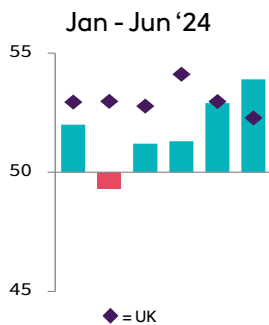




NatWest South West Growth Tracker

Efficiency gains push output growth to 25-month high despite job shedding

South West Business Activity Index



Key findings

Strongest upturn in business activity since May 2022

New order growth fastest in over two years

Rate of job losses remains strongest in over three years

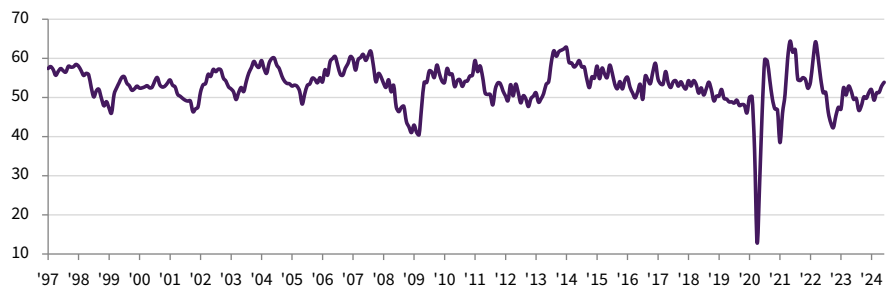
The NatWest South West Growth Tracker showed a rebound in growth of new business and output during June, but employment continued to fall amid efficiency gains and cost considerations. Not only did input prices and output charges rise further, but also at quicker rates than in May.

Rising from 52.9 in May to 53.9 in June, the headline 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 – indicated a marked rate of expansion. The upturn was also the strongest in over two years and above the long-run series average. When explaining the increase, panellists cited new business gains and favourable client appetite. The local rise in output was the third-best of the 12 monitored UK regions and nations.

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

"The strongest rise in new orders in over two years put the South West private sector on a firmer footing in June. Optimism also improved, as local companies foresee better market conditions after the general election. Increased advertising, investment and new product releases contributed to a common belief that output levels will be higher in 12 months' time. Despite the boost in business sentiment and sales, employment continued to decline, suggesting that existing capacities were sufficient to accommodate for the upturn in demand. In addition to cost considerations, efficiency gains enabled companies to postpone hiring for now."

South West Business Activity Index
sa, >50 = growth since previous month



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About the South West Growth Tracker report

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.

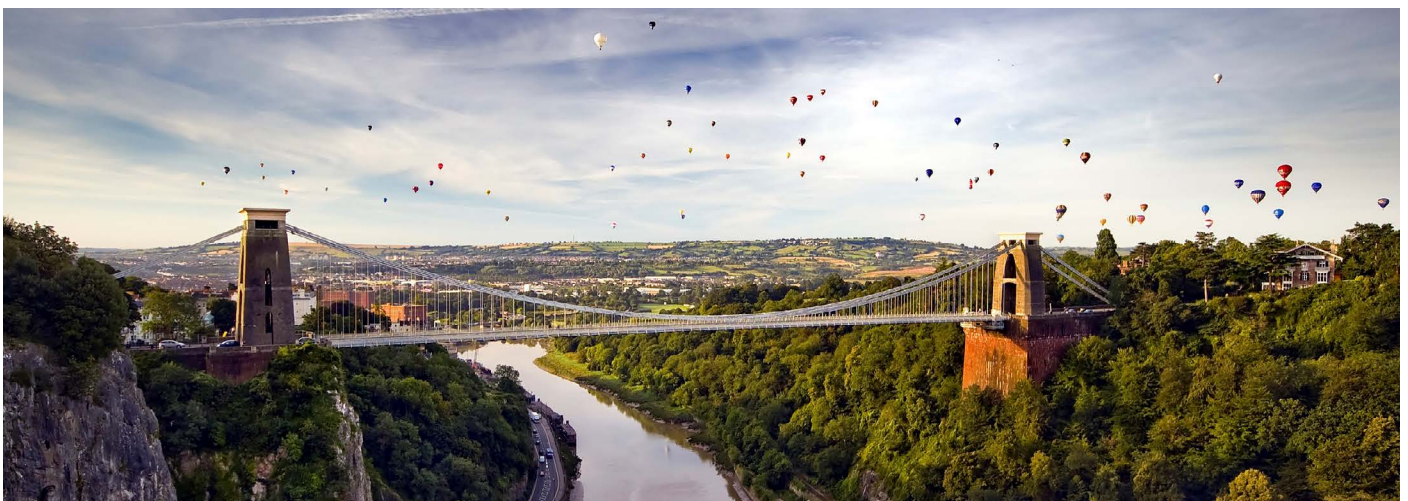
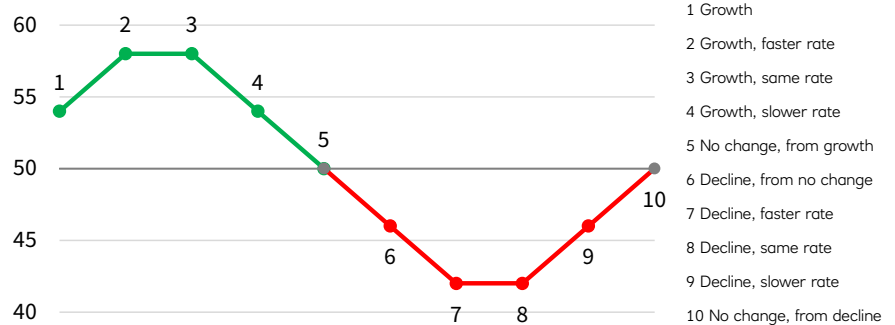
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable 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.

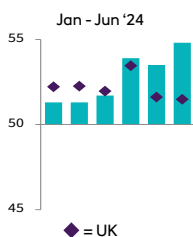
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

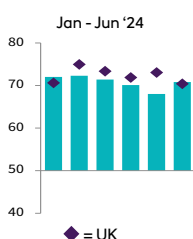


Strongest rise in new business for 25 months

Private sector companies in the South West signalled a seventh successive increase in new business intakes during June. Moreover, the pace of expansion was marked and the strongest for over two years. According to survey participants, growth stemmed from successful marketing and buoyant customer appetite.

The upturn in sales across the South West was notably stronger than the national average.

Future Activity Index



Optimism strongest in three months

June data showed a recovery in business confidence across the South West. Panellists were at their most upbeat since March, with the Future Output Index also outpacing its long-run average. Expectations that market conditions will improve after the general election and increased advertising, alongside investment and new product releases, boosted sentiment.

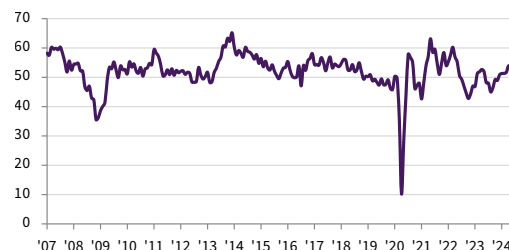
The overall level of business confidence in the South West was broadly in line with that seen at the UK level.

New Business Index

>50 = growth since previous month

54.8

Jun '24

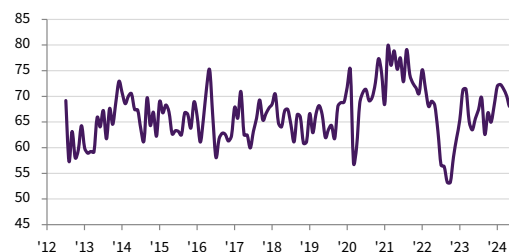


Future Activity Index

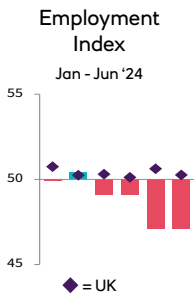
>50 = growth expected over next 12 months

70.8

Jun '24



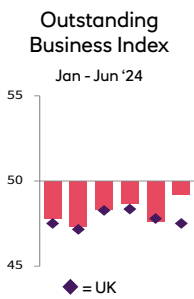
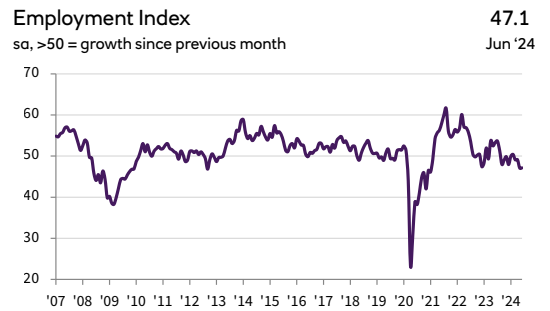
Business capacity



Job shedding extends to June

There was a fourth successive fall in employment levels among private sector firms in the South West during June. Equal to May, the rate of job shedding was the joint-quickest in nearly three-and-a-half years. Some firms suggested that efficiency gains allowed them to refrain from replacing voluntary leavers. Others indicated that cost considerations led to dismissals.

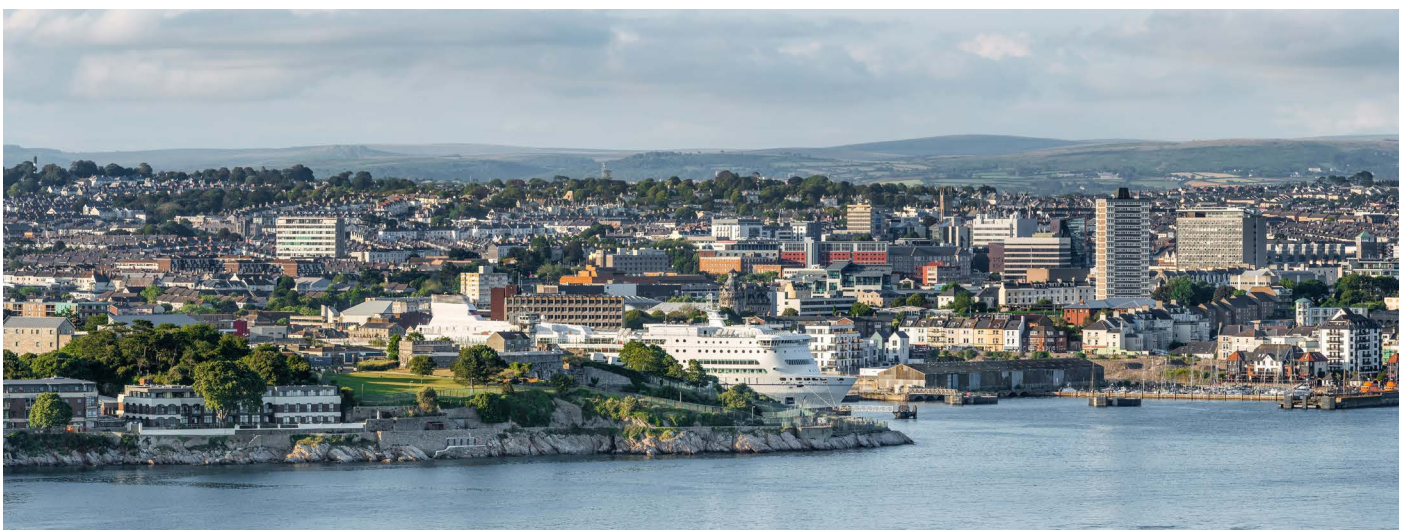
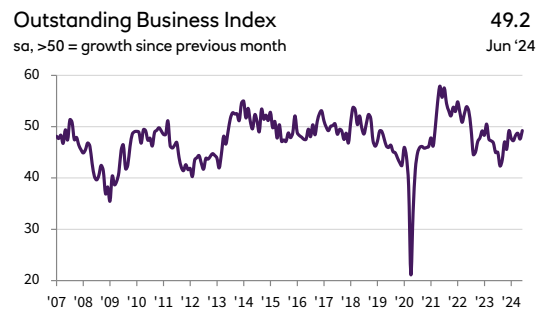
The local trend for headcounts was the worst of all 12 monitored UK regions and nations.



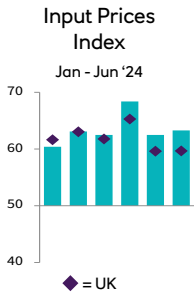
Downturn in outstanding business volumes eases

Work pending completion at South West companies decreased further in June, thereby stretching the current sequence of contraction dating back to March 2023. The pace of depletion was slight, however, and the joint-slowest over the aforementioned sequence. Some firms started to notice pressure on capacity amid input scarcity and strong sales growth.

Among the 11 monitored UK regions and nations that posted a reduction in backlogs, the South West saw the joint-slowest decline (equal to London).



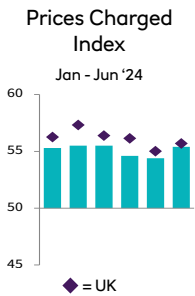
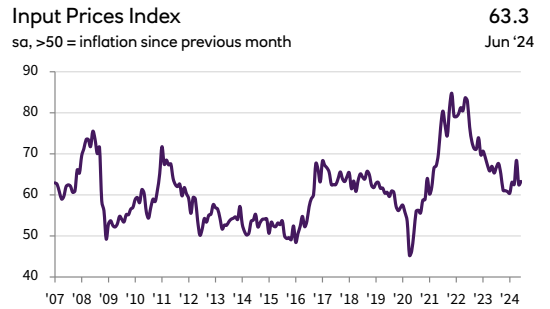
Prices



Input costs rise strongly midway through 2024

South West companies indicated another substantial increase in overall expenses during June. Although considerably below the highs seen through late-2021 and early-2022, the rate of inflation was sharp by historical standards and quickened since May. Greater food, insurance, labour, transportation and rent costs were among the key reasons highlighted by panellists as having pushed up overall input prices.

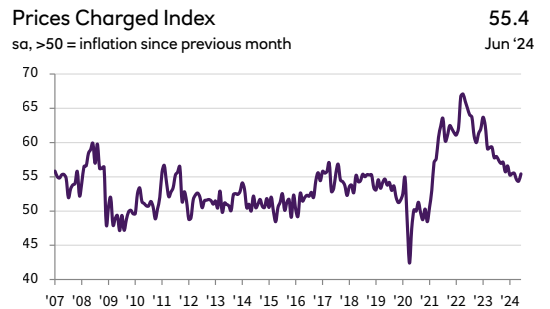
Northern Ireland and the South West shared the top spot in the regional rankings for cost inflation.



Charge inflation quickens at end of second quarter

Companies in the South West signalled a stronger increase in selling prices during June. After slipping to a 39-month low in May, the rate of charge inflation accelerated to the fastest since March and outpaced its long-run average again. Monitored firms commonly suggested that additional cost burdens had been shared with clients.

The local rise in selling prices was broadly in line with that seen at the UK level.



UK Sector

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

South West specialisation: Services

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

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

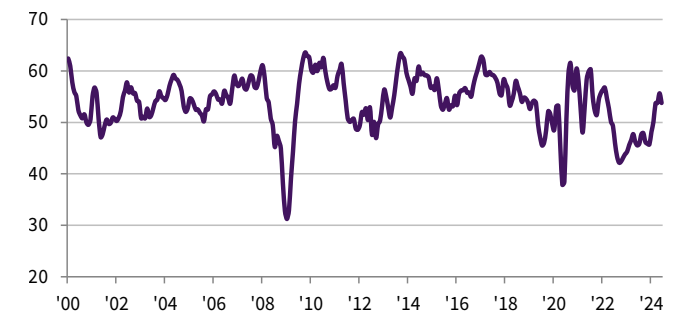
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

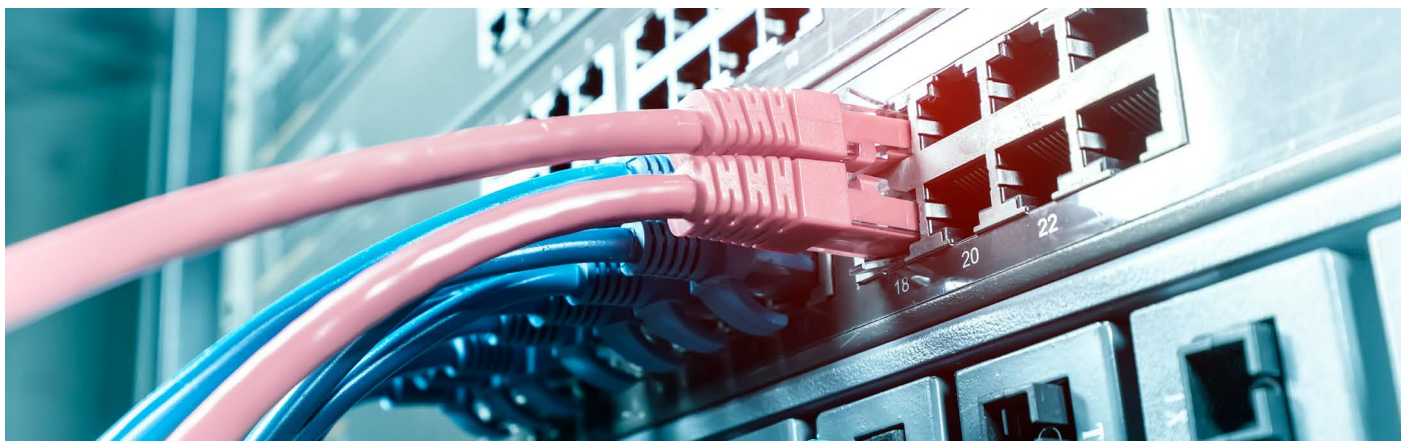
Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

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



* 3-month moving average



UK Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

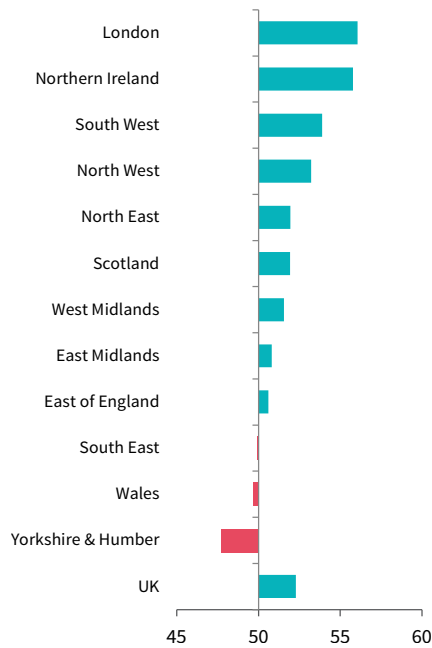
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

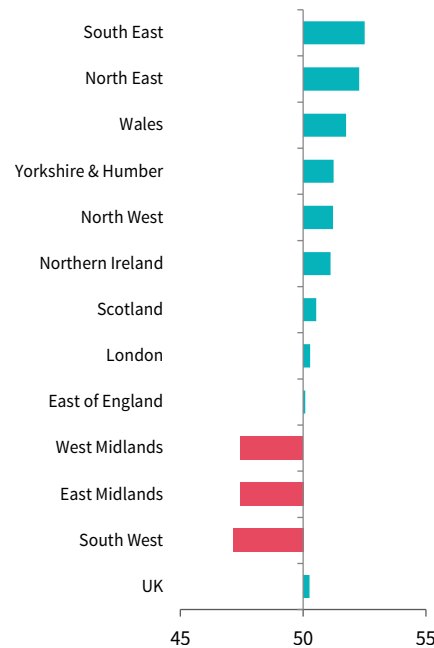
Business Activity Index

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



Employment Index

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

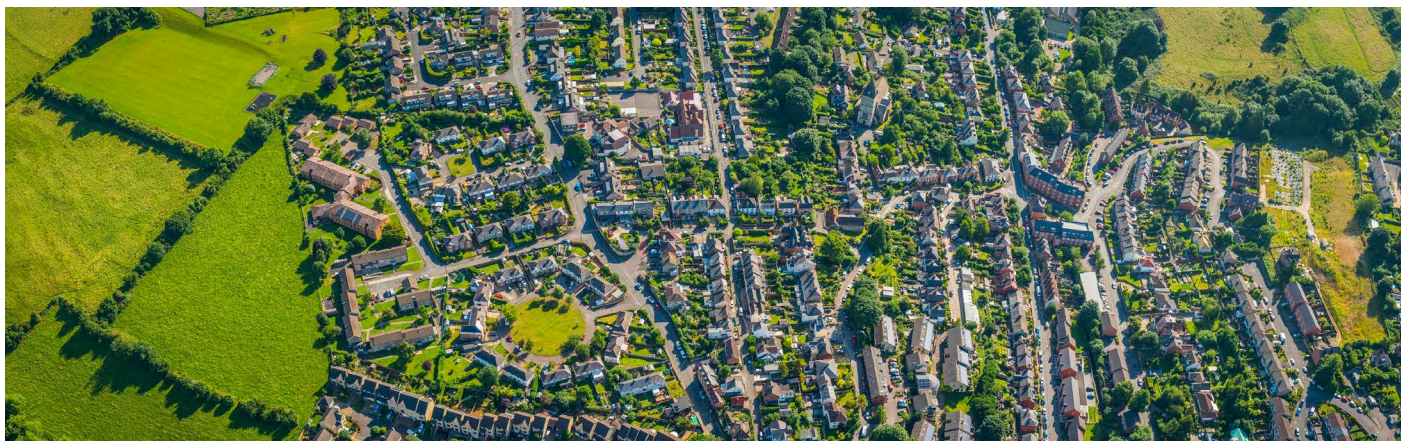


Future Activity Index

>50 = growth expected over next 12 months, Jun '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
Jan '24	52.0	51.3	50.6	72.0	49.9	47.8	60.4	55.3
Feb '24	49.3	51.3	51.6	72.3	50.4	47.3	63.1	55.5
Mar '24	51.2	51.7	51.8	71.4	49.1	48.3	62.5	55.5
Apr '24	51.3	53.9	52.2	70.1	49.1	48.7	68.4	54.6
May '24	52.9	53.5	53.3	68.0	47.1	47.6	62.5	54.4
Jun '24	53.9	54.8	52.6	70.8	47.1	49.2	63.3	55.4

Contact

Vonnie Sandlan
Regional Media & Campaigns Manager
Royal Bank of Scotland
+44 740 127 8778
vonnie.sandlan@natwest.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
T: +44 149 146 1075
pollyanna.delima@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
sabrina.mayeen@spglobal.com

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