

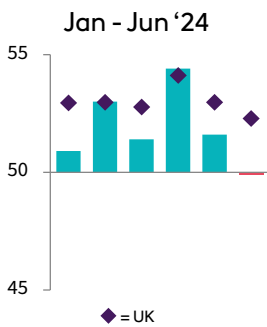


NatWest

NatWest South East Growth Tracker

Fresh drop in demand for South East goods and services at the mid-point of the year

South East Business Activity Index



Key findings

Activity and new business fall into contraction territory

South East sees sharpest rise in employment of all 12 UK areas

Average cost inflation cools below historic average, but sharp nevertheless

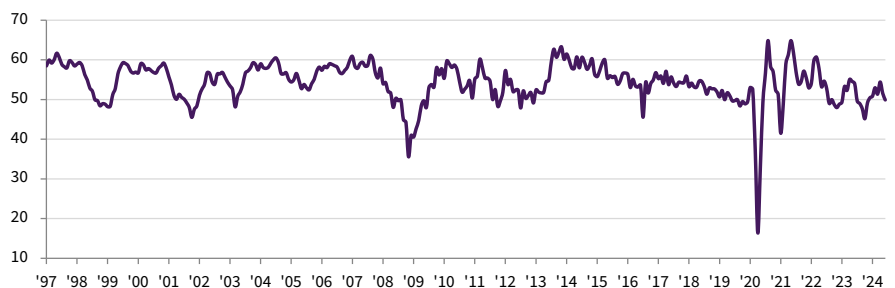
The NatWest South East Growth Tracker indicated a slowdown in activity across the private sector in June. The headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – registered 49.9 in June, down from 51.6 in May, to signal broadly stable activity. Though falling just fractionally below the neutral 50.0 mark, the downturn was the first for seven months. Growth was reportedly curbed by subdued incoming new orders and uncertainty surrounding the general election. Meanwhile, the firms that reported a rise in activity mentioned new projects and improved order book volumes.

The South East ranked near the bottom of the regional rankings for output, with only Wales and Yorkshire & Humber registering faster contractions.

Catherine van Weenen, Territory Head of Commercial Mid Market at NatWest, said: *"The South East experienced a slowdown at the mid-point of the year, as June data confirmed a slight contraction. A fresh drop in new business saw firms rethink their output. That said, activity levels were little unchanged from May following a six-month run of growth. As panel member reports linked the slight downturn in part to general election uncertainty, there were signs that this blip could be short-lived. South East firms accelerated their hiring plans, recording the joint-strongest jobs growth for 20 months. Moreover, compared to the 12 monitored UK areas, the South East placed at the top of the rankings for both employment and optimism."*

South East Business Activity Index

sa, >50 = growth since previous month



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About the South East Growth Tracker report

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.

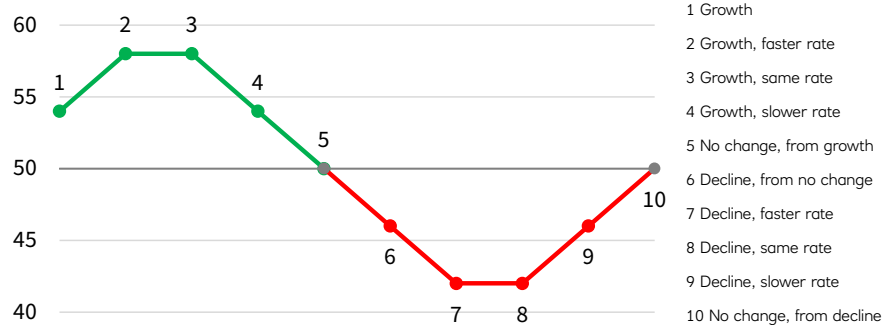
The headline figure is the Business Activity Index. This is a diffusion index

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 PMI survey methodology, please contact economics@spglobal.com.

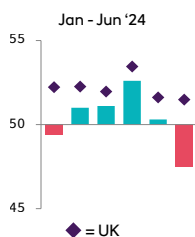
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

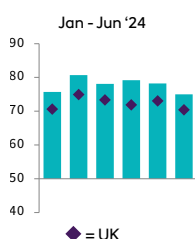


Renewed downturn in new orders at mid-point of the year

There was a fresh decline in new business placed at South East private sector firms in June, after the region had recorded four consecutive months of growth. The downturn was the quickest since October 2023 and moderate overall. Some survey members blamed a general slowdown in the market, while others mentioned the impact of the general election.

The South East underperformed when compared to the UK average, where growth was reported.

Future Activity Index



Confidence dips but strongest of all monitored UK areas

South East private sector companies remained optimistic when asked about their outlook for future activity in June. Driving confidence was firms' upbeat growth expectations, hopes of an improved economic climate and new product launches.

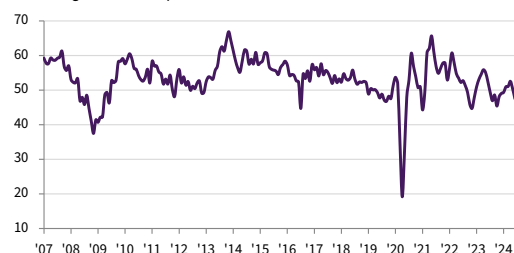
The degree of positive sentiment dipped to the lowest seen this year so far, but was the most upbeat of all 12 monitored UK areas.

New Business Index

sa, >50 = growth since previous month

47.5

Jun '24

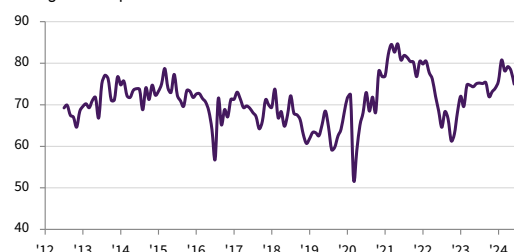


Future Activity Index

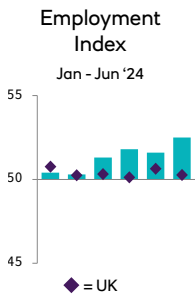
>50 = growth expected over next 12 months

75.0

Jun '24



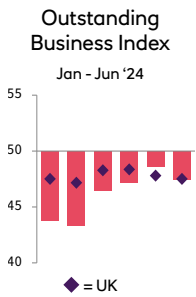
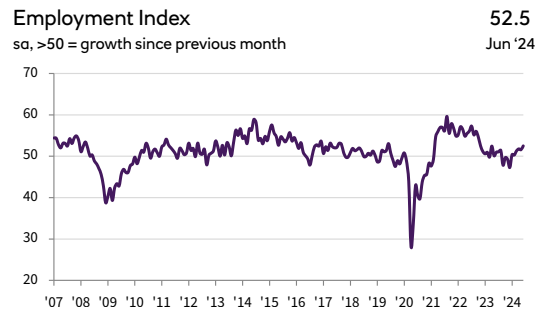
Business capacity



South East posts fastest regional jobs growth

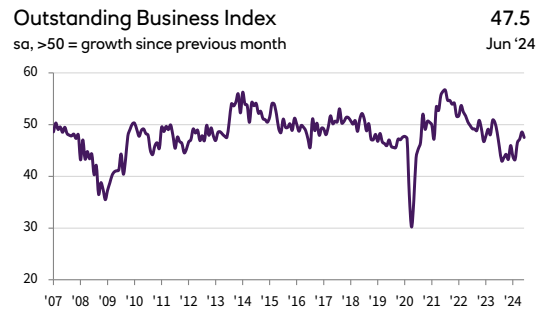
June survey data revealed a further rise in workforce levels across the South East private sector, thereby continuing the trend of upturns seen since the start of the year. Job creation was moderate overall, and the joint-fastest for 20 months. Some panellists raised staffing numbers in line with demand, while others linked the expansion to growth plans.

Of the 12 UK areas, the rate of jobs growth was most pronounced in the South East.

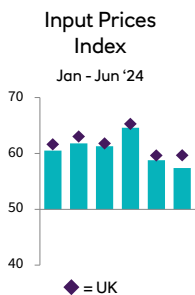


Trend of decline in backlogs extended to just over a year

June saw the seasonally adjusted Outstanding Business Index post below the neutral 50.0 mark again, as has been the case for just over a year now. The drop in backlogs of work reportedly reflected reduced new order numbers. The rate of depletion picked up, was solid overall and in line with the UK average.



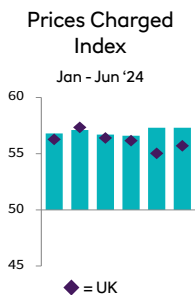
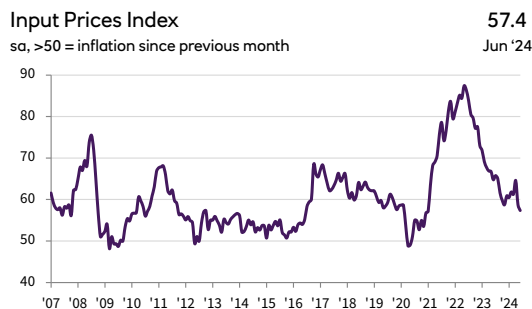
Prices



Inflationary pressures cool to softest since January 2021

Latest survey data indicated another sharp rise in input prices faced by manufacturers and service providers across the South East. According to anecdotal evidence, firms blamed labour expenses and elevated costs due to supply chain disruption. The rate of input price inflation eased for the second month in a row, to the lowest since the start of 2021 and to a level below the historic average.

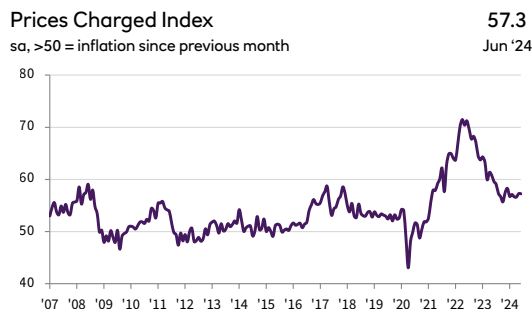
Of the 12 monitored UK areas, the South East registered the softest rise in input costs.



Average charges rise at sharp rate again in June

Selling prices charged by private sector firms across the South East were raised again at the end of the quarter, thereby stretching the current run of inflation to just shy of four years. The uptick reflected the passing-through of higher raw material and staff costs to clients. June's rate of charge inflation remained consistent with that of May and elevated compared to the long-run trend.

Only the North East posted a sharper increase in charges than that seen locally.



UK Sector

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, Jun '24 ⁺
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	45
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, Jun'24 ⁺
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	45
5	Personal & Community Services	0.93	55
6	Financial Intermediation	0.63	55

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

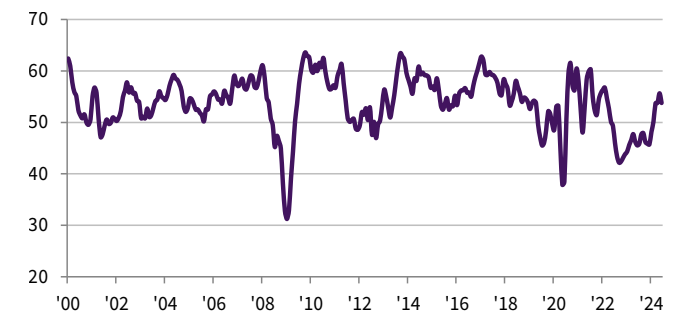
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

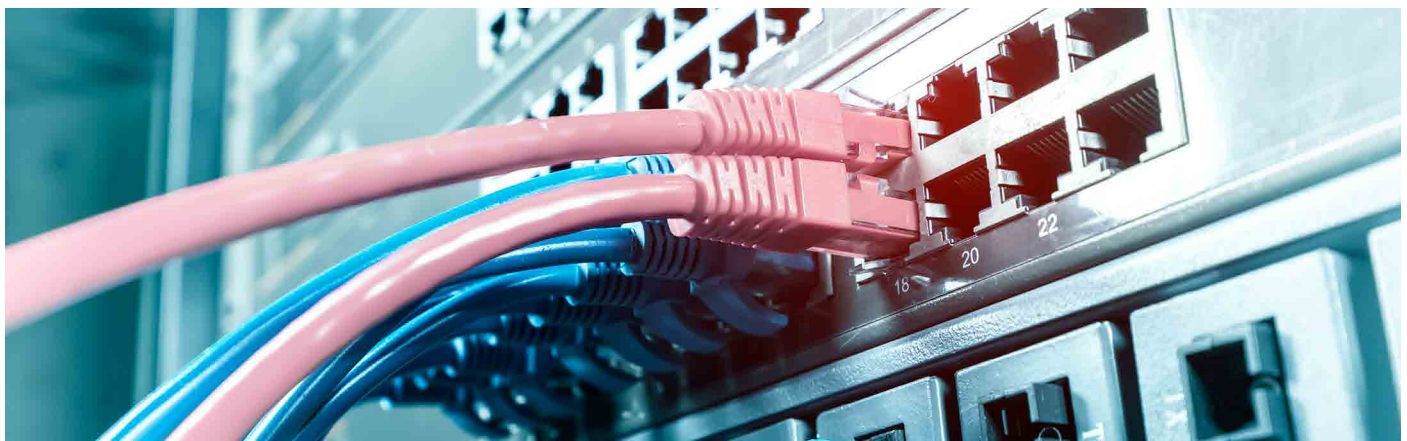
Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

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



⁺ 3-month moving average



UK growth tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

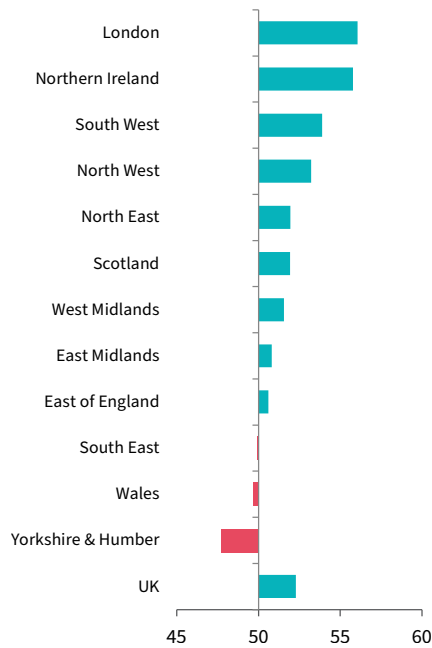
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

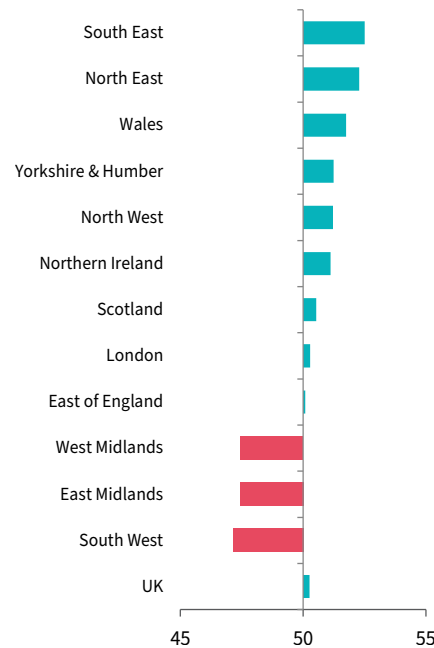
Business Activity Index

sa, >50 = growth since previous month, Jun '24



Employment Index

sa, >50 = growth since previous month, Jun '24

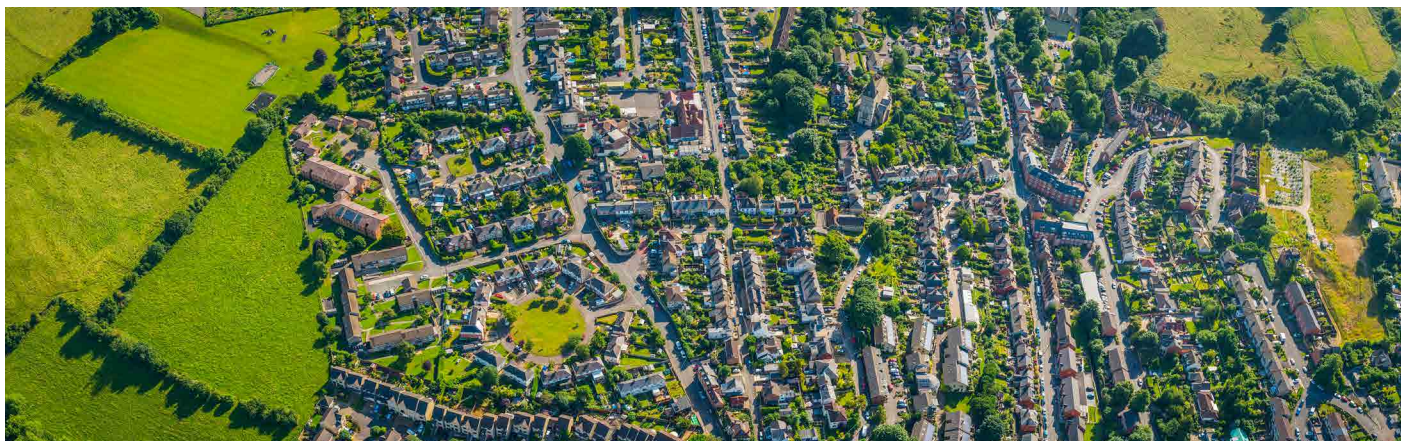


Future Activity Index

>50 = growth expected over next 12 months, Jun '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
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
May '24	51.6	50.3	53.2	78.2	51.6	48.6	58.8	57.3
Jun '24	49.9	47.5	52.0	75.0	52.5	47.5	57.4	57.3

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