

10 September 2024

NatWest South East Growth Tracker

Strongest rise in new business for over a
year in August



NatWest

PMI[®]

by **S&P Global**

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Key findings

August 2024

Both activity and new orders growth pick up

Job creation slows slightly

Softest input price inflation since November 2020

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





Strongest rise in new business for over a year in August

August NatWest Regional Growth Tracker data highlighted sustained and stronger growth trends for output and new business across the South East

The upward trajectory of the South East private sector continued into August. Having accelerated, upturns in activity and new work were both solid. Job creation continued but at a slower rate, while confidence in the outlook deteriorated slightly. Most notably, cost pressures cooled further and were the joint-softest of the 12 monitored UK areas.

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 – climbed up from 53.6 in July, to 54.3 in August. The rate of expansion posted a four-month high and was solid overall, with firms reporting increased enquiries and new orders.

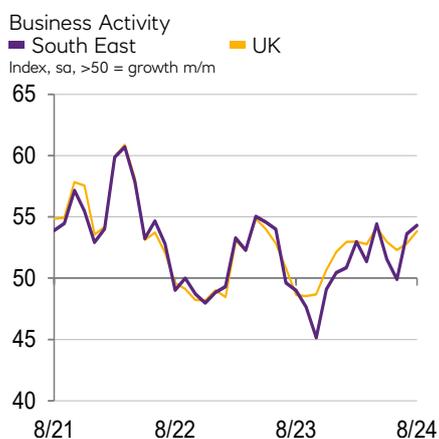
As was the case in July, the rate of output growth seen locally was faster than the UK average in August.

NatWest South East Business Activity Index August 2024

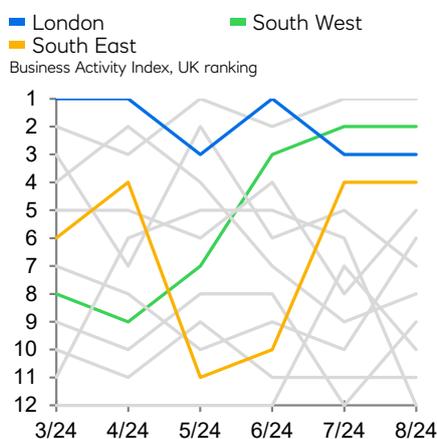
54.3

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 12-28 August



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:**

"There were few surprises in the South East, according to the August's NatWest Growth Tracker data, with the region nearing national averages in several categories. Firms signalled an improved demand environment, with new business rising at the quickest rate since

May 2023, which in turn boosted output growth. Jobs growth was sustained, providing further support to the region's labour market.

"Cost inflation receded, and local firms signalled the joint-weakest rise in input prices of the 12 UK areas. Most notably perhaps, South East firms expressed the strongest confidence in the outlook for activity of all 12 UK areas for the third month running."



Business Activity

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



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



Demand and outlook

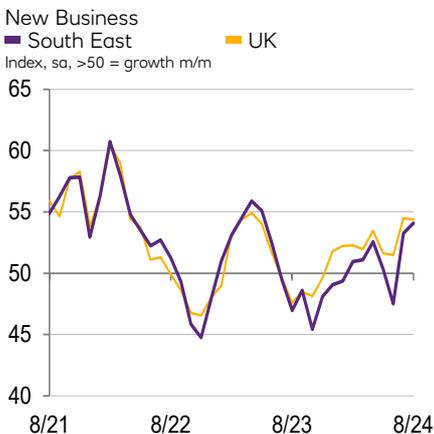
South East firms take on increased volumes of new business in August

Companies based in the South East pointed to greater volumes of new work in August, marking the sixth monthly rise in new business this year so far. New customers, increased marketing efforts and contract wins were the main drivers cited in panel member reports. Though the strongest expansion seen for 15 months, the local increase was slightly subdued compared to the national average.

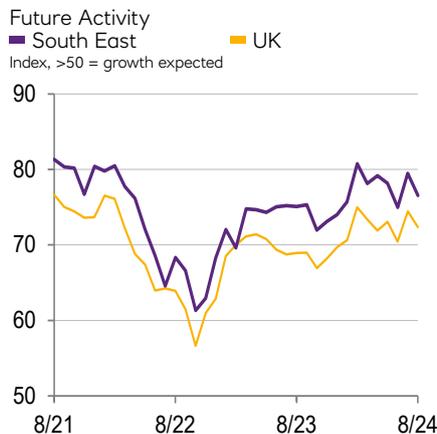
At the same time, the Future Activity Index signalled confidence across the South East in August. While some firms anticipate growth in sales over the coming year, others expect output to rise following investment in staff and marketing.

The degree of optimism in the South East was the strongest of the 12 UK areas for a third month in a row in August, even having deteriorated from that seen in July.

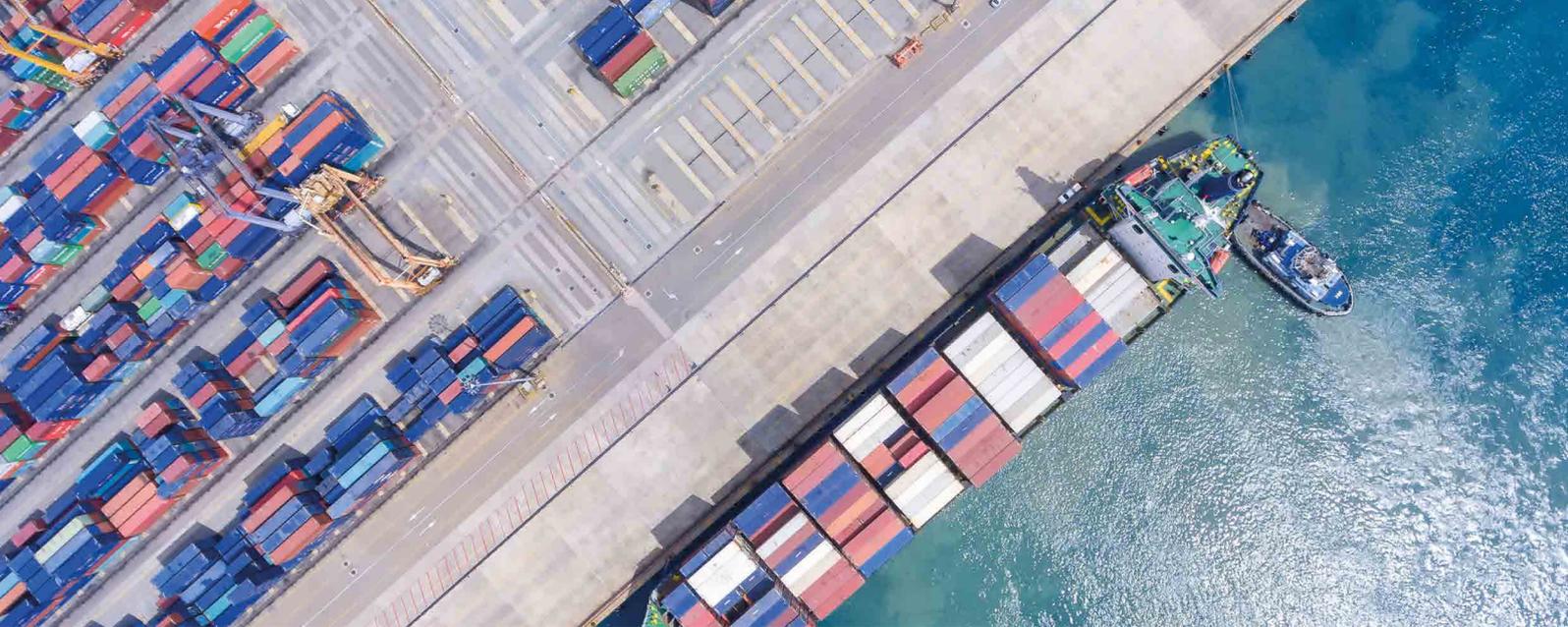
"Firms signalled an improved demand environment, with new business rising at the quickest rate since May 2023"



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



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



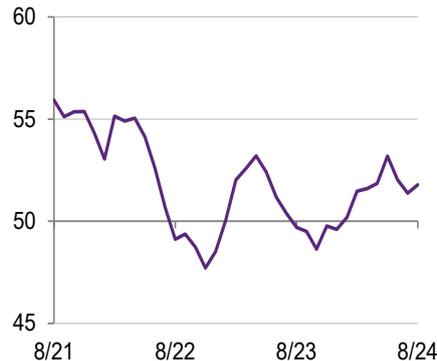
Export markets

Export climate improves further in August

The South East ECI ticked up from 51.4 in July to 51.8 in August, to signal a further marginal uplift in export conditions.

Of the South East's top five export destinations, Germany and the Netherlands both registered sharper declines in output in August. This was more than offset by a combination of faster activity expansions in the US and Ireland, and a fresh uplift in France.

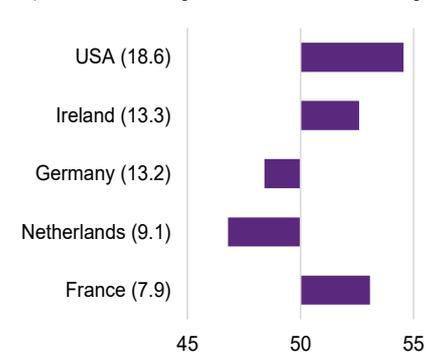
Export Conditions
Index, sa, >50 = growth m/m



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

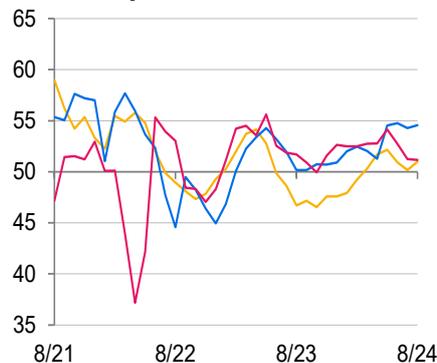
The South East Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South East. A reading above 50 signals an improvement in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



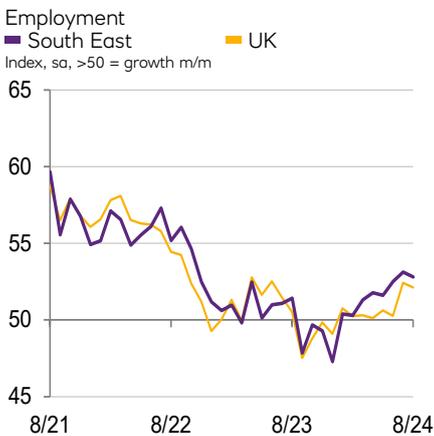
Jobs and capacity

The 2024 upward trend for jobs in the South East continues in August

The seasonally adjusted Employment Index posted above the 50.0 no-change mark in August, to signal an eighth consecutive monthly rise in headcounts across the South East. Companies reportedly lifted workforce numbers in line with incoming work and to support growth plans. The rate of job creation slowed on the month and was modest overall, but nevertheless remained stronger than the UK average.

As has been the case since June last year, the level of outstanding business at South East private sector firms decreased in August. Panellists commonly suggested that they had sufficient capacity to run down backlogs. The rate of depletion was the quickest for six months, solid and largely in line with the national trend.

"Jobs growth was sustained in August, providing further support to the region's labour market"



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



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



Inflation

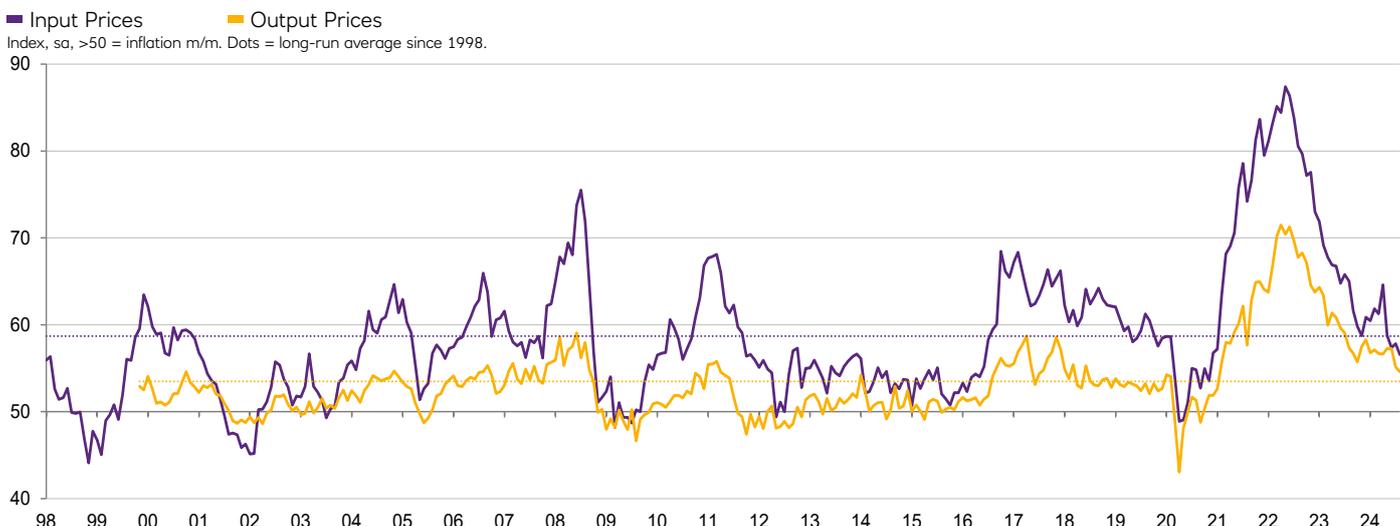
Cost and charge inflation recede in August

August survey data pointed to a rise in input costs across the South East, thereby continuing the trend of inflation seen since June 2020. Where an increase was recorded, firms often blamed wage pressures and increased raw material prices. Though strong, the rate of cost inflation was one of the softest seen in the past four years.

The South East posted the joint-lowest rise in input costs of all 12 monitored UK areas, equal with the West Midlands.

There was a solid rise in the selling prices set for South East goods and services in August. The latest increase reportedly reflected higher costs, in particular freight and raw materials. That said, the rate of charge inflation was the least pronounced recorded since the start of 2021, posting in line with the UK average.

"Local firms signalled the joint-weakest rise in input prices of the 12 UK areas"



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

UK Regional Growth Tracker

Business Activity

Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

Future Activity

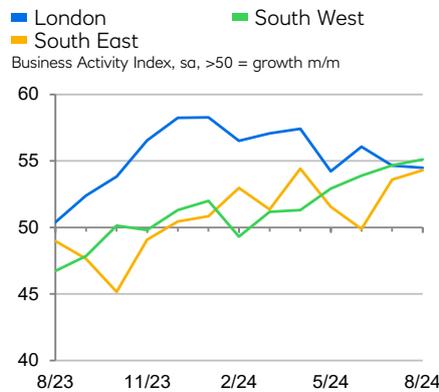
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



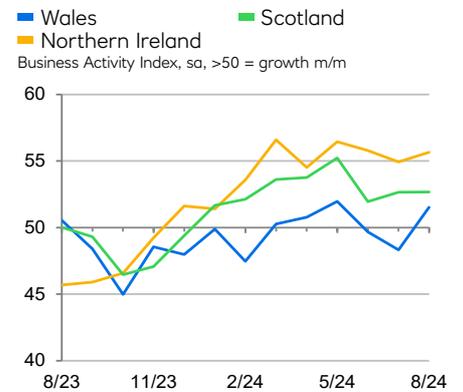
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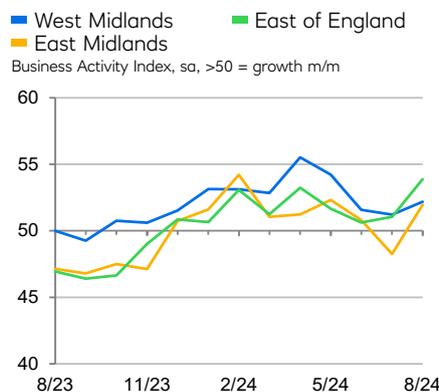
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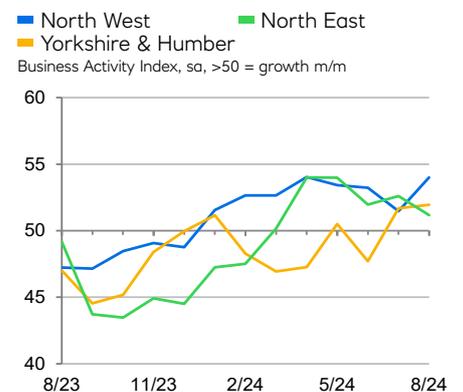
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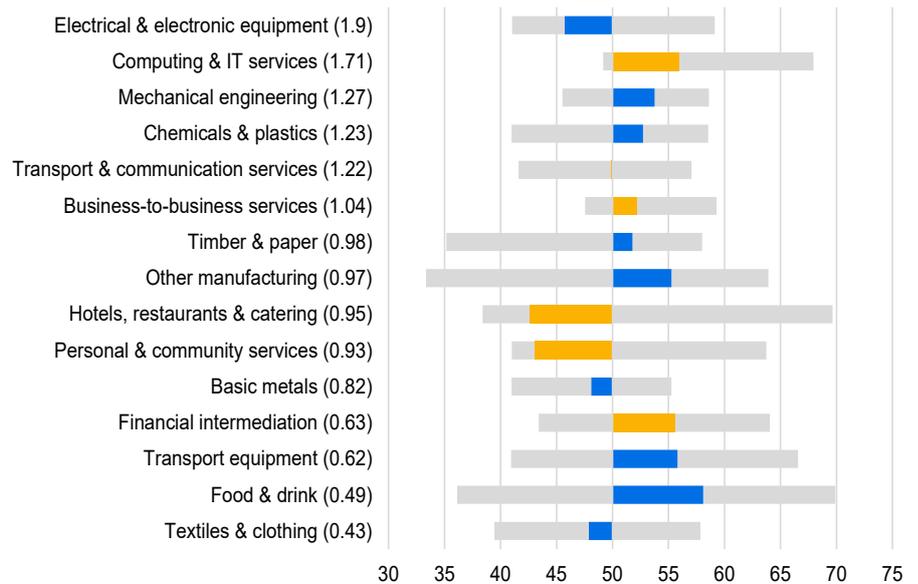
UK sectors

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 Aug '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: Food & drink

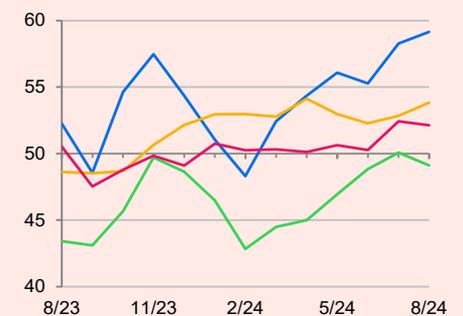
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

Output / Employment
 ■/■ Food & drink*
 ■/■ 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.

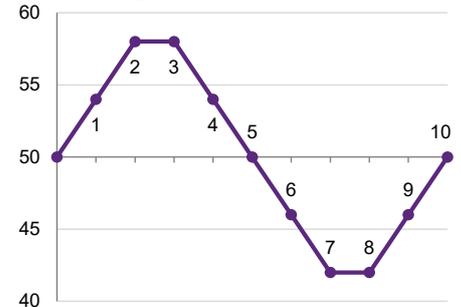
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable 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
3/24	51.4	51.1	51.6	51.3	46.5	78.1	61.3	56.7
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

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