

10 December 2024

NatWest South East Growth Tracker

South East firms remain confident in the
outlook despite setback



NatWest

PMI[®]

by **S&P Global**

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Key findings

November 2024

**New business and activity fall,
but only modestly**

**Firms raise charges amid
stronger cost pressure**

**South East remains near top of
regional ranking for optimism**

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





South East firms remain confident in the outlook despite setback

Though the latest NatWest Regional Growth Tracker data revealed a slight drop in activity levels across the South East, firms remained strongly optimistic towards the future.

The headline South East Business Activity Index came in at 48.1 in November, down from 49.8 in October. Though posting the second successive decrease in activity levels across the South East, the rate of decline was only modest. This contrasted with a slight rise in activity seen at the UK-wide level.

Where a decrease was reported, firms cited a combination of drivers, including business uncertainty, reduced workforce numbers and lower export sales.

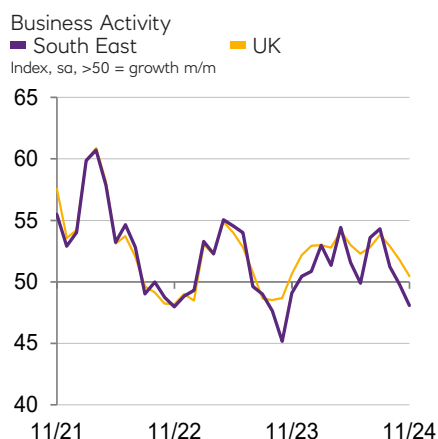
The overall degree of optimism among South East businesses did remain firmly in positive territory in November, despite faltering from that seen in October.

NatWest South East Business Activity Index November 2024

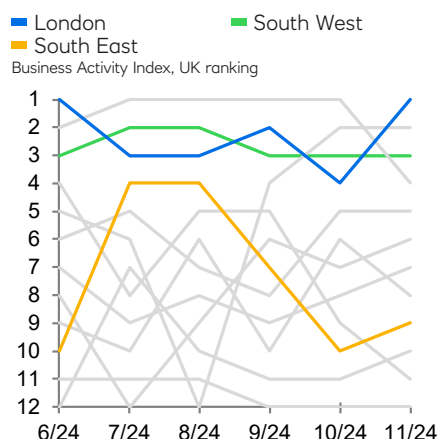
48.1

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 12-27 November



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Comment

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

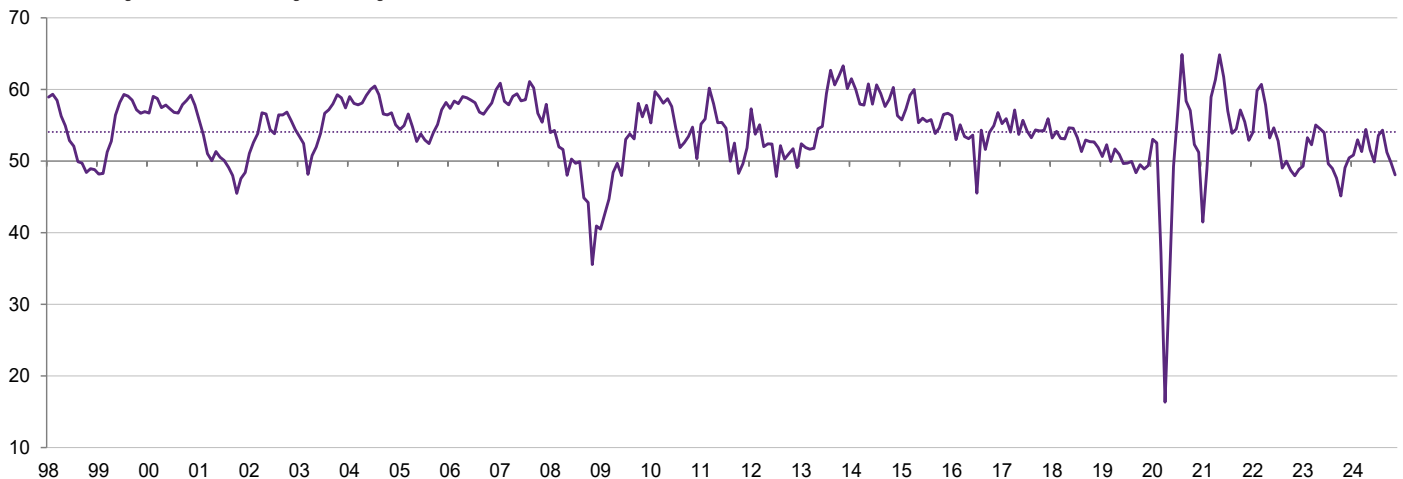
"Faced with some setbacks, the South East remained poised. Confidence levels across the region were among the strongest of the 12 UK areas, with new product launches, planned investment and growth ambitions expected to support a rise in activity. Though firms

reported lower volumes of new business and activity, declines here were only marginal. Meanwhile, companies acted strategically to protect profit margins, reducing headcounts in line with lower workloads. With firms often mentioning the non-renewal of temp contracts, this decrease could be short-lived. Finally, a rise in cost pressures triggered a sharper hike in selling prices, thus highlighting some level of confidence in the resilience of demand."



Business Activity

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



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



NatWest

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Demand and outlook

South East remains one of the most optimistic UK areas in November

After having signalled broadly stable inflows of new work in October, the volume of new business received by companies in the South East was down on the month in November. In anecdotal evidence, businesses linked this to a softening of demand conditions. Though the contraction was the first seen for five months, it was only modest overall.

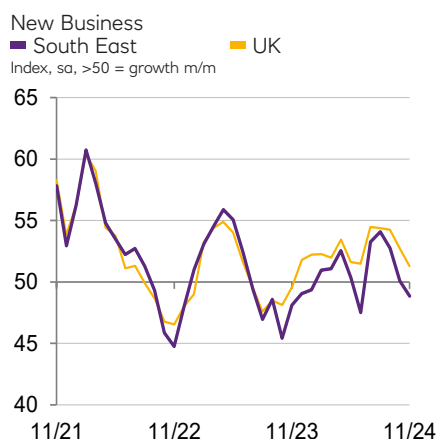
The fall in new orders in the South East contrasted the wider UK trend of growth, though the uplift here

was only slight.

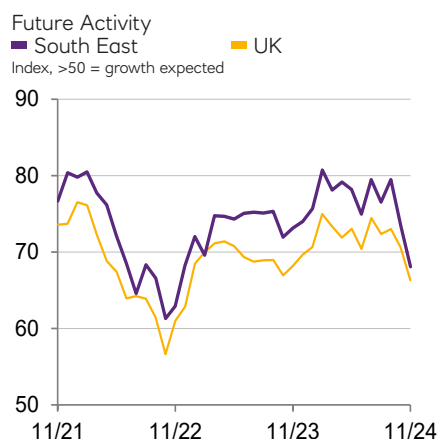
Looking ahead, firms across the South East expressed a strong degree of confidence that activity would rise over the coming year in November. Key sources of optimism cited by panellists included new product development, increased investment and their growth ambitions. Despite remaining firmly in positive territory, sentiment dipped to its lowest for two years.

Of the 12 monitored UK areas, only London and the West Midlands were more confident than the South East.

"Confidence levels across the region were among the strongest of the 12 UK areas, with new product launches, planned investment and growth ambitions expected to support a rise in activity."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Jobs and capacity

Private sector employment levels decrease in the penultimate month of 2024

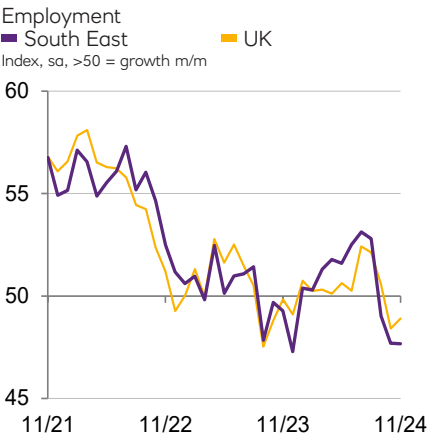
The latest data pointed to a third successive monthly decrease in headcounts at South East firms. Here, the rate of reduction was moderate and in line with that seen in October. Some firms reportedly lowered their temporary staff numbers in line with decreased workloads which helped to fulfil cost cutting initiatives.

The rate of job shedding seen locally was faster than that seen at the national level.

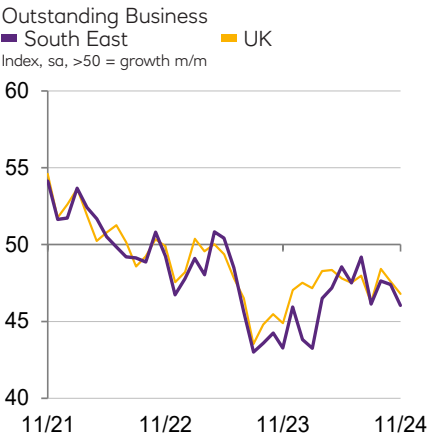
Firms were again able to focus on clearing their backlogs of work, with the run of depletion stretched to a year-and-a-half in November. Panellists mentioned that they were able to keep on top of workloads in anecdotal evidence.

Though the rate at which outstanding business was depleted was the quickest in nine months and solid overall, it was only slightly faster than the UK average.

"Companies acted strategically to protect profit margins, reducing headcounts in line with lower workloads."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Inflation

Cost pressures rise, but remain regionally subdued in November

Companies in the South East recorded a rise in their business expenses in November, thereby extending the trend of inflation to four-and-a-half years. Firms reported the increased cost of services, staff, and raw materials in anecdotal evidence. Though the rate of cost inflation was substantial and its strongest for seven months, it

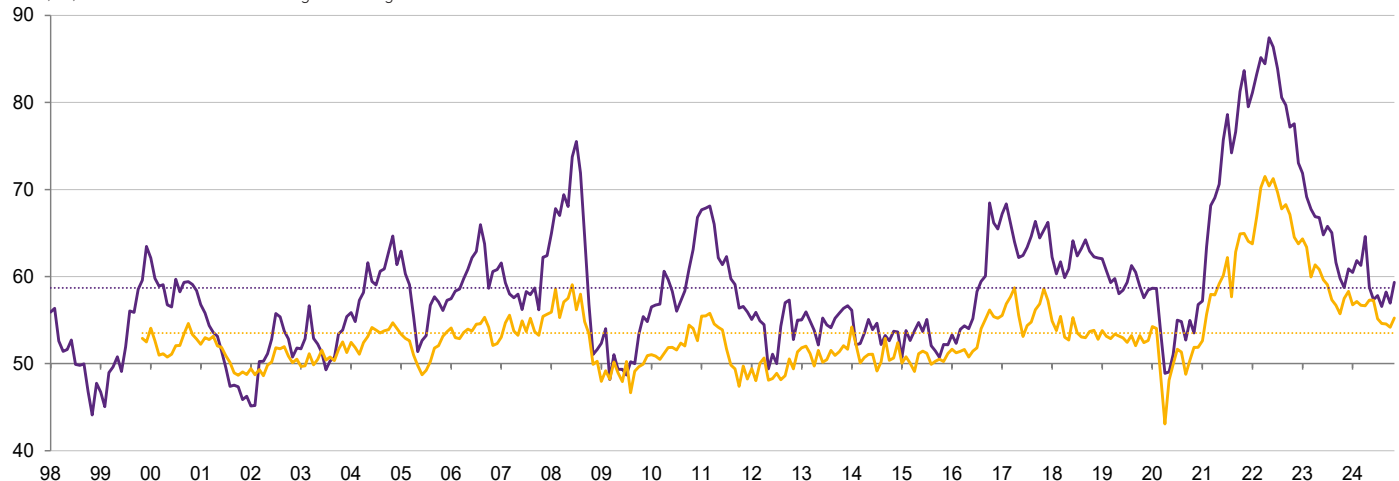
remained one of the weakest of the 12 monitored UK areas.

Firms meanwhile felt confident enough to raise their charges to a greater degree in November. As well as strong, the rate of charge inflation was the most pronounced for four months. The rise reportedly reflected attempts to cover increased costs.

South East companies were slightly more aggressive in their price setting compared to the UK-wide trend.

"A rise in cost pressures triggered a sharper hike in selling prices, thus highlighting some level of confidence in the resilience of demand."

■ Input Prices ■ Output Prices
Index, sa, >50 = inflation m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

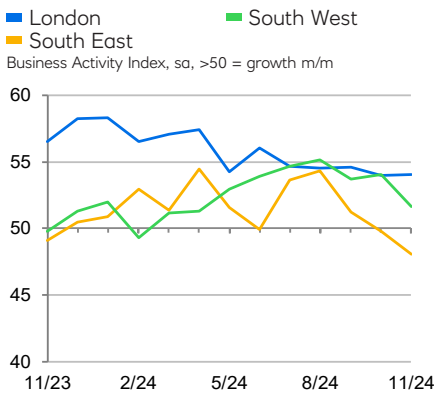
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



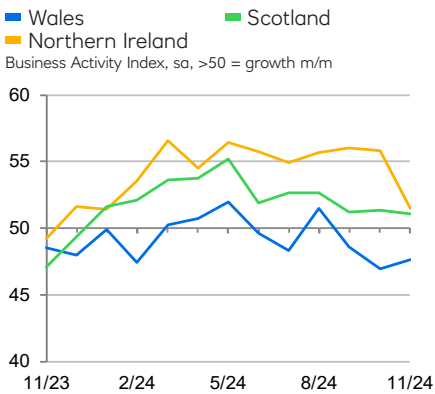
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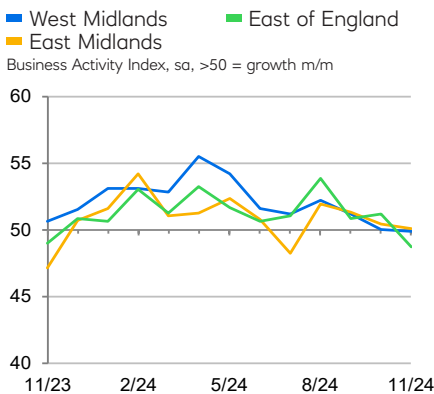
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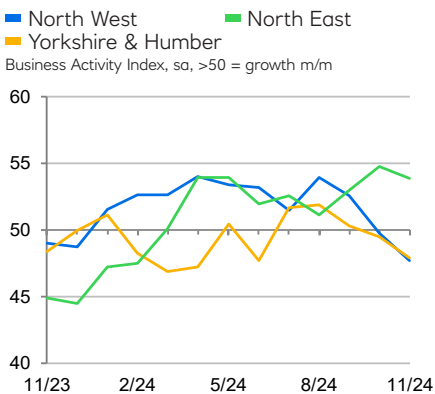
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Growth Tracker heat map

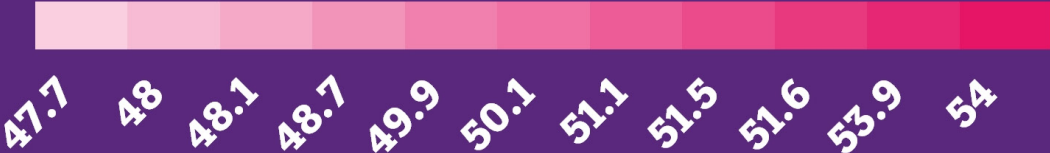
November 2024

Darker colour = higher business growth

South East

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

48.1



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

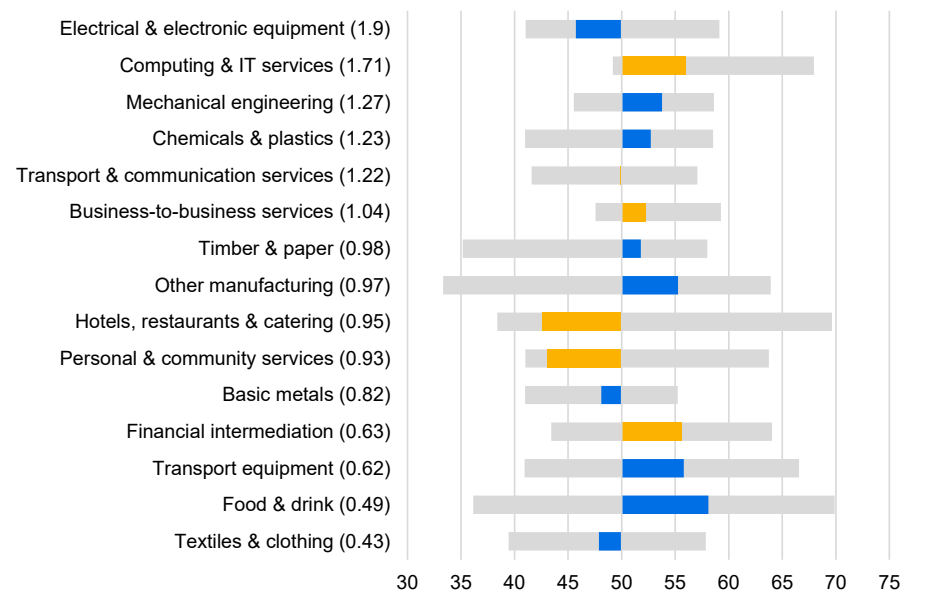
UK sectors

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 Nov '24



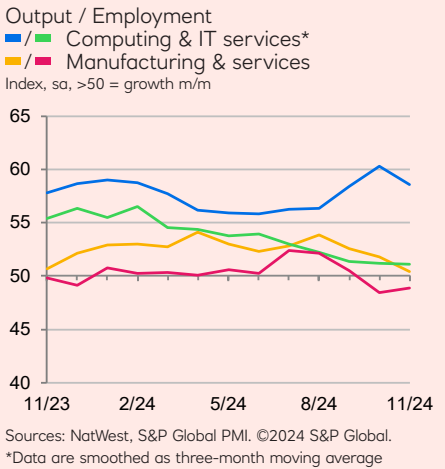
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
Location quotients for the South East are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection. Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



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.

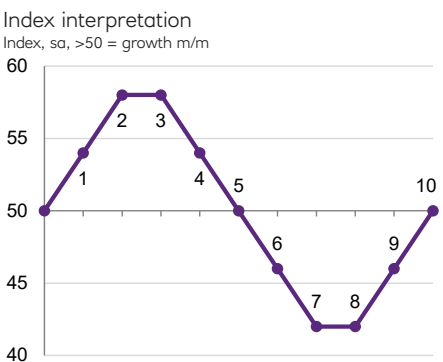
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.



Sources: NatWest, S&P Global PMI. ©2024 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
6/24	49.9	47.5	52.0	52.5	47.5	75.0	57.4	57.3
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		47.7	46.0	68.1	59.3	55.2

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