

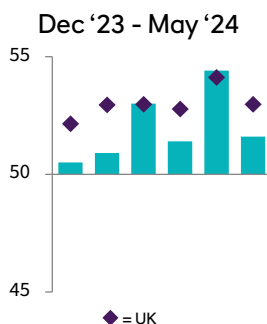


NatWest

NatWest South East PMI[®]

South East activity growth loses momentum in May

South East Business Activity Index



Key findings

Growth of activity and new business sustained, but at softer rates

Weakest cost inflation for six months

South East sees strongest rise in charges of 12 monitored UK areas

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 at 51.6 in May, down from April’s 11-month high of 54.4. The latest rise in business activity across the South East was the sixth in successive months, but only modest overall. The uptick largely reflected increased order numbers and an improved demand environment. Of the 12 monitored UK areas, only Yorkshire & Humber recorded a slower rise in activity than that seen locally.

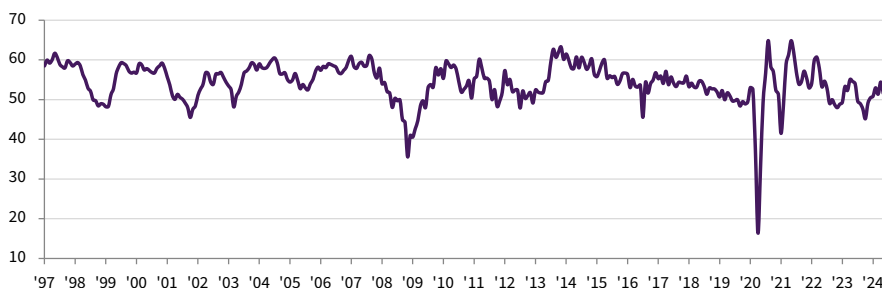
Catherine van Weenen, Territory Head of Commercial Mid Market at NatWest, said:

"The South East region continued to grow midway through the second quarter of the year. Though the increase in output was only modest, it was stronger than the 12-month average trend. Consumer confidence picked up again in May, driving new business higher, albeit only fractionally. Most positively, the health of the South East's export markets improved to the joint-strongest degree seen for exactly two years."

"Inflationary pressures faced by South East private sector companies remained elevated in May, to which firms responded by sharply raising their fees. Rising costs generally stemmed from higher freight costs amid ongoing supply chain disruption and raised raw material and wage costs."

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

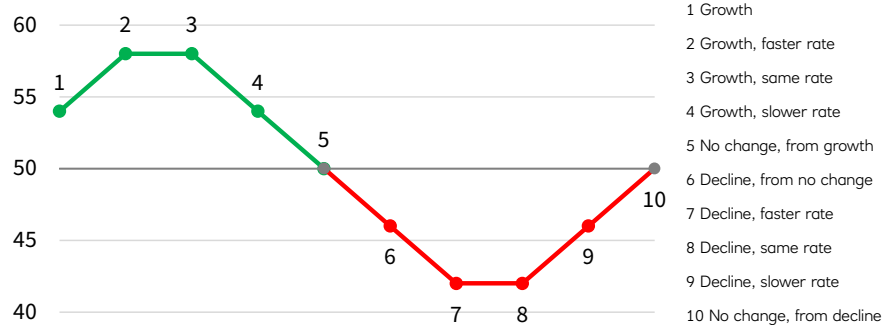
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

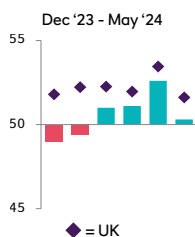
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

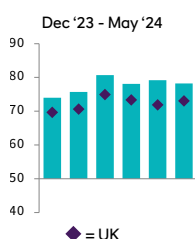


Slight uplift in new work at South East firms

The level of new business at South East private sector companies increased marginally in May, thereby stretching the current sequence of expansion to four months. Survey respondents noted that an increase in customer confidence led to an uplift in order numbers.

The South East ranked ahead of only Yorkshire & Humber and the East of England in terms of new business in May.

Future Activity Index



Firms remain strongly optimistic toward future activity

According to the latest survey data, South East private sector firms were optimistic when asked about their outlook for activity over the coming year. Despite easing slightly on the month, the degree of positive sentiment remained elevated and exceeded the historical trend. Moreover, of the 12 monitored UK areas, only the West Midlands expressed greater confidence.

Upbeat expectations were underpinned by growth forecasts, accelerated marketing plans and increased investment.

New Business Index

sa, >50 = growth since previous month

50.3

May '24

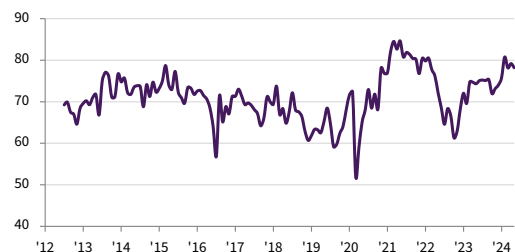


Future Activity Index

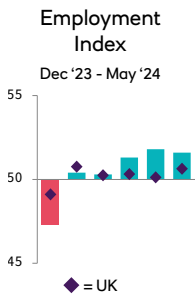
>50 = growth expected over next 12 months

78.2

May '24



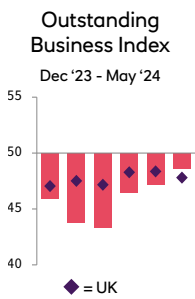
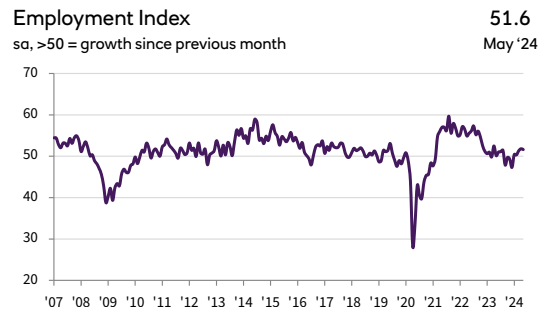
Business capacity



May marks fifth successive monthly workforce expansion

May survey data revealed ongoing job creation at private sector firms across the South East, thereby continuing the trend of jobs growth seen since the start of 2024. Panellists often noted that they had hired new staff to cope with raised workloads.

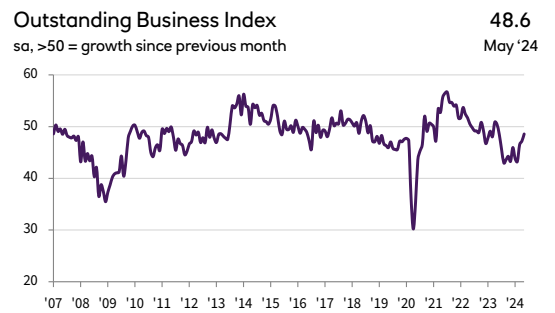
The increase in payroll numbers was only modest and slightly softer than in April, but faster than the UK average.



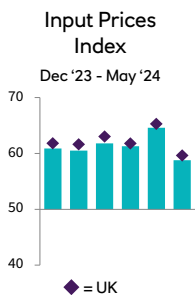
Backlogs depleted for twelfth month in a row in May

The seasonally adjusted Outstanding Business Index posted below the neutral 50.0 mark again in May, to signal one year of declining backlogs of work at South East firms. That said, the decline was only modest and the softest in the current sequence. Some firms linked the decrease in outstanding business to increased capacity, while others blamed falling new orders.

Of the ten UK areas to post a reduction in backlogs, that seen in the South East was the softest.



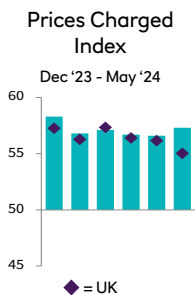
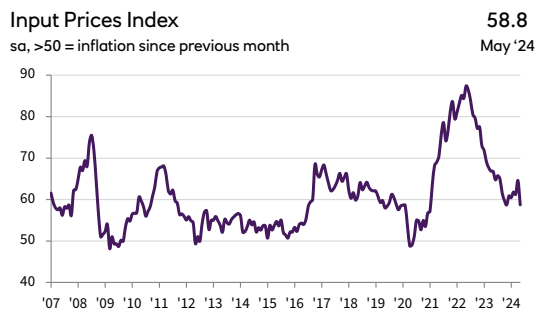
Prices



Cost inflation falls to six-month low

Average cost burdens faced by South East private sector companies rose again in May, thereby marking four years of consecutive cost increases. Inflated freight, wage and raw material costs were among the drivers mentioned in anecdotal evidence. The rate of inflation eased notably in May to a six-month low, but remained just above the historical average.

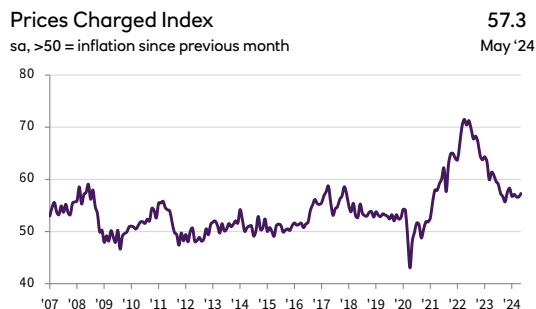
The South East came tenth in the national rankings, only seeing stronger cost inflation than the West Midlands and the North West.



South East records strongest regional rise in charges

May data pointed to a further rise in selling prices set for the provision of South East goods and services. The rate of charge inflation was sharp, picking up to the strongest seen this year so far. Panel members mentioned that they had raised fees in line with inflated overhead costs.

The local rise in charges was the quickest of the 12 monitored UK areas.



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, May '24 ⁺
1	Electrical & Optical	1.90	55
2	Mechanical Engineering	1.27	55
3	Chemicals & Plastics	1.23	55
4	Timber & Paper	0.98	50
5	Other Manufacturing	0.97	50
6	Basic Metals	0.82	45
7	Transport	0.62	50
8	Food & Drink	0.49	55
9	Textiles & Clothing	0.43	50

South East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May'24 ⁺
1	Computing & IT Services	1.71	55
2	Transport & Communication	1.22	45
3	Business-to-business Services	1.04	50
4	Hotels, Restaurants & Catering	0.95	45
5	Personal & Community Services	0.93	50
6	Financial Intermediation	0.63	55

UK sector focus

Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

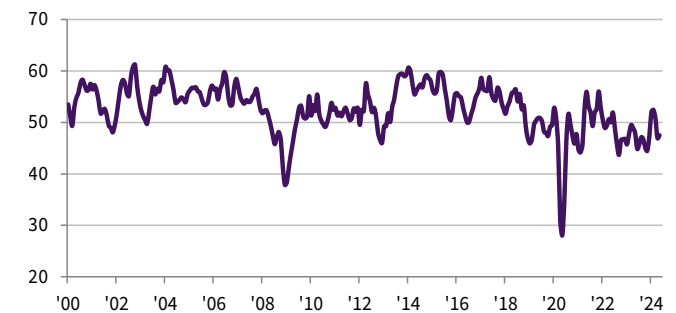
Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

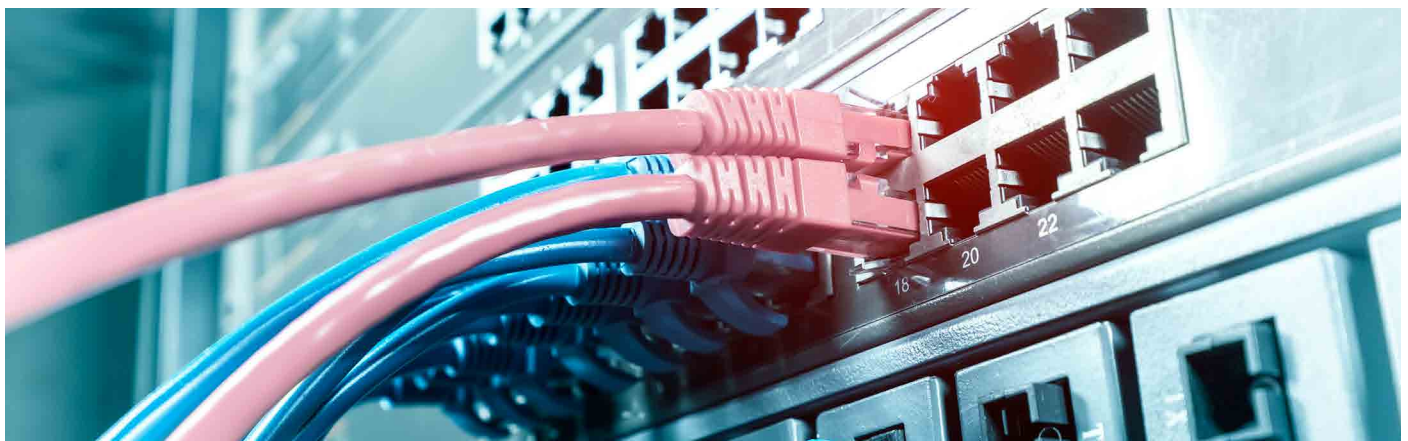
Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

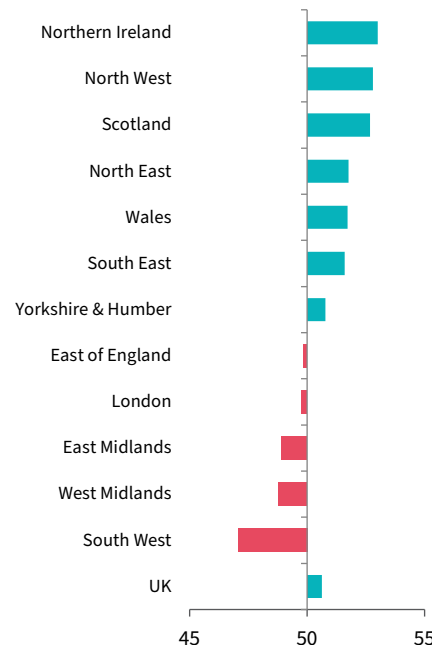
Business Activity Index

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



Employment Index

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

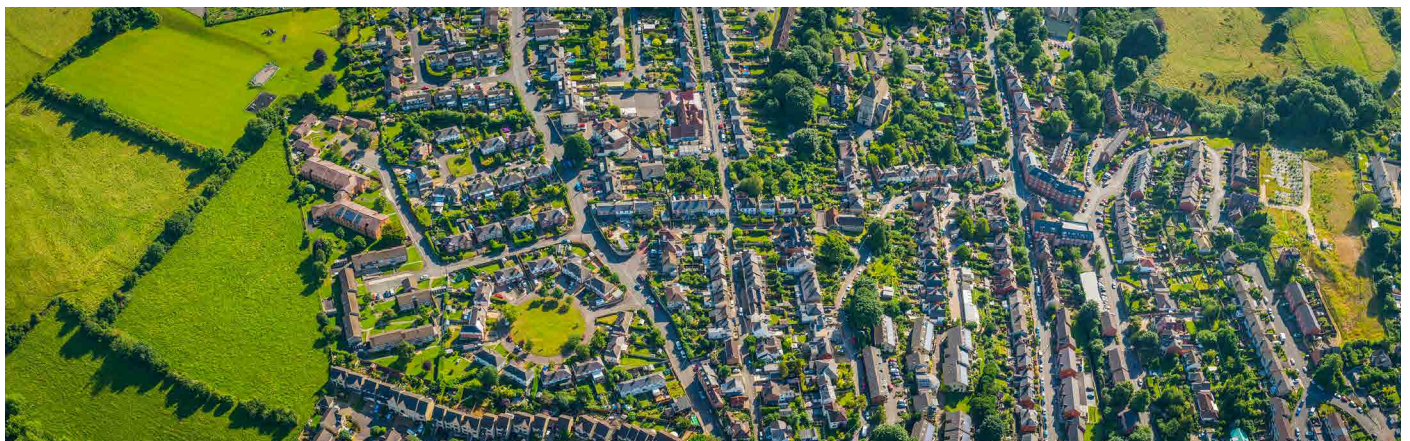


Future Activity Index

>50 = growth expected over next 12 months, May '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
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
May '24	51.6	50.3	53.2	78.2	51.6	48.6	58.8	57.3

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