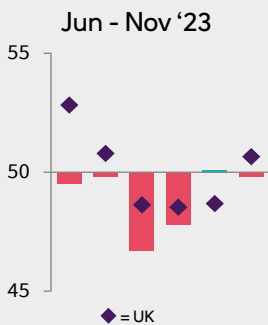


NatWest South West PMI[®]

Fractional fall in business activity during November

South West Business Activity Index



Key findings

Fresh decline in output amid further decrease in new orders

Staffing levels broadly stable

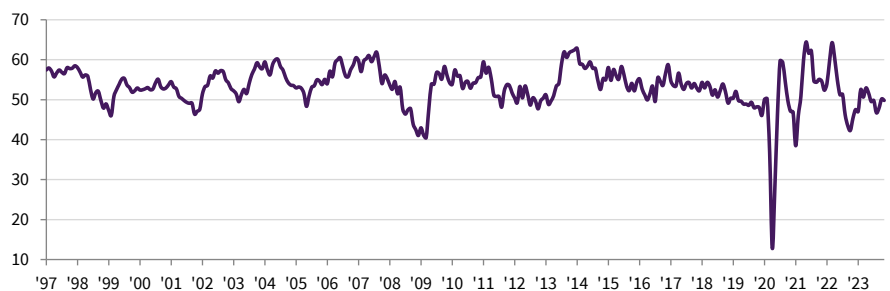
Rates of input cost and output charge inflation ease but remain sharp

At 49.8 in November, 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 – fell from 50.1 in October and below the no-change 50.0 mark to signal a fractional reduction in business activity. This was the fifth time in the last six months that output had declined, with companies blaming the latest fall on lower intakes of new work. Business activity meanwhile expanded slightly across the UK as a whole, following three months of contraction.

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

"After broadly stabilising in October, the latest PMI data indicated that business activity across the South West slipped back into contraction territory during November. Though only fractional, the fall contrasted with a slight increase in output at the national level, with companies in the region often blaming the subdued performance on weak customer demand. Furthermore, lingering economic uncertainty and high inflation has led clients to become more reluctant to commit to sales and new projects, with total new orders falling for the sixth month in a row. As a result, companies in the South West continued to deplete their backlogs of work, which fell at a solid and accelerated pace. With demand waning and signs of excess capacity, there could be further cuts to output in the months ahead unless we see inflows of new business revive."

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

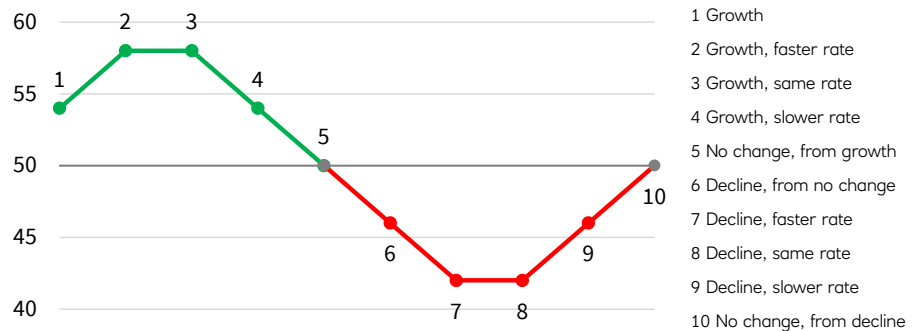
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

South West private sector companies recorded a decline in overall new work for the sixth successive month in November. Despite quickening from October, the rate of reduction was modest and weaker than seen on average over this period. Subdued client confidence and hesitancy to commit to new orders was cited as having dampened sales in the latest survey period.

Measured across the UK as a whole, new business fell at a marginal rate that was the softest in four months.

Optimism around 2024 softens slightly

Businesses operating in the South West remained upbeat that output levels would rise over the next year in November. The degree of optimism was strong overall, albeit weaker than that seen in October. Sentiment was also not as robust as that seen on average across the UK as a whole.

Companies that projected higher business activity often linked this to hopes of stronger client demand, new product releases, new investments and greater market share. However, there were some concerns over the current subdued economic climate.

Exports

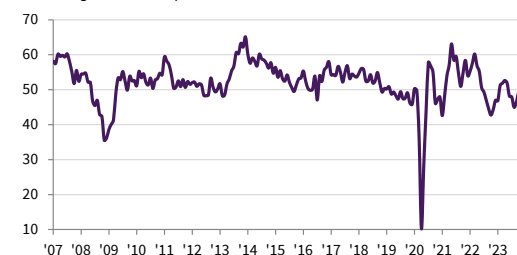
Export conditions weaken for second straight month

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.

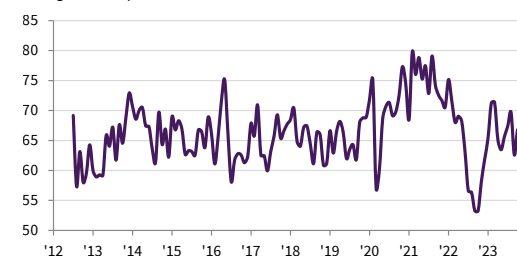
The index posted 50.1 in November, up from 49.4 in October to signal broadly stable export conditions for South West firms. This followed a slight deterioration in conditions in the previous month.

Divergent trends were reported across the region's top five export markets midway through the final quarter. Business activity rose modestly in Ireland and slightly in the US. However, solid drops in output were reported in France and the Netherlands, and activity fell modestly in Germany.

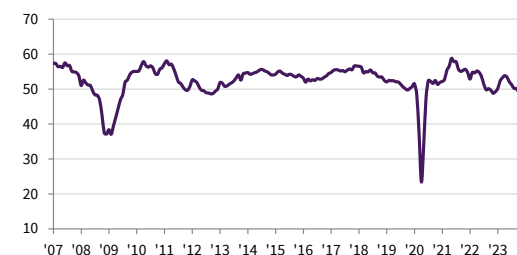
New Business Index
sa, >50 = growth since previous month
48.9
Nov '23



Future Activity Index
>50 = growth expected over next 12 months
65.0
Nov '23



Export Climate Index
sa, >50 = growth since previous month
50.1
Nov '23



Top export markets, South West

Rank	Market	Weight	Output Index, Nov '23
1	USA	21%	50.7
2	Germany	12%	47.8
3	France	10%	44.6
4	Netherlands	6%	45.5
5	Ireland	5%	52.3

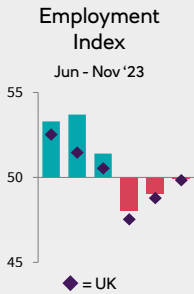
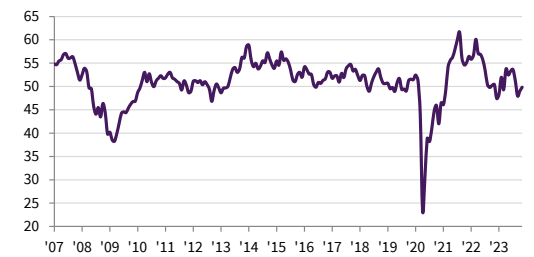


Business capacity

Staffing levels broadly stable in November

The seasonally adjusted Employment Index posted only fractionally below the neutral 50.0 level in November, to signal broadly stable employment across the South West private sector. This followed modest cuts to payrolls in the prior two months. While a number of firms mentioned lowering their headcounts due to softer demand conditions, others mentioned hiring new staff to increase capacity in the months ahead.

Employment Index
sa, >50 = growth since previous month
49.9
Nov '23

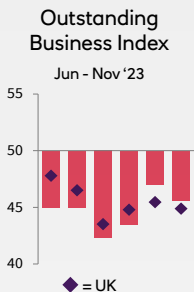
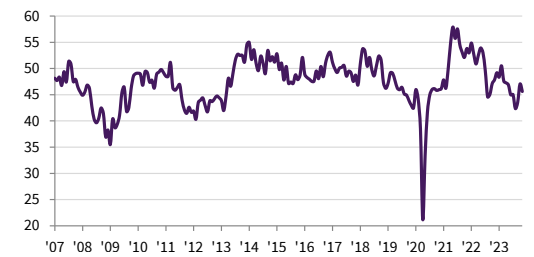


Solid decline in outstanding business

November survey data pointed to a further drop in the level of work-in-hand (but not yet completed) at South West private sector firms, thereby stretching the current run of decline to nine months. The rate of backlog depletion accelerated from October and was solid overall. That said, the reduction remained slower than the national average for the second month in a row.

Companies that registered a decline in outstanding business often commented on a lack of new orders to replace completed sales.

Outstanding Business Index
sa, >50 = growth since previous month
45.6
Nov '23



Prices

Average input costs continue to rise sharply

Private sector firms based in the South West registered a further increase in average operating expenses in November. The rate of cost inflation remained historically sharp, despite edging down to a 34-month low. The upturn was broadly in line with that seen across the UK as a whole.

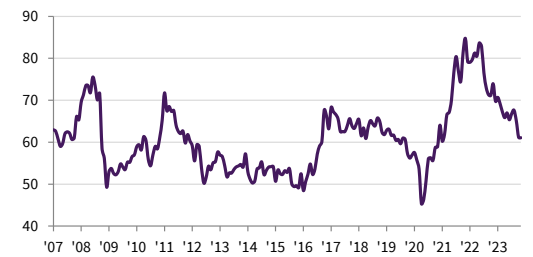
Higher cost burdens were linked to a generally strong inflation environment, with energy and wages mentioned in particular.

Softest increase in selling prices since February 2021

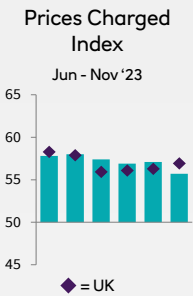
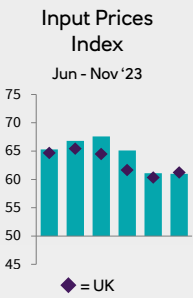
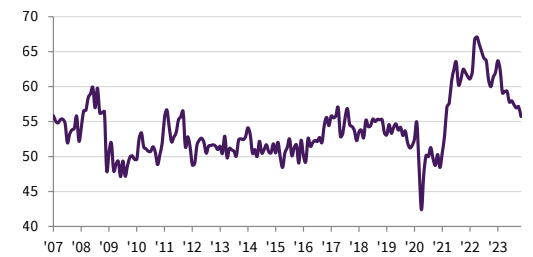
Prices charged by South West private sector companies remained on an upward trend in November. The rate of increase was the softest recorded since February 2021, and slower than that seen at the national level. Nevertheless, the pace of charge inflation continued to exceed the series average.

Anecdotal evidence indicated that firms hiked their fees in order to help cover increases in their own expenses.

Input Prices Index
sa, >50 = inflation since previous month
61.0
Nov '23



Prices Charged Index
sa, >50 = inflation since previous month
55.7
Nov '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, Nov '23*
1	Transport	1.50	55
2	Electrical & Optical	1.45	48
3	Other Manufacturing	1.02	48
4	Mechanical Engineering	0.99	48
5	Basic Metals	0.90	48
6	Timber & Paper	0.86	45
7	Food & Drink	0.83	55
8	Textiles & Clothing	0.78	52
9	Chemicals & Plastics	0.67	48

South West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '23*
1	Hotels, Restaurants & Catering	1.42	52
2	Business-to-business Services	1.09	48
3	Personal & Community Services	0.98	48
4	Transport & Communication	0.88	45
5	Financial Intermediation	0.86	52
6	Computing & IT Services	0.69	55



UK sector focus

Computing & IT Services

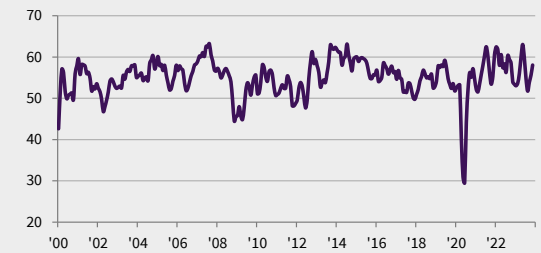
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



*3-month moving average

UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

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

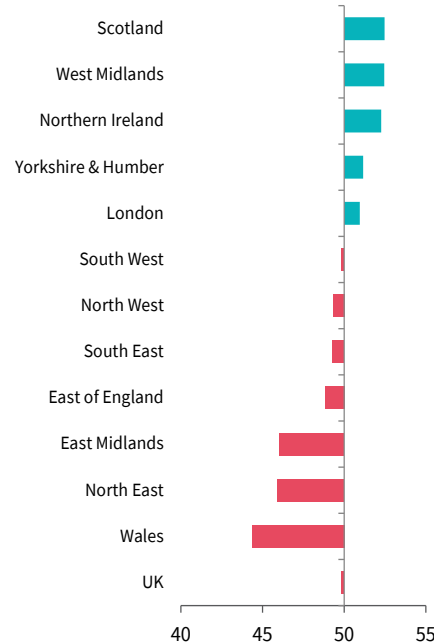
Business Activity Index

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



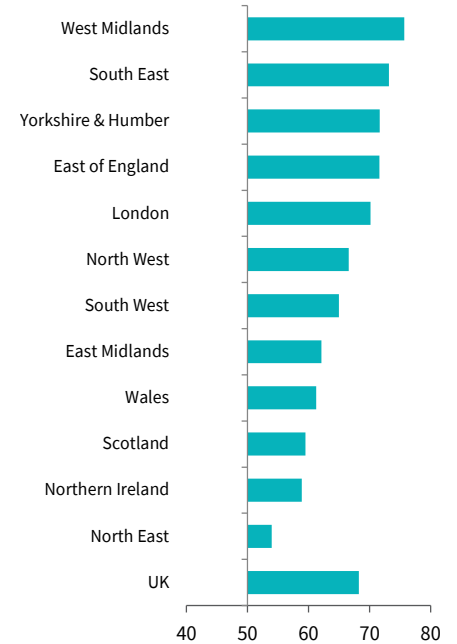
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Nov '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
Jun '23	49.5	48.2	52.0	65.7	53.3	45.0	65.3	57.8
Jul '23	49.8	48.0	51.3	67.4	53.7	45.0	66.8	58.0
Aug '23	46.7	45.0	50.2	69.7	51.4	42.3	67.6	57.4
Sep '23	47.8	46.4	50.1	62.6	48.0	43.5	65.1	56.9
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

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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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