

14 January 2025

# NatWest South East Growth Tracker

Output declines at softer rate at the end of  
the year



NatWest

PMI<sup>®</sup>

by **S&P Global**

14 January 2025

# NatWest South East Growth Tracker

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# Key findings

December 2024

Contraction in activity eases

New orders down for second successive month

Backlogs depleted at sharpest rate since February 2024

The NatWest South East Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit [www.natwest.com/business/insights/economics](http://www.natwest.com/business/insights/economics)





# Output declines at softer rate at the end of the year

South East firms remained optimistic towards the future, despite sustained falls in activity and new orders, according to latest Regional Growth Tracker data

In response to the subdued sales environment in December, private sector firms lowered their workforce levels, while managing to make further inroads to their backlogs. There were signs of the downturn easing as activity decreased at a slower rate on the month.

The headline South East Business Activity Index was up from 48.1 in November to 48.4 in December, thus remaining in contraction for each month of the final quarter. The rate of decline was only modest, however, and softer than in the previous survey period. The decrease in activity reportedly reflected a combination of weaker sales and uncertainty surrounding public policy.

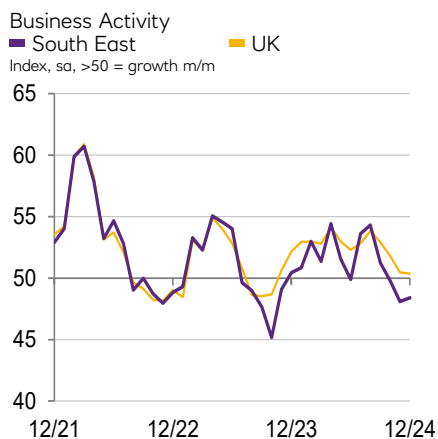
Of the 12 monitored UK areas, only the North West, Northern Ireland and Scotland posted faster declines in activity than seen locally.

NatWest South East Business Activity Index December 2024

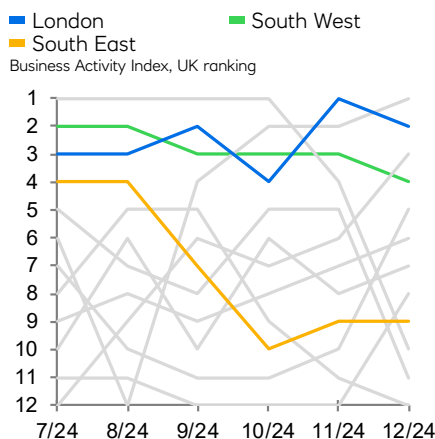
**48.4**

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 5-19 December



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# NatWest

## Comment

**Catherine van Weenen,  
Territory Head of  
Commercial Mid Market at  
NatWest, commented:**

"Despite a moderate setback with respect to new business, South East firms remained strongly confident in the future outlook. In fact, the South East was the joint-fourth most optimistic area of the 12 monitored. Positively, the contraction in activity was also

less pronounced on the month.

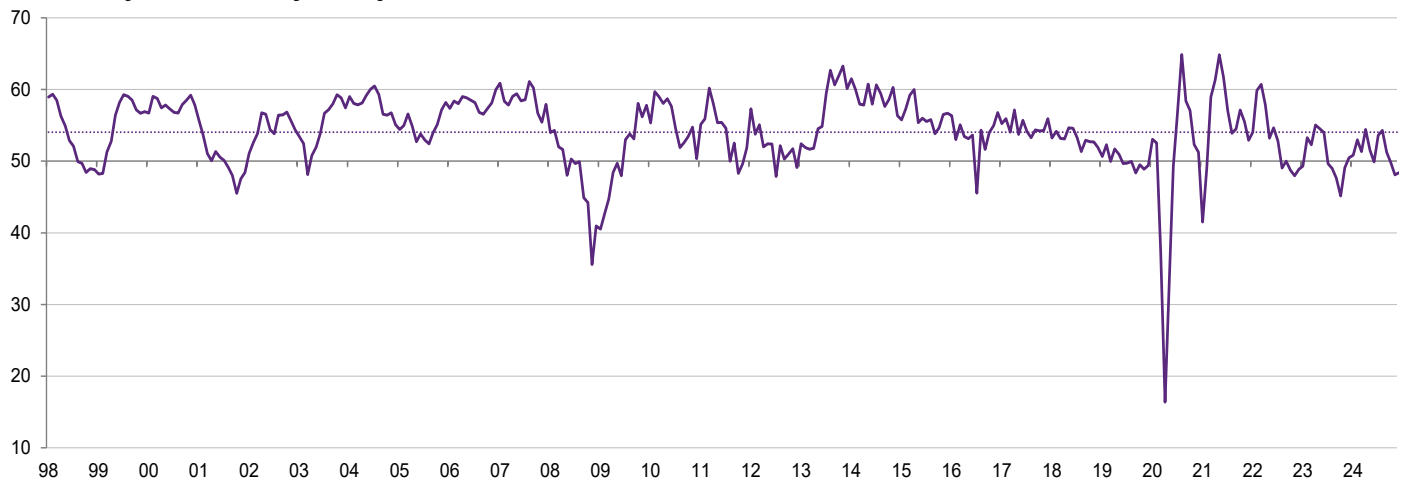
"South East companies were able to clear some of their backlogs amid subdued sales. This triggered a reduction in headcounts, as firms continued to prioritise their profit margins.

"Cost pressures ticked up across the region, but were slightly softer than the UK average. Firms felt confident enough to raise charges to a stronger degree, highlighting their efforts to cover increased costs."



### Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Demand and outlook

## Growth expectations remain robust despite a stronger drop in new business

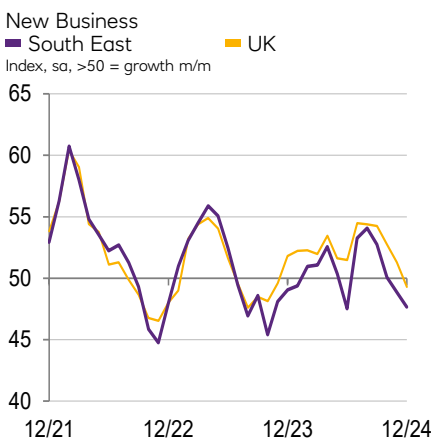
December data pointed to a decrease in new orders placed at companies across the South East, thereby marking the fourth monthly contraction of 2024. The rate of decline was moderate and the strongest seen for six months. Panellists linked the downturn to client hesitancy following the Autumn Budget.

The local drop in sales was faster than the UK-wide trend.

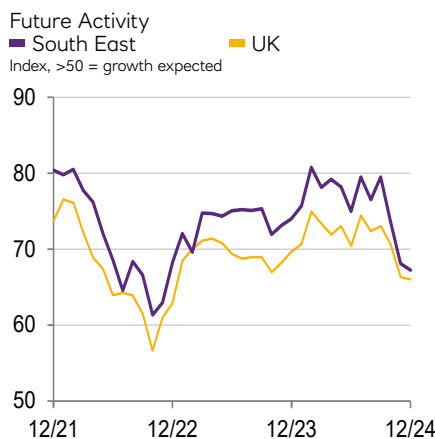
The outlook for future activity remained firmly in positive territory in December. Growth expectations, strong pipelines of work and hopes of a pick-up in market conditions reportedly underpinned positive sentiment. Though dipping only slightly on the month, the degree of optimism fell to its weakest for just over two years.

Nevertheless, confidence levels across the South East were among the strongest regionally and exceeded the UK-wide trend.

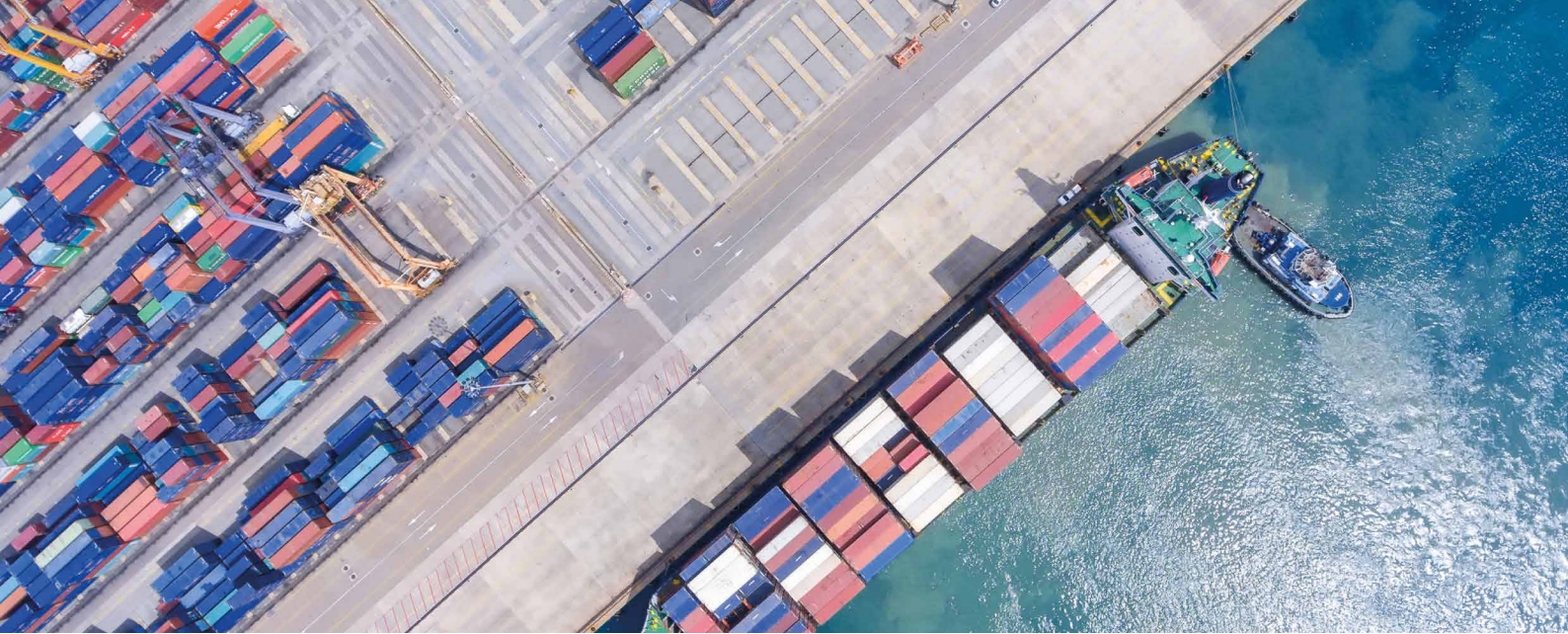
"Despite a moderate setback with respect to new business, South East firms remained strongly confident in the future outlook."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



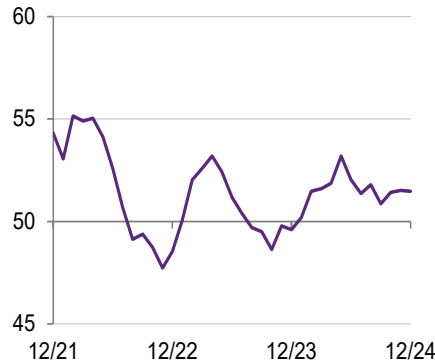
# Export markets

## Modest improvement in export conditions

At 51.5, the Export Climate Index remained unchanged on the month, to signal a further modest improvement in export conditions for South East businesses.

The overall improvement was again centred on Ireland and the US, with the latter recording a sharper rise in activity on the month. Meanwhile, Germany, France and the Netherlands signalled further declines in activity. That said, the rates of contraction eased in all three cases.

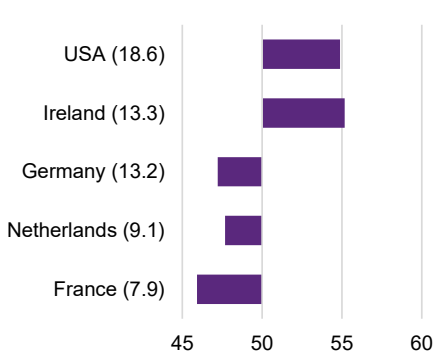
Export Conditions  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

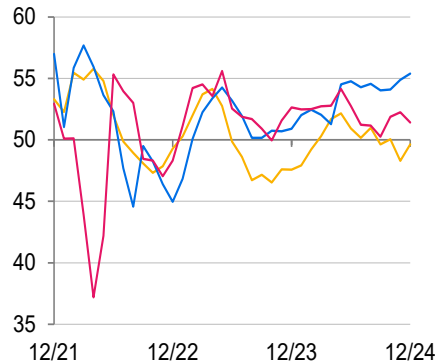
The South East Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South East. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, South East  
% share of exports shown in brackets  
Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



# Jobs and capacity

## Evidence of spare capacity as backlogs are cleared at the fastest rate since last February

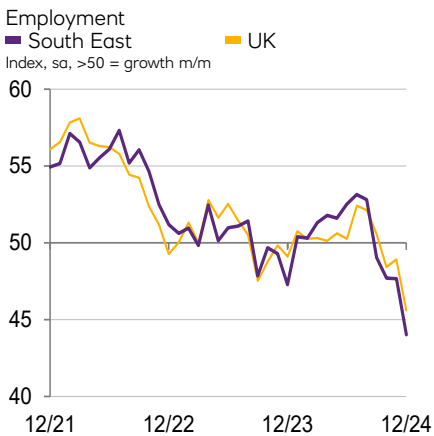
The seasonally adjusted Employment Index remained below the crucial 50.0 mark again in December, to mark a fourth successive month of job cuts. The rate of reduction was the most pronounced since September 2020 and only slower than Wales and the West Midlands.

The decrease reflected attempts to protect profit margins, caution due to proposed National Insurance hikes, as well as staff leavers.

Despite a sharp drop in payroll numbers, outstanding business was depleted further and at the strongest rate seen for ten months. Respondents frequently mentioned that they were able to work through unfinished orders given reduced workloads.

The rate of depletion across the South East was slightly faster than seen at the UK level.

"South East companies were able to clear some of their backlogs amid subdued sales. This triggered a reduction in headcounts, as firms continued to prioritise their profit margins."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.





# Inflation

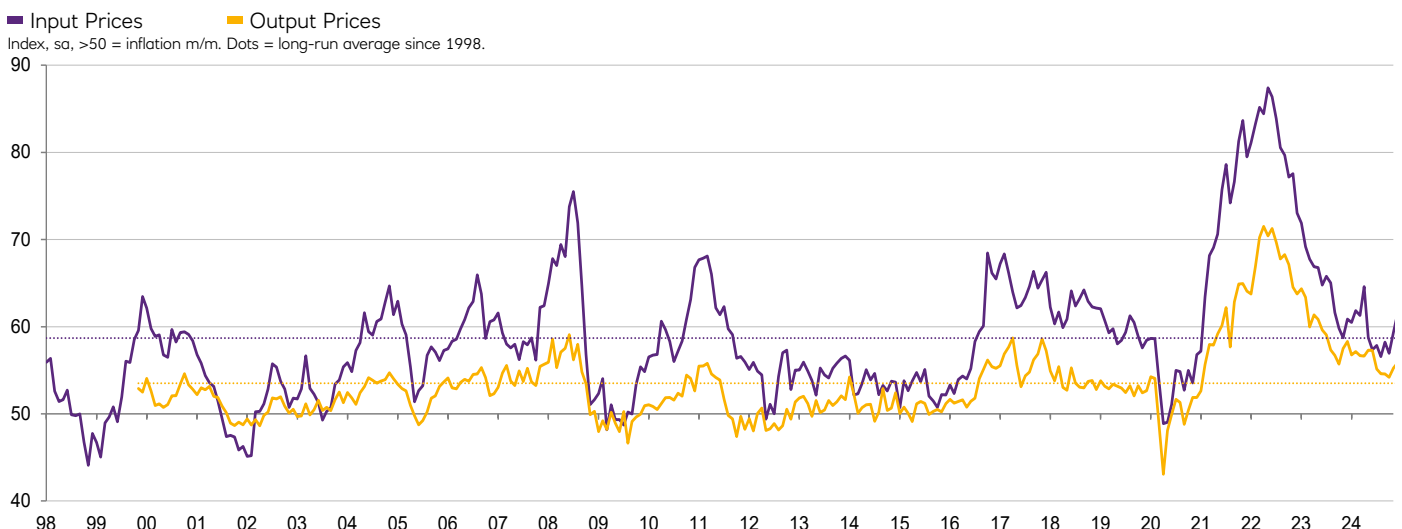
## Inflationary pressures creep up but largely in line with the UK-wide trend

Private sector firms based in the South East reported a further increase in their operating expenses in December. Panellists in particular mentioned increased service fees, raw material prices and wage costs in their reports. The rate of cost inflation was robust, its strongest for eight months, but fractionally softer than the UK average trend.

December data revealed a rise in the prices charged for South East goods and services, as firms looked to pass some of the cost burden to customers. Charge inflation reached a six-month high.

The South East placed joint-third in the regional rankings, signalling a slightly stronger rate of inflation compared to the UK average.

"Firms felt confident enough to raise charges to a stronger degree, highlighting their efforts to cover increased costs."



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

# UK Regional Growth Tracker

## Business Activity

The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

## Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

## Future Activity

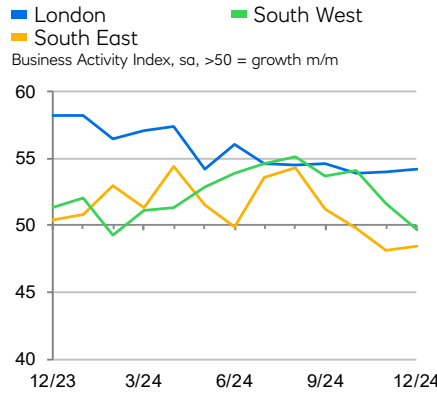
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



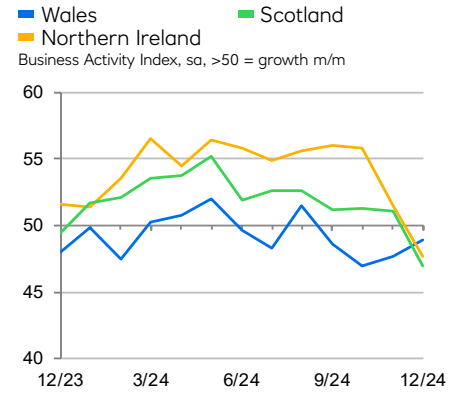
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



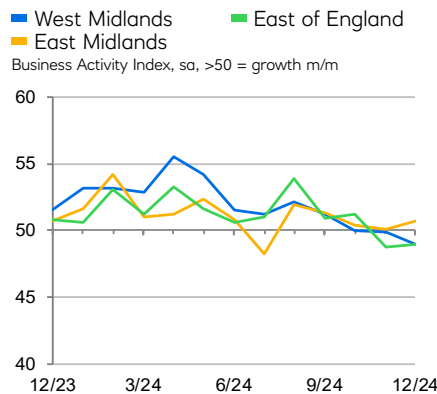
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



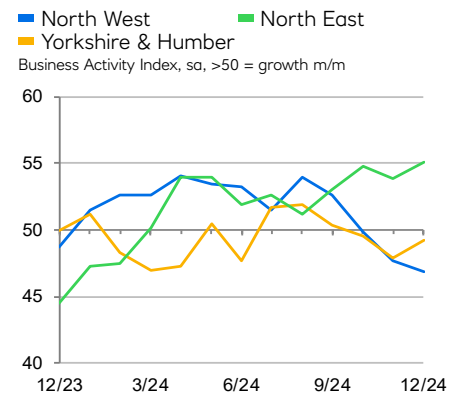
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

# Growth Tracker heat map

December 2024

Darker colour = higher business growth



## South East

Business Activity Index  
sa, >50 = growth m/m

**48.4**



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

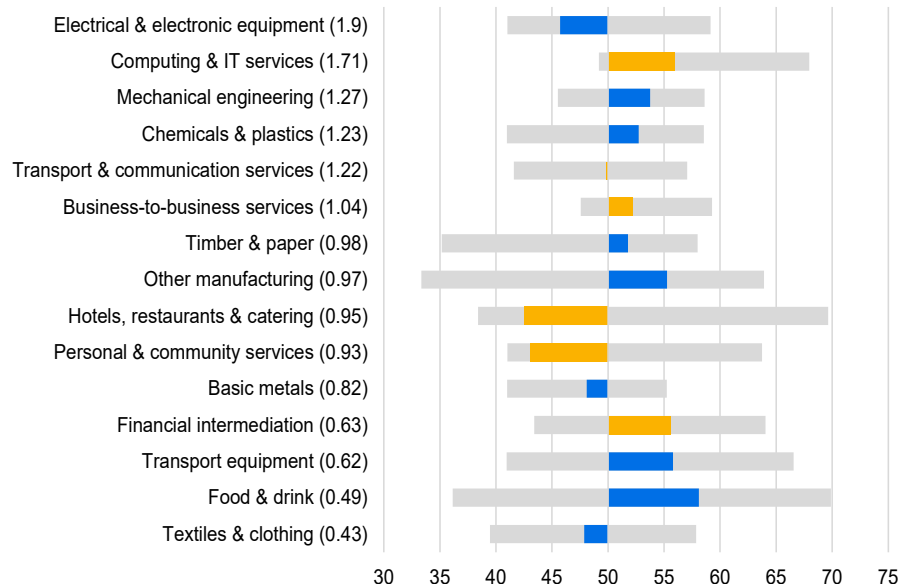
# UK sectors

## Sector specialisation: South East

The chart shows UK output indices by sector, ranked by location quotients for the South East. Location quotients (LQs) 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.

UK sectors ranked by importance to the South East economy  
 ■ Manufacturing ■ Services ■ 3-year range  
 UK Output Index, sa, >50 = growth m/m Dec '24



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.  
 Location quotients for the South East are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

## Sector in focus: Electrical & electronic equipment

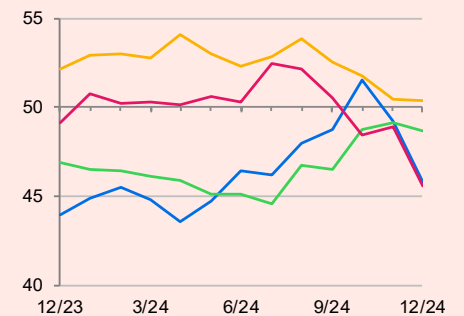
Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.

Output / Employment  
 ■/■ Electrical & electronic equipment\*  
 ■/■ Manufacturing & services  
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.  
 \*Data are smoothed as three-month moving average (3mma).

# Methodology

The NatWest South East Growth Tracker 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.

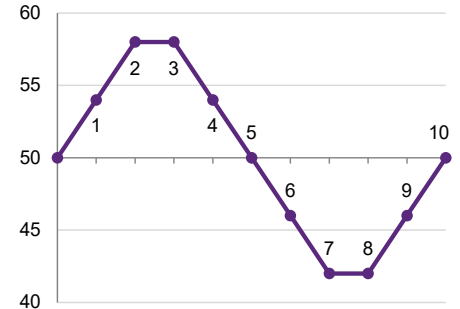
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index.

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 survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

Index interpretation

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

# Data

South East manufacturing and services

Index, sa, 50 = no change over previous month. \*50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
7/24	53.6	53.3	51.4	53.1	49.2	79.5	57.8	55.2
8/24	54.3	54.1	51.8	52.8	46.1	76.5	56.6	54.6
9/24	51.2	52.8	50.9	49.0	47.6	79.5	58.2	54.6
10/24	49.8	50.1	51.4	47.7	47.4	73.5	56.9	54.2
11/24	48.1	48.9	51.5	47.7	46.0	68.1	59.3	55.2
12/24	48.4	47.7	51.5	44.0	44.0	67.2	61.5	55.8

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