

10 December 2024

# NatWest South West Growth Tracker

South West output rises as new orders  
increase further



NatWest

PMI<sup>®</sup>

by **S&P Global**

10 December 2024

# NatWest South West Growth Tracker

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# Key findings

November 2024

**South West sustains output growth in November**

**New business intakes expand markedly**

**Selling prices increase at slower rate**

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](http://www.natwest.com/business/insights/economics)







# South West output rises as new orders increase further

November data showed that South West companies continued to scale up output amid another upturn in new business volumes.

Meanwhile, capacity pressures remained mild and there was a modest decline in local employment. Cost pressures intensified, but selling charges rose to a lesser extent.

At 51.6 in November, the headline 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 above the neutral mark of 50.0 for the ninth straight month and signalled continuous growth of local activity. That said, falling from 54.1 in October, the latest reading showed the weakest rate of expansion since April.

Firms that reported greater output remarked on new product offerings and demand resilience. Those that posted a reduction cited subdued client confidence.

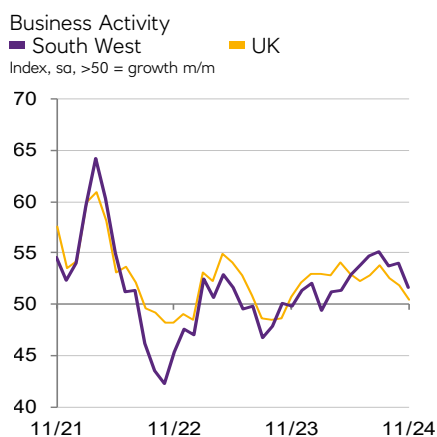
The South West came third in the UK regional rankings for output trends.

NatWest South West Business Activity Index November 2024

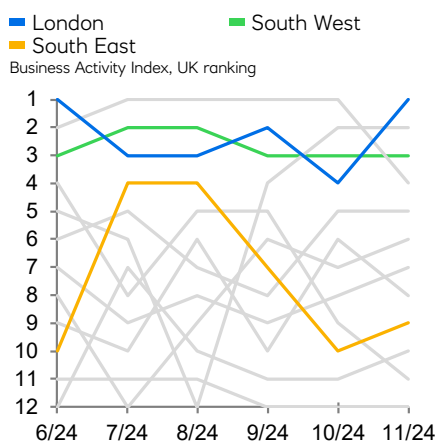
## 51.6

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 12-27 November



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# NatWest

## Comment

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

"The South West sustained economic growth heading towards the end of 2024, as a marked increase in new business volumes supported another expansion in output that was among the best seen across the UK.

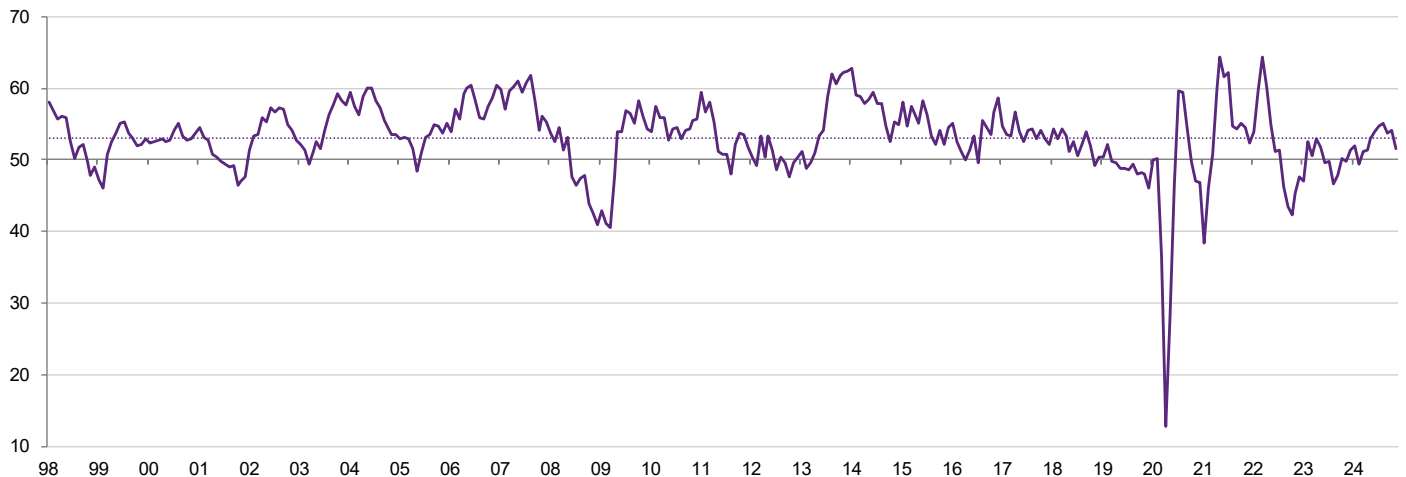
"Firms were strongly upbeat towards the outlook, amid the potential for contract renewals and extensions as

well as investment and the opening of new plants. Employment slipped into contraction in November, but the fall was mild and could soon be reversed should demand and backlogs remain on an upward path.

"Although cost pressures showed signs of re-accelerating, charge inflation receded amid competitive conditions. Softer increases in selling prices could further aid sales in the coming months."

### Business Activity

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



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Demand and outlook

## New orders rise at above-trend pace

Although new business intakes expanded at the slowest rate in six months, the upturn was still marked and above the long-run series average.

The increase was also the third-strongest of the 12 monitored UK regions and nations, behind only London and the North East.

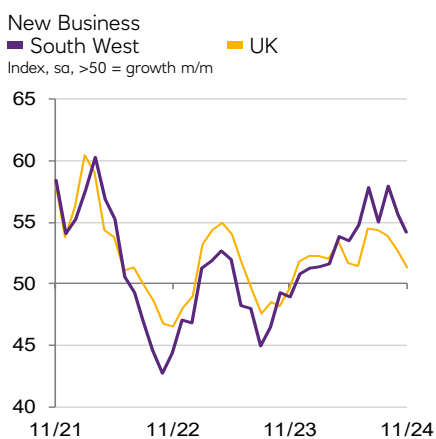
Anecdotal evidence highlighted a greater number of enquiries and demand resilience as the main

determinants of sales growth.

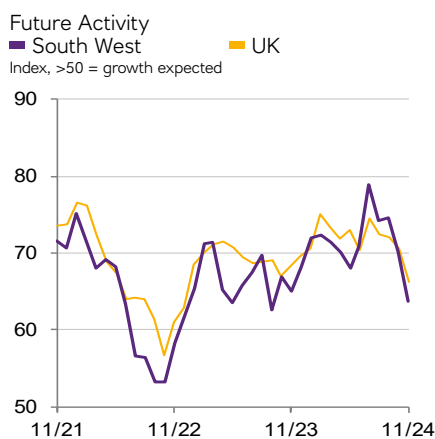
The potential for contract renewals and extensions, alongside investment and the opening of new plants, underpinned upbeat growth projections for output in 2025. The overall level of confidence was at a 14-month low, however, as panellists were concerned about geopolitical tensions, subdued client confidence and taxation.

Local companies were slightly less upbeat than the national average.

"Firms were strongly upbeat towards the outlook, amid the potential for contract renewals and extensions as well as investment and the opening of new plants."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.





# Jobs and capacity

## First decline in payroll numbers for five months

Private sector employment across the South West decreased during November, thereby ending a four-month sequence of expansion. The rate of reduction was modest, though slightly faster than that recorded at the UK level.

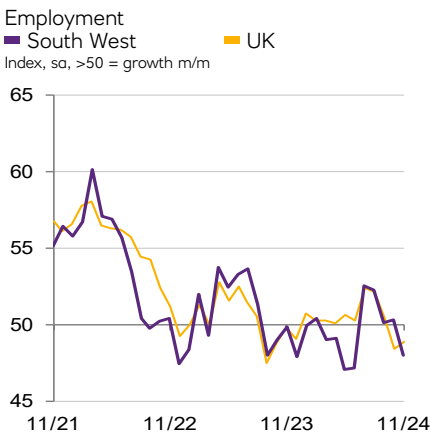
Panellists that trimmed headcounts cited restructuring efforts and the non-replacement of voluntary leavers.

The reduction in local jobs occurred despite renewed pressure on operating capacities. Work pending

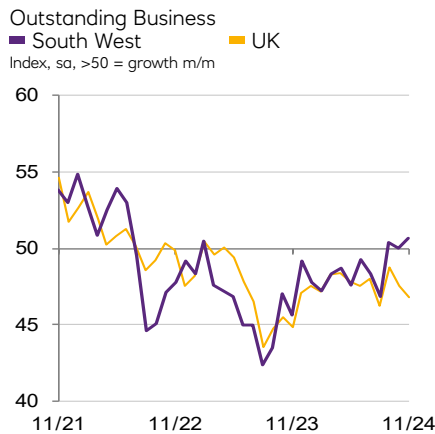
completion increased at a slight pace in November, following no change in October. Staff absences, delays at ports and new business growth sparked the latest uptick in backlogs, according to survey participants.

In addition to the South West, the only other area of the UK to post backlog accumulation in November was the North East.

"Employment slipped into contraction in November, but the fall was mild and could soon be reversed should demand and backlogs remain on an upward path."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Inflation

## Selling prices rise at softer rate despite pick up in cost pressures

Amid reports of efforts to share additional cost burdens with clients, prices charged for South West goods and services rose further in November.

The rate of inflation was historically high, but eased from October as some firms offered discounts to clients in a bid to boost sales.

The South West shared the third

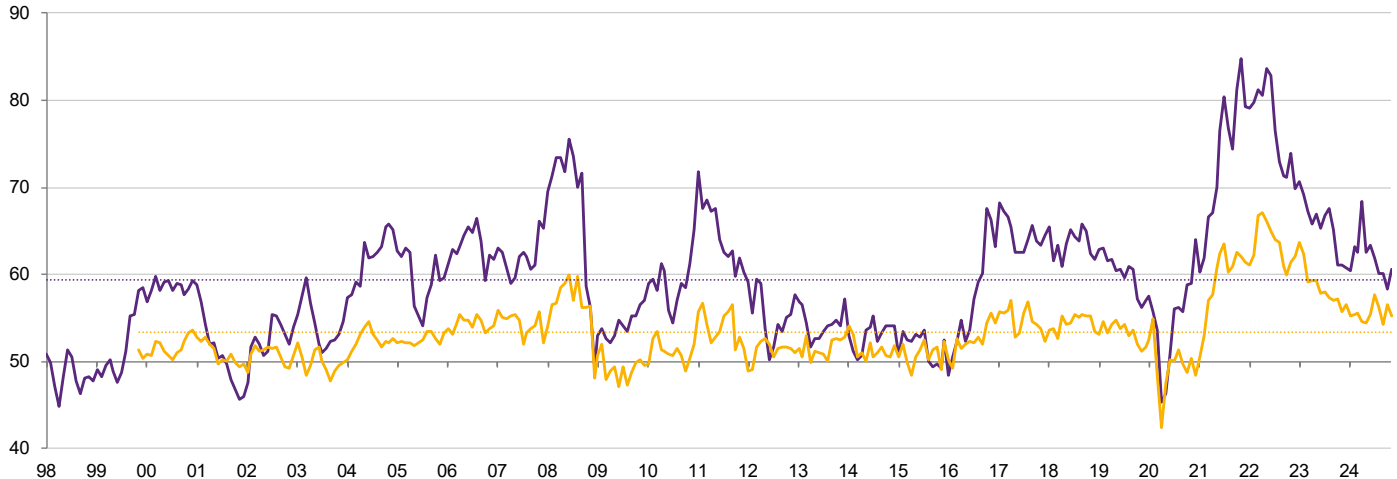
spot in the rankings for charge inflation with London, behind Northern Ireland and the East of England.

Cost inflation reached a four-month high in November, with firms particularly mentioning greater outlays on labour, materials and software licences.

The rate of cost inflation in the South West was broadly similar to that seen nationally.

"Although cost pressures showed signs of re-accelerating, charge inflation receded amid competitive conditions."

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



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# UK Regional Growth Tracker

## Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

## Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

## Future Activity

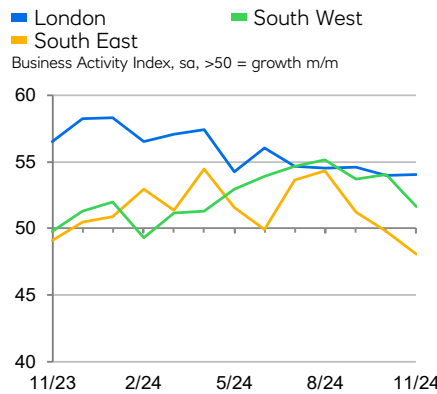
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



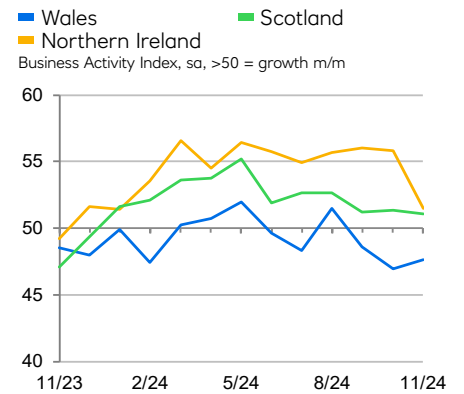
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



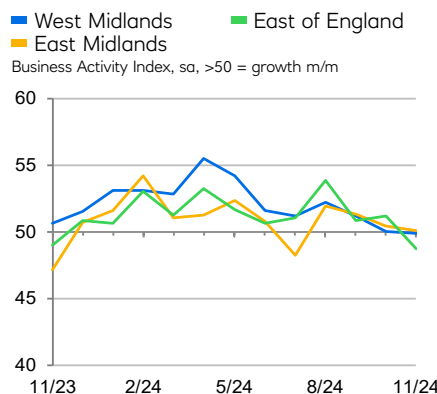
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



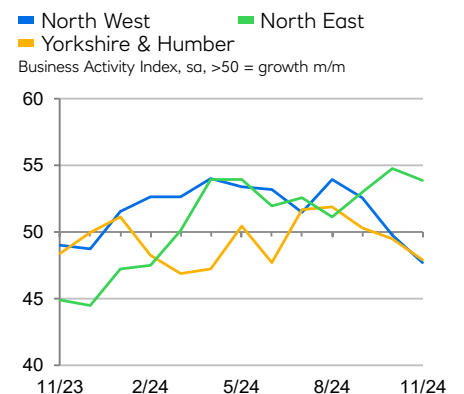
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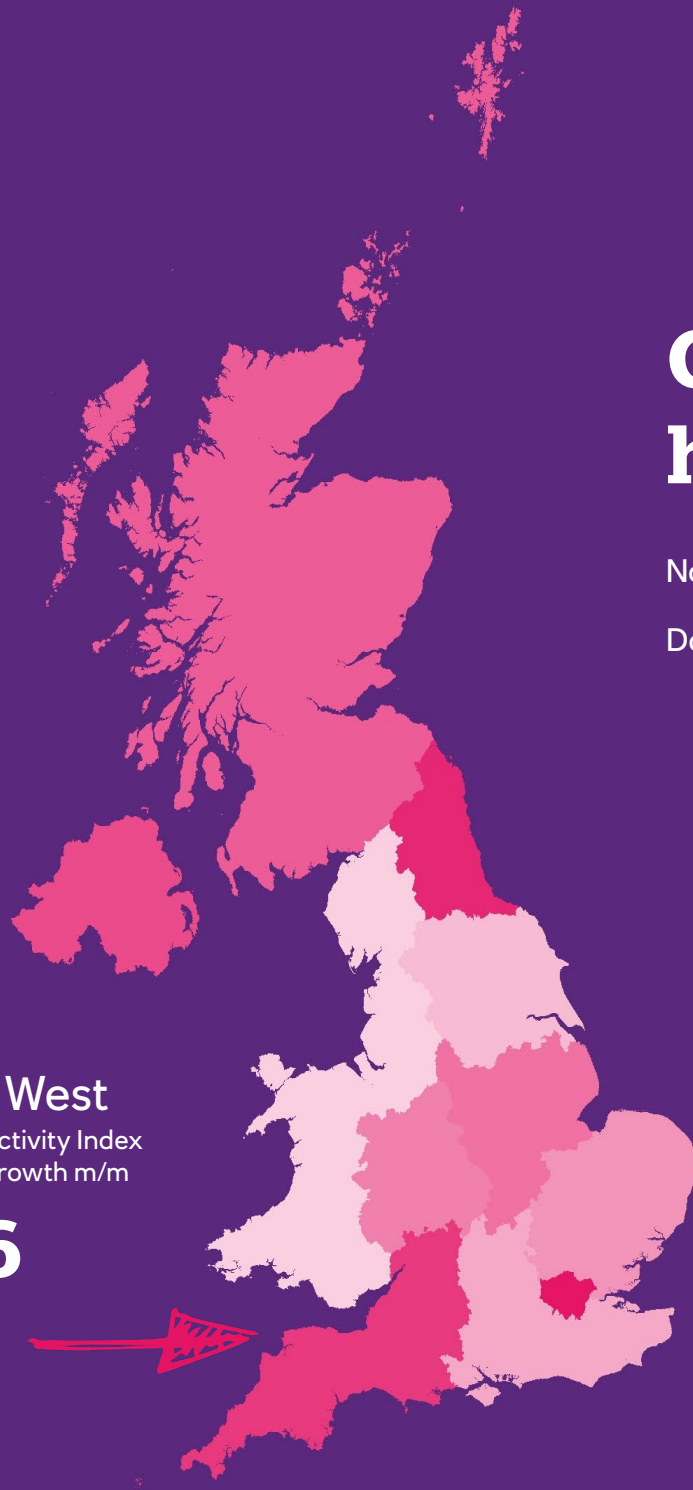


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

# Growth Tracker heat map

November 2024

Darker colour = higher business growth



## South West

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

**51.6**

Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



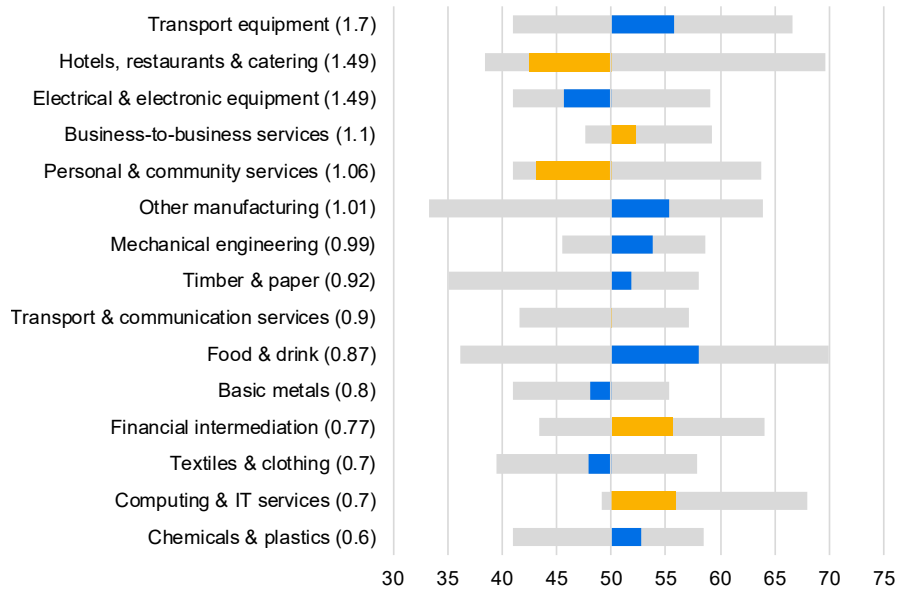
# UK sectors

## 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 Nov '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.  
 Location quotients for the South West are shown in brackets. Latest data are smoothed as three-month moving averages.

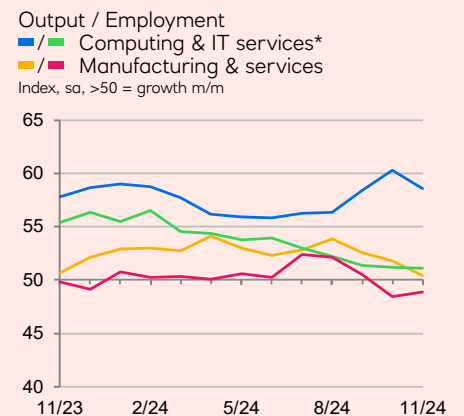
## Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



Sources: NatWest, S&P Global PMI. ©2024 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

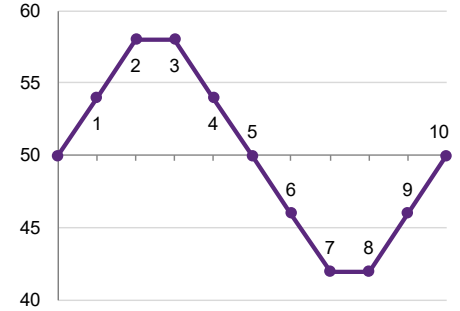
overall decrease. The indices are then seasonally adjusted.

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](mailto:economics@spglobal.com).

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



Sources: NatWest, S&P Global PMI. ©2024 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
6/24	53.9	54.8	52.6	47.1	49.2	70.8	63.3	55.4
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		48.0	50.7	63.7	60.5	55.3

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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