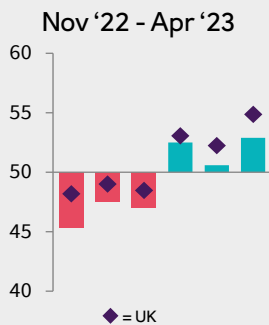


# NatWest South West PMI<sup>®</sup>

## Business activity growth hits 11-month high

### South West Business Activity Index



### Key findings

Stronger upturn in activity as new order growth revives

Fresh rise in employment

Input cost inflation cools to 26-month low

The headline NatWest South West PMI<sup>®</sup> 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 – increased to 52.9 in April from 50.6 in March, to signal a third successive monthly expansion of output across the region. The rate of growth was the best seen since May 2022 and solid overall, but remained below that seen on average across the UK private sector as a whole.

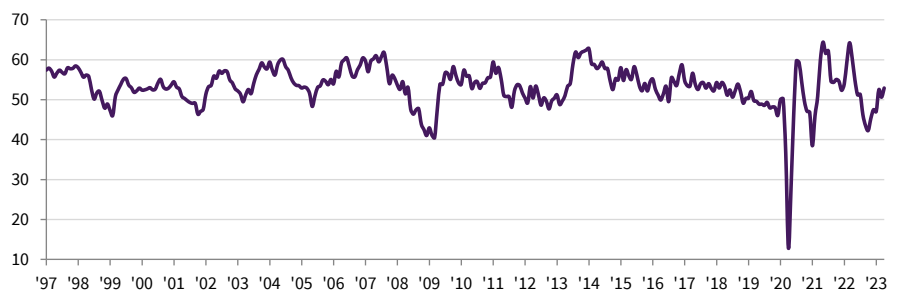
The upturn was supported by the quickest increase in new work for nearly a year, which prompted firms to expand their staffing levels at a solid pace. This helped to improve capacity, and backlogs of work declined again in April. Cost pressures showed further signs of easing, as average input prices rose at the softest pace in over two years. Nevertheless, higher costs drove another steep rise in selling prices.

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

*"Private sector companies across the South West had an encouraging start to the second quarter, with firms reporting the steepest increases in output and new orders for nearly a year. Efforts to expand capacity meanwhile drove a renewed upturn in employment, and one that was solid overall. Firms have also reported a further easing in the rate of cost inflation, which dipped to its lowest in more than two years. However, concerns over lingering economic uncertainty, higher interest rates and the ongoing squeeze on clients' budgets dampened business confidence slightly in April. Furthermore, despite cost inflation moderating, average selling prices increased at a slightly faster pace as firms looked to protect their operating margins."*

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

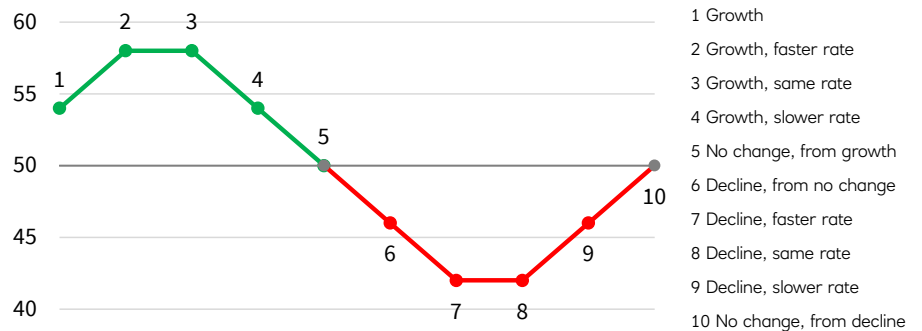
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the '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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New order growth improves to 11-month high

South West private sector companies signalled a further increase in overall new business during April, thereby stretching the current period of expansion to three months. Furthermore, the rate of growth was the best seen for nearly a year and solid. Companies that registered greater amounts of new work often linked this to firmer demand conditions, new product releases and improved marketing.

A steeper rise in sales was also seen at the national level in April, and one that continued to outpace that seen in the South West.

### Business confidence softens in April

After improving to a 13-month high in March, business confidence in the South West around the one-year outlook for output softened in April. The overall degree of positive sentiment slipped to a four-month low and was weaker than the UK average. Companies that were optimistic that activity will rise generally commented on hopes that economic conditions will improve, and client numbers will increase. However, some firms indicated that lingering economic uncertainty and rising costs and interest rates may dampen growth prospects.

## Exports

### Solid improvement in export conditions

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 seasonally adjusted Export Climate Index posted above the neutral 50.0 threshold at 53.8 in April, to signal an improvement in export conditions for South West private sector firms for the fourth straight month. Notably, the index was up from 53.2 in March to indicate a solid rate of improvement that was the best seen since May 2022.

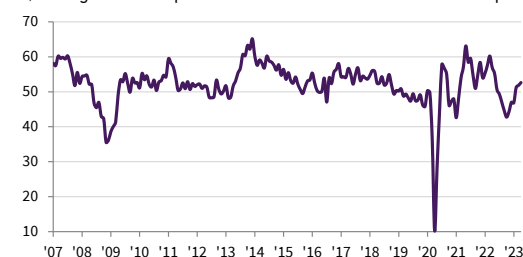
Output rose across all of the region's top five export markets bar the Netherlands. Germany recorded the strongest rate of growth.

### New Business Index

sa, >50 = growth since previous month

52.6

Apr '23

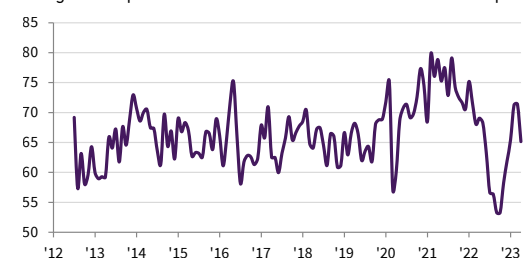


### Future Activity Index

>50 = growth expected over next 12 months

65.1

Apr '23

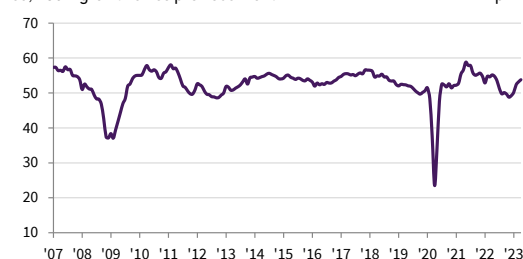


### Export Climate Index

sa, >50 = growth since previous month

53.8

Apr '23

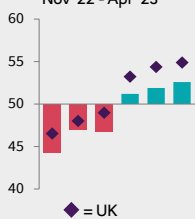


### Top export markets, South West

Rank	Market	Weight	Output Index, Apr '23
1	USA	21%	53.4
2	Germany	12%	54.2
3	France	10%	52.4
4	Netherlands	6%	47.7
5	Ireland	5%	53.5

### New Business Index

Nov '22 - Apr '23



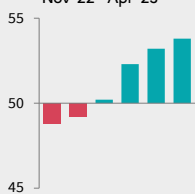
### Future Activity Index

Nov '22 - Apr '23



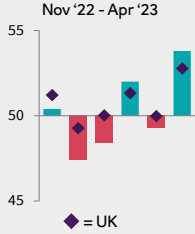
### Export Climate Index

Nov '22 - Apr '23



## Business capacity

### Employment Index

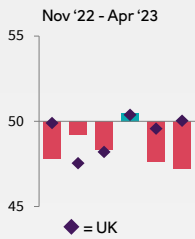


### Solid increase in staffing levels

The seasonally adjusted Employment Index moved back above the no-change 50.0 mark in April to signal the second increase in South West private sector employment in the past three months. Furthermore, the rate of job creation was the steepest seen since June 2022 and quicker than the UK-wide trend.

Anecdotal evidence indicated that businesses added to their payrolls due to rising business requirements and projections of further increases in activity in the months ahead.

### Outstanding Business Index



### Unfinished workloads fall for second straight month

The level of outstanding business at South West private sector firms fell for the ninth time in the past ten months in April. The rate of depletion was the fastest seen since last October and solid overall. Lower backlogs were often attributed to improved efficiency and sufficient capacity.

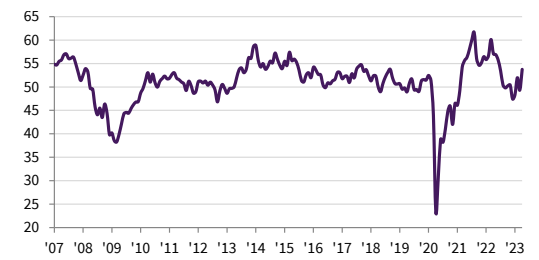
The sustained drop in unfinished workloads in the region contrasted with stable backlogs across the UK as a whole.

### Employment Index

sa, >50 = growth since previous month

53.8

Apr '23

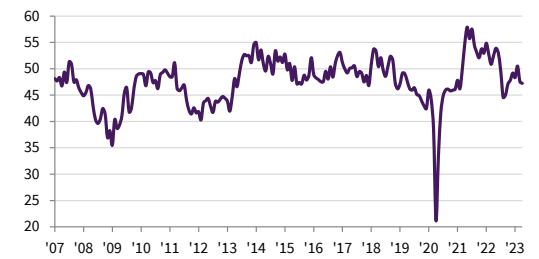


### Outstanding Business Index

sa, >50 = growth since previous month

47.2

Apr '23



## Prices

### Input price inflation dips to 26-month low

Operating expenses faced by South West private sector businesses increased for the thirty-fifth month in a row in April. Though rapid and quicker than the historical trend, the rate of inflation was the softest seen since February 2021. The upturn in costs was also not as sharp as that seen on average across the UK private sector.

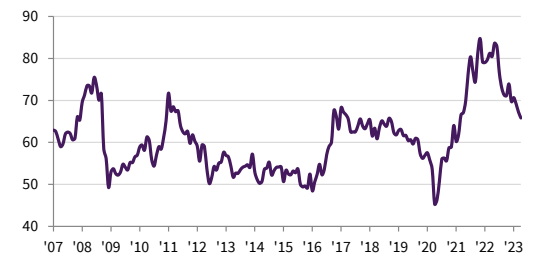
Firms often mentioned that prices had increased across the board, with higher energy, raw material and staff costs mentioned in particular.

### Selling prices continue to rise markedly

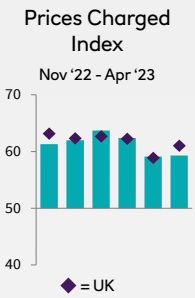
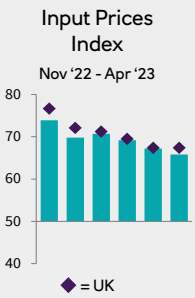
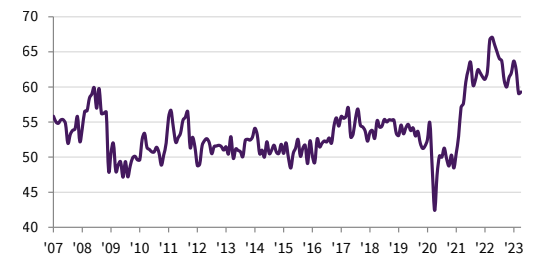
Average prices charged by private sector companies in the South West rose sharply at the start of the second quarter. Higher selling prices reportedly stemmed from efforts to pass on additional costs to clients to help ease pressure on margins. The rate of increase quickened fractionally from March, but was nevertheless the second-softest seen since April 2021.

The rate of output charge inflation also quickened at the national level, and was sharper than that seen in the South West.

Input Prices Index  
sa, >50 = inflation since previous month  
65.8  
Apr '23



Prices Charged Index  
sa, >50 = inflation since previous month  
59.3  
Apr '23



## 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, Apr '23*
1	Transport	1.50	55
2	Electrical & Optical	1.45	55
3	Other Manufacturing	1.02	52
4	Mechanical Engineering	0.99	52
5	Basic Metals	0.90	50
6	Timber & Paper	0.86	40
7	Food & Drink	0.83	48
8	Textiles & Clothing	0.78	48
9	Chemicals & Plastics	0.67	48

#### South West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '23*
1	Hotels, Restaurants & Catering	1.42	58
2	Business-to-business Services	1.09	55
3	Personal & Community Services	0.98	52
4	Transport & Communication	0.88	48
5	Financial Intermediation	0.86	58
6	Computing & IT Services	0.69	58

## UK sector focus

### Basic Metals

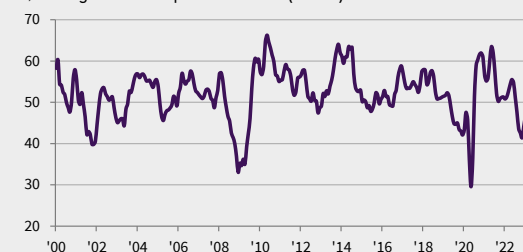
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

#### Output Index

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



\*3-month moving average



## UK Regional PMI overview

### Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland\*) where the pace of expansion slowed.

### Employment

Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

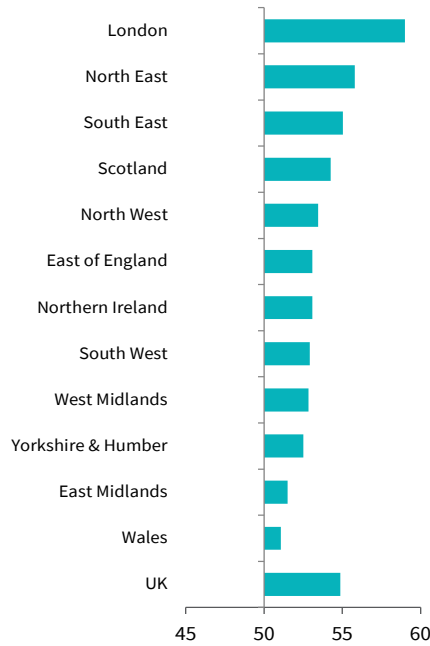
### Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

\* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.

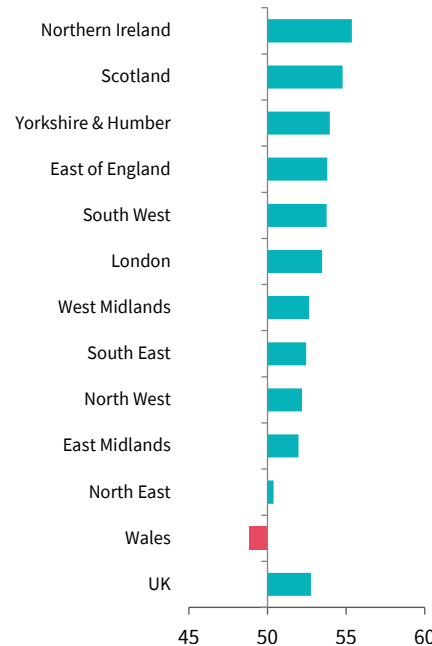
#### Business Activity Index

sa, >50 = growth since previous month, Apr '23



#### Employment Index

sa, >50 = growth since previous month, Apr '23



#### Future Activity Index

>50 = growth expected over next 12 months, Apr '23



## 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
Nov '22	45.3	44.3	48.8	58.2	50.4	47.8	73.9	61.3
Dec '22	47.5	47.0	49.2	61.9	47.4	49.2	69.8	62.0
Jan '23	47.0	46.8	50.2	65.4	48.4	48.3	70.7	63.7
Feb '23	52.5	51.2	52.3	71.2	52.0	50.5	69.2	62.4
Mar '23	50.6	51.9	53.2	71.4	49.3	47.6	67.2	59.1
Apr '23	52.9	52.6	53.8	65.1	53.8	47.2	65.8	59.3

## Contact

Noel Davies  
Regional Campaign Manager  
NatWest  
+44 (0) 7970 332 895  
[noel.davies@natwest.com](mailto:noel.davies@natwest.com)

Annabel Fiddes  
Economics Associate Director  
S&P Global Market Intelligence  
+44 149 1461 010  
[annabel.fiddes@spglobal.com](mailto:annabel.fiddes@spglobal.com)

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

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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.

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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.

### About PMI

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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