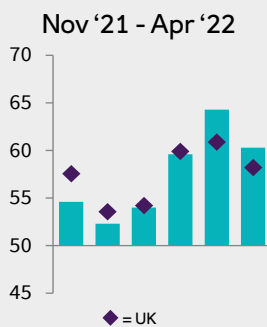


NatWest South West PMI®

New order growth slows amid record rise in selling prices

South West Business Activity Index



Key findings

Companies report softer increases in output and new work

Selling price inflation hits fresh record high as costs rise sharply

Employment growth remains strong

The South West private sector continued to expand strongly in April, though the rates of increase in both output and new orders slowed since March, according to the latest NatWest PMI® report. Consequently, firms increased their staffing levels again, though candidate shortages reportedly weighed on the overall rate of job creation. Inflationary pressures remained intense, with a further steep increase in input prices feeding through to a record rise in prices charged by South West private sector firms.

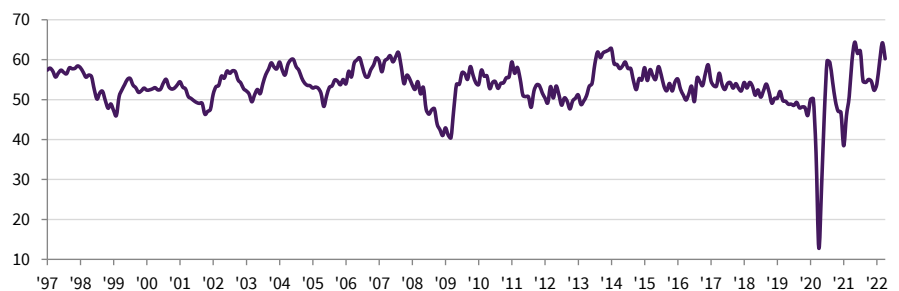
The headline NatWest South West Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – registered 60.3 in April, down from 64.3 in March. The reading signalled a softer, but still sharp increase in business activity that was quicker than the UK-wide trend.

Paul Edwards, Chair, NatWest South West Regional Board, commented:

“The latest NatWest PMI data highlighted a slight softening of growth momentum across the South West private sector, with increased global economic uncertainty, material shortages and rising costs all weighing on the latest expansions of output and new work. Nonetheless, the region noted the joint-quickest rise in sales of all 12 UK regions, with more marked slowdowns in demand seen elsewhere. Encouragingly, business confidence improved slightly from March’s near-two year low, and companies continued to expand their staffing levels. However, increased global uncertainty, notably the Russia-Ukraine war and lockdowns in China, combined with sharply rising costs and shortages, means a further slowing of growth momentum is likely.”

South West Business Activity Index

sa, >50 = growth since previous month



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About the South West PMI® report

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

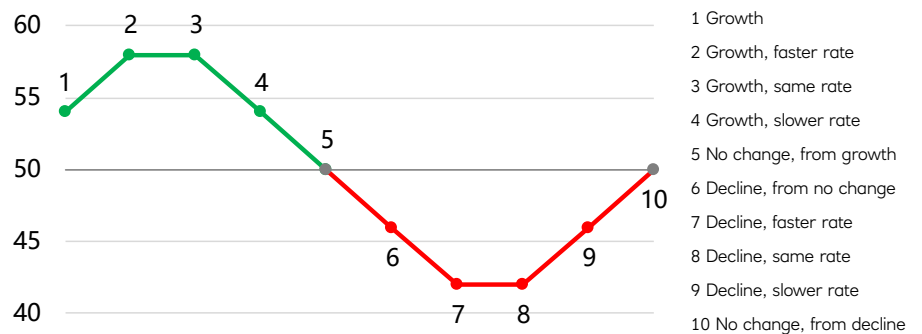
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Softer increase in new orders during April

New business placed with South West private sector companies rose for the fourteenth month running in April. Though sharp and well above the series average (53.2), the upturn was the softest seen for three months. Companies indicated that a further improvement in market conditions since the easing of COVID-19 restrictions and new product releases had supported the upturn.

There was also a slowdown in new order growth across the UK as a whole, with the rate of increase weaker than that seen in the South West.

Business confidence picks up slightly

The Future Activity Index posted well above the neutral 50.0 value to signal strong optimism towards the 12-month outlook for output in April. The level of positive sentiment picked up only slightly from March's near-two year low, however. While many firms anticipate a further recovery in economic activity and greater investment in technology and new products, others expressed concerns over rising costs, shortages and global economic uncertainties.

Exports

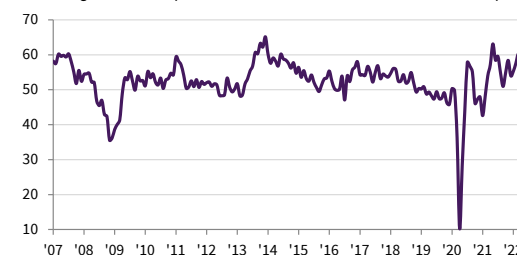
Export conditions improve at quickest pace for five months

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

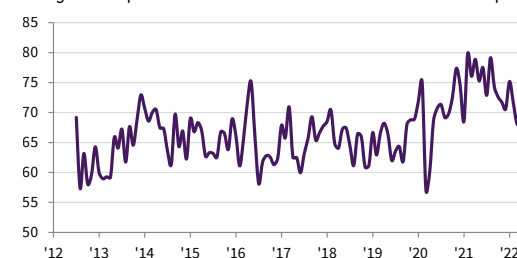
The Export Climate Index rose from 54.7 in March to 55.4 in April, to signal a steep improvement in South West private sector export conditions. Notably, the rate of improvement was the quickest seen for five months.

Of the regions top three export markets, both the US and Germany saw softer rises in output, but France saw an acceleration in growth.

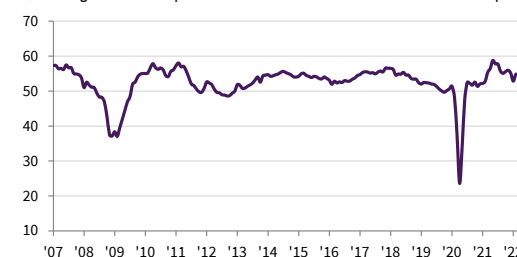
New Business Index
sa, >50 = growth since previous month
56.9
Apr '22



Future Activity Index
>50 = growth expected over next 12 months
69.1
Apr '22



Export Climate Index
sa, >50 = growth since previous month
55.4
Apr '22

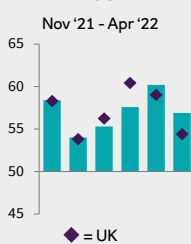


Top export markets, South West

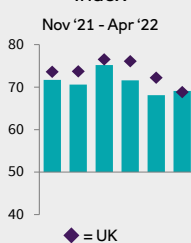
Rank	Market	Weight	Output Index, Apr '22
1	USA	20%	56.0
2	Germany	11%	54.3
3	France	9%	57.6
4	UAE*	4%	60.5
5	Ireland	4%	59.6

*March data

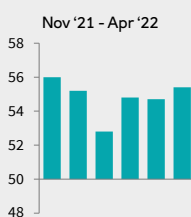
New Business Index



Future Activity Index

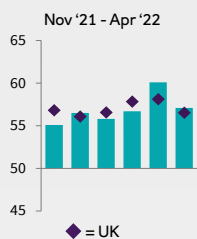


Export Climate Index



Business capacity

Employment Index



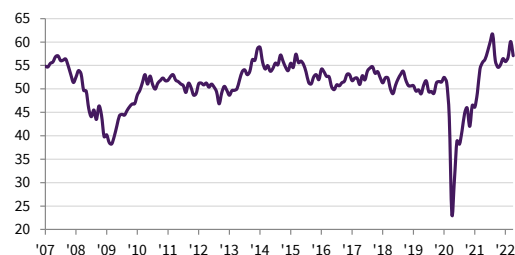
Employment rises at slower, but still sharp rate

The rate of employment growth across the South West private sector eased for the first time in three months in April. That said, the pace of job creation remained sharp overall and was slightly quicker than the UK-wide trend. According to anecdotal evidence, workforce numbers rose due to increased business requirements and greater client demand. However, candidate shortages reportedly weighed on the overall pace of expansion, as some firms struggled to fill vacancies or replace departed staff.

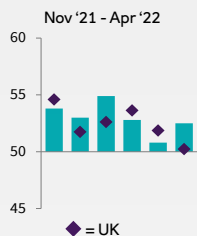
Employment Index

sa, >50 = growth since previous month

57.1
Apr '22



Outstanding Business Index



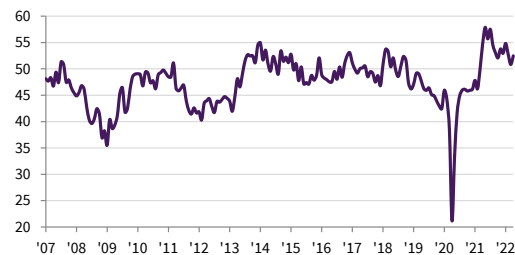
Backlogs of work increase modestly

The level of unfinished business at South West private sector firms rose for the thirteenth month in a row in April. The rate of accumulation picked up from March and, though modest, was the second-quickest seen of all 12 UK regions (after Northern Ireland). Higher amounts of work-in-hand (but not yet completed) were frequently linked to shortages of materials and labour alongside rising intakes of new work.

Outstanding Business Index

sa, >50 = growth since previous month

52.5
Apr '22



Across the UK as a whole, backlogs rose only fractionally during April.



Prices

Input cost inflation remains rapid in April

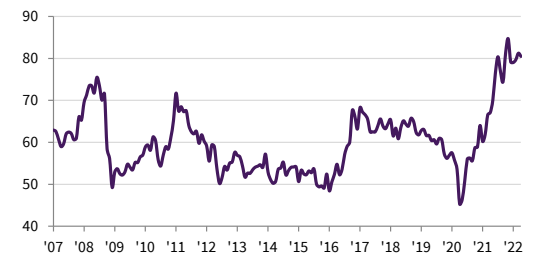
The seasonally adjusted Input Prices Index signalled a further increase in operating expenses across the South West private sector, stretching the current period of inflation to 23 months. The rate of growth softened slightly from March, but nonetheless remained among the sharpest seen in the survey history. Where higher cost burdens were reported, companies attributed this to rising prices for a wide range of inputs, notably energy and raw materials, with the Russia-Ukraine war also mentioned as a key driver of inflation.

At the national level, input costs increased at a faster rate and one that outpaced that seen in the South West.

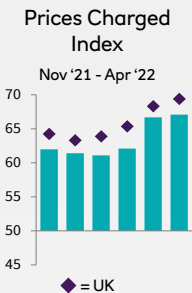
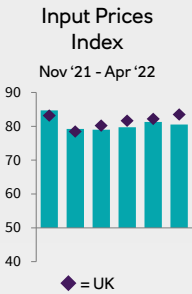
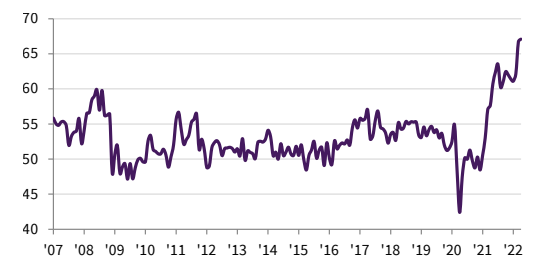
Output charge inflation hits fresh series record

As part of efforts to pass on additional costs burdens to clients, South West private sector firms raised their own selling prices again at the start of the second quarter. Furthermore, the rate of charge inflation quickened from March to post a new series record. Selling prices also increased at an unprecedented rate across the UK as a whole and one that was quicker than seen in the South West. When compared against the other 12 UK regions, only London saw a softer rate of inflation than the South West in April.

Input Prices Index
sa, >50 = inflation since previous month
80.5
Apr '22



Prices Charged Index
sa, >50 = inflation since previous month
67.1
Apr '22



UK Sector PMI

Sector specialisation: South 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 South West, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

South West specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr ' 22*
1	Transport	1.50	55
2	Electrical & Optical	1.45	55
3	Other Manufacturing	1.02	55
4	Mechanical Engineering	0.99	55
5	Basic Metals	0.90	55
6	Timber & Paper	0.86	50
7	Food & Drink	0.83	55
8	Textiles & Clothing	0.78	55
9	Chemicals & Plastics	0.67	55

South West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr ' 22*
1	Hotels, Restaurants & Catering	1.42	65
2	Business-to-business Services	1.09	60
3	Personal & Community Services	0.98	60
4	Transport & Communication	0.88	55
5	Financial Intermediation	0.86	60
6	Computing & IT Services	0.69	60

UK sector focus

Mechanical Engineering

The UK's Mechanical Engineering sector saw sustained growth in output levels in the three months to April, albeit at a relatively subdued pace that was below the average for manufacturing as whole. The upturn was supported by rising inflows of new work.

Although easing from the record levels seen last year, supply chain bottlenecks remained a key issue facing businesses in the sector, leading to longer lead times on inputs, whilst also helping to fuel a continued surge in purchase prices. Higher costs were increasingly passed on to customers, with factory gate charge inflation reaching a survey-record high.

Still, Mechanical Engineering companies maintained a strongly positive outlook for output in the coming year and, as such, continued to add to workforce numbers at a rapid pace.

Output Index

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



*3-month moving average



UK Regional PMI overview

Business Activity

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East seeing a renewed contraction. London recorded the fastest overall rate of expansion, followed by the South West, while only the North West and Scotland registered quicker increases in business activity than the month before.

Employment

A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only slightly. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

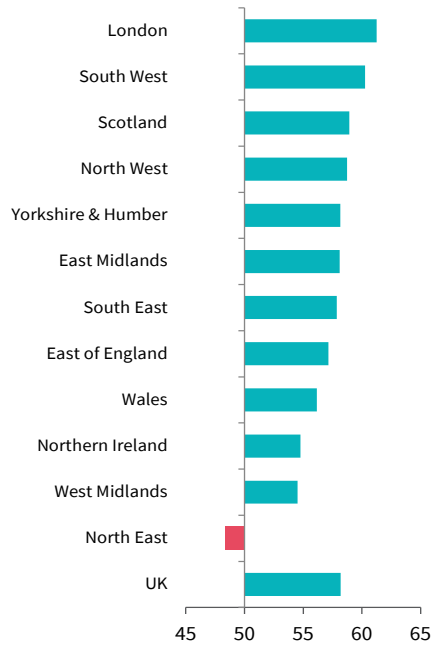
Future Activity

Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.

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

Business Activity Index

sa, >50 = growth since previous month, Apr '22



Employment Index

sa, >50 = growth since previous month, Apr '22



Future Activity Index

>50 = growth expected over next 12 months, Apr '22



Index summary

South 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
Nov '21	54.6	58.4	56.0	71.7	55.1	53.8	84.7	62.0
Dec '21	52.3	54.0	55.2	70.6	56.5	53.0	79.2	61.4
Jan '22	54.0	55.3	52.8	75.2	55.8	54.9	79.0	61.1
Feb '22	59.6	57.6	54.8	71.6	56.7	52.8	79.7	62.1
Mar '22	64.3	60.2	54.7	68.1	60.1	50.8	81.3	66.7
Apr '22	60.3	56.9	55.4	69.1	57.1	52.5	80.5	67.1

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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.

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About PMI

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