

12 November 2024

NatWest South East Growth Tracker

South East enjoys rise in new business in
October



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by **S&P Global**

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Key findings

October 2024

Output levels broadly unchanged

Optimism amongst South East businesses amongst the highest in UK

However, businesses registering marked drops in headcounts

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 enjoys rise in new business in October

The NatWest Regional Growth Tracker showed little movement in both activity and new business trends across the South East in October.

The headline South East Business Activity Index fell from 51.2 in September to 49.8 in October, thereby marking the first below-neutral 50.0 reading for four months. Anecdotal evidence was split between those companies that had raised activity in response to a pick-up in new orders, and those that had seen demand soften and

therefore scaled back output.

Of the 12 monitored UK areas, only Yorkshire & Humber and Wales posted faster declines than that seen locally.

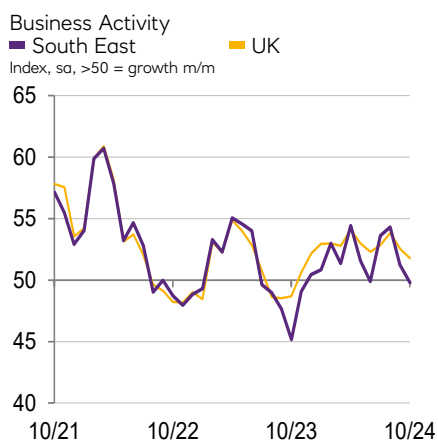
More granular sector data revealed that the decline in activity was linked to a services downturn, while output growth was reported at manufacturers in the South East.

NatWest South East Business Activity Index October 2024

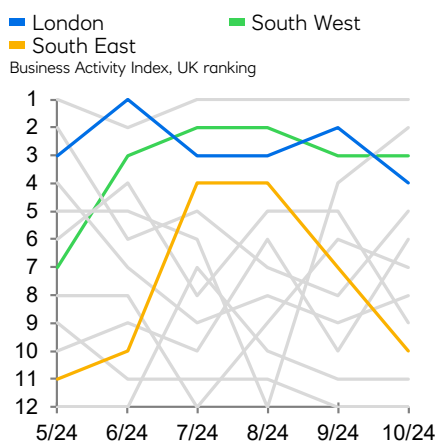
49.8

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 10-29 October



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



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



NatWest

Comment

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

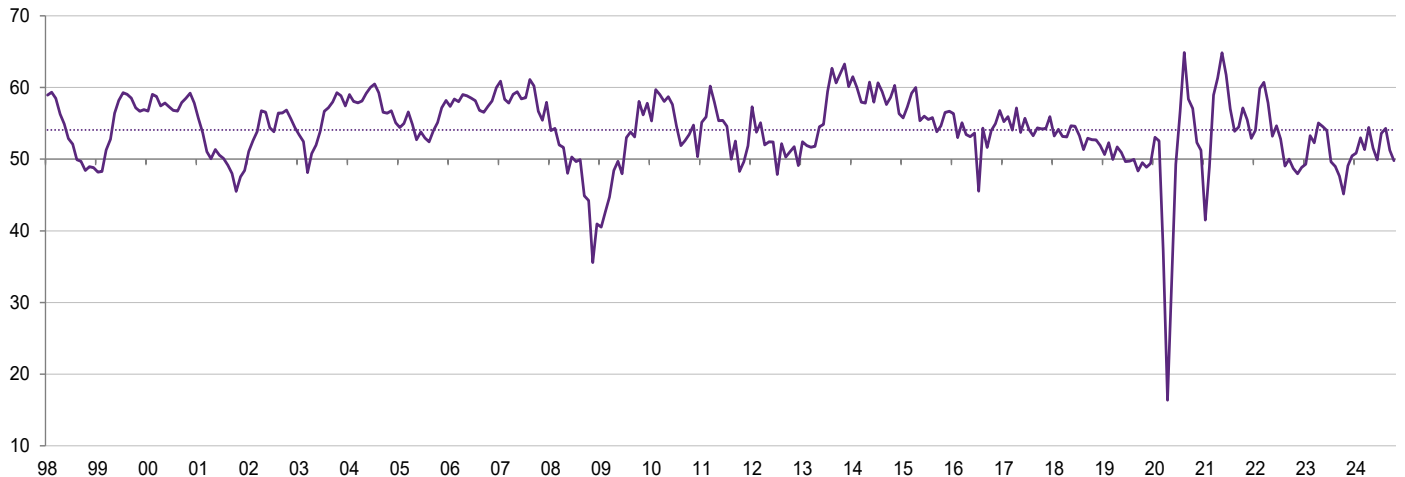
"The South East private sector entered the final quarter of the year with new business enjoying some level of growth. With that, firms opted to keep activity levels broadly consistent on the month. Given that businesses had been running with excess capacity for some time,

October saw employment levels reduced in an attempt to realign headcounts to workloads. The job shedding seen in the region was consistent with that seen at the UK-wide level. As for prices, firms in the South East enjoyed slightly softer cost pressures in October. Both the rates of cost and charge inflation recorded locally were slightly cooler than seen at the national level."



Business Activity

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



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



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Demand and outlook

South East firms signal little change in new business volumes in October

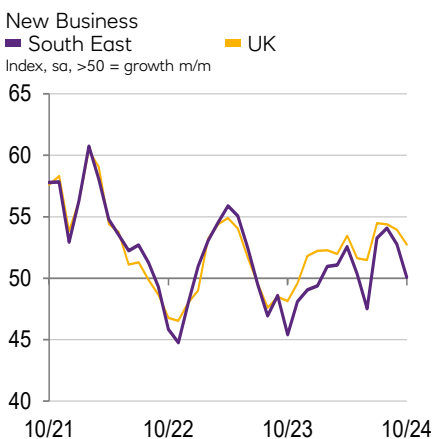
The seasonally adjusted New Business Index posted just fractionally above the neutral 50.0 mark in October, thus indicating broadly unchanged levels of incoming new work at South East firms. This compared unfavourably to moderate growth at the national level.

Firms in the South East remained optimistic towards their growth prospects in October. Increased marketing efforts, general growth

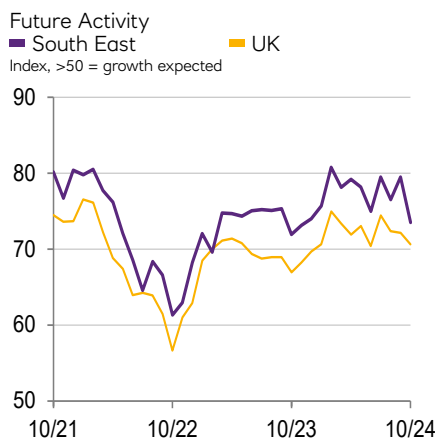
expectations and hopes of improved market conditions were reasons cited for confidence. The degree of positive sentiment fell notably on the month to its weakest for nearly a year, but was nevertheless stronger than the series average.

Of the 12 monitored UK areas, only the North West posted stronger optimism than the South East.

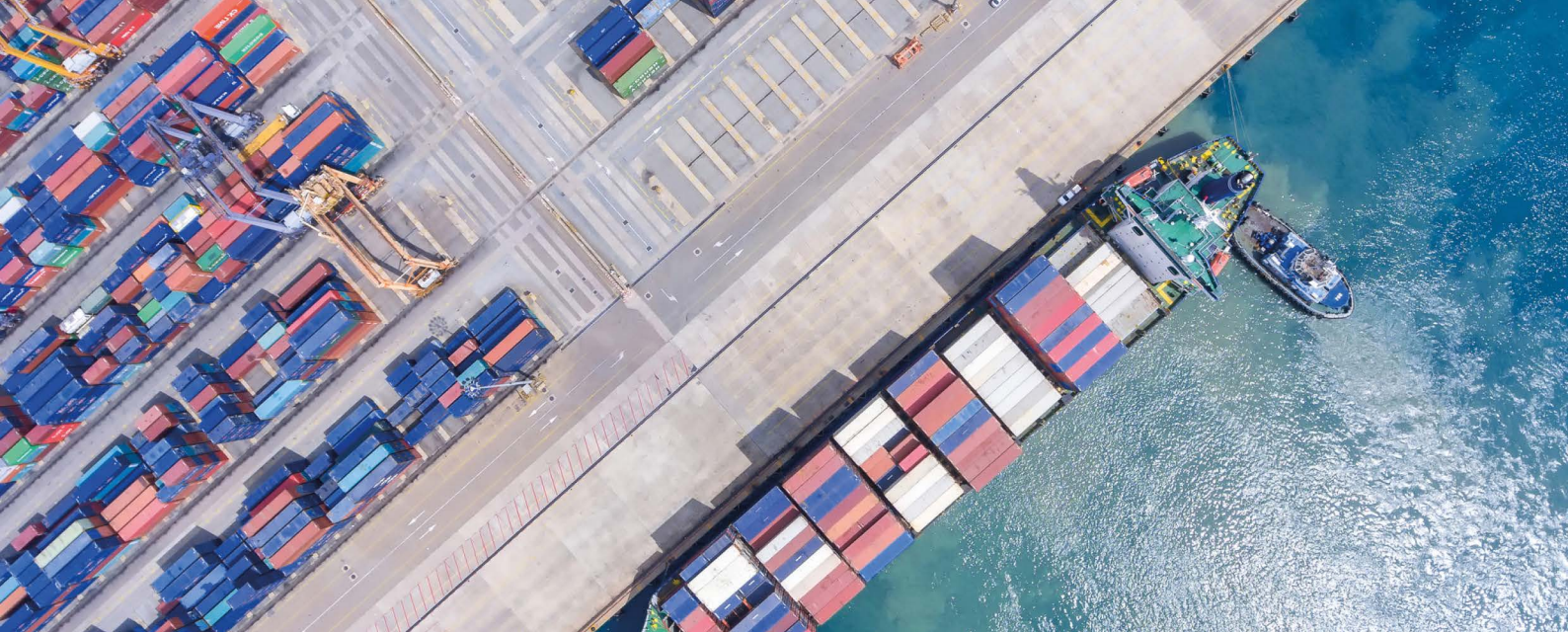
"The South East private sector entered the final quarter of the year with new business just inside growth territory."



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



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



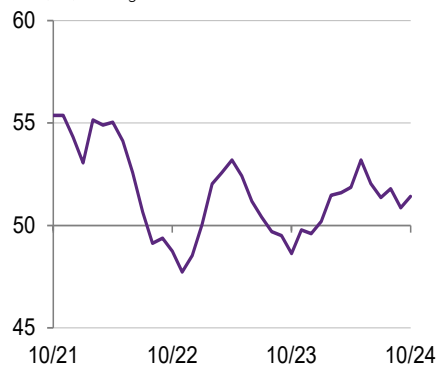
Export markets

Export climate strengthens in October

The Export Climate Index for the South East increased slightly from 50.9 in September to 51.4 October. Despite improving, the latest data signalled only a marginal increase in in global activity on a trade-weighted basis.

Ireland and the US remained the key sources of strength, with the latter posting a marked rise in activity in particular. Meanwhile, modest declines were seen in France, Germany and the Netherlands.

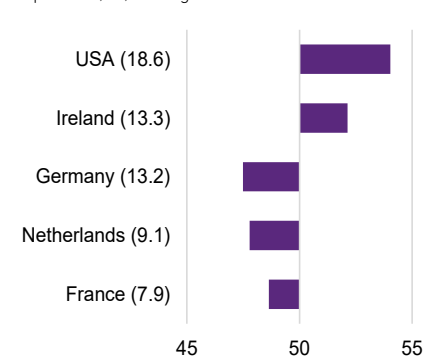
Export Conditions
Index, sa, >50 = growth m/m



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

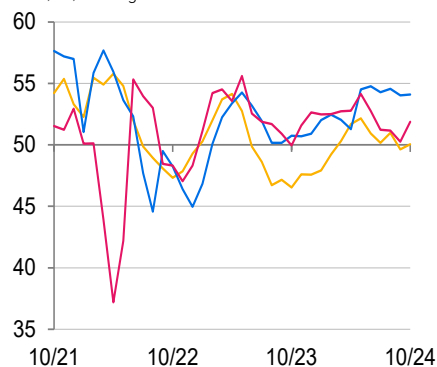
The South East Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South East. A reading above 50 signals an improvement in 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. ©2024 S&P Global.

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



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



Jobs and capacity

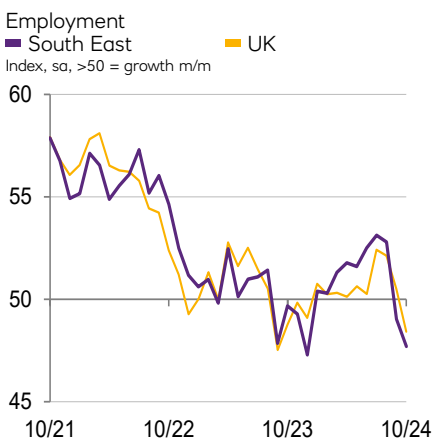
Workforce numbers fall amid ongoing signs of spare capacity

There was a second successive drop in employment levels at South East private sector businesses at the start of the final quarter. According to anecdotal evidence, the decrease reflected a combination of staff leavers and lower new work intakes. The rate of job shedding was the fastest seen in 2024 so far, moderate and slightly faster than the UK average.

October survey data pointed to a sustained decrease in outstanding business at South East firms, thereby stretching the current run of reduction to nearly a year-and-a-half. The rate of depletion was solid and broadly consistent with the national average.

The reduction in backlogs was largely a result of lower levels of incoming new business, according to panel member reports.

"Given that businesses had been running with excess capacity for some time, October saw employment levels reduced in an attempt to realign headcounts to workloads."



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



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



Inflation

Inflationary pressures cool slightly across the region at the start of the final quarter

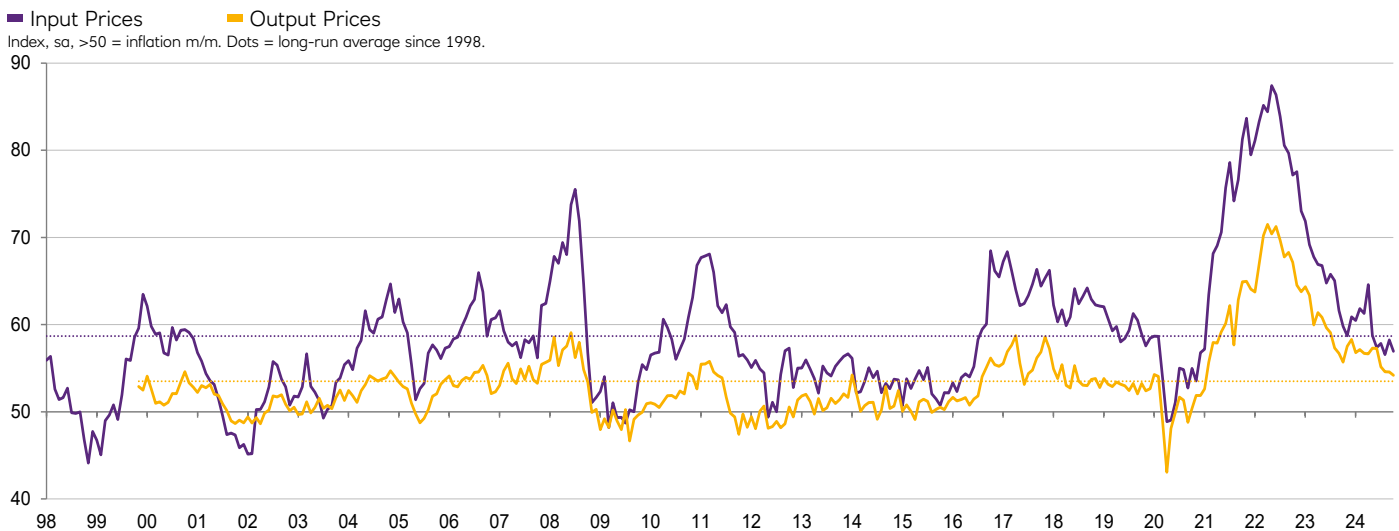
Businesses' operating expenses increased again in October, thus marking nearly four-and-a-half years of inflation. Elevated costs associated with wages, raw materials and rent were cited as the main drivers in anecdotal evidence.

That said, cost pressures cooled on the month and were among softest of the 12 UK areas.

Accordingly, private sector companies in the South East were also slightly less aggressive in their price setting in October. The rate of charge inflation eased to the softest since January 2021 and was broadly in line with the UK average.

Where an increase in fees was reported, firms largely linked this to the passing through of costs to customers, in particular surrounding wages.

"Firms in the South East enjoyed slightly softer cost pressures in October. Both the rates of cost and charge inflation recorded locally were slightly cooler than seen at the national level."



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

UK Regional Growth Tracker

Business Activity

Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September. Northern Ireland continued to see the strongest growth, while there were also solid increases in output across the North East, South West and London. Wales recorded the steepest drop in activity and was joined in contraction by Yorkshire & Humber, the South East and North West.

Employment

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Future Activity

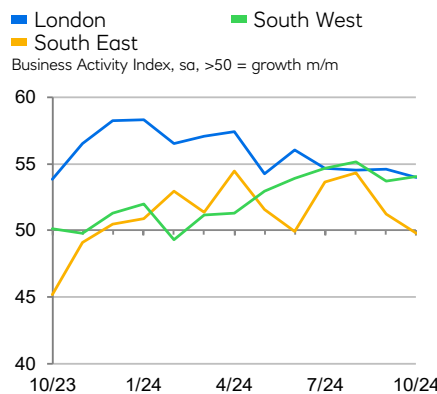
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.



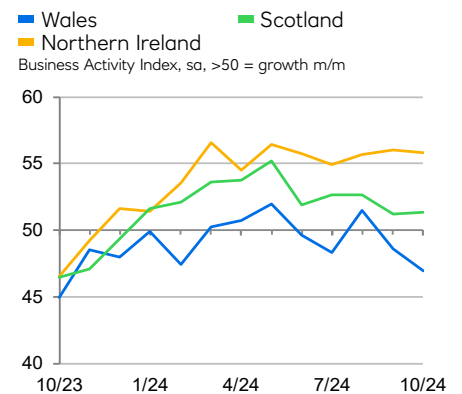
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



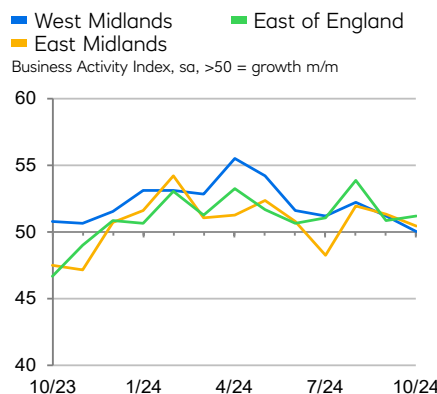
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



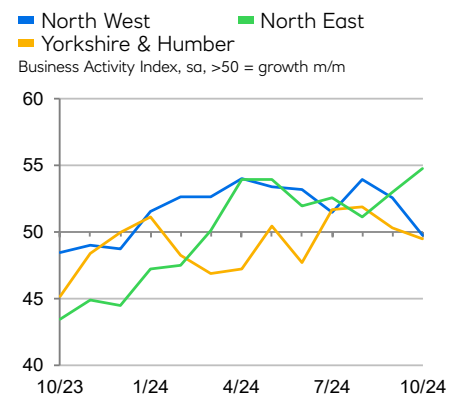
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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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

Growth Tracker heat map

October 2024

Darker colour = higher business growth

South East

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

49.8



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

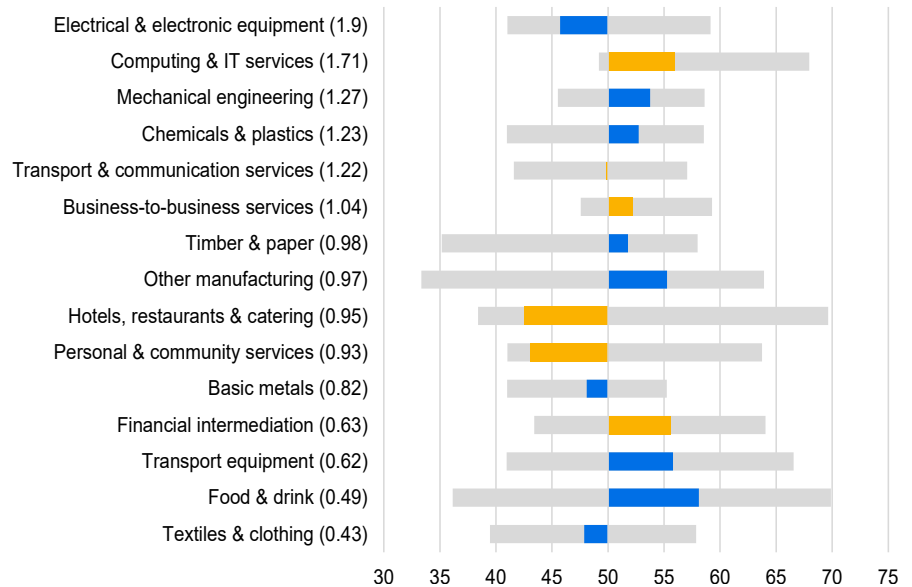
UK sectors

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 Oct '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: Basic metals

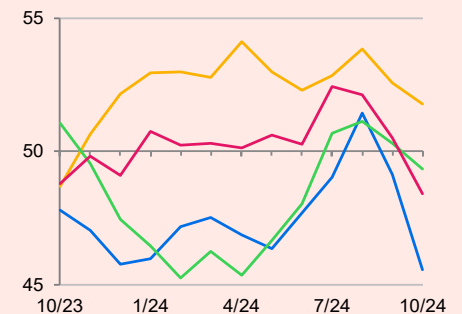
The basic metals sector acted as a notable drag on overall UK economic growth in the three months to October. It recorded the steepest drop in output since Q2 2023 and was the worst-performing sector of those monitored across manufacturing and services.

Basic metals producers reported persistent weakness in demand, with new orders having been in decline for almost two-and-a-half years. A lack of export sales was a contributing factor, underlying data showed.

Employment was also down in the three months to October, following a brief spell of job creation over the summer months. This reversal in recruitment activity coincided with a dip in optimism towards the outlook.

Turning to prices, the basic metals sector saw muted inflationary pressures, with both input costs and output prices rising at rates well below their respective historical averages. Supply-side conditions were relatively stable, as highlighted by only a fractional increase in average lead times on inputs.

Output / Employment
 ■/■ Basic metals*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 *Data are smoothed as three-month moving average

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.

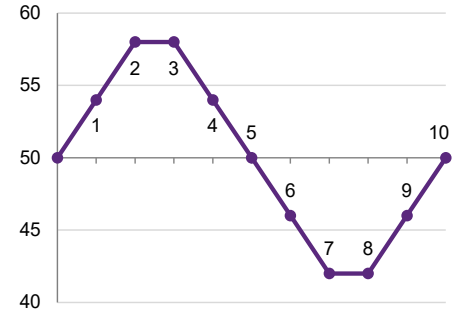
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable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

Index interpretation

Index, sa, >50 = growth m/m



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
5/24	51.6	50.3	53.2	51.6	48.6	78.2	58.8	57.3
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

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Contact

Marion Rannard
Regional Campaign Manager
NatWest
+44 (0) 7966300969
marion.rannard@natwest.com

Eleanor Dennison
Economist
S&P Global Market Intelligence
+44 1344 328 197
eleanor.dennison@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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