

9 October 2024

# NatWest South East Growth Tracker

Growth of South East private sector  
sustained



NatWest

PMI<sup>®</sup>

by **S&P Global**

9 October 2024

# NatWest South East Growth Tracker

## Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



NatWest

PMI<sup>®</sup>

by **S&P Global**

# Key findings

September 2024

Activity and new business increase at slower rates

First drop in headcounts this year so far, albeit only marginal

September sees pick-up in cost pressures

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)





# Growth of South East private sector sustained

NatWest Regional Growth Tracker data for September showed the South East economy expanding modestly.

Sustained growth of business activity across the region was supported by a further uplift in new business volumes at the end of the third quarter. Following signs of spare capacity, firms often opted to not replace leavers. Hence, employment numbers dropped in September, but only marginally. Firms nevertheless felt increasingly confident towards the year-ahead outlook for activity.

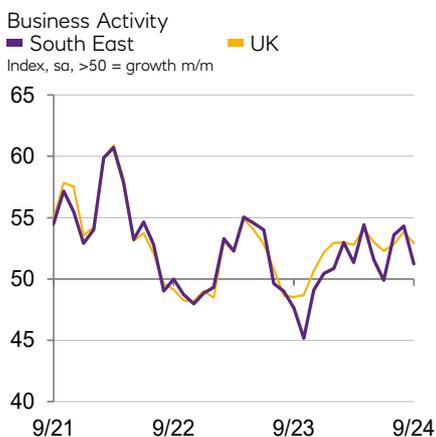
The headline South East Growth Tracker Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – fell from 54.3 in August, to 51.2 in September. Panellists linked the upturn to increased confidence in the market given steady inflows of new work. Growth was reportedly constrained by caution ahead of the Autumn Budget and a softer expansion in sales. The latest increase was the slowest across the third quarter and softer than the UK average.

NatWest South East Business Activity Index September 2024

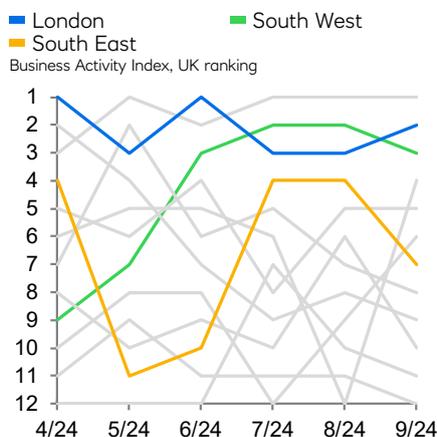
**51.2**

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 12-26 September



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:**

"September NatWest Growth Tracker data confirmed another quarterly improvement in activity across the South East. Output remained on a growth trajectory, in part due to the healthy pipelines of new business. That being said, rates of expansion slowed in each

case. Nevertheless, of the 12 UK areas, the South East was the most upbeat towards the future outlook. Firms reacted to ongoing signs of spare capacity by holding off on replacing of leavers. Employment levels fell for the first time in 2024 so far, which should help to protect profit margins. Though businesses faced stronger cost pressures, the inflationary environment was subdued compared to the UK average."



### Business Activity

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



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



[Return to contents](#)

© 2024 S&P Global



# Demand and outlook

## South East firms signal sustained new business growth

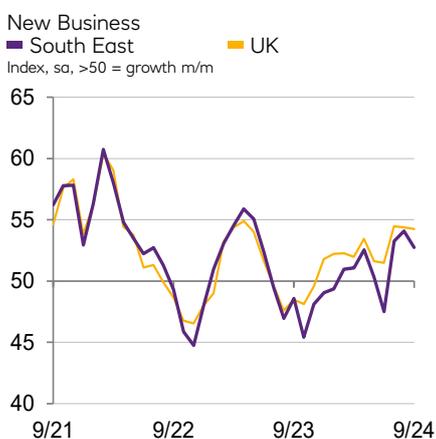
September data pointed to a further rise in new business volumes across the South East private sector. Panel members often mentioned that they had secured new contracts. Though moderate, the rate of expansion was the softest across the third quarter and below the UK average.

Firms across the South East remained optimistic toward their growth prospects for the next 12 months in September. In fact, the degree of positive sentiment was the

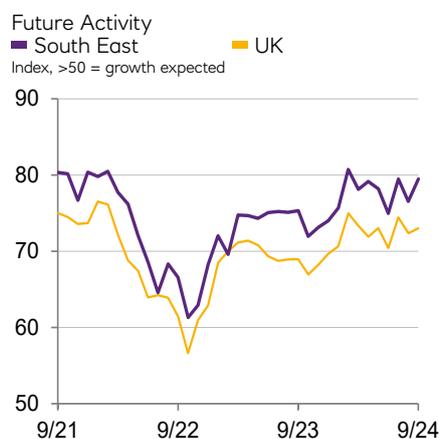
joint-strongest since February (level with July). New product launches, increased marketing and hopes of improved economic conditions were reasons for positive sentiment cited in panel member reports.

South East businesses also expressed the greatest degree of optimism of the 12 monitored UK areas.

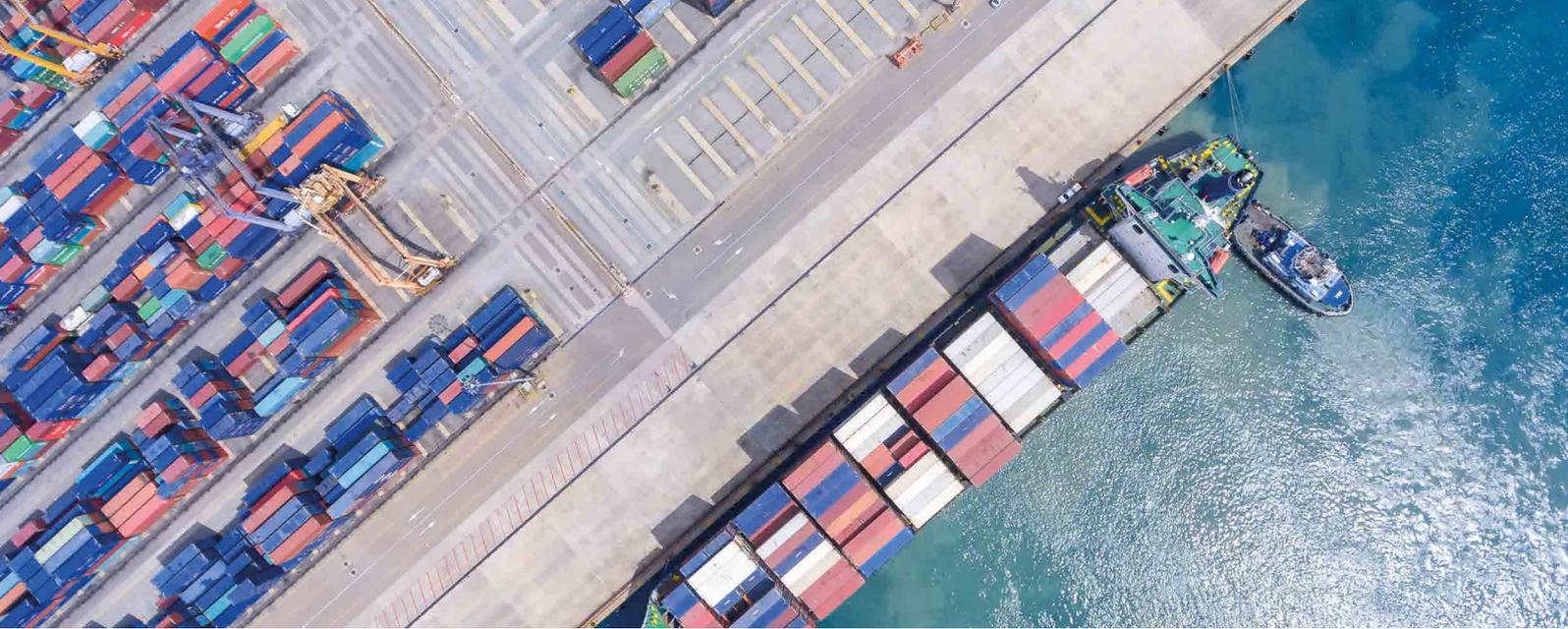
"Output remained on a growth trajectory, in part due to the healthy pipeline of new business"



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



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



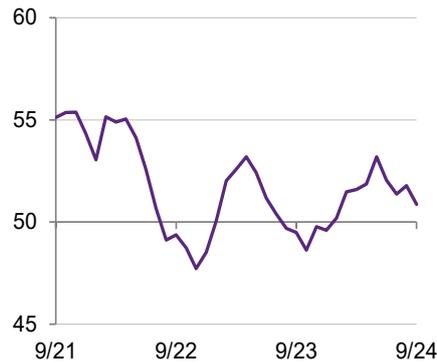
# Export markets

## Export conditions improve slightly in September

The ECI signalled a marginal improvement in the health of the region's export markets. At 50.9, the increase was the least pronounced since January, however.

The result largely reflected sustained (but softer) growth at the South East's two largest export markets, the US and Ireland. Meanwhile, France, Germany and the Netherlands all posted declines in output in September.

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



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

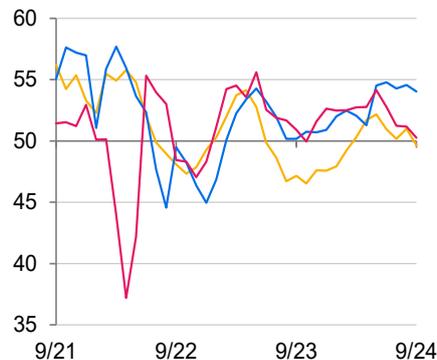
The South East Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South East. A reading above 50 signals an improvement in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

## The 2024 growth trend for jobs ended in September

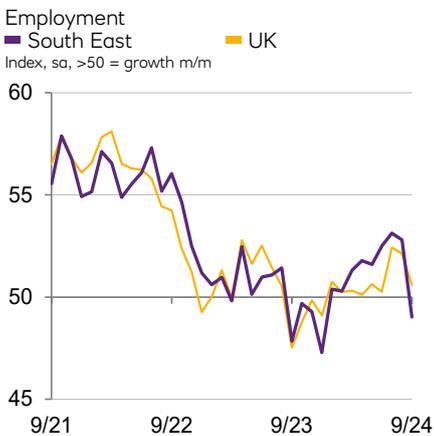
The seasonally adjusted Employment Index for the South East posted just below the crucial 50.0 mark in September for the first time this year so far. The rate of job shedding was only marginal, however. Some panellists linked the downturn to the non-replacement of leavers, often due to having excess capacity.

Half of the 12 UK areas posted job cuts, while growth was reported elsewhere. The South East fell behind the UK average (where marginal growth was signalled).

The level of outstanding business at South East firms decreased again in September, thereby extending the trend of continuous decline seen since mid-2023. Companies reportedly had sufficient capacity to run down their backlogged orders. The rate of reduction was moderate and slightly slower than that seen in August.

Unfinished orders were depleted at a faster rate in the South East compared to the UK average.

"Firms reacted to ongoing signs of spare capacity by holding off on replacing of leavers"



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



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



# Inflation

## Cost pressures pick up, while charge inflation holds constant

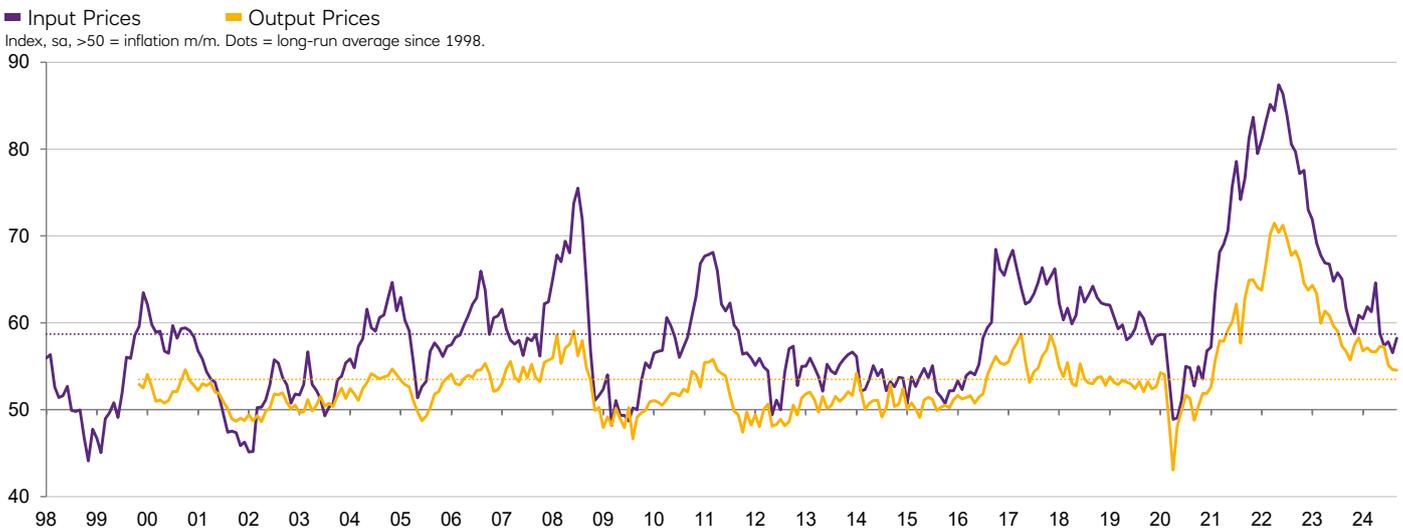
There was a further substantial rise in operating costs faced by private sector firms in the South East in September. In anecdotal evidence, businesses frequently blamed increased wage costs. The rate of input price inflation was the strongest since May, but remained just below both the long-run and UK averages.

Ongoing increases in input costs

underpinned a further uplift in charges set for South East goods and services in September. As the rate of charge inflation was unchanged from August, it therefore remained the joint-least pronounced since January 2021.

The rate at which average selling prices increased was also largely in line with the national average.

"Though businesses faced stronger cost pressures, the inflationary environment was subdued compared to the UK average"



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

# UK Regional Growth Tracker

## Business Activity

A renewed – albeit only slight – decrease in business activity in Wales in September prevented a second successive month of universal growth across the UK. Notably, rates of expansion generally eased compared to those seen in August. Northern Ireland was one of the exceptions, cementing its position at the top of the growth rankings with its fastest rise in output since May.

## Employment

Employment growth in September was also led by Northern Ireland, as was the case throughout the third quarter. Only half of the 12 UK nations and regions monitored reported a rise in workforce numbers, down from ten in August. Wales saw the steepest drop in staffing levels, although the decline was only modest overall.

## Future Activity

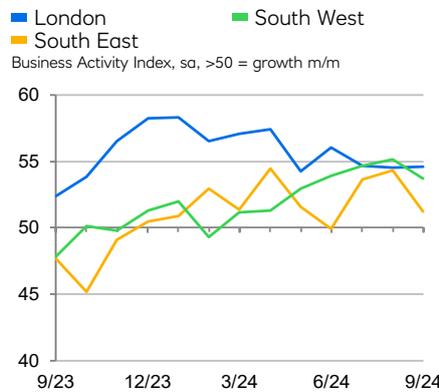
Trends in business expectations varied in September. Just over half of the monitored nations and regions reported a reduction in business confidence, but sentiment nevertheless remained positive across the board. Firms in the South East recorded not only the strongest overall growth expectation, but also the biggest upswing in optimism.



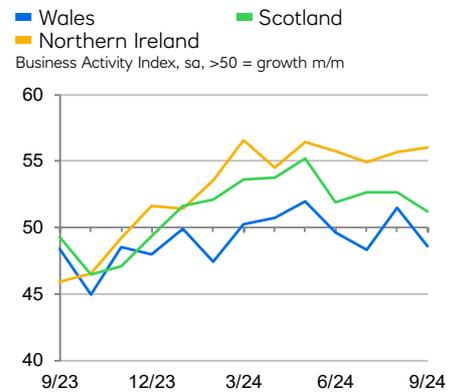
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



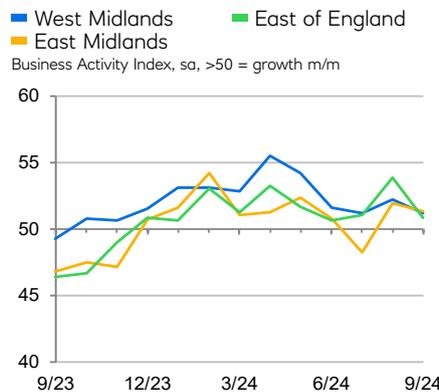
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



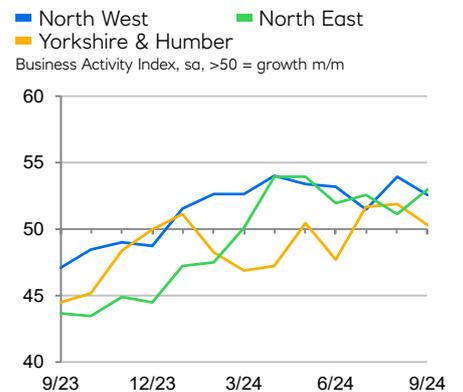
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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



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



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

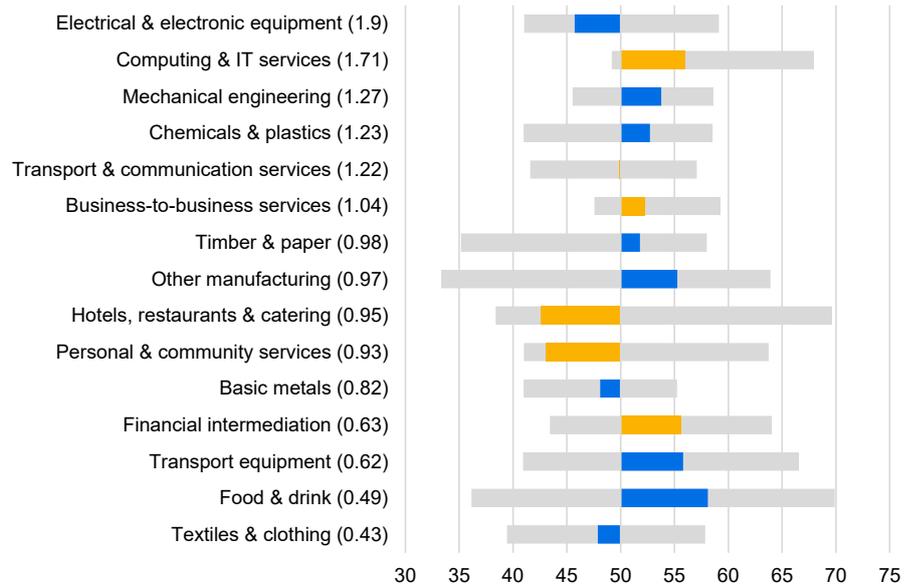
# UK sectors

## 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 Sep '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: Business-to-business services

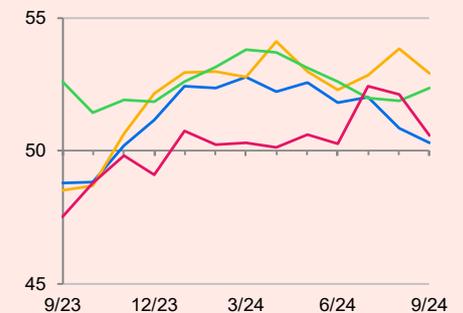
Growth in the UK's Business-to-business services sector came close to stalling in the third quarter. Activity rose only marginally and at the weakest rate for almost a year, with the lack of growth momentum reflecting only modest gains in new business in recent months. Firms in the sector increasingly turned to backlogged work to support growth, with outstanding business falling at a faster rate in the three months to September.

Latest data nevertheless showed sustained job creation across

business-to-business services, continuing a sequence of rising employment that stretches back to early 2021. The rate at which staffing levels rose even ticked up slightly and exceeded the average across the UK private sector as a whole.

As for prices, rates of inflation in both input costs and output charges remained among the lowest seen over the past three-and-a-half years, although they were still above their respective pre-pandemic long-run averages.

Output / Employment  
 ■/■ Business-to-business services\*  
 ■/■ 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.

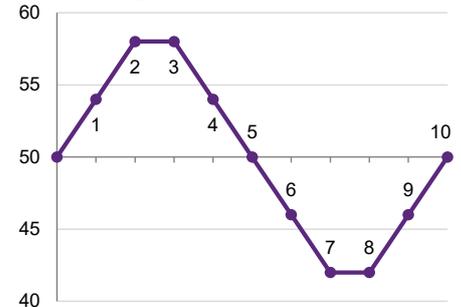
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable 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](mailto: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
4/24	54.4	52.6	51.9	51.8	47.2	79.2	64.6	56.6
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

# Further information

## NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

[www.natwest.com/business/insights/economics](http://www.natwest.com/business/insights/economics)

[www.linkedin.com/company/natwest-business/](http://www.linkedin.com/company/natwest-business/)

## PMI by S&P Global

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

[www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

## S&P Global

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

[www.spglobal.com](http://www.spglobal.com)

## Contact

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

Eleanor Dennison  
Economist  
S&P Global Market Intelligence  
+44 1344 328 197  
[eleanor.dennison@spglobal.com](mailto:eleanor.dennison@spglobal.com)

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

## Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.



**NatWest**

**PMI®**

by **S&P Global**