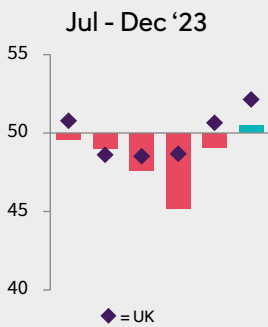




NatWest South East PMI[®]

South East firms conclude 2023 with business activity in growth territory

South East Business Activity Index



Key findings

Output returns to growth while demand conditions deteriorate further

Most severe cut in jobs in just over three years

Inflationary pressures rise but firms' confidence picks up

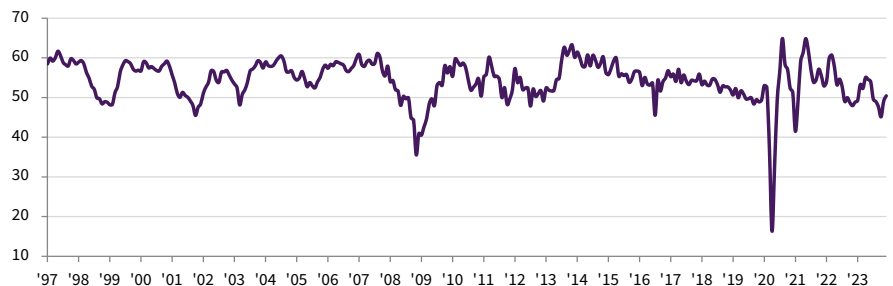
Despite ongoing demand weakness, the headline NatWest South East PMI[®] Business Activity Index — a seasonally adjusted index that measures the month on-month change in the combined output of the region's manufacturing and service sectors — entered growth territory in December, rising from 49.1 in November to 50.5, the first reading above the neutral mark seen during the second half of 2023. The pace at which output rose was only marginal and slower than the UK average, however. Some companies reportedly returned to normal output levels while others noted working through remaining backlogs.

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

"There were some positive indicators from the December PMI data for the South East. Activity levels picked up for the first time in six months, albeit only modestly. While new work continued to decline, the latest reduction was the least pronounced in five months and only marginal. Furthermore, considering output growth prospects for 2024, the South East was the second-most confident UK region or area, only beaten by the West Midlands. That said, demand conditions remained subdued overall, with export conditions also deteriorating. In turn, jobs were cut at the fastest rate since November 2021. Meanwhile, inflationary pressures continued to burden businesses across the South East, leading them to raise selling prices again."

South East Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

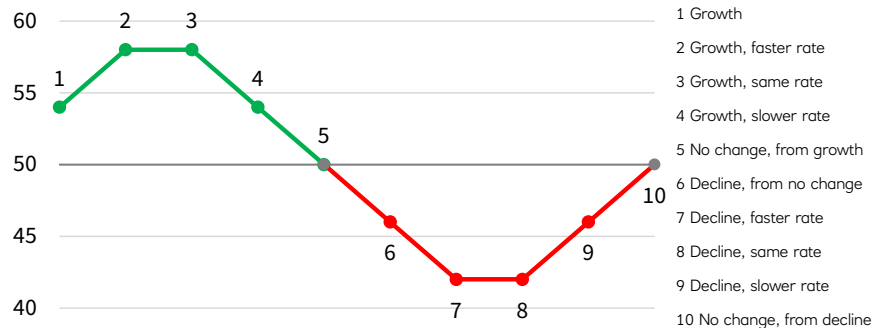
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Softest contraction in new business in five months

New orders received by private sector companies in the South East fell for the sixth month in a row in December. According to survey respondents the latest contraction was due to the weak economic climate. That said, the rate of decline was the softest in five months and only marginal.

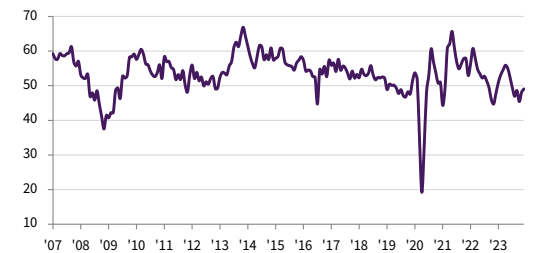
Although the majority of regions recorded falls in new orders, given a steep rise in demand in London, the UK average edged into positive territory and outperformed local sales again.

Confidence in the outlook posts three-month high

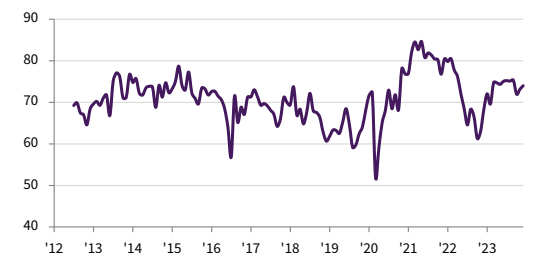
South East firms were upbeat towards the year-ahead outlook for output. Growth expectations and new product launches underpinned confidence in December. Furthermore, some companies foresee market share growth over 2024. The degree of positive sentiment was the most pronounced in three months.

West Midlands was the only region to record a higher degree of optimism in December.

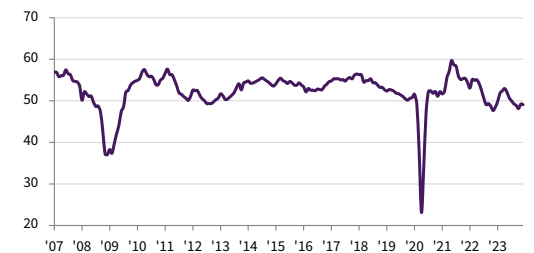
New Business Index
sa, >50 = growth since previous month
49.0
Dec '23



Future Activity Index
>50 = growth expected over next 12 months
74.0
Dec '23

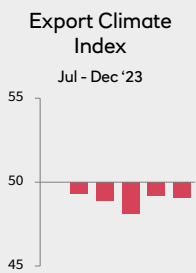
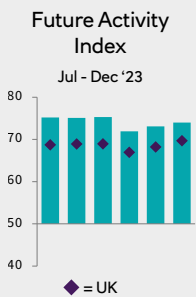
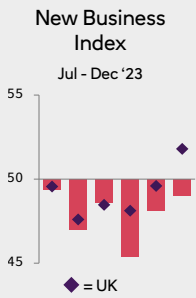


Export Climate Index
sa, >50 = growth since previous month
49.1
Dec '23



Top export markets, South East

Rank	Market	Weight	Output Index, Dec '23
1	USA	17.8%	50.9
2	Germany	13.5%	47.4
3	France	12.7%	44.8
4	Ireland	11.0%	51.5
5	Netherlands	10.6%	44.7



Exports

Trade prospects decline for the fifth month running

The South East Export Climate Index (ECI) 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.

Falling slightly from 49.2 in November to 49.1, the ECI signalled a fifth successive decline in December. That said, the rate of decrease remained modest.

There were further falls in output among some of the top five markets for exports in December. Both contracting at strong rates, France and the Netherlands led the decline. The USA and Ireland remained the two strongest performing markets as both remained inside growth territory and registered modest rises in output.

Business capacity

Fastest rate of job shedding in just over three years

Firms operating in the South East registered a decrease in payroll numbers in December, extending the current sequence of job losses to four months. This was largely due to the non-replacement of leavers as firms reduced workforces in line with subdued market conditions. The rate of job cuts was the quickest in just over three years and solid overall.

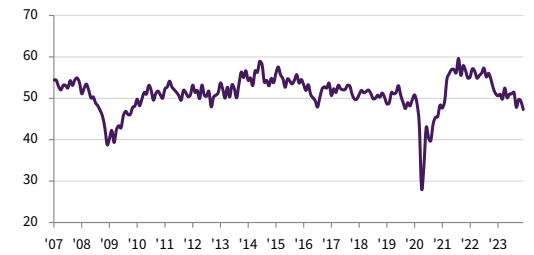
Of the 12 UK regions and nations, only Wales and the North East recorded faster falls in workforce numbers.

South East firms continue to work through backlogs

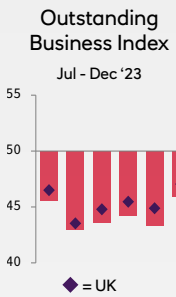
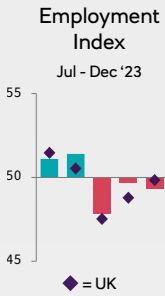
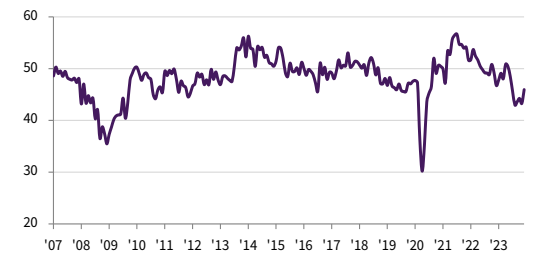
December data pointed towards a seventh consecutive decline in outstanding work at South East companies. The latest fall reflected excess capacity at firms given ongoing demand weakness and falling order numbers. The pace of depletion was the slowest in six months and solid, however.

The South East registered a quicker rate of backlog clearing than the UK average.

Employment Index
sa, >50 = growth since previous month
47.3
Dec '23



Outstanding Business Index
sa, >50 = growth since previous month
45.9
Dec '23

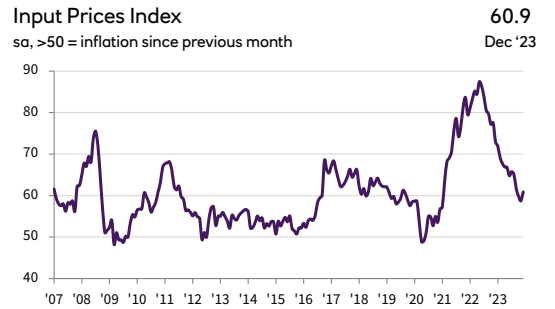


Prices

Cost inflation at three-month high

Operating costs for South East firms continued to rise sharply during the final month of 2023. According to panellists, the latest input price increases were caused by upward price list revisions at suppliers, higher fuel prices and greater employment costs. The rate of input cost inflation in December recorded a three-month high and registered above the long-run average.

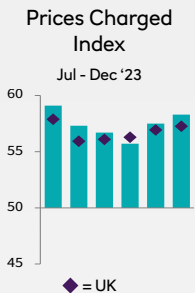
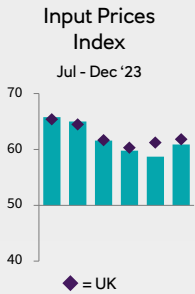
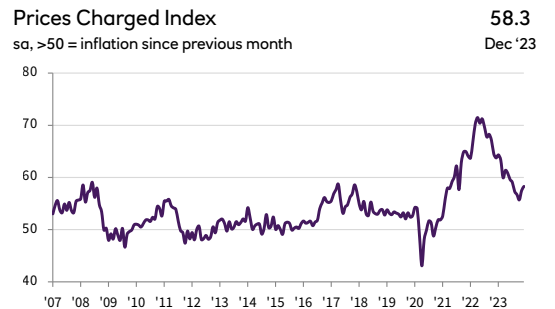
Local firms recorded a softer rate of input inflation compared to the UK average.



Selling prices rise sharply again

Companies across the South East raised output prices further in December. The increase reflected elevated operating expenses, with some firms particularly noting higher staffing, raw materials and fuel costs. The rate of charge inflation was steep and the most pronounced in five months.

London was the only UK region or area to outpace the South East's rise in selling prices in December.



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, Dec '23*
1	Electrical & Optical	2.03	55
2	Chemicals & Plastics	1.22	50
3	Mechanical Engineering	1.15	48
4	Timber & Paper	1.03	45
5	Other Manufacturing	1.01	42
6	Basic Metals	0.88	48
7	Transport	0.63	52
8	Food & Drink	0.57	52
9	Textiles & Clothing	0.39	50

South East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '23*
1	Computing & IT Services	1.65	55
2	Transport & Communication	1.14	48
3	Business-to-business Services	1.03	50
4	Hotels, Restaurants & Catering	0.91	52
5	Personal & Community Services	0.90	48
6	Financial Intermediation	0.62	52

UK sector focus

Textiles & Clothing

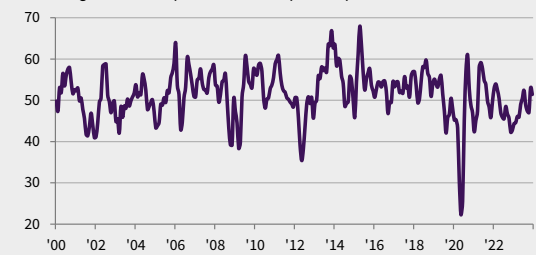
The UK's Textiles & Clothing sector saw a slight increase in production volumes in the three months to December. It was one of only three manufacturing sub-sectors monitored by PMI data to record growth, alongside Food & Drink and Transport. The result represented a marked turnaround from the solid rate of contraction seen in the opening quarter of 2023.

Driving the upturn was a strong increase in new orders, which in part reflected improved demand from abroad in recent months. Firms reacted by upping the pace of job creation to one of the quickest rates in the past five years. They also continued to build up stocks of both purchases and finished goods.

On the price front, latest data showed a sustained rebound in input costs following a decline during the middle part of 2023. Average factory gate charges meanwhile rose modestly, and at one of the slowest rates in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Seven of the 12 monitored regions and nations recorded higher business activity in December, the most since last June. Growth was once again led by London, where output rose sharply during the month. At the other end of the scale, the North East recorded the most marked fall in output, followed by Wales.

Employment

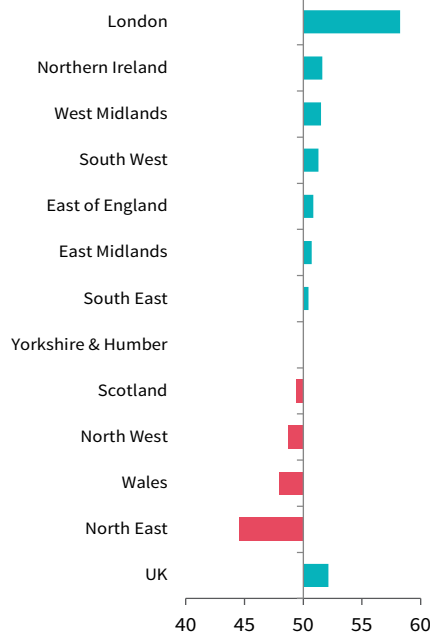
Labour market trends worsened in most cases in December. Just three areas saw employment rise, the fewest since last September, with rates of growth slowing in both Scotland and Northern Ireland*. For the second month running, Wales posted the sharpest drop in workforce numbers – its fastest since January 2021.

Future Activity

Business expectations improved in the majority of cases as 2023 drew to a close. This included the West Midlands, which topped the rankings ahead of the South East. The most marked upswing in confidence was in Wales, followed by the North East. Firms in Northern Ireland were the least optimistic about the year-ahead outlook.

Business Activity Index

sa, >50 = growth since previous month, Dec '23



Employment Index

sa, >50 = growth since previous month, Dec '23



Future Activity Index

>50 = growth expected over next 12 months, Dec '23



* 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
Jul '23	49.6	49.4	50.0	75.2	51.1	45.6	65.8	59.1
Aug '23	49.0	47.0	49.3	75.1	51.4	43.0	65.0	57.3
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

Contact

Marion Rannard
Regional Campaign Manager
NatWest
+44 (0) 7966 300 969
marion.rannard@natwest.com

Eleanor Dennison
Economist
S&P Global Market Intelligence
+44 134 432 8197
eleanor.dennison@spglobal.com

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

About NatWest

NatWest serves customers in England, Wales and Western Europe, supporting them with their personal, private, and business banking needs. NatWest helps customers 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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global 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.

About PMI

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.

spglobal.com/products/pmi.html

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.