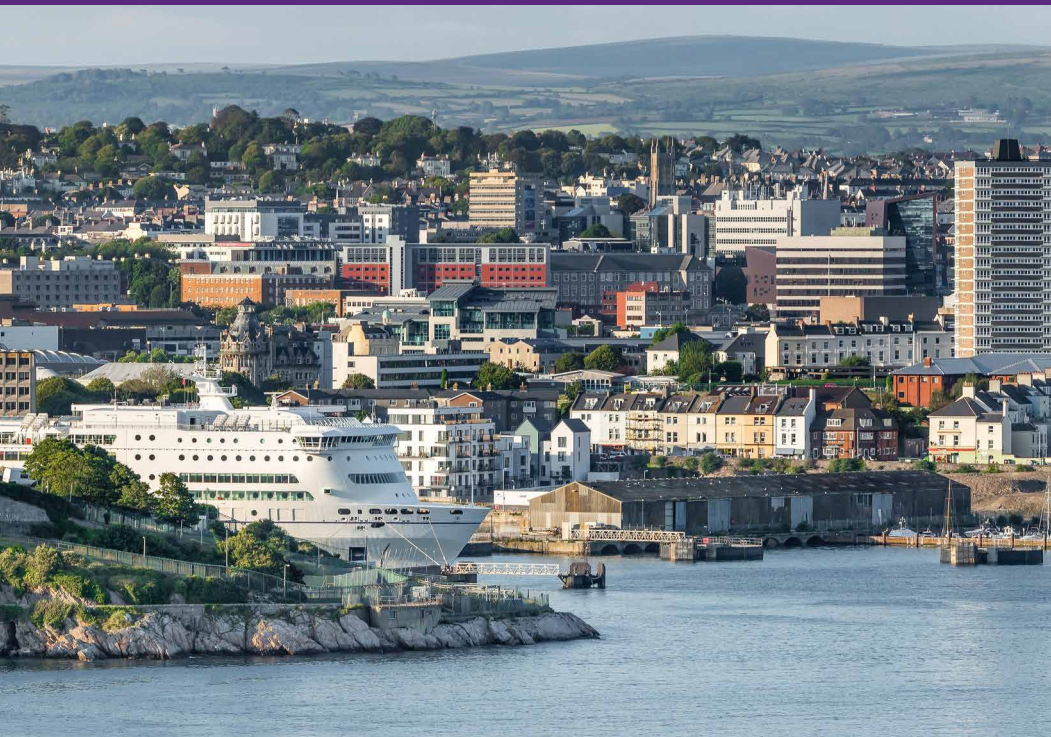


14 January 2025

NatWest South West Growth Tracker

December sees fractional decline in South West output



NatWest

PMI[®]

by **S&P Global**

14 January 2025

NatWest South West Growth Tracker

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Key findings

December 2024

Activity and new orders fall at end of 2024

Job shedding accelerates as cost pressures mount

Businesses optimistic about growth prospects in 2025

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





December sees fractional decline in South West output

South West companies signalled the first fall in business activity for ten months at the end of 2024, as new business intakes slipped into contraction.

However, at 49.7 in December, 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 – was close to the 50.0 no-change mark and indicative of only a fractional rate of reduction.

The drop was also the slowest of the nine regions and nations where a contraction was recorded. Growth was sustained in London, the East Midlands and the North East.

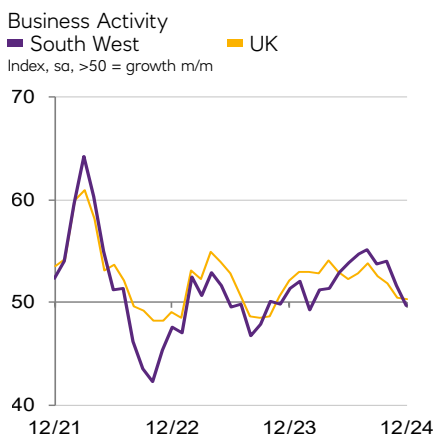
According to local firms, output volumes were negatively impacted by the Autumn Budget, high borrowing costs and cautious spending among clients.

NatWest South West Business Activity Index December 2024

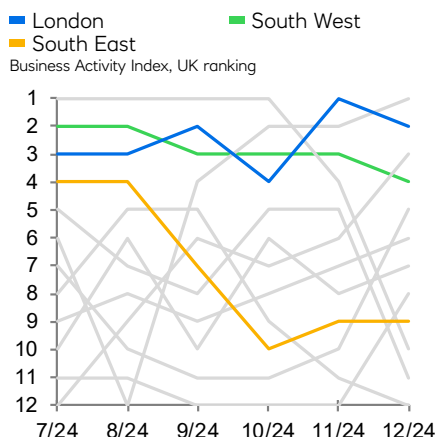
49.7

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 5-19 December



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:

"South West companies ended 2024 on a weaker footing than generally seen throughout the year, but they were optimistic regarding growth prospects in 2025.

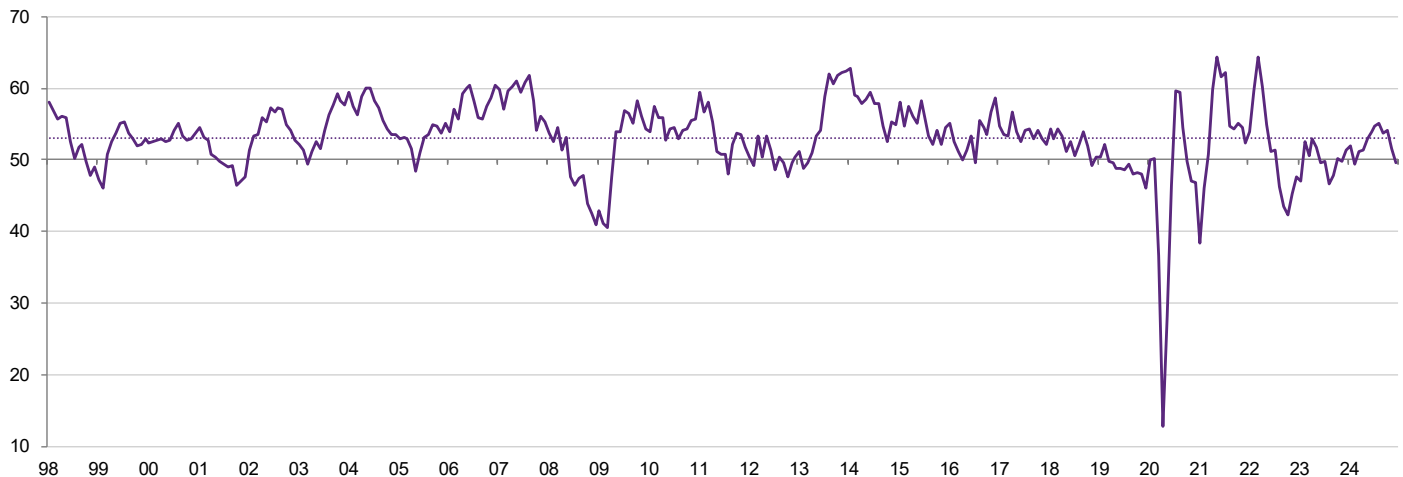
"In their view, most of the weakness observed in December stemmed from the Autumn Budget announcement, which caused anxiety among clients and led

them to restrict purchases. Local firms reduced output volumes and payroll numbers amid the upcoming increases in employer National Insurance and the minimum wage.

"Some panellists indicated that their suppliers are already charging more for inputs as a result of future increases in staff costs. A pick-up in cost pressures underpinned a sharper upturn in selling prices at a time when staying competitive is crucial to support sales."

Business Activity

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



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



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Demand and outlook

First contraction in new business inflows since November 2023

December data highlighted a moderate decline in new business placed with private sector firms in the South West, ending a one-year sequence of growth.

According to survey participants, client hesitancy, tamed consumer spending and the late-Autumn Budget announcement restricted sales.

With new orders also falling in nine other regions and nations, there was a renewed reduction at the UK level.

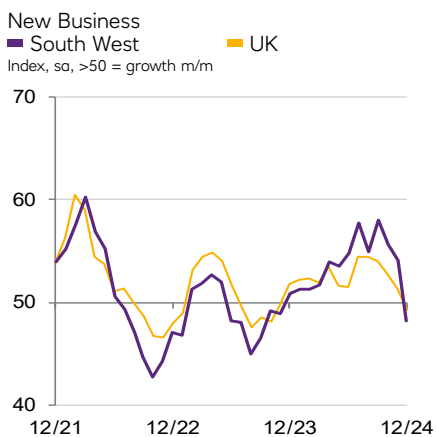
Growth was only seen in London and the North East.

South West firms remained confident of a rise in output over the course of the coming 12 months, as marketing efforts and investment were expected to drive growth.

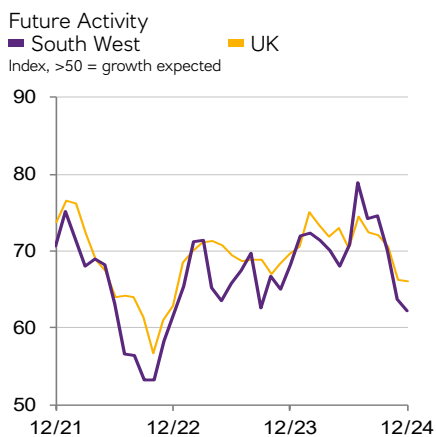
The overall level of positive sentiment fell to a two-year low, however, as panel members were worried about the detrimental impact of the Budget on employment costs, client spending and consumers' purchasing power.

Local firms were the least optimistic among the nine English regions.

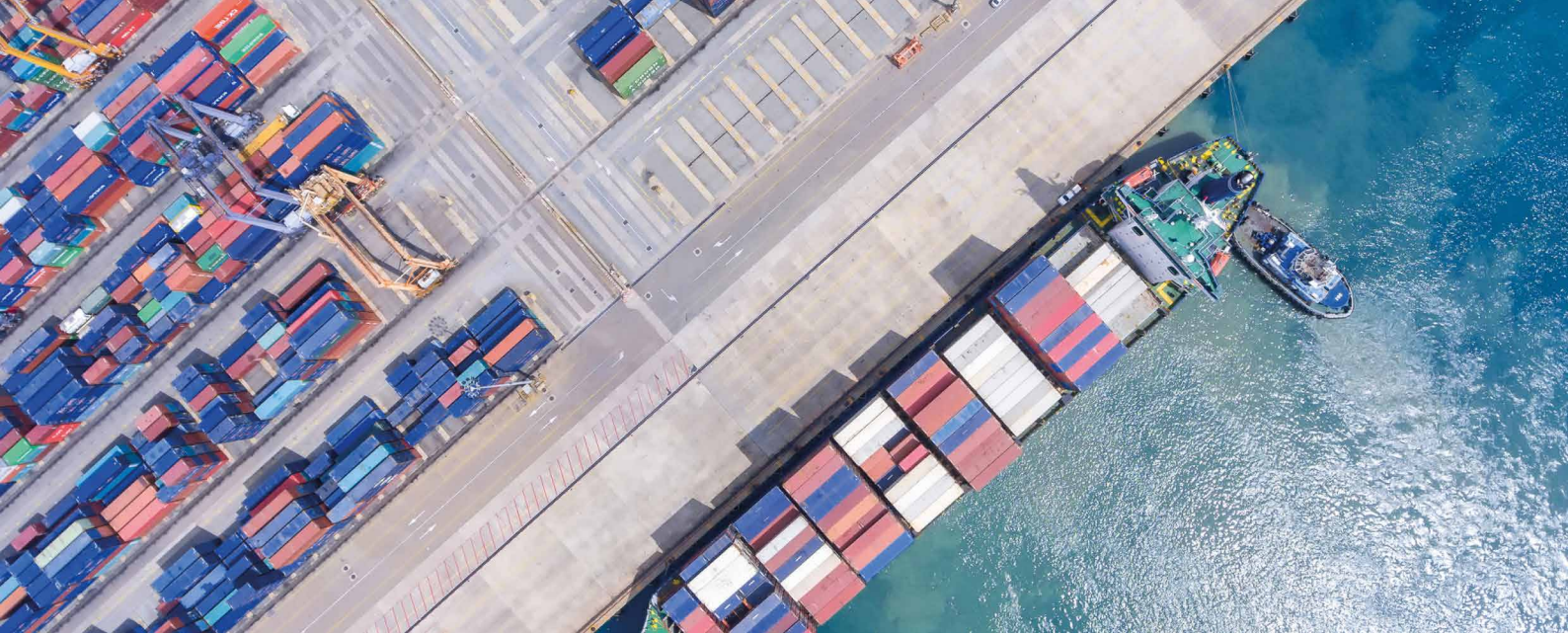
"South West companies ended 2024 on a weaker footing than generally seen throughout the year, but they were optimistic regarding growth prospects in 2025."



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



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



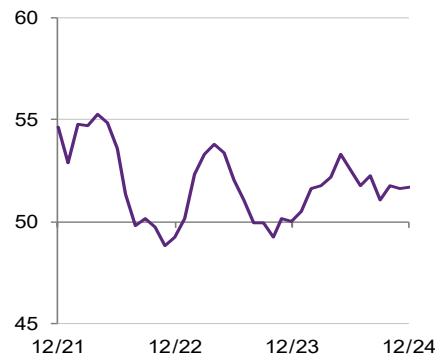
Export markets

Export Climate Index registers inside expansion territory

For the fourteenth month in a row, the ECI posted above the neutral mark of 50.0 in December and continued to signal favourable trade conditions for local companies. At 51.7, little-changed from 51.6 in November, the index was consistent with a modest rate of expansion.

As has been the case since September, only two of the top five export markets for the South West recorded output growth. Increases in Ireland and the US contrasted with declines in France, Germany and the Netherlands.

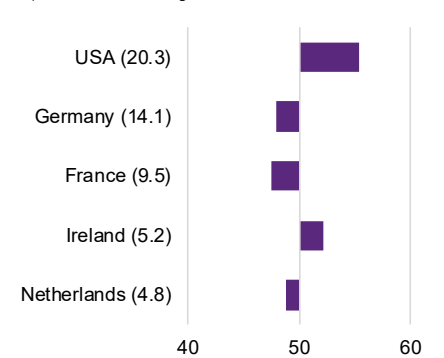
Export Conditions
Index, sa, >50 = growth m/m



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

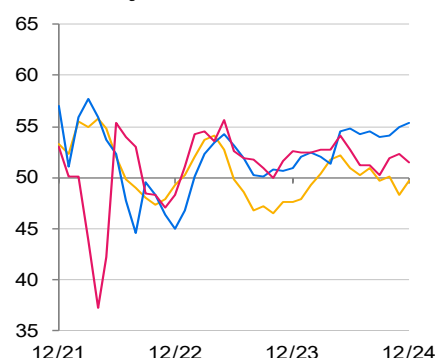
The South West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South West. A reading above 50 signals an improvement in 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
Eurozone US China
Index, sa, >50 = growth m/m



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



Jobs and capacity

Upcoming increases in employers' National Insurance and the minimum wage lead to further job cuts

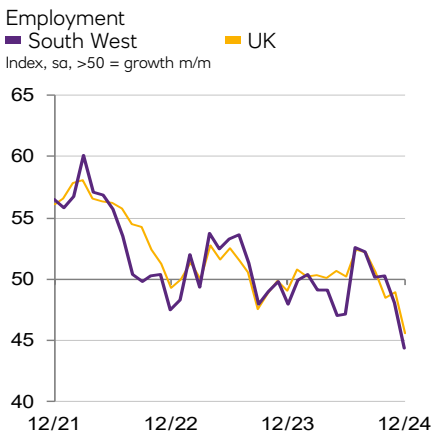
As was the case in November, South West firms trimmed headcounts at the end of 2024. Moreover, the rate of reduction was marked, the fastest in over four years and sharper than that seen at the UK level.

Monitored firms indicated that the upcoming rise in staff costs caused redundancies and prevented them from replacing leavers.

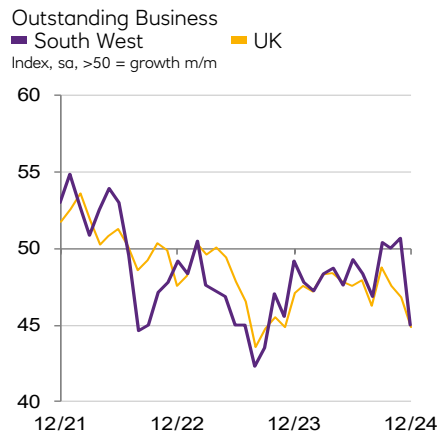
Another factor that dampened employment was a lack of pressure on firms' operating capacities. Despite the fall in staff numbers, local firms signalled the fastest drop in work pending completion since September 2023. The reduction was the first since August.

Backlogs also decreased at the national level, and to broadly the same extent as in the South West.

"Local firms reduced output volumes and payroll numbers amid the upcoming increases in employer National Insurance and the minimum wage."



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



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



Inflation

Cost pressures at their highest since April 2024

Not only did companies in the South West continue to report rising operating expenses in December, but also signalled the steepest increase for eight months.

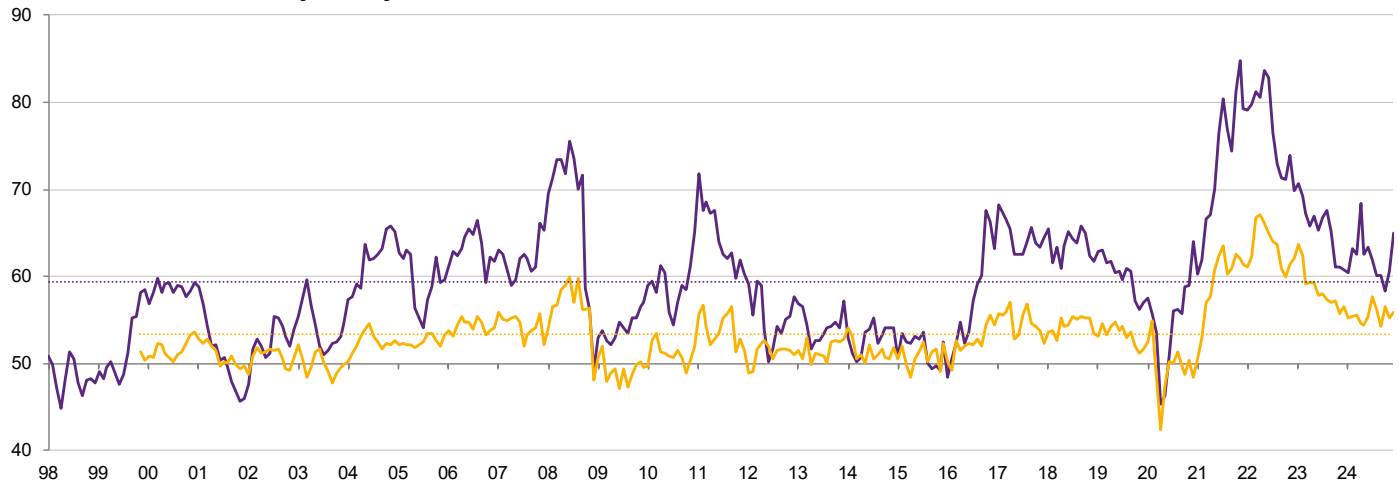
Firms reported having paid more for cardboard, copper, electrical items, energy, insurance premiums, plastics and wood.

The rate of inflation was well above its long-run average and the second-highest of the 12 monitored UK regions and nations (behind the North East).

As a result of rising expenses, prices charged for local goods and services continued to increase. The rate of charge inflation was historically sharp and above the UK average.

"A pick-up in cost pressures underpinned a sharper upturn in selling prices at a time when staying competitive is crucial to support sales."

■ 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

The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

Future Activity

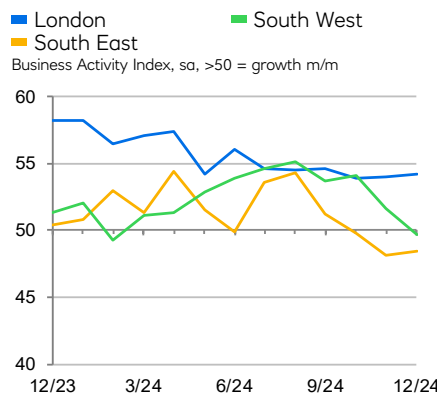
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



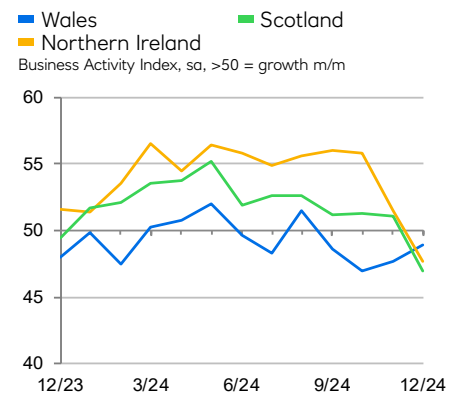
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



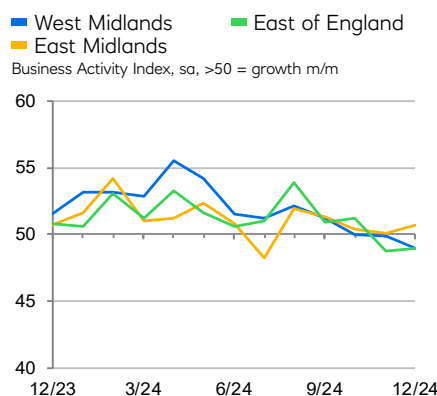
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



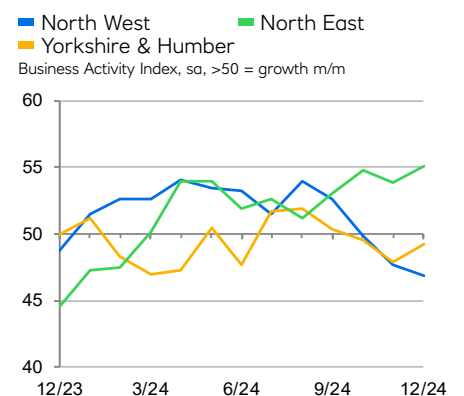
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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



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

Growth Tracker heat map

December 2024

Darker colour = higher business growth

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

49.7



46.9 47.7 48.4 48.9 49.2 49.7 50.7 54.2 55.1

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

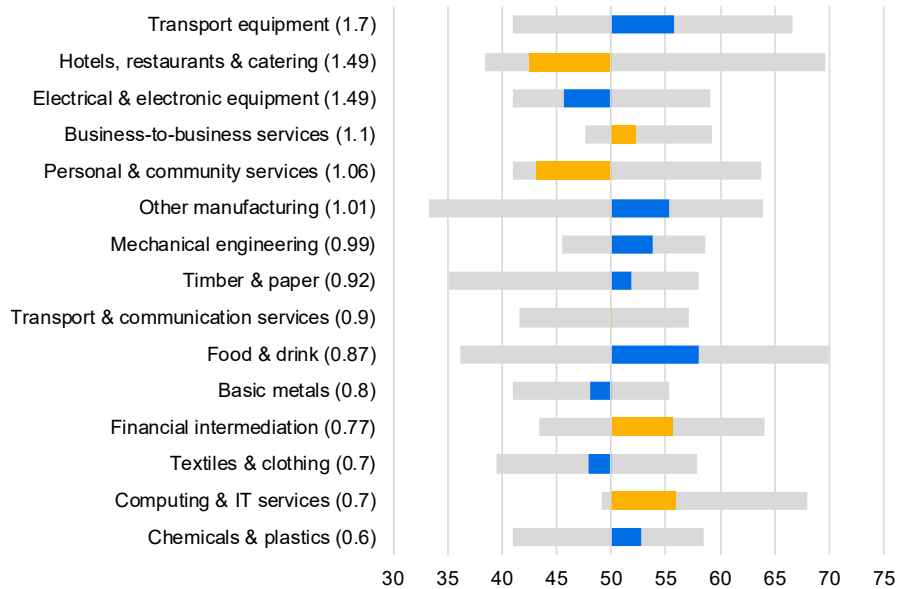
UK sectors

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 Dec '24



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.

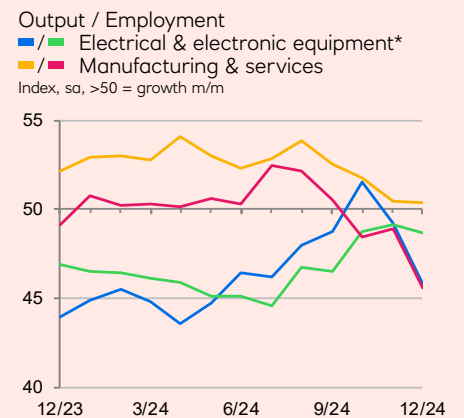
Sector in focus: Electrical & electronic equipment

Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.



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

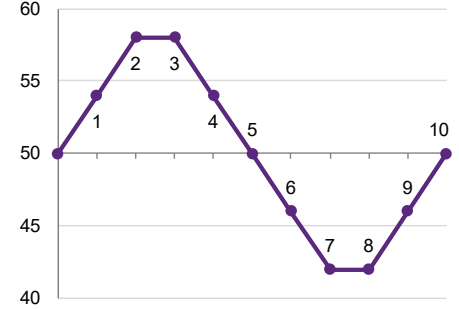
overall decrease. The indices are then seasonally adjusted.

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
7/24	54.7	57.8	51.8	52.6	48.4	78.9	61.9	57.7
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

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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.

www.natwest.com/business/insights/economics

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