

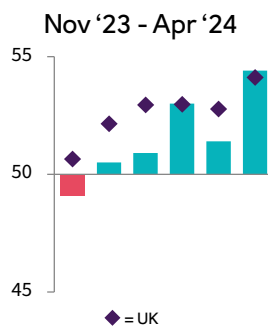


NatWest

# NatWest South East PMI<sup>®</sup>

## Business activity rises at sharpest pace in nearly a year

### South East Business Activity Index



### Key findings

Output and new business expand at fastest rates seen for 11 months

Jobs growth hits one-year high, but remains only modest

Cost inflation picks up, while charges rise at similar pace to March

The headline 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 from 51.4 in March to 54.4 in April, to signal a faster expansion across the South East. Activity has picked up for five months in a row and the South East posted a sharper rise than the UK average, the fourth quickest of the 12 monitored UK areas. The uptick was also the strongest seen in just shy of a year. The increase largely reflected improved demand conditions.

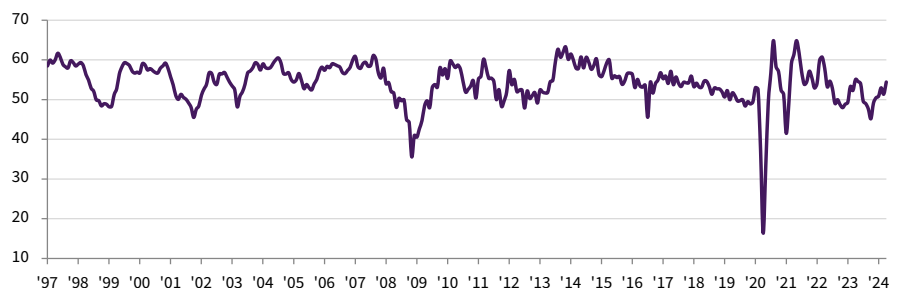
Catherine van Weenen, NatWest London and the South East Regional Board:

*"The South East private sector continued to expand into the second quarter of 2024. Both activity and new business grew at sharper rates in April, in fact, at the most pronounced rates for nearly a year. The future also looks brighter, as firms' expectations for activity in the coming 12 months were upgraded. Moreover, we get further insight from anecdotal evidence, as a number of companies across the South East expressed their plans for growth. To support greater output requirements, firms continued to hire additional staff. Though only modest, April saw the sharpest jobs growth for a year.*

*"Looking to prices, inflationary pressure continued to build in April. Despite a spike in cost inflation, selling prices rose at a largely similar rate compared to March, indicating that firms are bearing some of the inflationary burden."*

South East Business Activity Index

sa, >50 = growth since previous month



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About the South East PMI® report

The NatWest South East PMI® is compiled by S&P Global from responses to questionnaires sent to South East 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

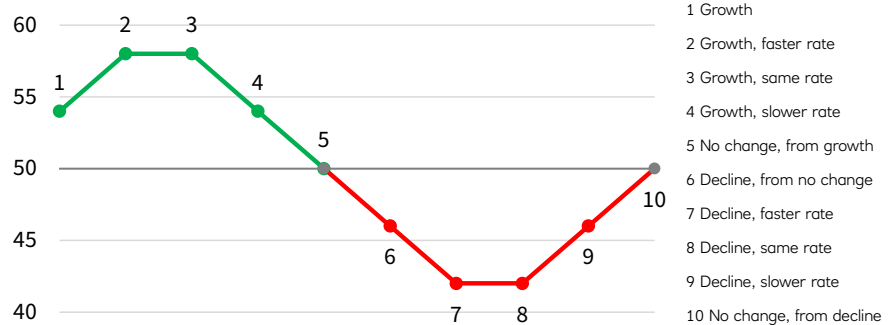
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New Business Index



### Sharpest rise in new business for 11 months

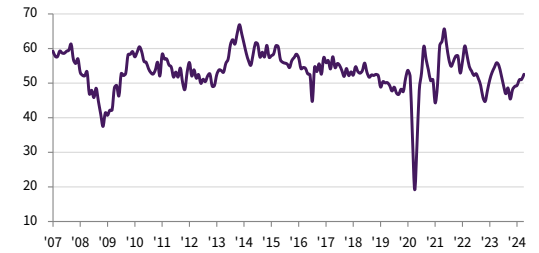
Private sector firms across the South East indicated a third successive monthly rise in new work intakes during April. Moreover, the pace of expansion was the fastest in just under a year and solid overall. Panel members linked the improvement to an influx of new customers as well as marketing efforts.

Despite accelerating, the local increase in new business remained slower than the UK average.

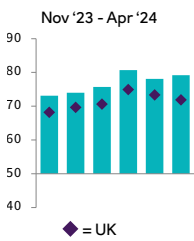
### New Business Index

sa, >50 = growth since previous month

52.6  
Apr '24



### Future Activity Index



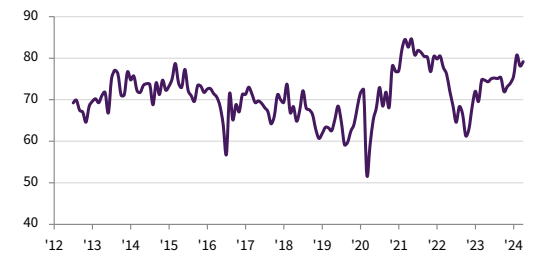
### Optimism strengthens

The Future Activity Index picked up on the month, pointing to improved confidence among South East companies. The reading remained well-above both the historic and UK averages. According to anecdotal evidence, upbeat expectations towards the next 12 months were underpinned by forecast improvements to business conditions and firms' growth plans.

### Future Activity Index

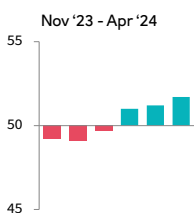
>50 = growth expected over next 12 months

79.2  
Apr '24



## Exports

### Export Climate Index



### Trade prospects pick up slightly

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

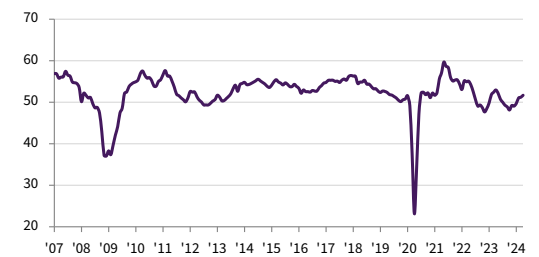
Despite only increasing slightly from 51.2 in March to 51.7 in April, the ECI Index signalled the quickest improvement in export conditions for 11 months.

Among the region's key export destinations, the Netherlands saw activity rise at a faster rate in April, while growth was renewed in France and Germany for first time in 11 and ten months, respectively. Meanwhile, softer expansions in activity were recorded in the US and Ireland.

### Export Climate Index

sa, >50 = growth since previous month

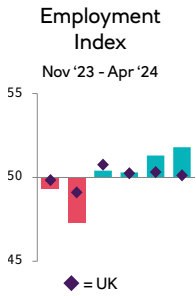
51.7  
Apr '24



### Top export markets, South East

Rank	Market	Weight	Output Index, Apr '24
1	USA	17.8%	51.3
2	Germany	13.5%	50.6
3	France	12.7%	50.5
4	Ireland	11.0%	50.4
5	Netherlands	10.6%	52.8

## Business capacity

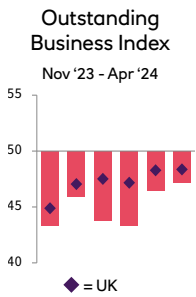
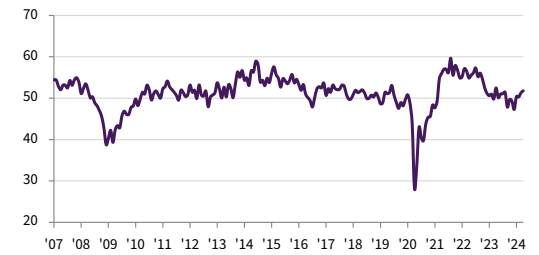


### Headcounts rise at quickest rate for a year

South East private sector firms continued to add to their workforce levels in April, as has been the case since the start of the year. Though only modest, April saw the strongest jobs growth for a year. Moreover, of the 12 monitored UK areas, only Scotland and Northern Ireland registered faster increases in payroll numbers than seen locally.

Survey respondents reportedly added to staffing levels to support output requirements and business growth.

Employment Index  
sa, >50 = growth since previous month  
51.8  
Apr '24

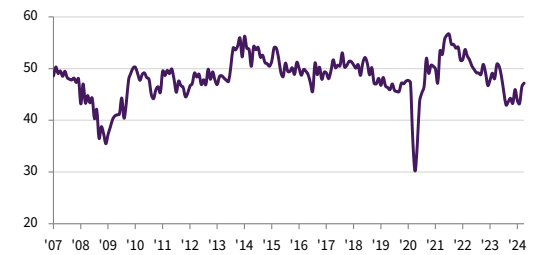


### April shows signs of spare capacity

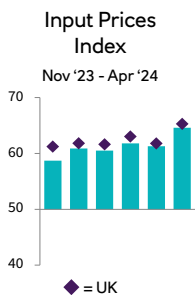
Companies across the South East continued to make inroads into their backlogs of work in April, thereby extending the current trend of depletion to 11 months. While some panellists attributed the decline to subdued order numbers, others mentioned improved efficiency. Though moderate, the decline in outstanding business was the softest since June last year.

That said, the rate of depletion was sharper than the UK average.

Outstanding Business Index  
sa, >50 = growth since previous month  
47.2  
Apr '24



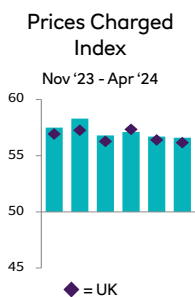
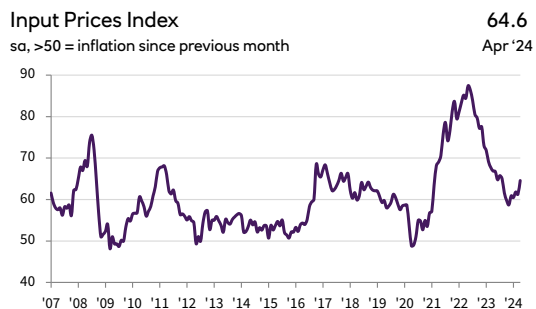
## Prices



### Steep and sharper rise in input prices

April survey data indicated a further rise in average cost burdens faced by South East firms. Having picked up notably from March, the rate of cost inflation was steep and the most pronounced for eight months. The uplift reflected a combination of higher wage, fuel and shipping costs, as well as increased raw material prices.

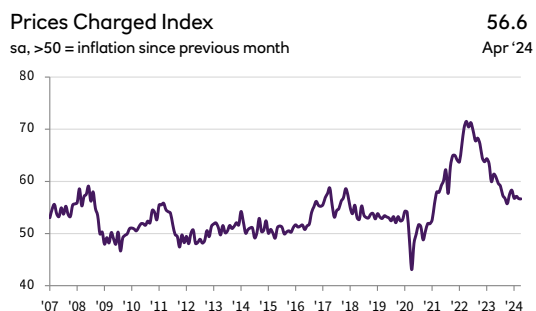
The local rate of inflation was subdued compared to the UK average, however.



### Softest output price inflation since last October

Output charges set for South East goods and services rose again in April. Selling price inflation remained substantial at the start of the second quarter and largely consistent with that of March. The rate of inflation was, nevertheless, the softest seen in six months. Panel members mentioned passing some of the burden of higher operating expenses to the customer, particularly higher labour costs.

The local rise in selling prices was slightly stronger than that seen at the UK level.



## UK Sector PMI

### Sector specialisation: South East

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 East, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

#### South East specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr '24 <sup>+</sup>
1	Electrical & Optical	1.90	55
2	Mechanical Engineering	1.27	55
3	Chemicals & Plastics	1.23	55
4	Timber & Paper	0.98	55
5	Other Manufacturing	0.97	55
6	Basic Metals	0.82	55
7	Transport	0.62	55
8	Food & Drink	0.49	55
9	Textiles & Clothing	0.43	55

#### South East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '24 <sup>+</sup>
1	Computing & IT Services	1.71	55
2	Transport & Communication	1.22	55
3	Business-to-business Services	1.04	55
4	Hotels, Restaurants & Catering	0.95	55
5	Personal & Community Services	0.93	55
6	Financial Intermediation	0.63	55

## UK sector focus

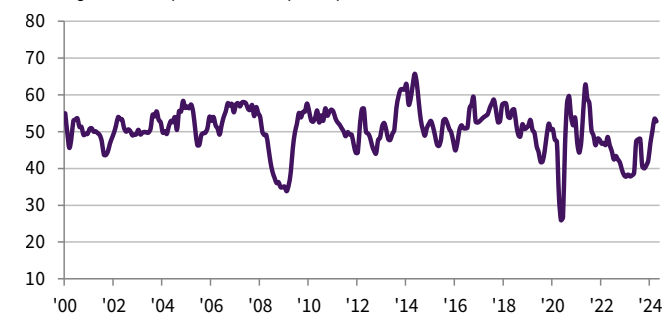
### Timber & Paper

Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

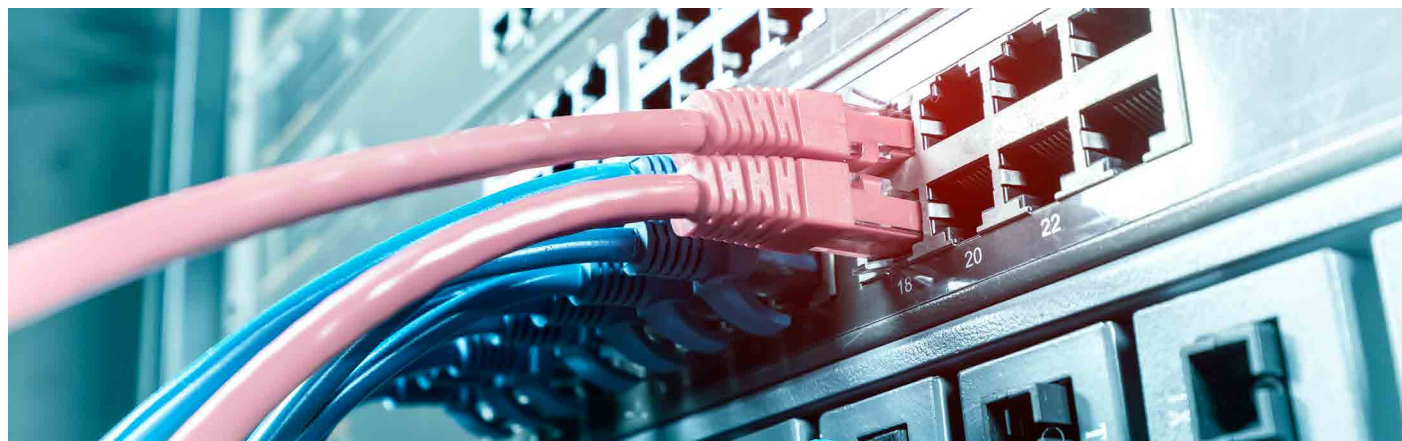
Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.

Output Index  
sa, >50 = growth since previous month (3mma)<sup>+</sup>



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland\*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

### Employment

Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

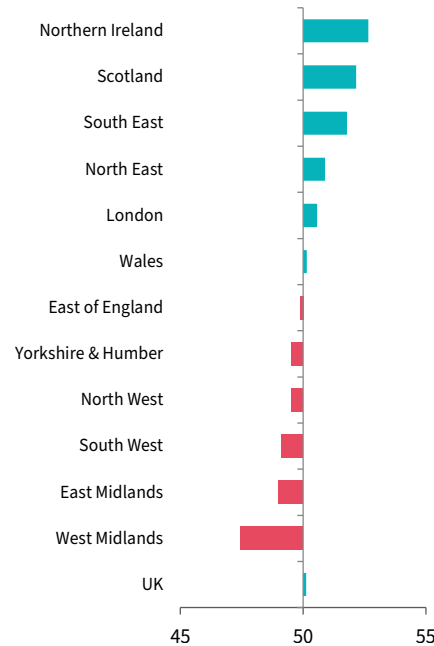
### Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

**Business Activity Index**  
sa, >50 = growth since previous month, Apr '24



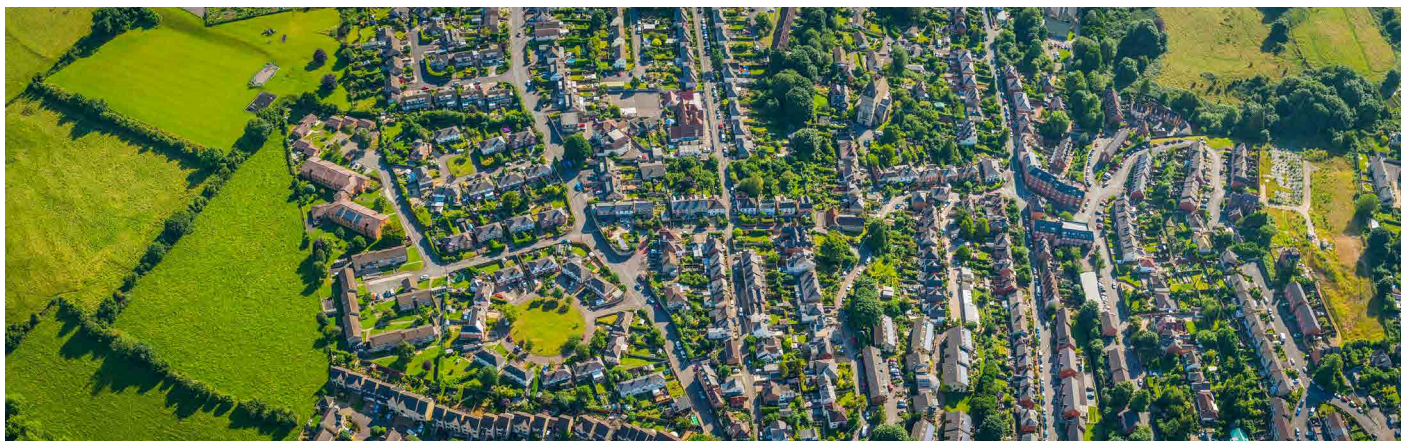
**Employment Index**  
sa, >50 = growth since previous month, Apr '24



**Future Activity Index**  
>50 = growth expected over next 12 months, Apr '24



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



## Index summary

### South East

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 '23	49.1	48.1	49.2	73.1	49.3	43.3	58.7	57.5
Dec '23	50.5	49.0	49.1	74.0	47.3	45.9	60.9	58.3
Jan '24	50.9	49.4	49.7	75.7	50.4	43.8	60.5	56.8
Feb '24	53.0	51.0	51.0	80.7	50.3	43.3	61.8	57.1
Mar '24	51.4	51.1	51.2	78.1	51.3	46.5	61.3	56.7
Apr '24	54.4	52.6	51.7	79.2	51.8	47.2	64.6	56.6

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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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Purchasing Managers' Index™ (PMI<sup>®</sup>) 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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