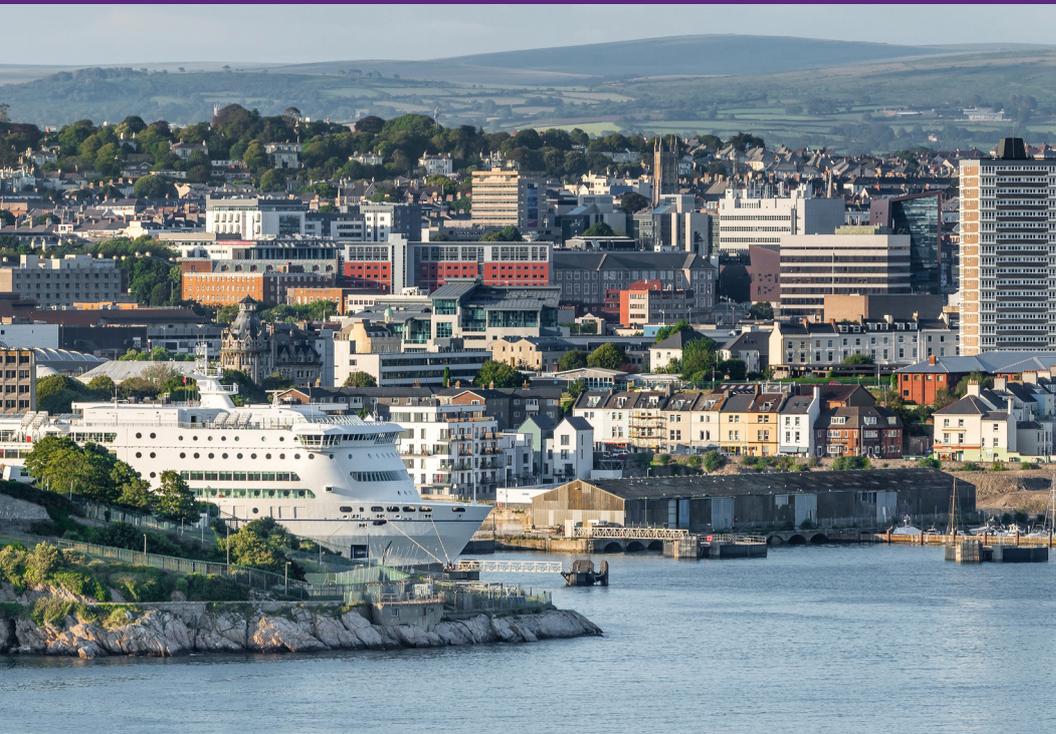


10 September 2024

NatWest South West Growth Tracker

Output growth climbs to 28-month high
and outpaces UK average



NatWest

PMI[®]

by **S&P Global**

10 September 2024

NatWest South West Growth Tracker

Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



NatWest

PMI[®]

by **S&P Global**

Key findings

August 2024

South West sees second-strongest rise in output regionally

Marked increase in new business supports job creation

Price pressures remain among highest across the UK

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 economic growth strongest in 28 months

Output growth in the South West accelerated in August, and was the second-strongest of the 12 UK regions and nations monitored by the NatWest Regional Growth Tracker survey.

Other positive news highlighted by the latest data included another round of marked sales growth and a further increase in local jobs. Price indices retreated since July, though the rate of charge inflation was nevertheless the highest seen across the UK.

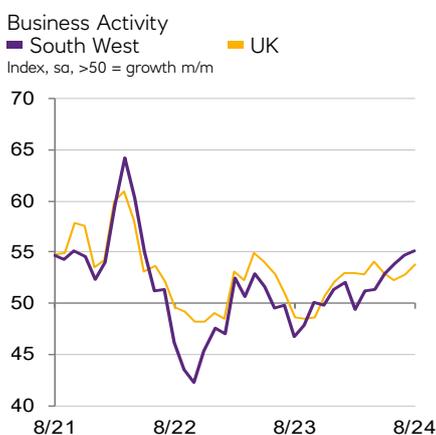
The headline South West Growth Tracker Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – stood at 55.1 in August, up from 54.7 in July and signalling a marked rate of increase that was the quickest since April 2022. Growth was reportedly boosted by demand strength, capacity expansion and successful advertising.

NatWest South West Business Activity Index August 2024

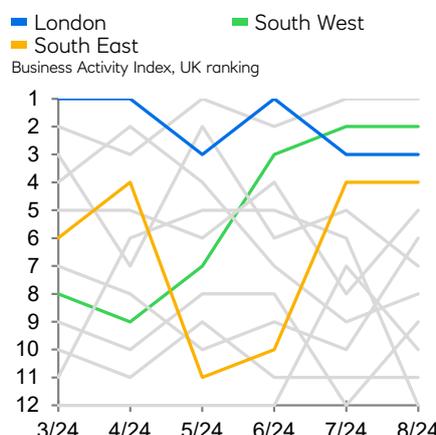
55.1

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 12-28 August



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



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



Comment

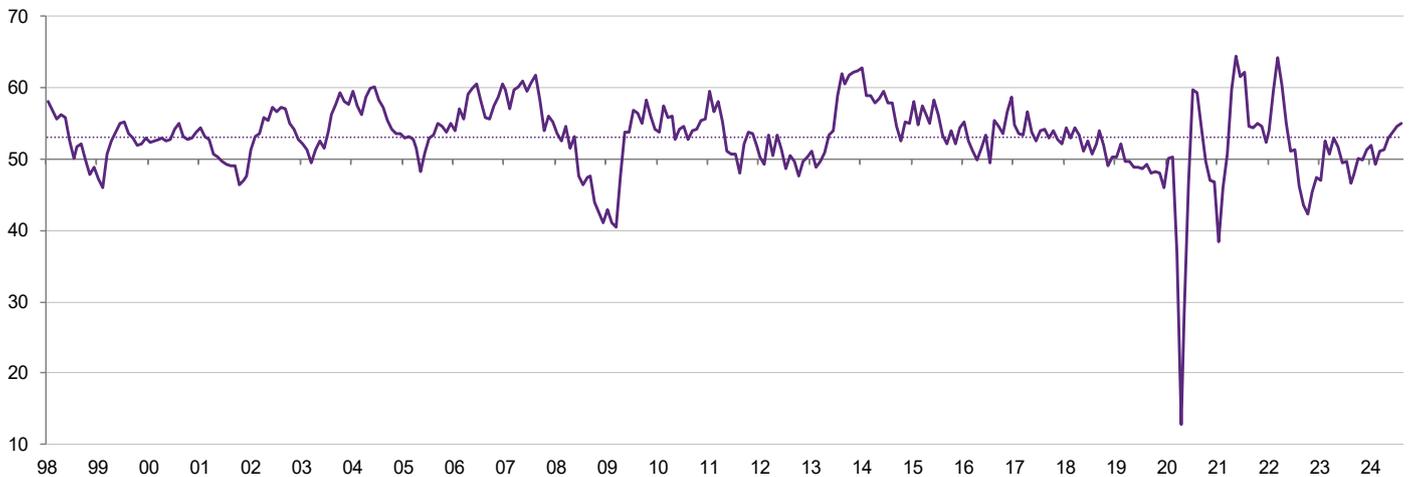
Paul Edwards, Chair of the NatWest South West Regional Board, commented:

"Although the South West lost its top position in the new business growth rankings to London, the region achieved a commendable second place, highlighting robust demand for local goods and services in August. Companies noted that advertising efforts and the rollout of AI supported sales, while clients

showed increased willingness to finalise pending agreements. Strong customer demand prompted firms to scale up business activity volumes and hire additional staff, aiding upbeat business expectations for the upcoming year. It's also encouraging to see inflation rates declining, alongside firms securing a healthy influx of new work, even as they reported the highest rate of charge inflation across the UK."

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

South West firms register second-strongest rise in new business for 27 months

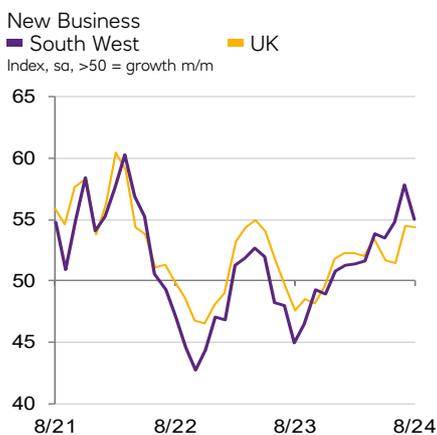
Although new order growth eased in August, it was marked and the second-strongest since May 2022. Qualitative evidence accompanying the survey showed that sales were supported by marketing initiatives, AI (artificial intelligence) roll-out and the signing of pending projects.

London overtook the South West when it came to new business growth in August, but the rate of expansion seen locally was nevertheless the second-best of

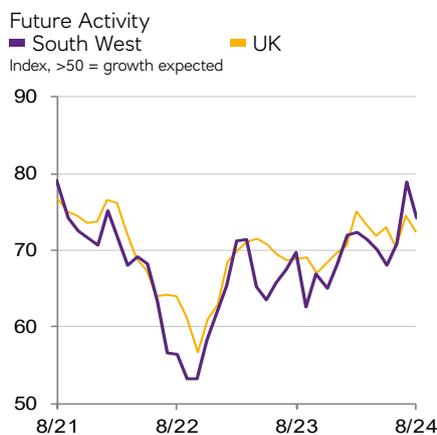
the 12 monitored UK regions and nations.

The level of positive sentiment seen among South West firms in August was beaten only by July 2024 over the past two-and-a-half years. Confidence was also above the national average. Optimism was underpinned by capacity expansion efforts, diversification, better economic conditions, advertising and hopes that pending agreements will be signed.

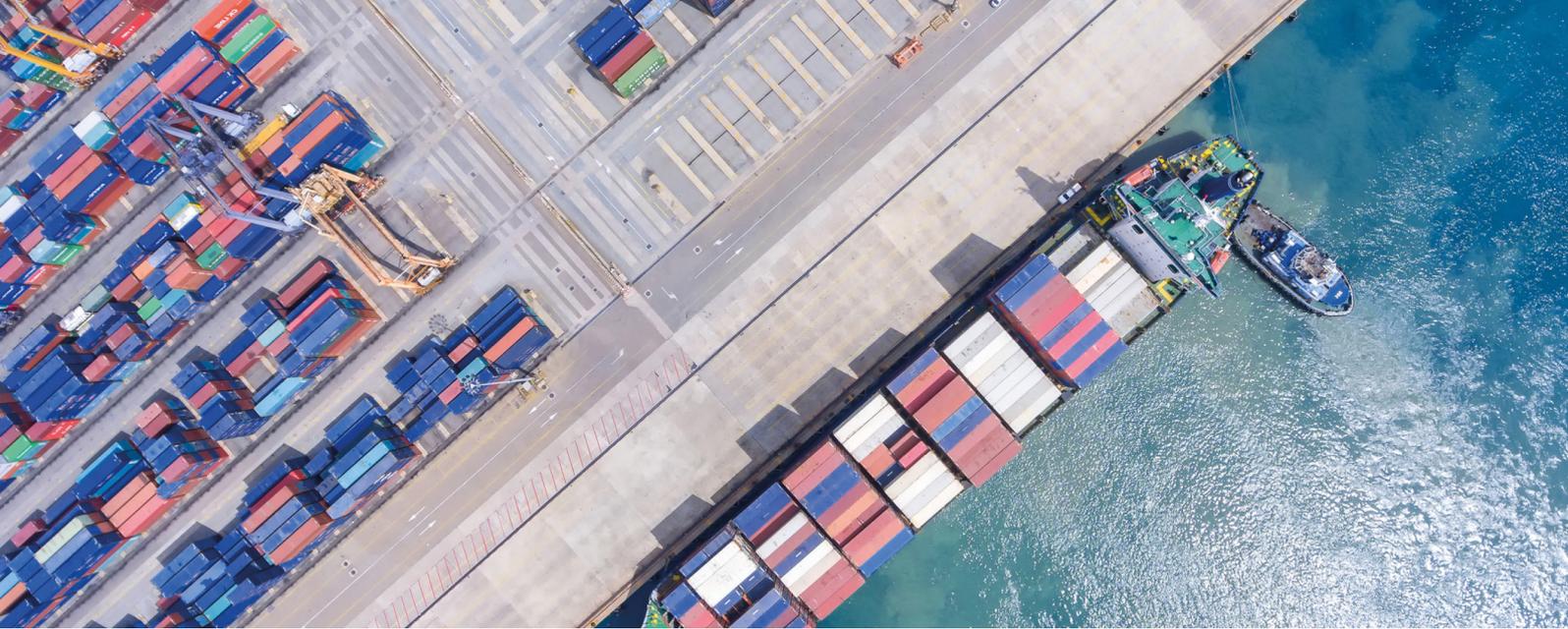
"Although the South West lost its top position in the new business growth rankings to London, the region achieved a commendable second place"



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



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



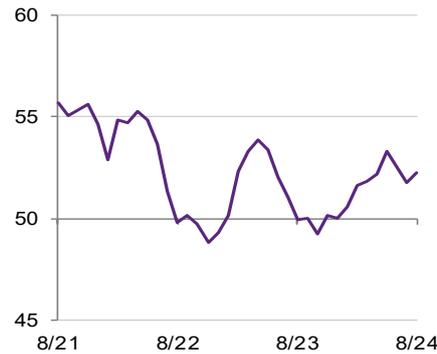
Export markets

Export conditions improve midway through third quarter

The South West ECI posted 52.3 in August, up from July's four-month low of 51.8 and inside growth territory (above 50.0) for the tenth successive survey period. Yet, the latest figure remained below its long-run average and indicated a moderate pace of expansion.

A return to economic growth in France complemented sustained increases in output across Ireland and the US. Conversely, the downturns in Germany and the Netherlands intensified.

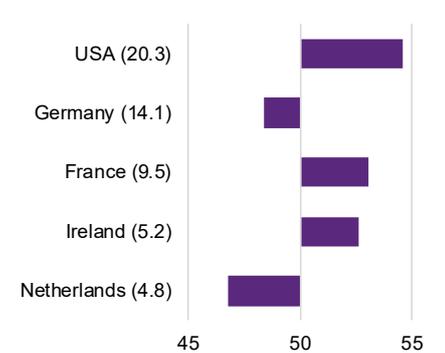
Export Conditions Index, sa, >50 = growth m/m



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

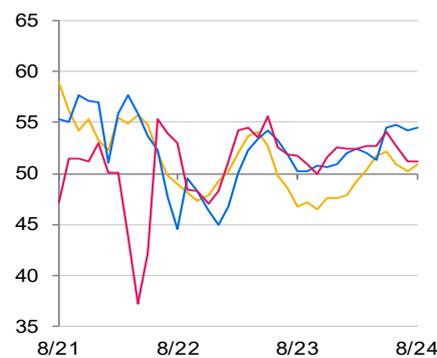
The South West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South West. A reading above 50 signals an improvement in 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. ©2024 S&P Global.

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



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



Jobs and capacity

August data highlight back-to-back increases in private sector employment

The latest results showed that the positive trend for South West private sector employment seen at the start of the third quarter continued into August. Little-changed from July, the pace of job creation was above the long-run series average. New business growth was cited as by far the main driver of recruitment initiatives.

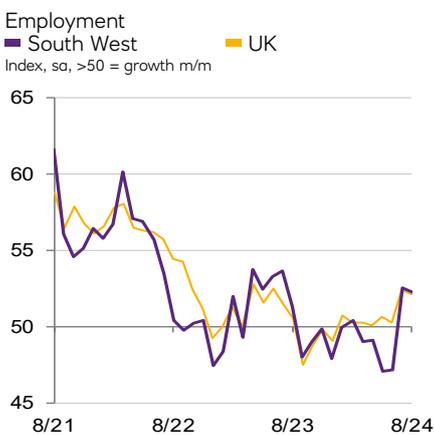
The local increase in payroll numbers was broadly aligned with the national average, with the South

West placed sixth out of 12 in the UK regions and nations rankings regarding employment trends.

In turn, this sustained rise in headcounts allowed companies to allocate resources towards the completion of pending workloads. Outstanding business volumes decreased to the greatest extent in nine months.

Northern Ireland bucked the wider trend and was the sole area to see rising backlogs, with only the East Midlands posting a slower fall than that recorded in the South West.

"Strong customer demand prompted firms to scale up business activity volumes and hire additional staff"



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



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



Inflation

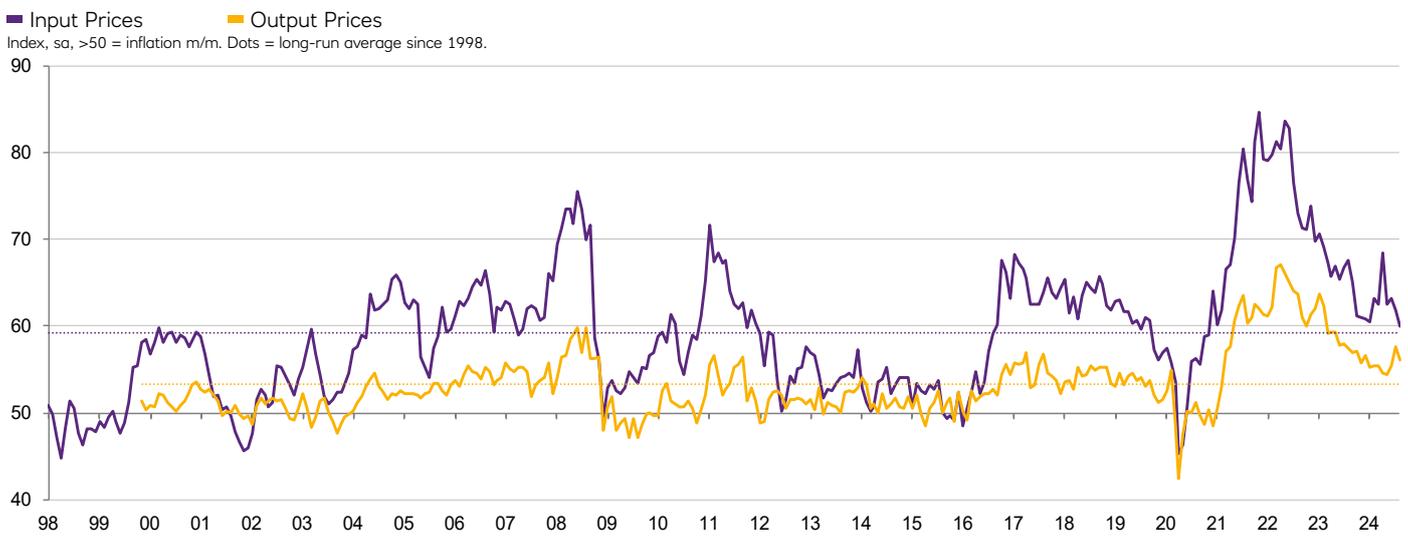
South West sees strongest rise in selling prices nationally

Despite receding since July, the rate of output charge inflation in the South West was the highest of all areas of the UK monitored by the survey. The upturn was the second-strongest in eight months and above its long-run average.

Monitored companies indicated that selling prices had been raised in response to greater input, insurance, labour and utility costs.

Average input prices rose to a lesser extent midway through the third quarter, but the rate of inflation remained elevated by historical standards. The respective seasonally adjusted index was more than ten points above the no-change mark of 50.0 and surpassed the national average.

"It's encouraging to see inflation rates declining"



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

UK Regional Growth Tracker

Business Activity

Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

Future Activity

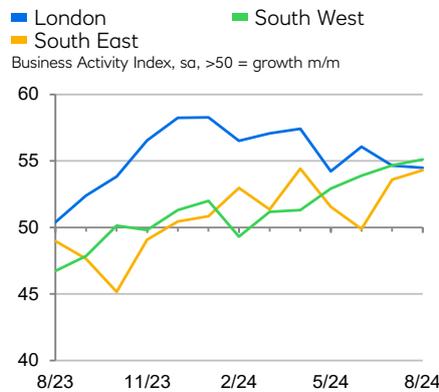
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



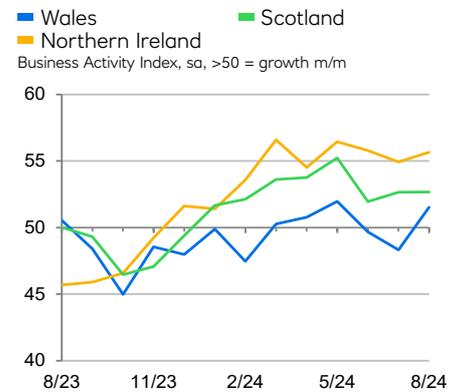
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



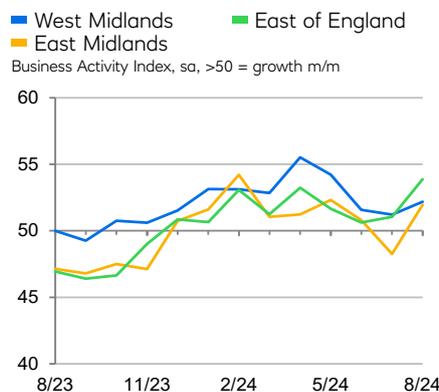
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



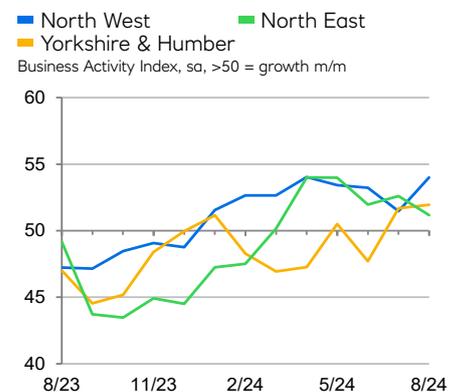
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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



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



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

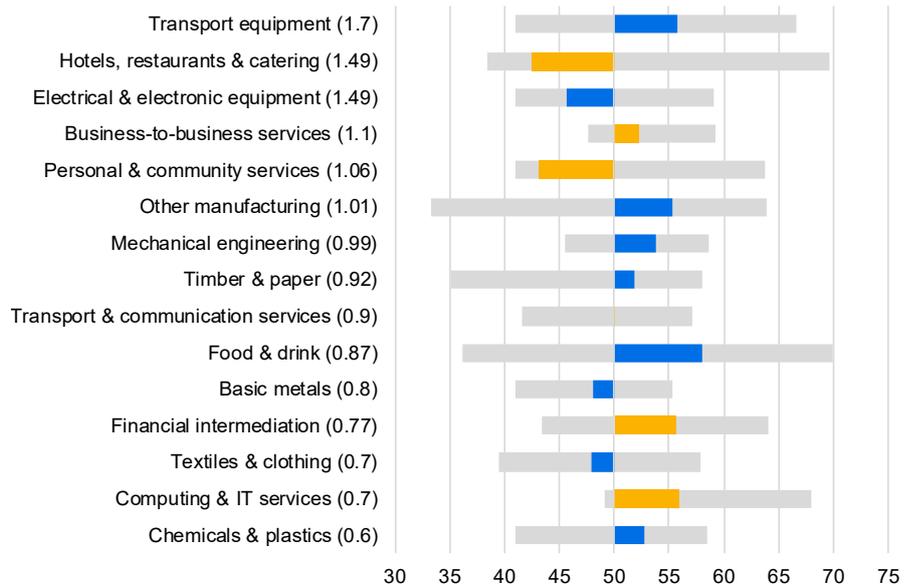
UK sectors

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 Aug '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: Food & drink

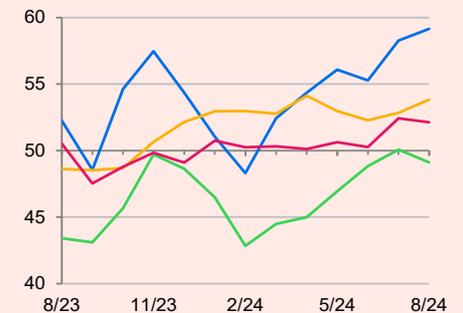
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

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



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

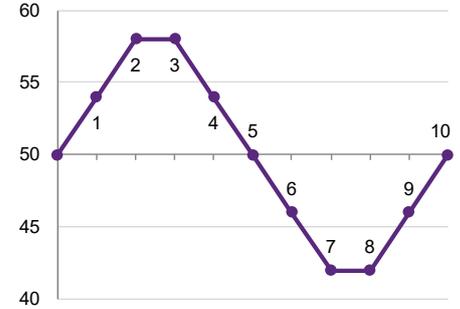
overall decrease. The indices are then seasonally adjusted.

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.

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
3/24	51.2	51.7	51.8	49.1	48.3	71.4	62.5	55.5
4/24	51.3	53.9	52.2	49.1	48.7	70.1	68.4	54.6
5/24	52.9	53.5	53.3	47.1	47.6	68.0	62.5	54.4
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

Further information

NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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

www.linkedin.com/company/natwest-business/

PMI by S&P Global

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

S&P Global

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com

Contact

Vonnie Sandlan
Regional Campaign Manager
NatWest
+44 (0) 7401 278 778
yvonne.sandlan@natwest.com

Pollyanna De Lima
Economics Associate Director
S&P Global Market Intelligence
+44 1491 461 075
pollyanna.delima@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.



NatWest

PMI®

by **S&P Global**