

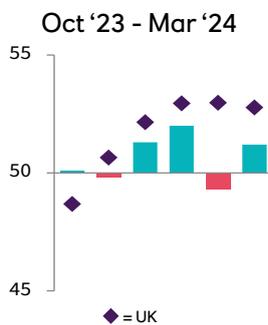


NatWest

NatWest South West PMI[®]

Output growth resumes in March as new business continues to rise

South West Business Activity Index



Key findings

Fastest increase in new work since May 2023

Employment falls amid sustained wage pressures

Confidence slips to three-month low but remains strong

The headline NatWest South West PMI[®] 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 – climbed back above the 50.0 no-change mark in March, rising to 51.2 from 49.3 in February, to signal a marginal expansion in output at the end of the first quarter. The uplift followed an additional boost to new order inflows, which was modest but the strongest in nearly a year.

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

"A further improvement in new work volumes meant that February's dip in business activity was self-contained, as March survey data pointed to a modest upturn in output. The expansion was mild when compared with the UK average, but nonetheless offered consolation that the South West region's economy is on an upwards path. Indeed, signs of a local and UK economic recovery continued to support business confidence, rounding out a first quarter where sentiment has trended higher than during much of the last two years.

"Although price pressures were cooler than in recent years, they remained elevated in March, with input costs rising sharply amid higher wages. Subsequently, firms often decided to keep vacant positions unfilled despite rising new work intakes, leading to a renewed drop in employment. The South West's private sector workforce has contracted six times in the past seven months, which may serve to inhibit growth if demand continues to strengthen."

South West Business Activity Index

sa, >50 = growth since previous month



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About the South West PMI® report

The NatWest South West PMI® 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

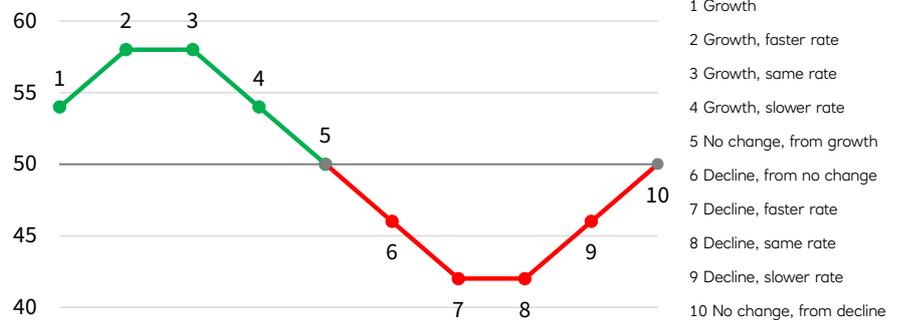
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'South West PMI', but is not comparable with the headline UK Manufacturing PMI figure.

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 PMI survey methodology, please contact economics@spglobal.com.

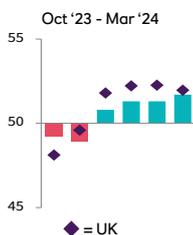
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



New business growth quickens

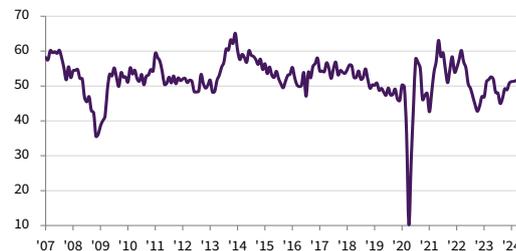
The volume of new business at companies in the South West rose in March, continuing the run of growth that began last December. Where an uptick in new work was noted, firms commented on improving client confidence, new bookings and greater export orders. Although moderate, the rate of expansion accelerated slightly to a ten-month high. It was also more closely aligned with the UK average.

New Business Index

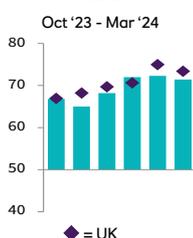
sa, >50 = growth since previous month

51.7

Mar '24



Future Activity Index



Optimism remains stronger than survey trend

South West businesses gave an upbeat assessment of the 12-month outlook at the end of the first quarter. Despite ticking down to a three-month low, the level of confidence was still much higher than the series long-run trend, with over half (52%) of respondents expecting growth. Survey comments often cited hopes of an economic recovery, with manufacturers showing greater optimism than services companies.

Future Activity Index

>50 = growth expected over next 12 months

71.4

Mar '24



Export Climate Index



Export conditions improve again in March

The South West Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the South West. This produces an indicator for the economic health of the region's export markets.

The index ticked up from 51.8 to 51.9 in March, indicating an improvement in the export climate for the fifth month running. Moreover, the upturn was the strongest recorded since last June.

The US remained a key source of export demand in March as private sector output rose solidly. Irish activity also improved, while the Netherlands saw its first expansion in just over a year. German and French output declined, but to slower degrees than in February.

Export Climate Index

sa, >50 = growth since previous month

51.9

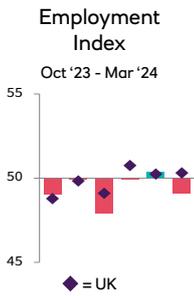
Mar '24



Top export markets, South West

Rank	Market	Weight	Output Index, Mar '24
1	USA	21.2%	52.1
2	Germany	12.2%	47.7
3	France	9.8%	48.3
4	Netherlands	5.8%	50.3
5	Ireland	4.8%	53.2

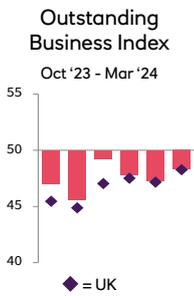
Business capacity



South West employment falls slightly in March

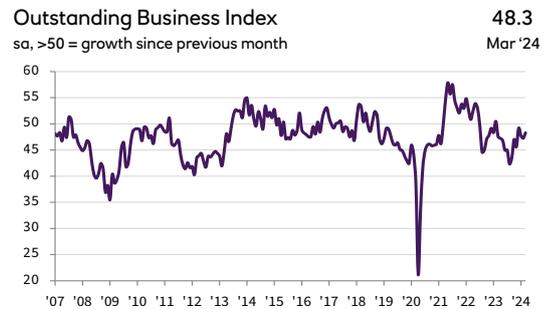
The number of people employed at firms in the South West dropped slightly in March, as indicated by the seasonally adjusted Employment Index returning to sub-50.0 territory. This followed the first expansion in six months during February. Lower staff numbers were often linked to the non-replacements of leavers.

Sector data indicated that the fall in employment was concentrated on the goods segment, whereas service providers saw an uptick in staffing.

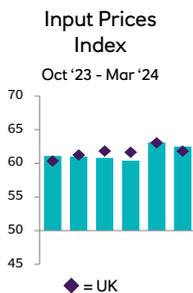


Backlogs decline modestly

South West companies depleted their levels of unfinished business for the thirteenth consecutive month in March. However, the rate of reduction softened from the previous survey period and was only modest. Survey panellists noted that rising new orders had squeezed efforts to reduce backlogs.



Prices



Input price pressures tick lower

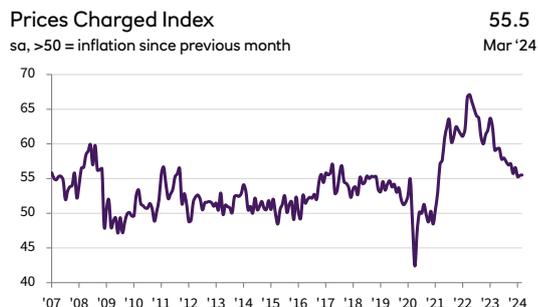
Businesses in the South West continued to face higher input costs at the end of the first quarter. The pace of inflation was marked, but eased slightly from February's five-month high and was one of the softest seen in the past three years. Reports commonly linked higher costs to wage rises, while some firms cited upticks in material prices.

While input cost pressures remained much stronger in the service category, the latest data signalled a renewed increase in manufacturing costs.



Prices Charged Index stable in March

The degree to which South West firms raised their output prices was unchanged in March, with the data signalling a sharp increase in charges overall. That said, the pace of inflation was still one of the slowest recorded since early-2021, and softer than the national trend. Businesses tended to raise their charges in order to pass higher costs on to customers.



UK Sector PMI

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, Mar '24
1	Transport	1.70	48
2	Electrical & Optical	1.49	48
3	Other Manufacturing	1.01	52
4	Mechanical Engineering	0.99	52
5	Timber & Paper	0.92	52
6	Food & Drink	0.87	52
7	Basic Metals	0.80	48
8	Textiles & Clothing	0.70	48
9	Chemicals & Plastics	0.60	52

South West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '24
1	Hotels, Restaurants & Catering	1.49	55
2	Business-to-business Services	1.10	52
3	Personal & Community Services	1.06	48
4	Transport & Communication	0.90	50
5	Financial Intermediation	0.77	52
6	Computing & IT Services	0.70	52

UK sector focus

Hotels, Restaurants & Catering

The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
Oct '23	50.1	49.2	49.4	66.8	49.0	47.0	61.1	57.1
Nov '23	49.8	48.9	50.1	65.0	49.9	45.6	61.0	55.7
Dec '23	51.3	50.8	50.1	68.2	47.9	49.2	60.8	56.6
Jan '24	52.0	51.3	50.7	72.0	49.9	47.8	60.4	55.3
Feb '24	49.3	51.3	51.8	72.3	50.4	47.3	63.1	55.5
Mar '24	51.2	51.7	51.9	71.4	49.1	48.3	62.5	55.5

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About NatWest

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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.

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About PMI

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