

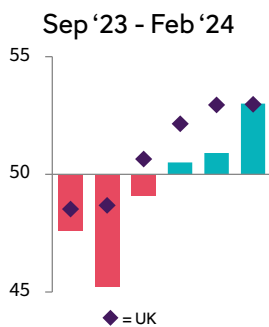


NatWest

NatWest South East PMI[®]

South East firms record faster output growth in February

South East Business Activity Index



Key findings

Fastest activity growth for eight months

First demand improvement since last June, albeit only marginal

Fractional rise in employment levels, but sharp drop in backlogs

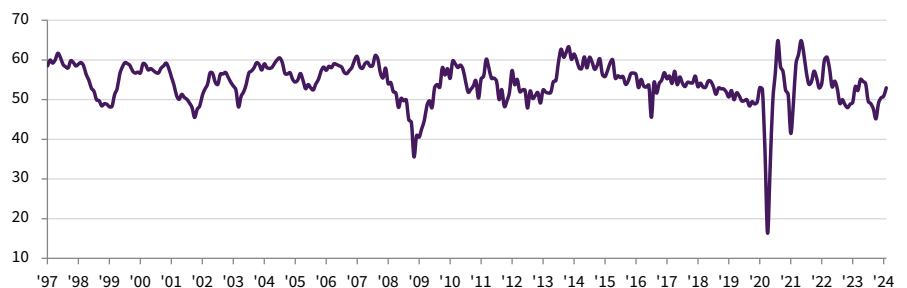
The headline NatWest South East PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – picked up from 50.9 in January to 53.0 in February, to signal a solid increase in activity at firms across the South East. As well as marking a third successive rise in output, the latest improvement was the most pronounced since last June and in line with the UK average. Some firms linked the rise in output to a slight uptick in demand conditions, while others noted that they had secured new contracts with clients. Despite gaining pace on the month, the rate of increase was still softer than the historic average.

Catherine van Weenen, NatWest London and the South East Regional Board:

"Having pushed further above the historic trend, inflationary cost pressures faced by South East firms remained intense and sharply elevated in February. This contributed to ongoing challenges across the South East, but firms showed resilience in February. Activity levels rose at a solid pace across the region, with growth catching up with the UK trend. Higher output was supported by an increase in demand for South East goods and services, which though only marginal, was the first improvement for eight months. With output growth outpacing that for demand and given a further rise in employment levels, firms had spare working capacity and as a result outstanding work declined rapidly again."

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

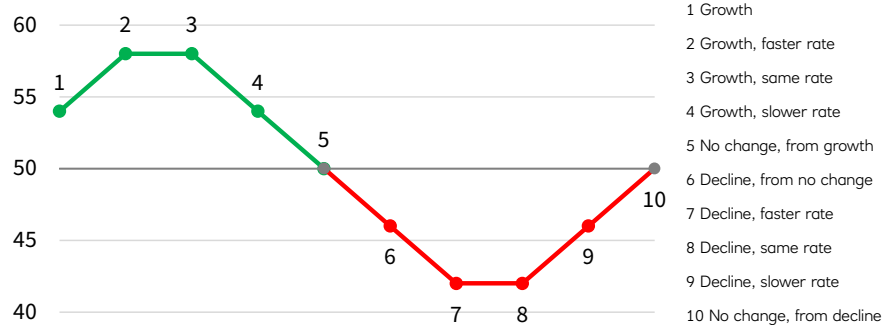
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

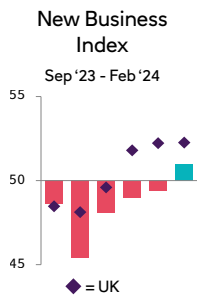
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



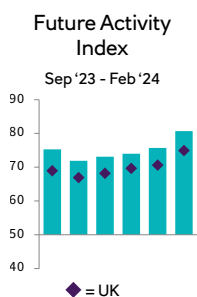
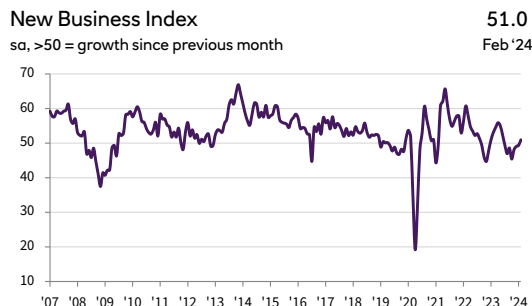
Demand and outlook



New business picks up for the first time since last June

The seasonally adjusted New Business Index posted above the 50.0 no-change mark to register an increase in new work placed at South East firms. Though only modest, the uptick was the first improvement for eight months. Survey respondents mentioned a boost in demand conditions and increased customer confidence.

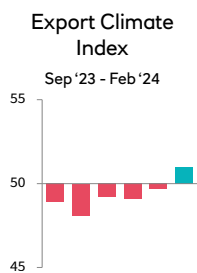
That said, the local increase in sales was less pronounced than seen at the overall UK level.



Spike in confidence leads to strongest optimism since August 2021

Private sector firms across the South East became more upbeat toward their year-ahead outlook for output in February. The degree of optimism picked up notably on the month to record a 30-month high. Growth forecasts, investment plans and increased marketing efforts all reportedly underpinned confidence in February.

The overall level of sentiment among South East firms was the strongest of all 12 areas of the UK.

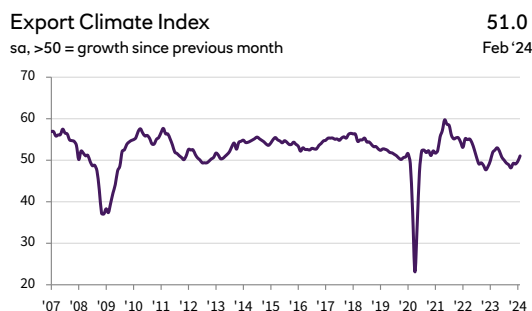


Sharpest rise in export opportunities for nine months

The South East Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the South East. This produces an indicator for the economic health of the region's export markets.

For the first time in eight months, the South East recorded an improvement in export demand conditions, with the ECI rising from 49.7 in January to 51.0 in February.

Of the top five export destinations for South East firms, the US and Ireland led the latest uptick, posting sharper rises in February. France and the Netherlands meanwhile posted softer rates of decline. Germany provided the only negative directional influence, posting a sharper drop in activity on the month.

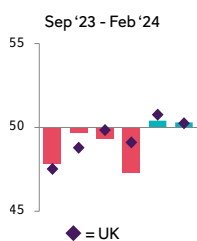


Top export markets, South East

Rank	Market	Weight	Output Index, Feb '24
1	USA	17.8%	52.5
2	Germany	13.5%	46.3
3	France	12.7%	48.1
4	Ireland	11.0%	54.4
5	Netherlands	10.6%	49.7

Business capacity

Employment Index



Slight jobs growth sustained for second month running

February survey data pointed to another slight workforce expansion among South East firms, thereby marking the second rise in as many months. New hires were brought in to cope with rising output levels, according to panellists. That said, jobs growth was little changed compared to January and only fractional overall. Meanwhile, some firms noted that contracts were generally temporary.

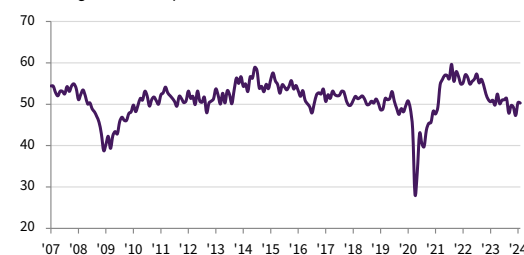
The local job creation was broadly in line with the UK average, which also slowed on the month.

Employment Index

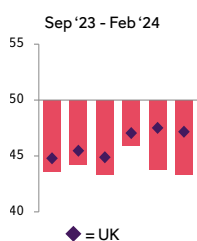
sa, >50 = growth since previous month

50.3

Feb '24



Outstanding Business Index



Further rapid drop in outstanding work in February

The level of outstanding business at private sector firms across the South East region fell again midway through the first quarter of 2024, thereby stretching the current sequence of decline to nine months. The rate of depletion picked up to the joint-strongest in six months, and one that was sharp overall. Companies noted that with spare capacity they were able to keep on top of workloads.

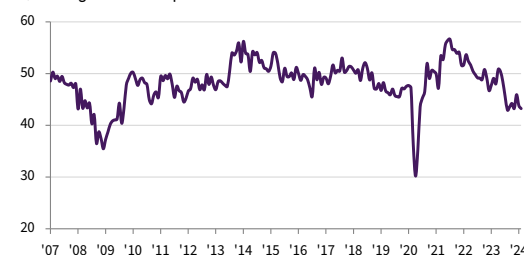
Of the 12 regions and nations, the South East recorded the fastest backlog depletion in February.

Outstanding Business Index

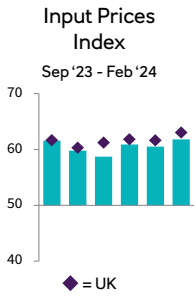
sa, >50 = growth since previous month

43.3

Feb '24



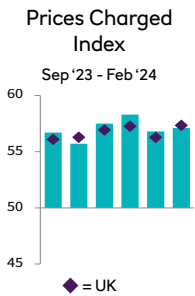
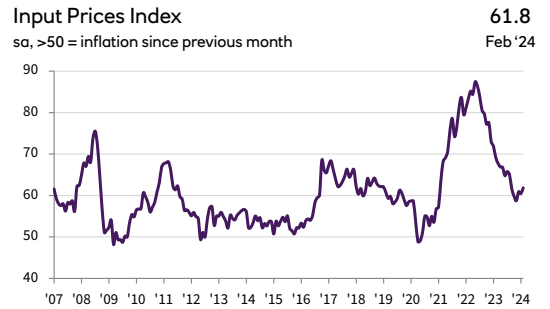
Prices



Input prices rise at the quickest pace for six months

The seasonally adjusted Input Prices Index remained above the 50.0 no-change mark again in February, to indicate increased cost pressures faced by South East firms. The rate of cost inflation remained sharply elevated and was the most pronounced for six months. Inflation was a reflection of increased price lists at suppliers, higher freight costs and a rise in worker salaries.

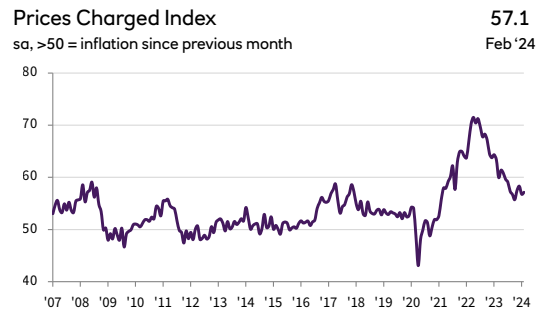
South East companies posted a softer rise in input prices than the UK average.



Selling price inflation picks up slightly

In line with the trend for input costs, there was a rapid and faster rise in the average prices charged for South East goods and services in February. The rate of charge inflation also edged further above the historic average. Firms commonly associated higher selling prices with the passing through of raised cost pressures to clients.

The local rise in output charges was fractionally slower than the UK average.



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

South East specialisation: Services

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

UK sector focus

Transport Manufacturing

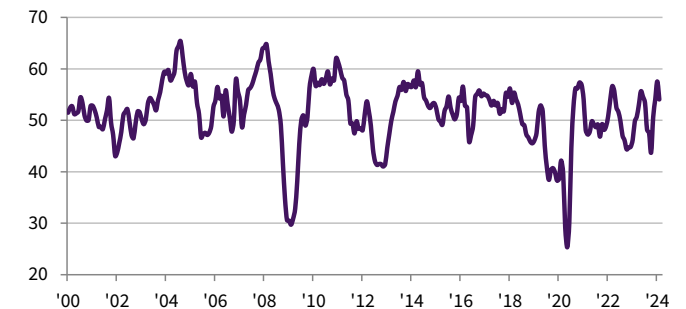
Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

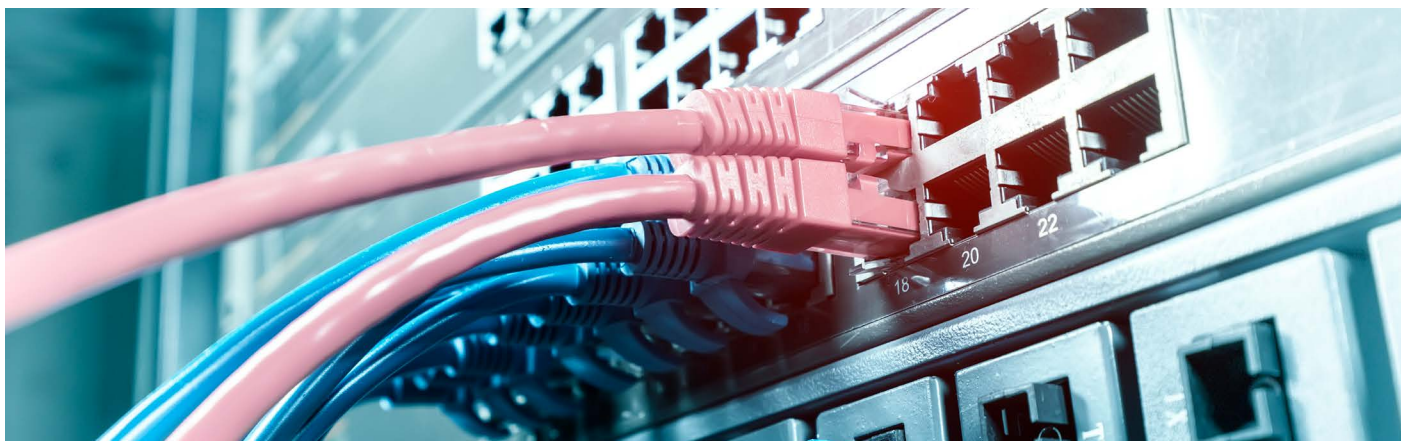
Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

Business Activity Index

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



Employment Index

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

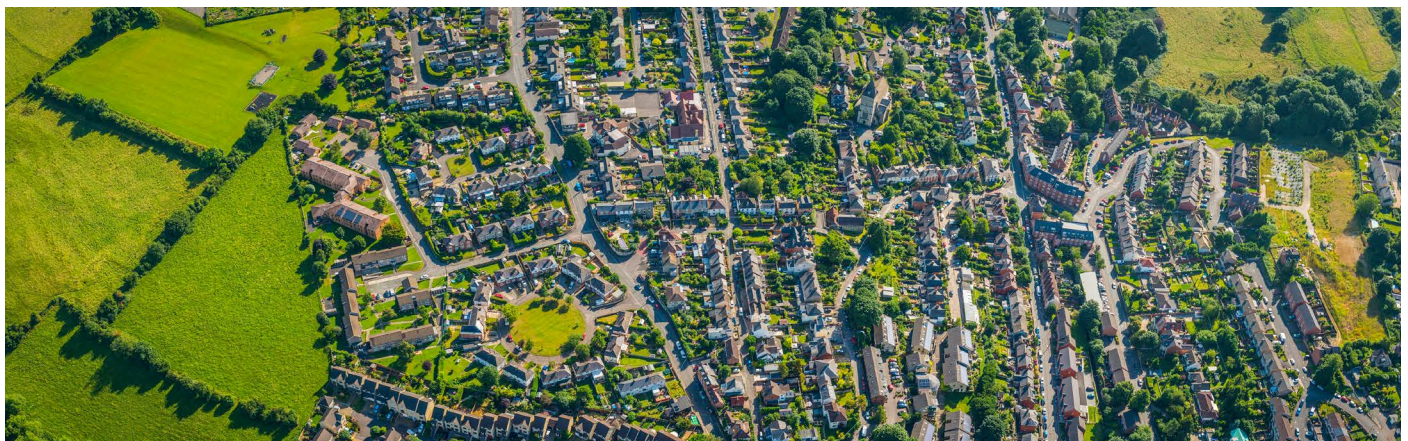


Future Activity Index

>50 = growth expected over next 12 months, Feb '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
Sep '23	47.6	48.6	48.9	75.3	47.8	43.6	61.6	56.7
Oct '23	45.2	45.4	48.1	71.9	49.7	44.2	59.8	55.7
Nov '23	49.1	48.1	49.2	73.1	49.3	43.3	58.7	57.5
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

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