

11 February 2025

NatWest South West Growth Tracker

South West output stabilises in January



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PMI[®]

by **S&P Global**

11 February 2025

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Key findings

January 2025

Activity levels broadly unchanged in January

Reduction in new orders softens and optimism strengthens

Job shedding continues as price pressures intensify

The NatWest South West 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





South West output stabilises in January

Business activity across the South West was broadly stable at the start of 2025, following a blip in December when it fell for the first time in ten months.

The latest data showed a slower contraction in sales and a recovery in business confidence, but backlogs and employment decreased further. Meanwhile, inflationary pressures intensified.

The South West 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 – rose from 49.7 to 50.2 in January. Registering only fractionally above the neutral level of 50.0, the headline figure highlighted a largely unchanged level of business activity among private sector firms.

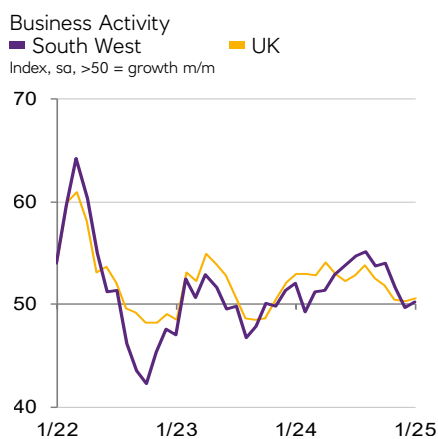
Some firms suggested that new business gains and tech investment at their units underpinned output growth.

NatWest South West Business Activity Index January 2025

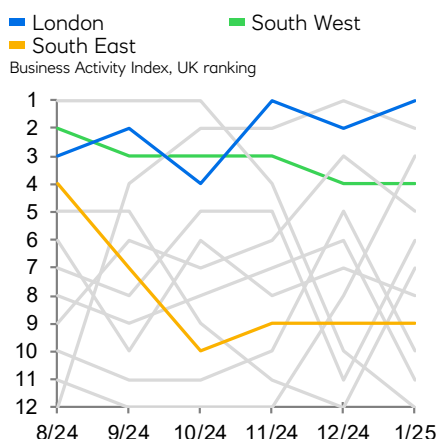
50.2

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 9-29 January



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



NatWest

Comment

Faye Long, Chair of the NatWest South West Regional Board, commented:

"The results for January showed tentative signs that December's weakness was just a blip. Local firms saw a slower decline in new orders that was marginal and output volumes stabilised.

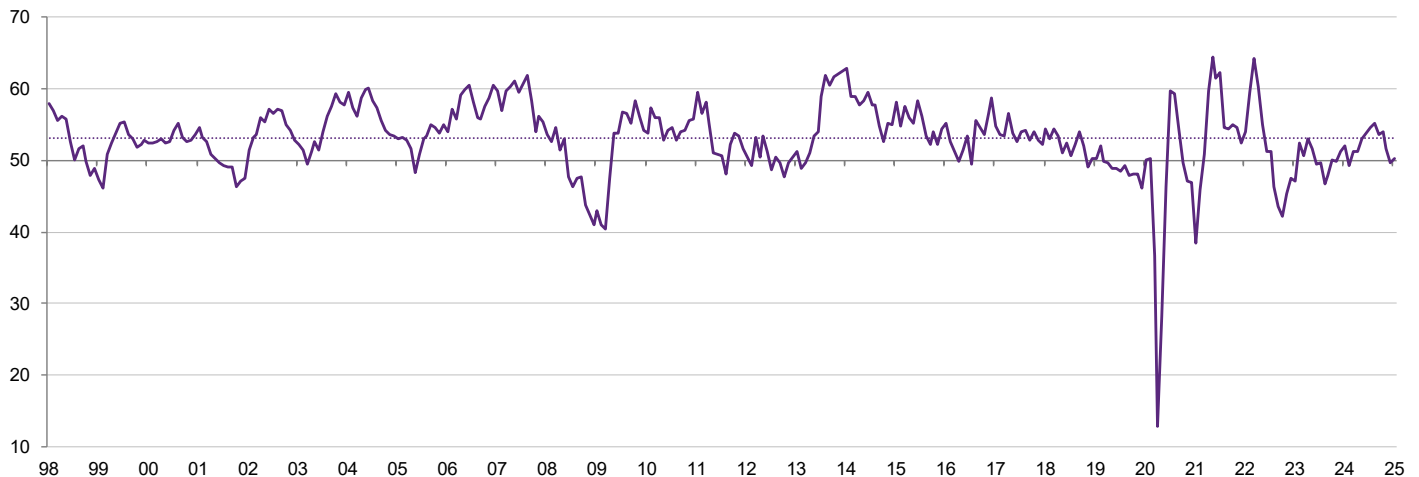
"Local firms hiked their fees further, not only due to rising cost burdens at present but also amid future increases in wage costs. The rate

of charge inflation was the highest in nearly a year-and-a-half and the strongest of all 12 UK nations and regions.

"The Bank of England's interest rate cut last week means that policy is now less restrictive, with further loosening expected in the year ahead"

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Demand and outlook

Reduction in new business intakes softens

Although new orders placed with private sector companies in the South West decreased for a second straight month in January, the rate of contraction was only slight and aligned with the UK average.

The region ranked fourth in the UK for sales trends, with quicker declines noted in eight other areas monitored.

Local companies associated the fall in new orders with interest rate and public policy concerns among their clients. However, some panellists

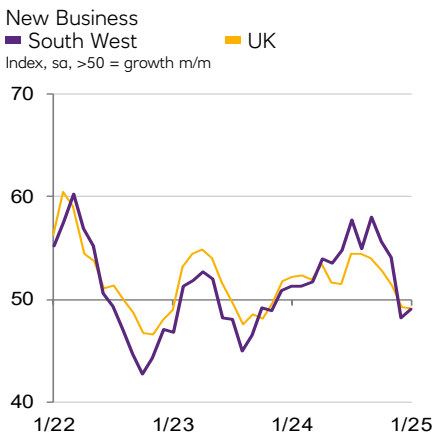
indicated sales growth, which they attributed to advertising, tech investment and budget approvals at customers.

Business sentiment recovered from December's two-year low, with a larger proportion of companies in the South West forecasting output growth in the coming 12 months.

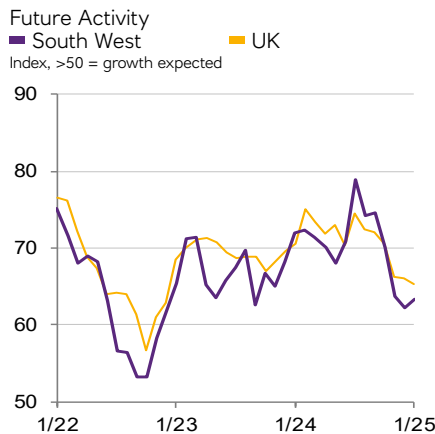
Ongoing marketing initiatives, efficiency gains and expectations of better demand conditions boosted business optimism in January.

The overall level of confidence remained below the UK average, however.

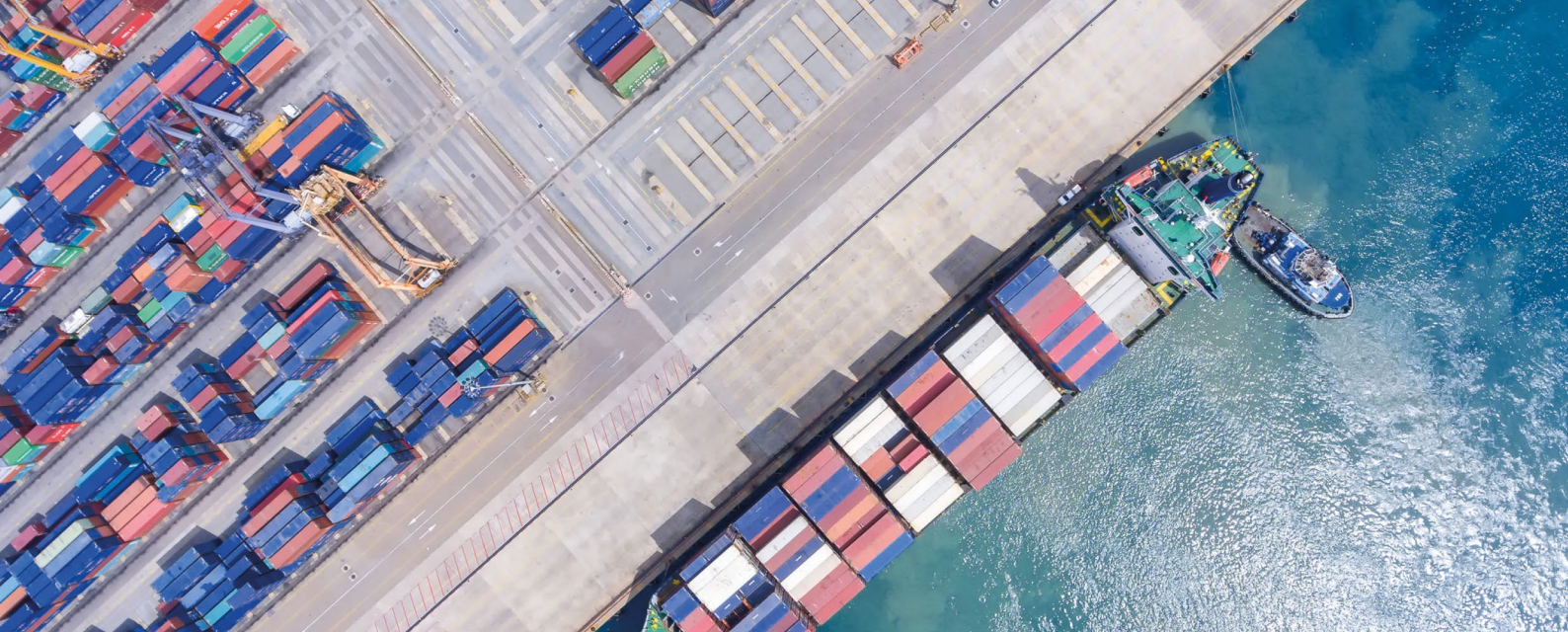
"The results for January showed tentative signs that December's weakness was just a blip. Local firms saw a slower decline in new orders that was marginal and output volumes stabilised."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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Export markets

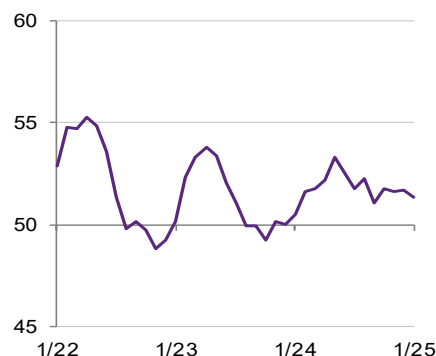
Export conditions improve for fifteenth successive month

At 51.4 in January, the ECI was above the 50.0 no-change mark and signalled a continuation of the current growth trend that began in November 2023.

The index fell from 51.7 in December to its lowest reading in four months, indicating a softer rate of expansion that was slight and below its long-run average.

Among the top five export markets for the South West, France and the Netherlands remained stuck in contraction. Germany joined Ireland and the US in expansion.

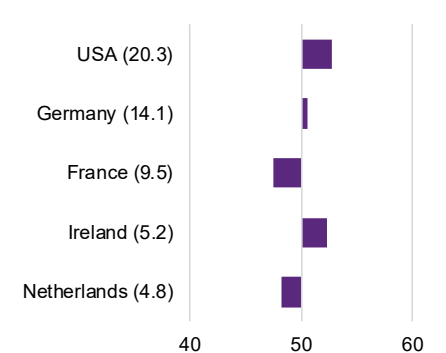
Export Conditions Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

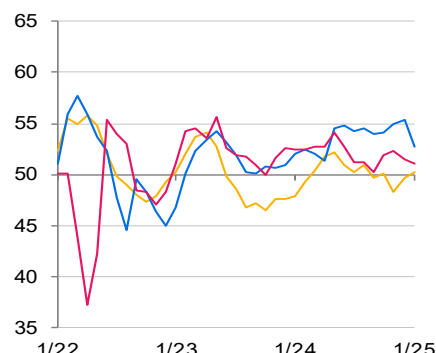
The South West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South West. A reading above 50 signals an improvement in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

Top export markets, South West % share of exports shown in brackets Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

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



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Jobs and capacity

South West firms cut job numbers again due to looming increases in employers' National Insurance and minimum wage

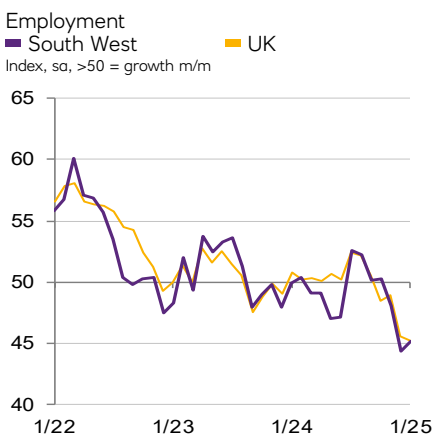
Private sector employment decreased for the third month in a row during January. The rate of reduction was marked, though softer than in December.

Local companies signalled another fall in outstanding business levels during January. The pace of depletion was among the quickest in 16 months, but slowed from

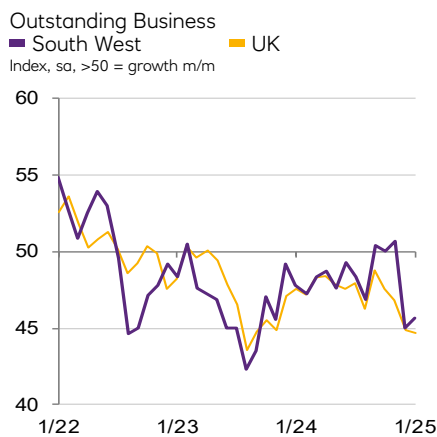
December and was weaker than in most other areas of the UK.

Firms stated that previous efforts to increase capacity, coupled with adverse sales developments more recently, facilitated the clearing of pending workloads.

"The Bank of England's interest rate cut last week means that policy is now less restrictive, with further loosening expected in the year ahead"



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Inflation

Prices charged for South West goods and services rise at strongest rate since May 2023

Firms continued to hike their selling prices in response to rising operating expenses. The rate of charge inflation reached a 20-month high in January, and was the steepest of all areas of the UK.

Local companies reported the pass-through of current and future increases in freight, material and wage costs to clients.

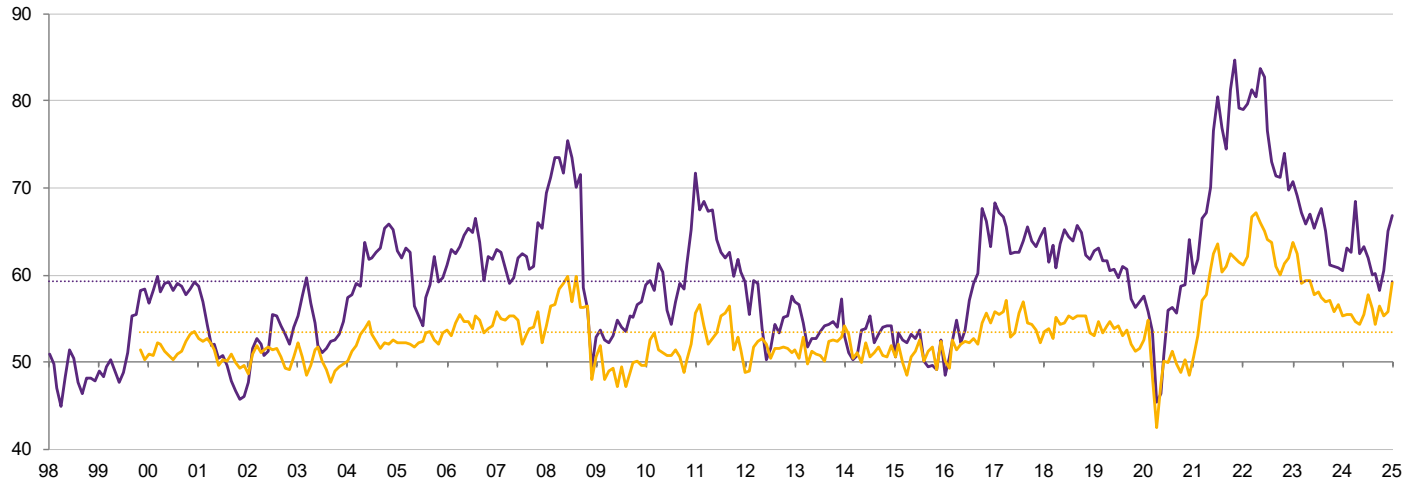
Input costs likewise rose to a greater degree at the start of 2025, one that was the most pronounced in nine months.

Qualitative evidence supplied by panellists in the South West showed greater outlays on cables, energy, drinks, food, insurance premiums, metals and shipping.

On this front, the South West came second in the rankings (behind the North East).

"Local firms hiked their fees further, not only due to rising cost burdens at present but also amid future increases in wage costs."

■ Input Prices ■ Output Prices
 Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

UK Regional Growth Tracker

Business Activity

London was the fastest-growing region for business activity in January, followed by the North East. The only other areas to see increases in output were Wales and the South West, although in both cases rates of expansion were only marginal. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity*.

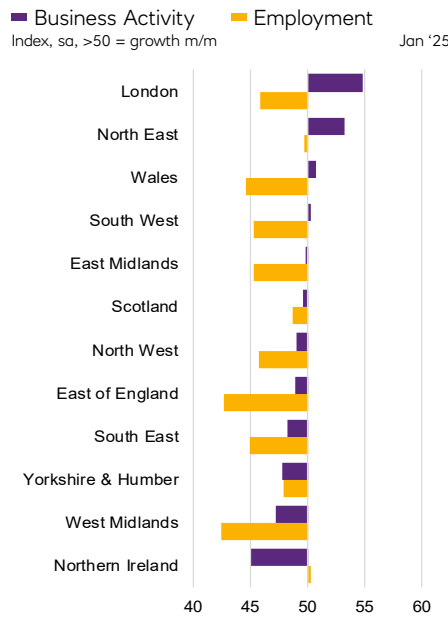
Employment

For the second month running, all but one of the 12 monitored nations and regions recorded a decrease in employment in January. The exception was once again Northern Ireland, although employment there rose only fractionally and at the slowest rate for over two years. The West Midlands saw the steepest drop in workforce numbers, followed closely by East of England.

Future Activity

Expectations towards growth in the coming year remained positive across the board, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the year-ahead outlook ahead of those in the West Midlands, with both regions going against the general trend and seeing sentiment improve.

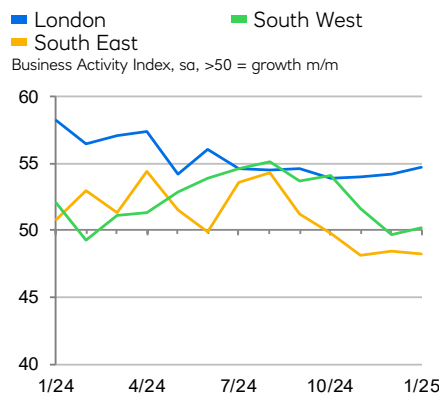
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



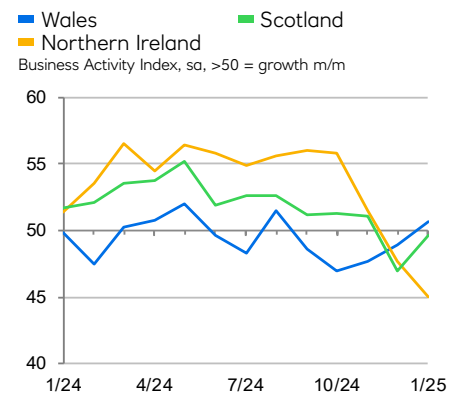
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



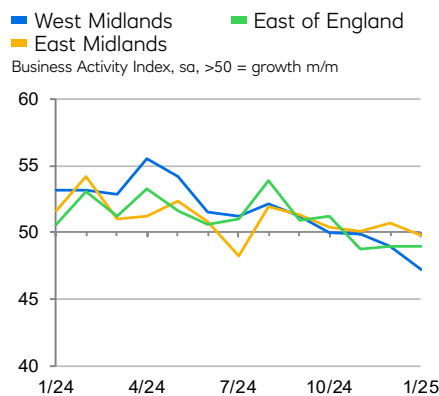
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



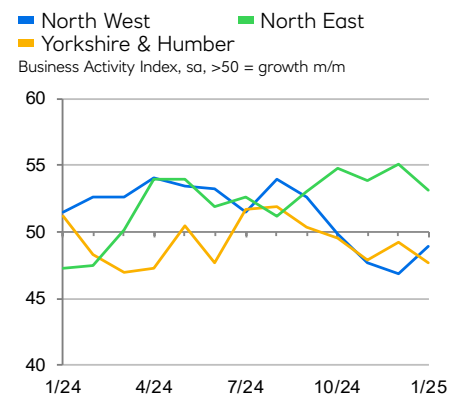
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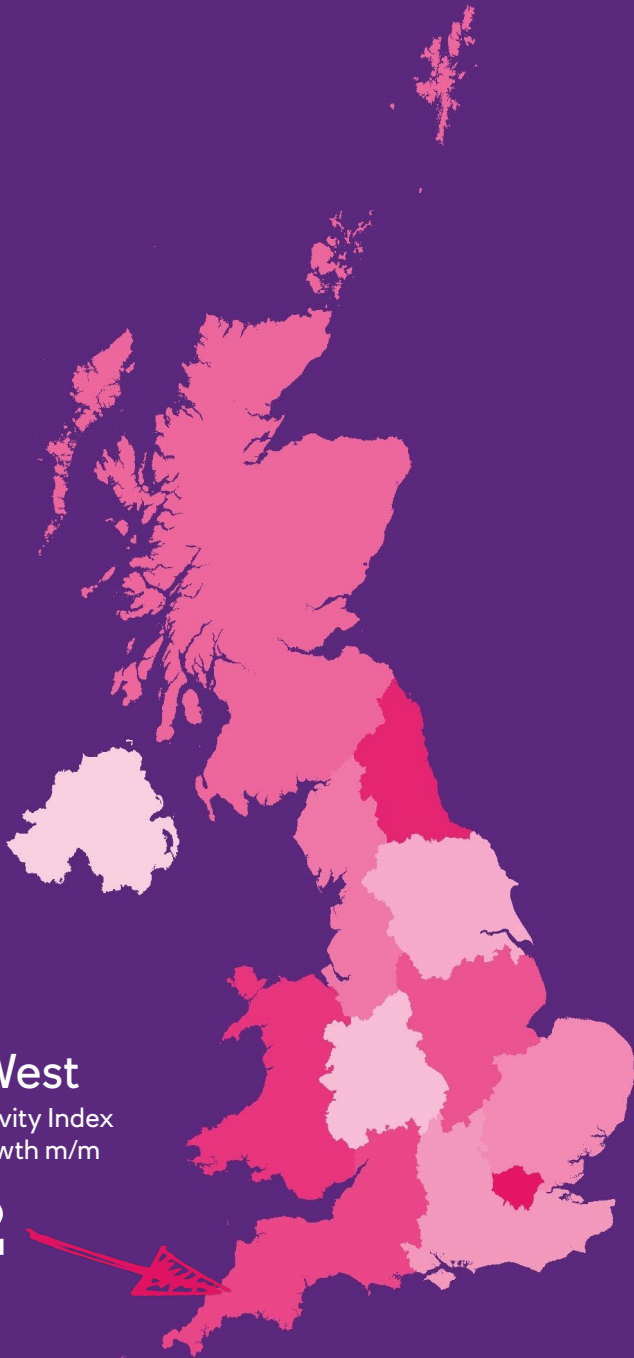


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Growth Tracker heat map

January 2025

Darker colour = higher business growth



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

50.2



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

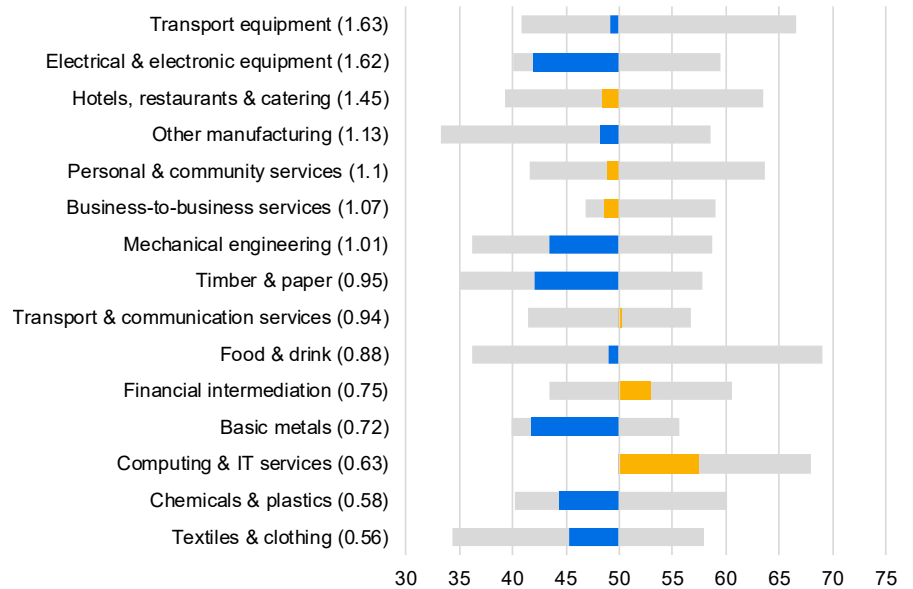
UK sectors

Sector specialisation: South West

The chart shows UK output indices by sector, ranked by location quotients for the South West. 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 South West economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Jan '25



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
 Location quotients for the South West are shown in brackets. Latest data are smoothed as three-month moving averages.

Sector in focus: Personal & community services

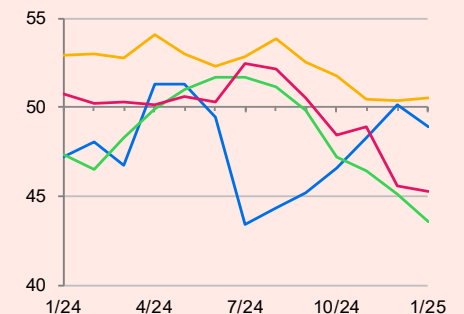
The UK's personal & community services sector underperformed the wider economy in the three months to January. Business activity fell back into contraction following some stability in the latter stages of 2024, weighed down by a marked decline in demand. Qualitative evidence gathered by the PMI surveys highlighted a reduction in confidence and discretionary spending among UK consumers in recent months.

At the same time, businesses in the sector came under pressure from rising costs, including increases in

energy prices and wages. Average prices charged by firms showed a slightly slower rate of inflation, however, pointing to a squeeze on profit margins.

Business confidence towards future growth prospects was meanwhile the lowest on record, excluding the initial phase of the pandemic. The combination of increasing labour costs and muted growth expectations led personal & community services firms to cut workforce numbers at the fastest rate for nearly four years.

Output / Employment
 ■/■ Personal & community services*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
 *Data are smoothed as three-month moving average (3mma).

Methodology

The NatWest South West Growth Tracker 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

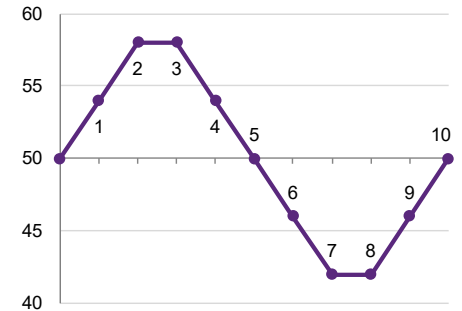
overall decrease. The indices are then seasonally adjusted.

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.

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. ©2025 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

South West 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
8/24	55.1	55.0	52.3	52.3	46.9	74.2	60.1	56.2
9/24	53.7	58.0	51.1	50.2	50.4	74.5	60.2	54.3
10/24	54.1	55.6	51.8	50.3	50.0	70.1	58.3	56.5
11/24	51.6	54.1	51.6	48.0	50.7	63.7	60.5	55.3
12/24	49.7	48.2	51.7	44.4	45.0	62.2	65.0	55.8
1/25	50.2	49.1	51.4	45.2	45.7	63.4	66.8	59.1

Further information

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S&P Global

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