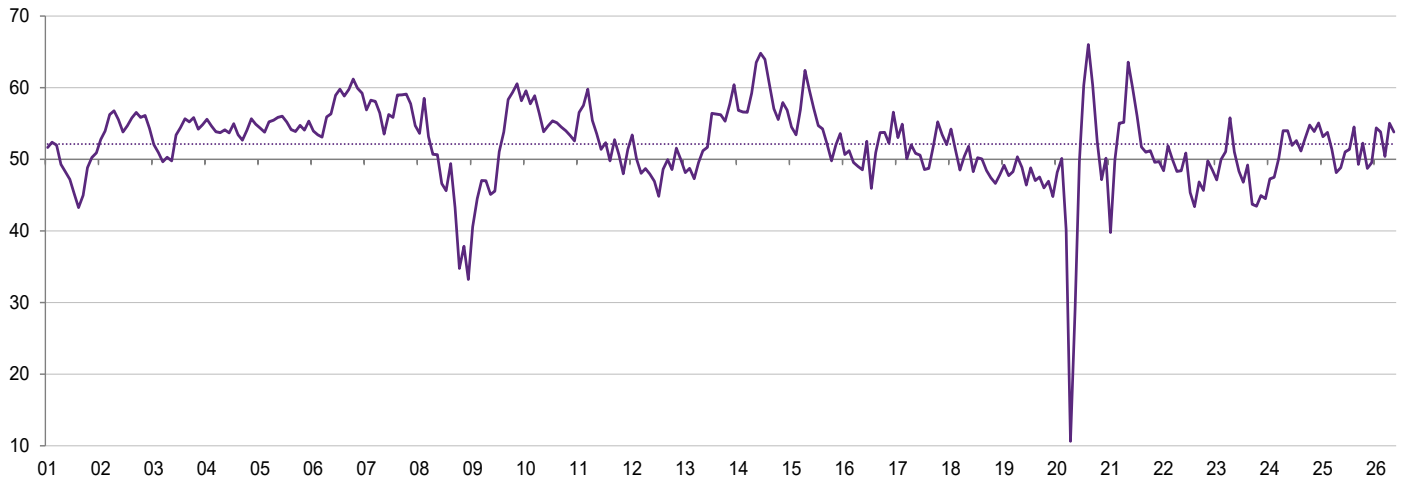
"North East-based companies were buoyed by stronger optimism during May, and saw growth of both activity and new order inflows enter a fifth and sixth successive month respectively. Firms often noted that the region had strong underlying demand for private sector goods and services. That said, anecdotal evidence also suggested that some customers placed additional orders in order to protect against future price hikes and supply disruption, partly in response to the ongoing impact of the conflict in the Middle East.

"Cost pressures remained notably acute in the latest survey month, easing only slightly from the 41-month high seen during April, and were still well above the historical average. Companies often looked to pass on higher input costs to clients through a sustained and marked increase in selling prices.

"Employment also fell for the second successive month, with some firms attributing this to efforts to cut costs. Despite the reduction in headcounts and rising order inflows, the volume of outstanding business – a bellwether for near-term activity – fell for the second month running, albeit only marginally. Looking ahead, however, the overall degree of confidence improved for the first time since January, though local firms were among the least optimistic of the 12 monitored UK areas."

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 order growth was sustained midway through the second quarter

Companies in the North East registered a sixth successive expansion in new business in May, though the pace of growth slowed from April's 17-month high. Where sales rose, firms linked this to strength in underlying demand, as well as clients placing additional orders to protect against future supply shortages and price increases.

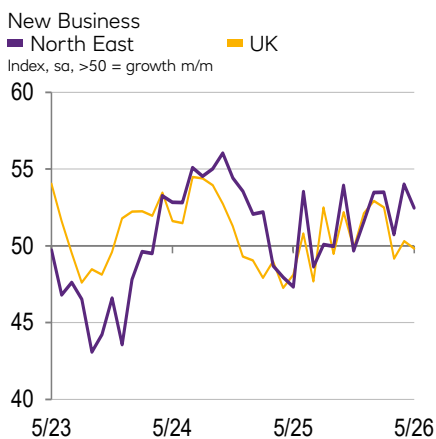
The rise in sales in the North East

compared with a decline at the UK level and was second only to London in the regional rankings.

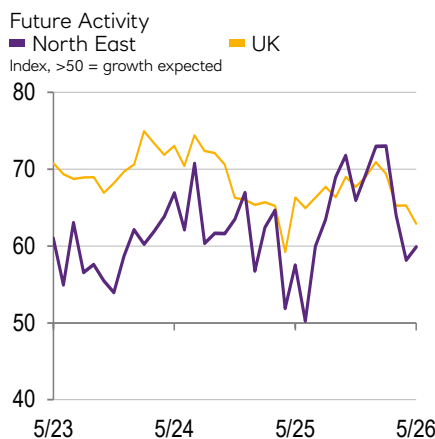
Coinciding with growth in new orders, business confidence strengthened for the first time since January. The degree of optimism in the North East was below the long-run series trend and among the weakest of the 12 monitored UK areas, however.

Anecdotal evidence suggested that confidence was underpinned by new product launches and capacity expansion plans.

"North East-based companies were buoyed by stronger optimism during May, and saw growth of both activity and new order inflows enter a fifth and sixth successive month respectively."



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



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



Export markets

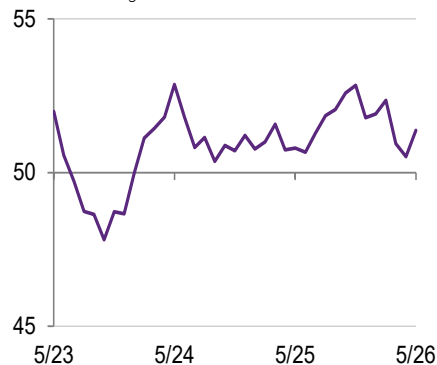
Export climate improves modestly

At 51.4 in May, the ECI rose from 50.5 in April, thus pointing to a modest improvement in export conditions midway through the second quarter. The export climate has now strengthened consistently for 28 months, with the latest improvement the most pronounced since February.

Of the top five export markets for the North East, there were sustained expansions in the US and Netherlands, along with renewed growth in Spain.

Meanwhile, the pace of decline in France accelerated in May, and Germany recorded a second successive fall in output.

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



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

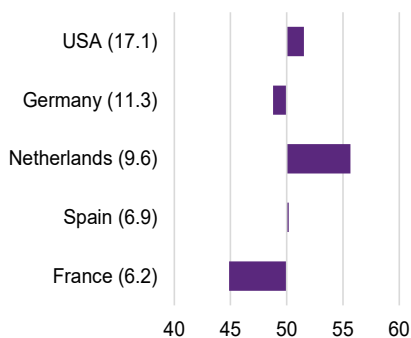
The North East Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports from the North East. A reading above 50 signals an improvement in 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

May '26

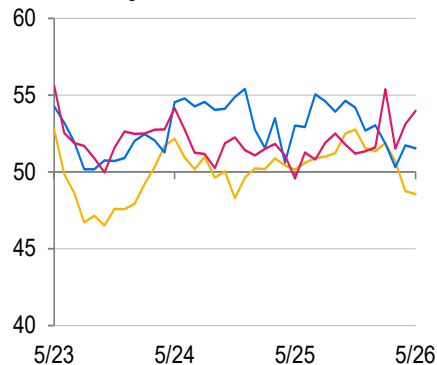


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Output

Legend: Eurozone (yellow), US (blue), China (red)

Index, sa, >50 = growth m/m



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



Jobs and capacity

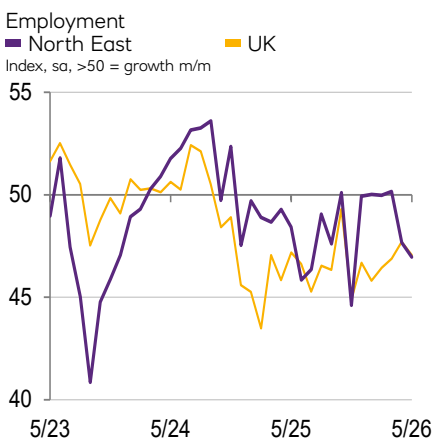
Employment levels fall again in May

The non-replacement of voluntary leavers and business restructuring pushed firms to lower staffing numbers in the North East.

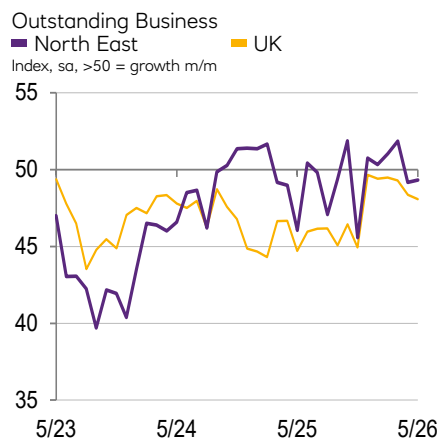
Moreover, the rate of job shedding was the strongest in six months, and broadly in line with that seen in at the national level.

Despite the rise in new orders and falling employment, backlogs of work were depleted during May. Outstanding business decreased for the second successive month, with the pace of depletion largely unchanged on the month. Moreover, the fall in backlogs in the North East was the softest of the 11 monitored areas which saw a decline.

"Employment also fell for the second successive month, with some firms attributing this to efforts to cut costs."



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



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



Inflation

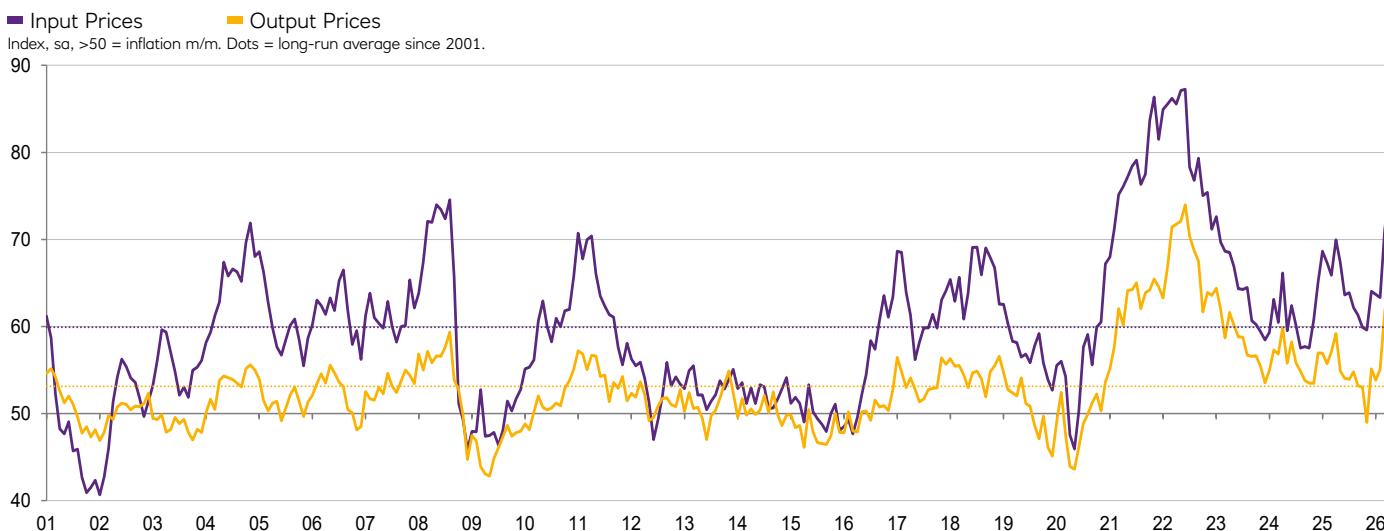
Operating expenses rose at a rapid pace again in May, contributing to a marked rise in selling prices

There was a further increase in overall operating expenses at North East private sector firms in the latest survey period. The rate of input cost inflation eased slightly from April's 41-month high and remained well above the series average. According to panel members, higher raw material prices, partly related to the war in the Middle East, were behind

the sustained upturn. The local rise was the second-slowest of the 12 monitored UK regions and nations, fractionally ahead of Scotland.

Concurrently, the rate of increase in local output charges eased slightly on the month but remained historically elevated. Anecdotal evidence suggested that higher cost burdens were partially passed through to clients. Only Northern Ireland and the West Midlands saw a faster rise in selling prices than the North East in May.

"Cost pressures remained notably acute in the latest survey month, easing only slightly from the 41-month high seen during April..."



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

UK Regional Growth Tracker

Business Activity

Growth in business activity was confined to just a handful of areas in May, with the North East, London and the South East seeing sustained, albeit slower, rises. Output was little-changed in the South West, while all other regions recorded decreases of varying degrees.

Employment

The majority of the UK nations and regions surveyed saw a reduction in employment in May. Only the South East and Northern Ireland* went against the trend, with both recording slight increases in workforce numbers. Firms in Wales posted the most marked fall, followed by those in Yorkshire & Humber.

Future Activity

Although business expectations towards activity in the coming year remained almost universally positive in May, the latest data did show that the majority of areas experienced a loss in confidence. Firms in London were the most upbeat about the outlook, followed by their counterparts in the West Midlands. Sentiment turned negative in Northern Ireland for the first time in almost three-and-a-half years.

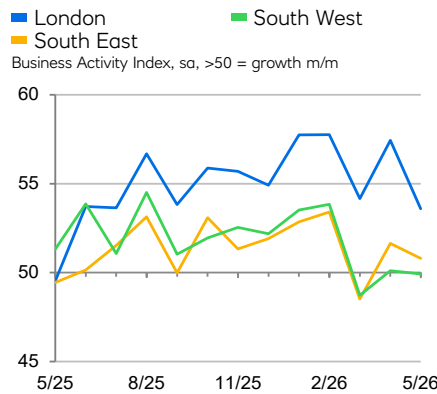
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



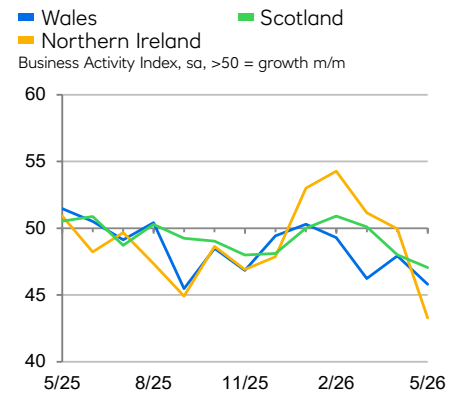
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



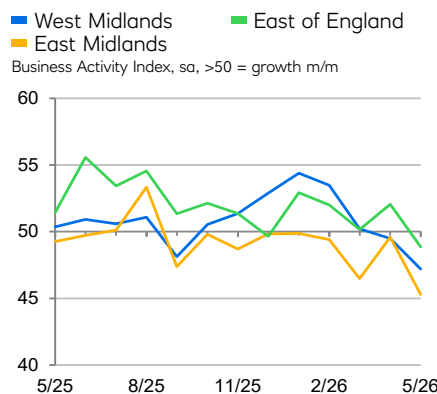
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



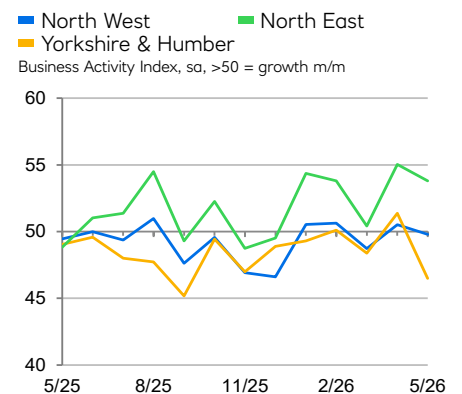
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



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



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

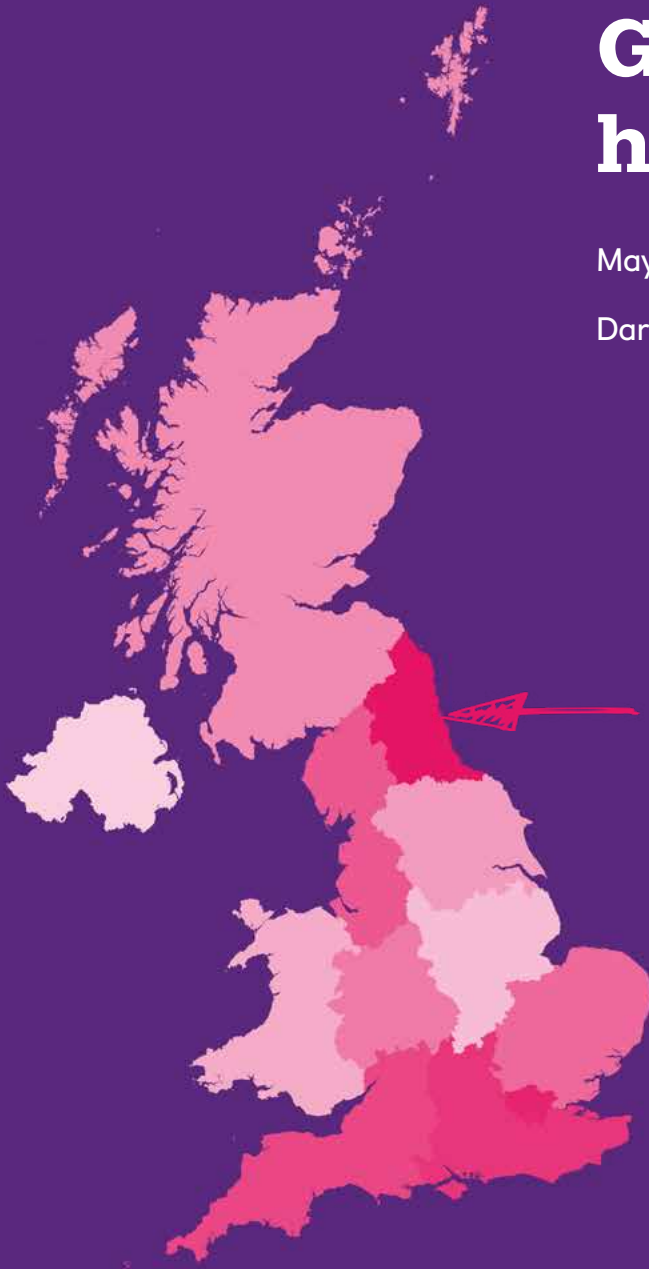


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

May 2026

Darker colour = higher business growth



North East

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

53.8



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

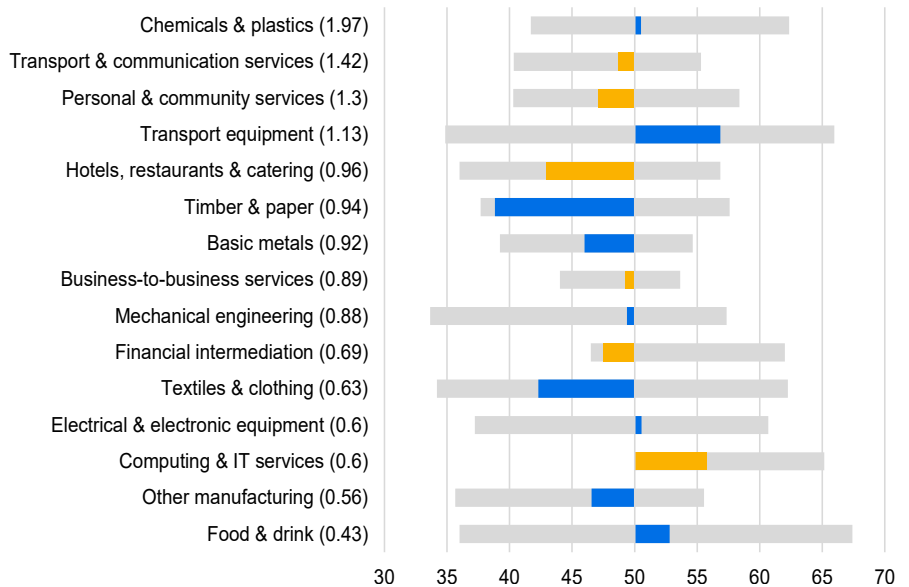
UK sectors

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 May '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: Transport & communication services

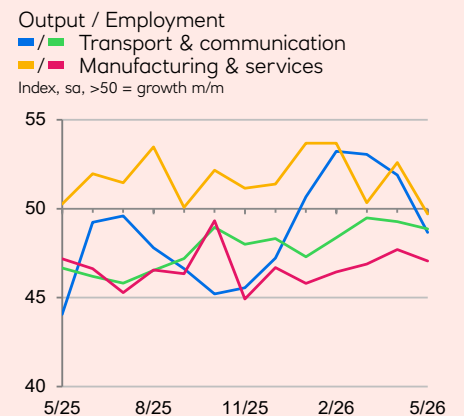
Transport & communication services saw a renewed contraction in business activity in the three months to May, thereby ending a sequence of growth seen since the start of the year. Business activity was weighed down by a similarly modest and fresh reduction in intakes of new business.

Firms in the sector reported a sustained fall in workforce numbers, which was consistent with a lack of pressure on business capacity, as evidenced by falling backlogs of work. The pace of job cuts

quicken slightly, although it remained weaker than the average seen across the UK private sector.

Driven in large part by the increased price of fuel, cost pressures faced by transport & communication services firms were at their highest for three-and-a-half years in the three months to May. This in turn led to a steep rise in prices charged, which exhibited the sharpest rate of inflation since August 2022.

Meanwhile, expectations towards activity in the next 12 months fell to their lowest since mid-2025.



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

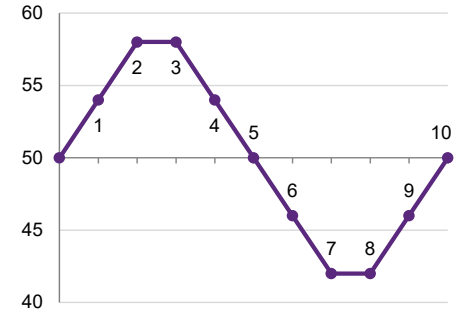
overall decrease. The indices are then seasonally adjusted.

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 |
|-------|-------------------|--------------|----------------------|------------|----------------------|------------------|--------------|---------------|
| 12/25 | 49.5 | 51.6 | 51.8 | 49.9 | 50.8 | 69.4 | 64.0 | 55.1 |
| 1/26 | 54.4 | 53.5 | 51.9 | 50.0 | 50.3 | 73.0 | 63.7 | 53.8 |
| 2/26 | 53.8 | 53.5 | 52.3 | 50.0 | 51.0 | 73.0 | 63.3 | 55.1 |
| 3/26 | 50.4 | 50.7 | 50.9 | 50.2 | 51.9 | 64.0 | 71.1 | 61.6 |
| 4/26 | 55.0 | 54.0 | 50.5 | 47.7 | 49.2 | 58.2 | 75.1 | 65.7 |
| 5/26 | 53.8 | 52.5 | 51.4 | 47.0 | 49.3 | 59.9 | 71.7 | 62.9 |

Further information

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.

www.natwest.com/business/insights/economics

www.linkedin.com/company/natwest-business/

PMI by S&P Global

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

S&P Global

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organisations 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 organisations plan for tomorrow, today.

www.spglobal.com

Contact

David Nieberg
Head of UK Regional Affairs
NatWest
+44 (0) 7790 026 450
david.nieberg@natwest.com

Usamah Bhatti
Economist
S&P Global Market Intelligence
+44 1344 328 370
usamah.bhatti@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.



NatWest

PMI®

by **S&P Global**