

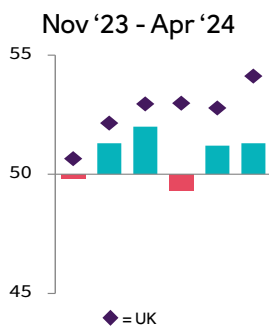


NatWest

# NatWest South West PMI<sup>®</sup>

## Fastest rise in new business in nearly two years

### South West Business Activity Index



### Key findings

New work rises for fifth month running

Wage pressures contribute to sharpest upturn in costs for 14 months

Selling price inflation recedes amid competitive pressures

Strengthening demand conditions and improved client confidence spurred new business growth across the South West, according to the NatWest PMI<sup>®</sup>. Hence, there was a further uptick in output during April, with firms signalling upbeat forecasts for the medium-term. Cost pressures picked up to a 14-month high, in large part due to changes in the national living wage, but competitive pressures curbed charge inflation.

At 51.3 in April (March 51.2), the headline NatWest South West PMI<sup>®</sup> 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 – was inside expansion territory for the second month in a row. Increased new order intakes, demand resilience and more favourable economic conditions underpinned the latest rise in output, anecdotal evidence showed.

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

*"The latest PMI numbers for the South West look very positive, as private sector companies reported a marked rise in inflows of new business thanks to an improvement in economic conditions and client confidence. On the whole, local firms remained strongly optimistic about the outlook, though cost considerations continued to lead to job shedding. Survey data also indicated the continuation of robust cost pressures in April. Anecdotal evidence showed upward pressure on salaries and wages as the main factor driving up business costs, but competitive pressures restricted charge inflation."*

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

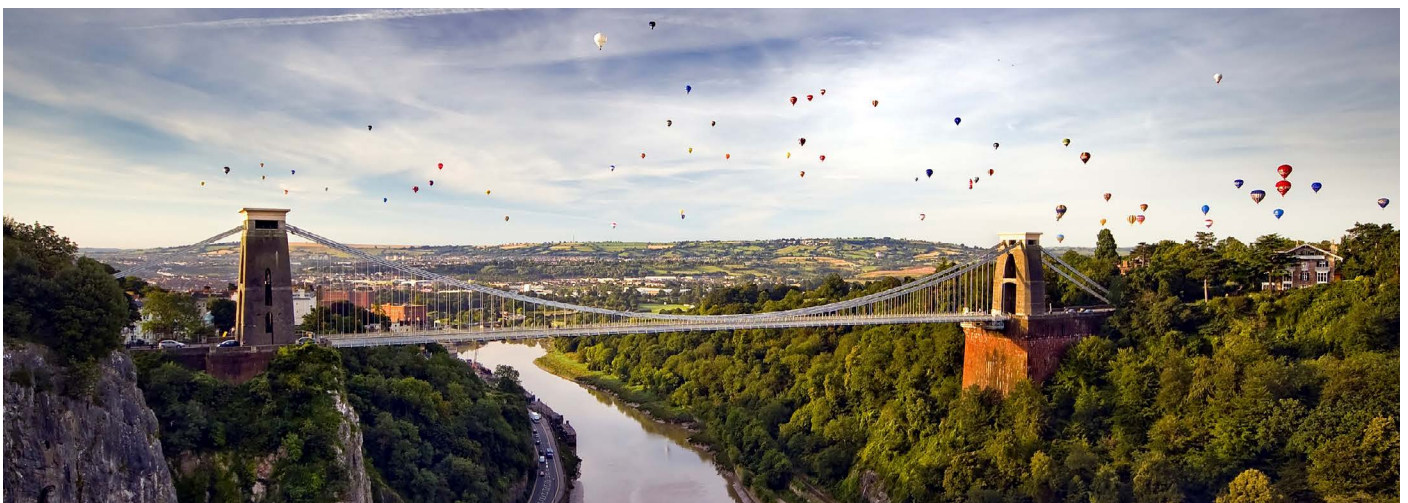
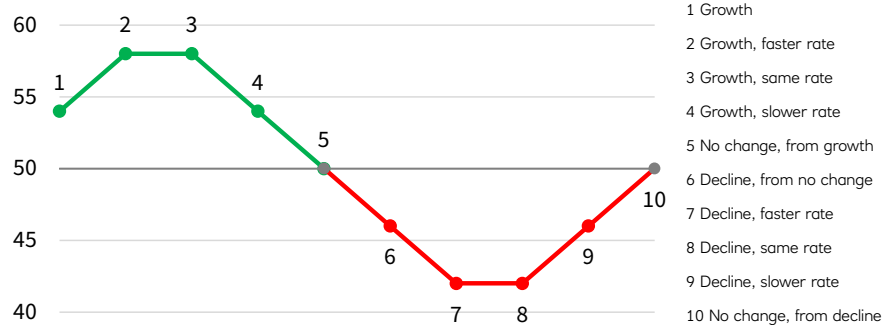
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

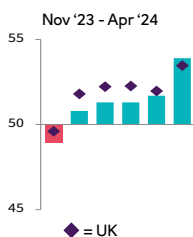
Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New Business Index



### Strongest rise in new business for nearly two years

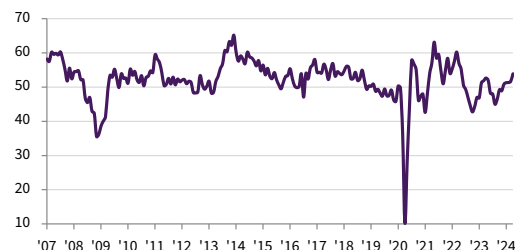
Private sector sales in the South West continued to increase in April, thereby stretching the current sequence of expansion to five months. Moreover, the upturn was marked and the quickest since May 2022. Monitored companies linked growth to better economic conditions and improved client confidence, besides demand strength and successful marketing efforts.

The local rise in sales was the third-best of the 12 monitored UK regions and nations.

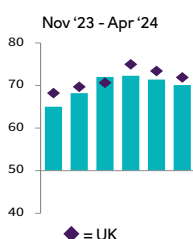
### New Business Index

sa, >50 = growth since previous month

53.9  
Apr '24



### Future Activity Index



### Business sentiment remains strongly upbeat

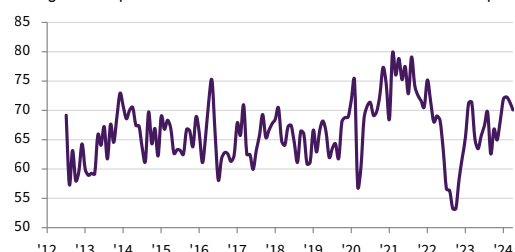
Despite slipping to a four-month low in April, the Future Activity Index was well above the neutral mark of 50.0 and its long-run average. Hence, the latest reading was indicative of robust optimism surrounding the year-ahead outlook for business activity. Confidence was underpinned by new client wins, more positive economic conditions, advertising and upbeat forecasts for demand.

The overall level of positive sentiment among local firms was slightly below the UK average, however.

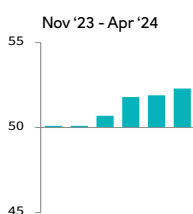
### Future Activity Index

>50 = growth expected over next 12 months

70.1  
Apr '24



### Export Climate Index



### Export climate strongest in just under a year

The South West Export Climate Index (ECI) 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.

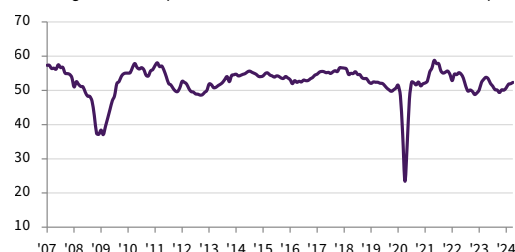
Rising from 51.9 in March to 52.3 in April, the ECI highlighted the most favourable trade conditions for firms in the South West since May 2023. Furthermore, the current sequence of uninterrupted growth was extended to six months.

Of the top five export markets for local firms, economic growth was strongest in the Netherlands. Still, with France and Germany returning to expansion territory, all of the other four nations registered higher output volumes at the start of the second quarter.

### Export Climate Index

sa, >50 = growth since previous month

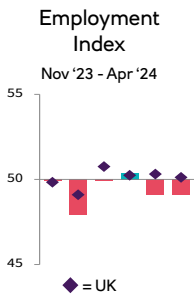
52.3  
Apr '24



### Top export markets, South West

Rank	Market	Weight	Output Index, Apr '24
1	USA	21.2%	51.3
2	Germany	12.2%	50.6
3	France	9.8%	50.5
4	Netherlands	5.8%	52.8
5	Ireland	4.8%	50.4

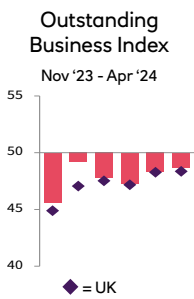
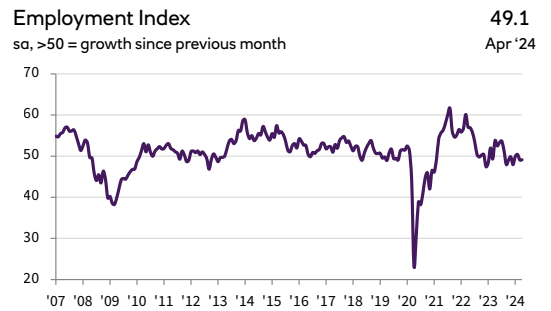
## Business capacity



### Decline in payroll numbers remains slight

April data indicated back-to-back contractions in employment across the South West private sector. That said, unchanged since March, the pace of reduction was only slight. Where job shedding was reported, survey participants indicated cost-cutting measures, layoffs and the non-replacement of retirees.

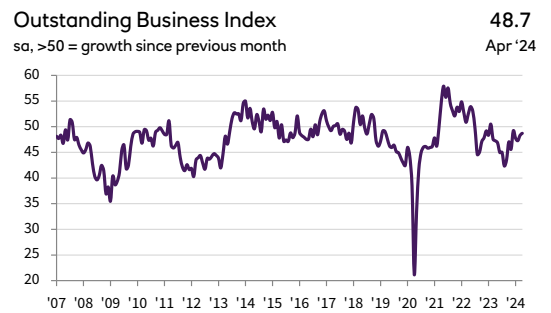
The fall in the local workforce compared with fractional growth at the UK level.



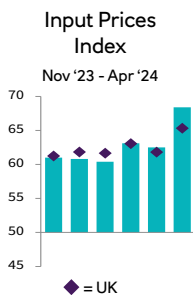
### Work pending completion falls further, but only slightly

As has been the case on a monthly basis since March 2023, South West firms recorded a decline in outstanding business volumes at the start of the second quarter. Having eased since March, however, the pace of depletion was modest and the second-weakest over this period. Some panellists cited a greater focus on clearing backlogs, while others suggested that new order growth added some pressure on capacity.

The local trend of falling backlogs was broadly in line with those seen in the other regions and nations, as only London and Northern Ireland recorded growth.



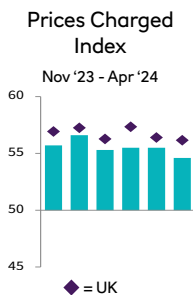
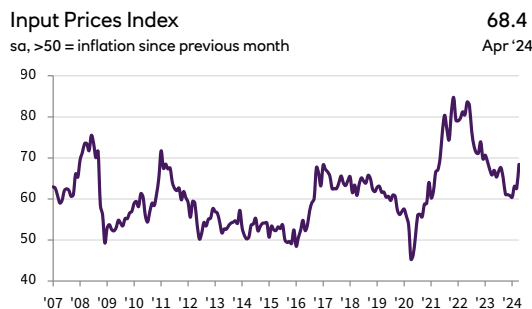
## Prices



### Input costs increase to greatest extent in 14 months

Not only did operating expenses at South West companies rise further in April, but also at the sharpest rate since February 2023. According to panellists, materials and labour added to cost pressures. Changes to the national minimum wage, alongside rises in pay for more senior staff to maintain salary differentials, were widely reported as a source of inflation.

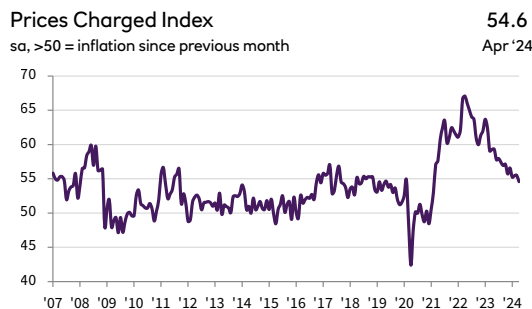
The South West topped the rankings for cost inflation among the 12 monitored UK regions and nations, followed by London.



### Slowest rise in selling prices for over three years

Despite the upturn in cost pressures, there was a softer increase in prices charged for South West goods and services in April. The rate of inflation remained historically elevated, but dipped to the weakest since February 2021. Some firms indicated that part of their additional cost burdens had been passed on to customers, while others refrained from adjusting their fees due to competitive pressures and client resistance to accept higher selling prices.

Prices charged in the South West rose at a softer rate than across the UK as a whole.



## 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 '24
1	Transport	1.70	48
2	Electrical & Optical	1.49	45
3	Other Manufacturing	1.01	50
4	Mechanical Engineering	0.99	52
5	Timber & Paper	0.92	52
6	Food & Drink	0.87	52
7	Basic Metals	0.80	48
8	Textiles & Clothing	0.70	48
9	Chemicals & Plastics	0.60	52

#### South West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '24
1	Hotels, Restaurants & Catering	1.49	52
2	Business-to-business Services	1.10	52
3	Personal & Community Services	1.06	50
4	Transport & Communication	0.90	48
5	Financial Intermediation	0.77	55
6	Computing & IT Services	0.70	52

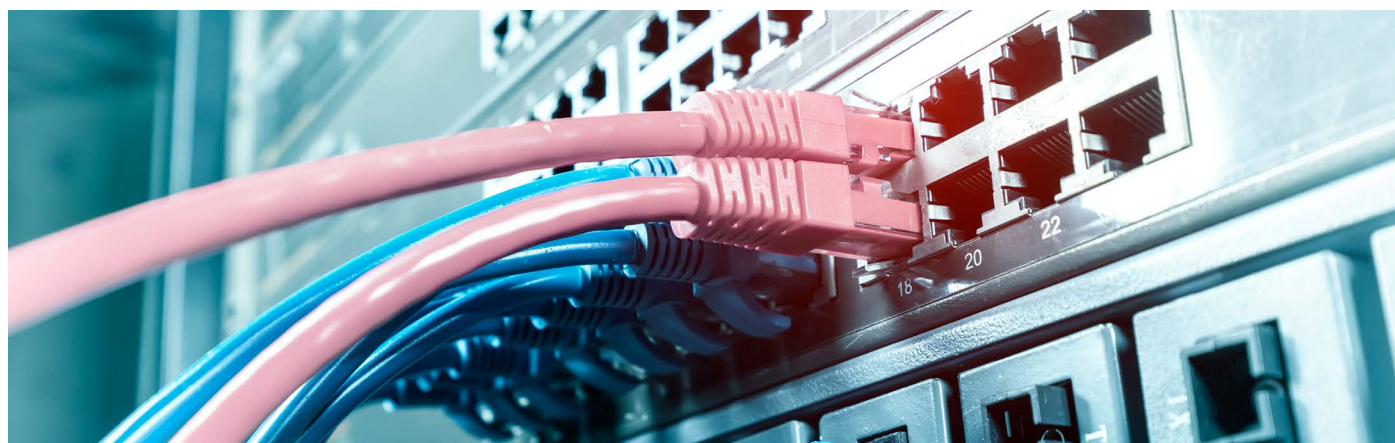
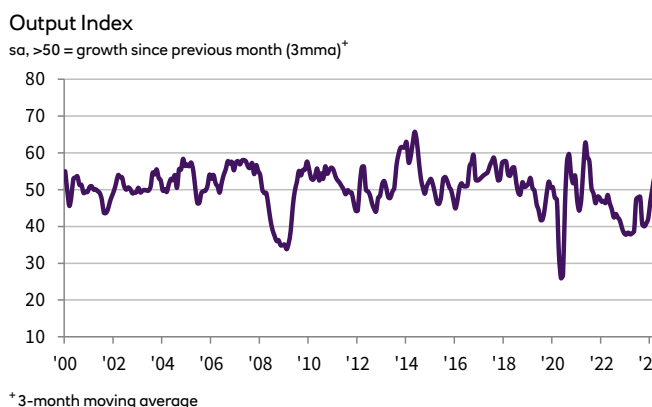
## UK sector focus

### Timber & Paper

Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.



## UK Regional PMI overview

### Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland\*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

### Employment

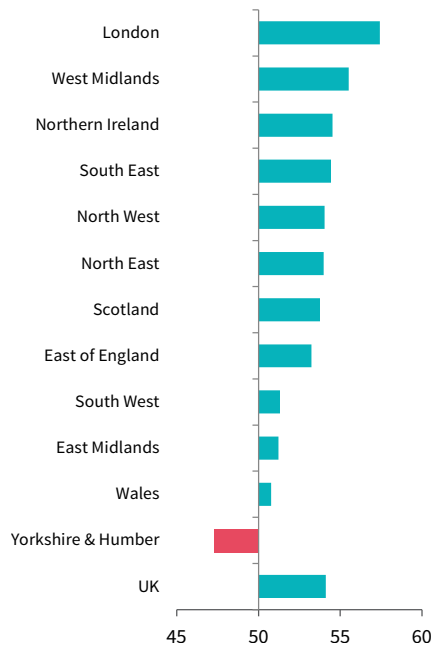
Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

### Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

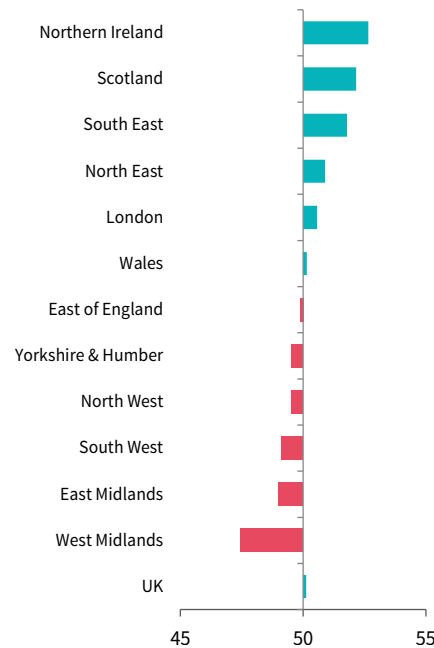
Business Activity Index

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



Employment Index

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

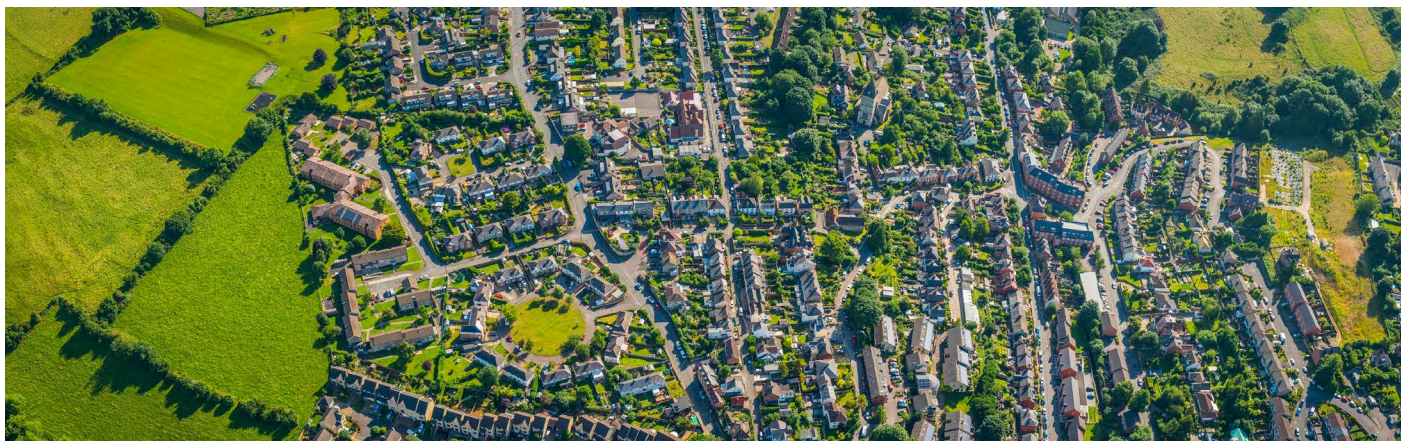


Future Activity Index

>50 = growth expected over next 12 months, Apr '24



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



## 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 '23	49.8	48.9	50.1	65.0	49.9	45.6	61.0	55.7
Dec '23	51.3	50.8	50.1	68.2	47.9	49.2	60.8	56.6
Jan '24	52.0	51.3	50.7	72.0	49.9	47.8	60.4	55.3
Feb '24	49.3	51.3	51.8	72.3	50.4	47.3	63.1	55.5
Mar '24	51.2	51.7	51.9	71.4	49.1	48.3	62.5	55.5
Apr '24	51.3	53.9	52.3	70.1	49.1	48.7	68.4	54.6

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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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