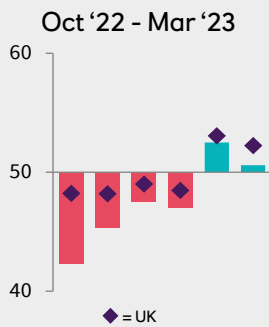


NatWest South West PMI®

Softer rise in business activity during March

South West Business Activity Index



Key findings

Business activity growth slows despite further rise in new work

Optimism around 12-month outlook remains strong

Input cost inflation slips to near two-year low

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 – slipped from 52.5 in February to 50.6 in March. Although this signalled a second successive monthly increase in business activity, the rate of growth was only slight and softer than the UK-wide trend.

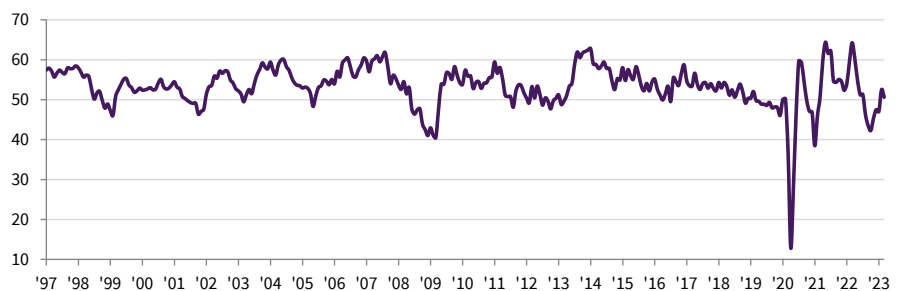
The slower rise in output occurred despite a slightly quicker uptick in total new business, which was linked to improved client confidence and spending. Encouragingly, firms remained highly upbeat that output would rise further over the coming months, with overall optimism hitting a 13-month high. Capacity pressures weakened, however, as highlighted by a fresh fall in backlogs, which contributed to a marginal decline in staffing levels. There were further signs that inflationary pressures were easing, with both input costs and output charges rising at the softest rates in nearly two years.

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

"March PMI data indicated a sustained rise in business activity across the South West at the end of the first quarter, though the pace of expansion softened from February as some firms were impacted by staff shortages or lower than anticipated sales. New orders rose modestly, as firms mentioned that client confidence and spending had improved overall. It was encouraging to note that companies widely anticipate headwinds to recede and economic conditions to strengthen in the months ahead, which helped to push up business confidence to a 13-month high. Although still sharp by historical standards, increases in input costs and selling prices eased, adding to hopes that the worst of the cost-of-living crisis and supplier price hikes are over."

South West Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

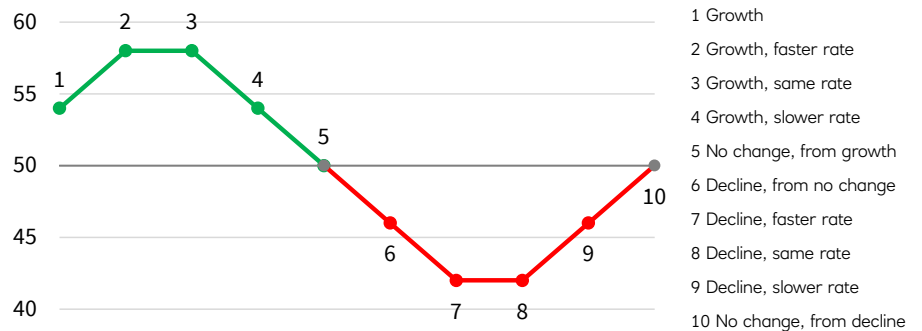
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Total new orders expand again in March

Adjusted for seasonality, the New Business Index signalled a second successive monthly increase in new orders placed with private sector firms in the South West during March. Where higher sales were reported, firms generally attributed this to increased client spending as business confidence strengthened. The rate of growth quickened from February and was the best seen for ten months. Nevertheless, the upturn remained mild overall and softer than that seen across the UK as a whole.

Business confidence edges up to 13-month high

Private sector firms based in the South West were strongly confident that business activity will rise from current levels over the next 12 months in March. Furthermore, the overall degree of optimism ticked up to a 13-month high and was slightly above the UK-wide average. Hopes of further improvements in economic conditions and increased client spending underpinned growth projections, with planned company expansions and new marketing campaigns also supporting forecasts.

Exports

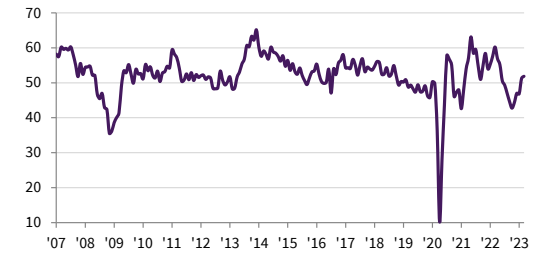
Strongest improvement in export conditions for nine months

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.

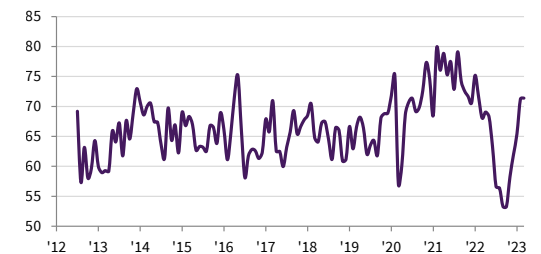
Export conditions faced by South West private sector firms improved for the third straight month in March. This was signalled by the respective index posting above the neutral 50.0 mark at 53.2, up from 52.3 in February. Furthermore, this marked the strongest pace of improvement since June 2022.

Four of the region's top five export markets registered increased business activity at the end of the first quarter, led by Ireland. The Netherlands meanwhile recorded lower output for the first time in three months, albeit the rate of contraction was modest overall.

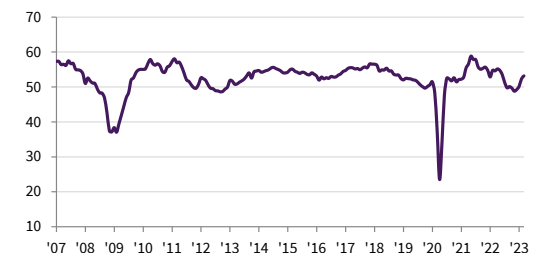
New Business Index
sa, >50 = growth since previous month
51.9
Mar '23



Future Activity Index
>50 = growth expected over next 12 months
71.4
Mar '23



Export Climate Index
sa, >50 = growth since previous month
53.2
Mar '23



Top export markets, South West

Rank	Market	Weight	Output Index, Mar '23
1	USA	21%	52.3
2	Germany	12%	52.6
3	France	10%	52.7
4	Netherlands	6%	48.2
5	Ireland	5%	52.8



Business capacity

Fresh fall in workforce numbers in March

After expanding for the first time in three months in February, employment across the South West private sector fell back into decline in March. The rate of job shedding was marginal, however, and weaker than those seen at the turn of the year. Firms that registered lower payrolls often linked this to the non-replacement of voluntary leavers.

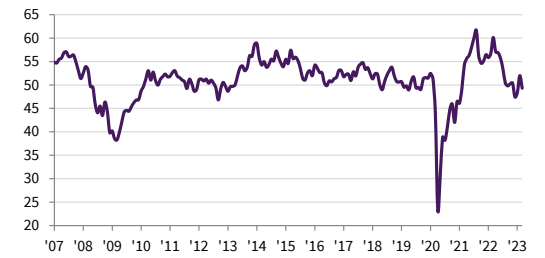
Across the UK as a whole, employment was unchanged after a mild increase in February.

Outstanding workloads decline

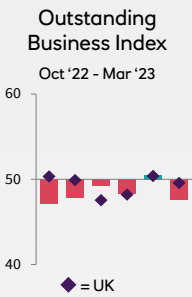
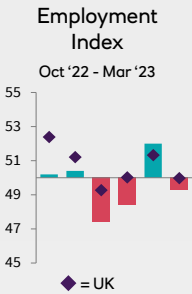
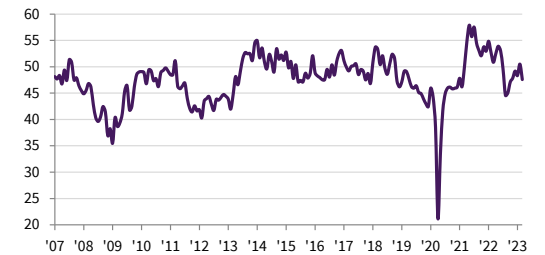
South West private sector firms signalled a renewed fall in unfinished business in March. Backlogs have now declined in eight of the past nine months, with the latest reduction the quickest since October 2022. The pace of depletion was also faster than the national average.

According to anecdotal evidence, the completion of projects and improved supply chain performance had helped to reduce levels of outstanding business.

Employment Index
sa, >50 = growth since previous month



Outstanding Business Index
sa, >50 = growth since previous month



Prices

Softest increase in input costs for nearly two years

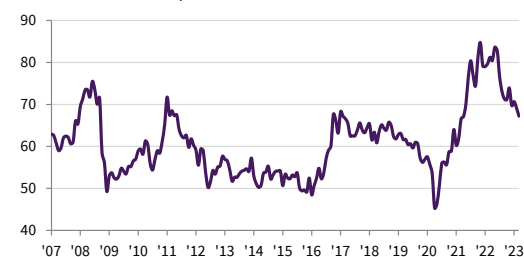
The rate of input price inflation across the South West private sector moderated again in March. Though sharp and well above the historical average, the latest increase in costs was the softest seen in 23 months. According to panel members, cost pressures generally stemmed from supplier price hikes and increased energy and staff expenses.

Measured across the UK as a whole, average input cost inflation also edged down to a near two-year low and was similar to that seen in the South West.

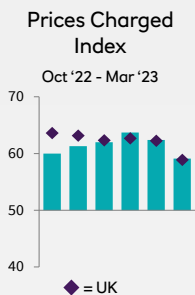
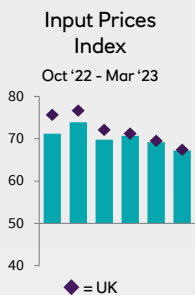
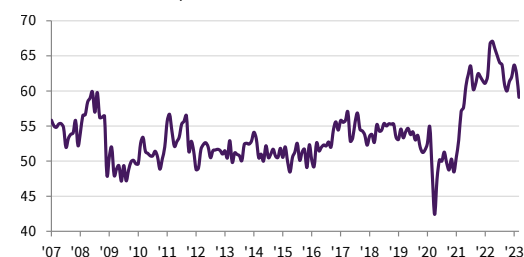
Output charge inflation moderates to 23-month low

The seasonally adjusted Prices Charged Index pointed to a sustained increase in prices charged by South West private sector firms in March. Companies that raised their selling prices often mentioned that this was due to the pass-through of higher input costs to customers. Though well above the series average, the rate of charge inflation was the slowest seen in 23 months and broadly similar to that seen at the national level.

Input Prices Index
sa, >50 = inflation since previous month
67.2
Mar '23



Prices Charged Index
sa, >50 = inflation since previous month
59.1
Mar '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, Mar '23*
1	Transport	1.50	50
2	Electrical & Optical	1.45	50
3	Other Manufacturing	1.02	50
4	Mechanical Engineering	0.99	50
5	Basic Metals	0.90	50
6	Timber & Paper	0.86	40
7	Food & Drink	0.83	50
8	Textiles & Clothing	0.78	45
9	Chemicals & Plastics	0.67	45

South West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '23*
1	Hotels, Restaurants & Catering	1.42	55
2	Business-to-business Services	1.09	55
3	Personal & Community Services	0.98	50
4	Transport & Communication	0.88	50
5	Financial Intermediation	0.86	55
6	Computing & IT Services	0.69	55

UK sector focus

Hotels, Restaurants & Catering

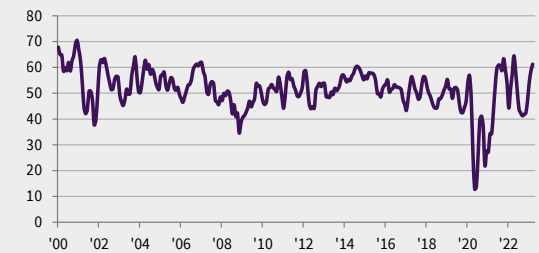
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

Output Index

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



*3-month moving average



UK Regional PMI overview

Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
Oct '22	42.3	42.7	49.7	53.3	50.2	47.1	71.2	60.0
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

Contact

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

Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
+44 149 1461 010
annabel.fiddes@spglobal.com

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

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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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