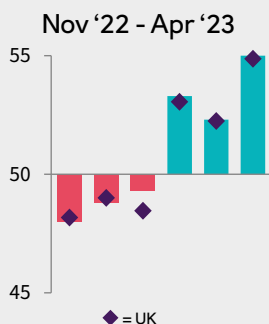


# NatWest South East PMI<sup>®</sup>

## South East sees second-strongest rise in sales behind London

### South East Business Activity Index



### Key findings

New business growth at 13-month high

Output expands at fastest pace in a year

Input cost inflation retreats, but output charges rise at stronger rate

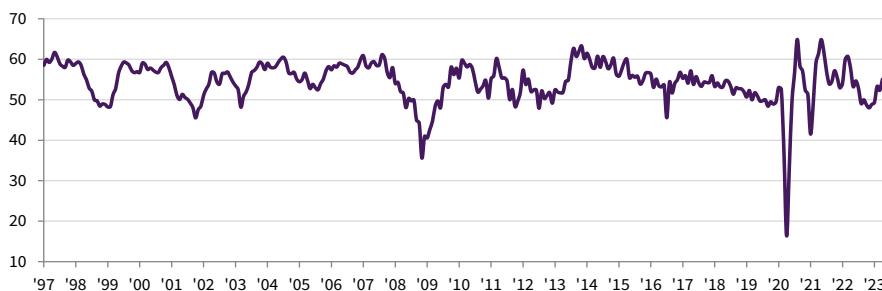
Demand conditions in the South East remained conducive to growth, with a stronger increase in new business intakes supporting job creation and boosting output growth, according to the NatWest PMI<sup>®</sup>. Cost inflationary pressures receded to a 26-month low, but demand resilience aided a sharper increase in selling prices. The headline NatWest South East PMI<sup>®</sup> 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 — rose from 52.3 in March to 55.0 in April, signalling a third successive upturn in business activity and one that was the strongest in a year. Growth was linked by survey participants to more stable raw material supply, higher sales and greater market shares. The local increase in output was also the third-strongest out of the 12 monitored UK regions and nations.

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

*"The South East private sector remained on a stable footing in April, with better-than-expected demand supporting the fastest expansion in new business for 13 months and boosting output growth. Inflation continues to run high, however, with input costs rising sharply and selling prices increasing at a quicker rate than in March. In some instances, inflation was attributed to growing wage pressures amid the cost-of-living crisis and efforts to secure scarce candidates. Also, firms' eagerness to lift employment returned, which could add to inflationary pressures."*

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

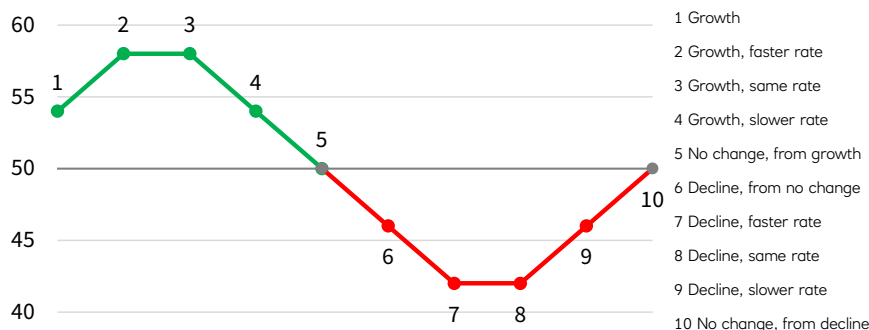
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Strongest expansion in local sales in over a year

April data highlighted a further increase in new business placed with South East companies, stretching the current sequence of expansion to four months. Moreover, having quickened to a 13-month high, the pace of growth was marked and above its long-run average. Survey participants linked positive sales developments to better demand conditions, the approval of pending quotes, new product releases and greater inbound tourism.

Regionally, only London registered a stronger upturn in sales than that seen in the South East.

### Level of confidence similar to March's 11-month high

South East companies were strongly upbeat towards growth prospects, with the overall level of sentiment little-changed from March's 11-month high. Underpinning optimistic projections were new product developments, publicity, acquisitions and expectations of demand strength. Some firms also hope for a more stable economic environment and reduced price pressures.

The overall degree of optimism among local firms was above the national average.

## Exports

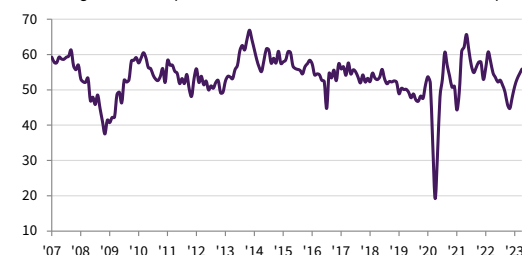
### Trade opportunities strengthen in April

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.

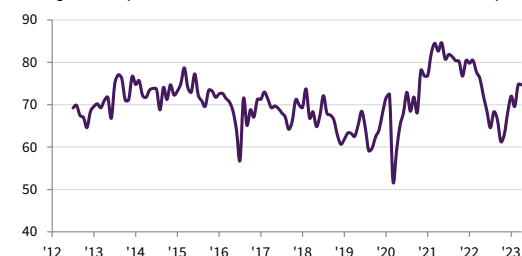
The ECI rose from 52.4 in March to 53.0 in April, posting above the 50.0 threshold for the third straight month and signalling the most favourable export environment for nearly a year.

Four out of the top five export markets for the South East registered economic growth, the sole exception being the Netherlands. Stronger increases in output were noted in Ireland, Germany and the US. A softer expansion was recorded in France.

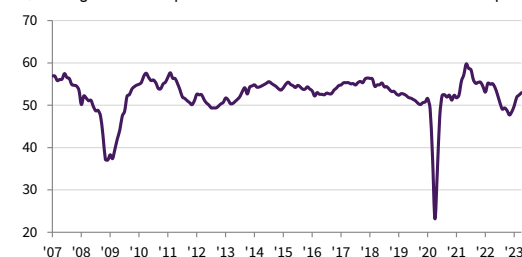
New Business Index  
sa, >50 = growth since previous month  
55.9  
Apr '23



Future Activity Index  
>50 = growth expected over next 12 months  
74.7  
Apr '23

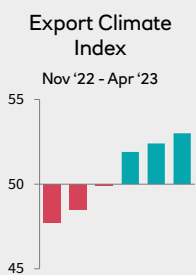
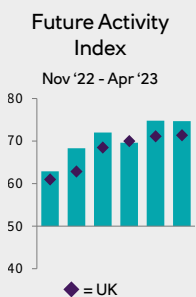
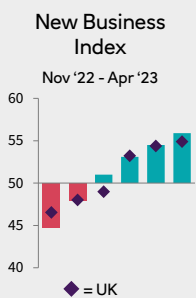


Export Climate Index  
sa, >50 = growth since previous month  
53.0  
Apr '23



Top export markets, South East

Rank	Market	Weight	Output Index, Apr '23
1	USA	17.8%	53.4
2	Germany	13.5%	54.2
3	France	12.7%	52.4
4	Ireland	11.0%	53.5
5	Netherlands	10.6%	47.7



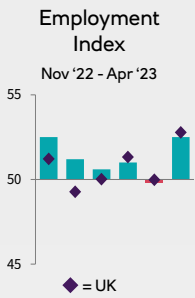
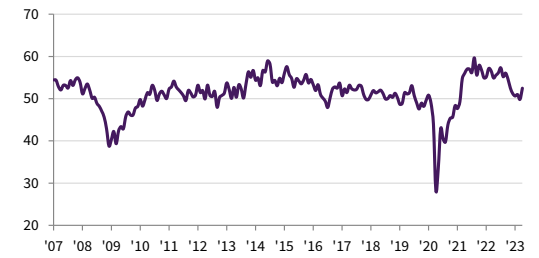
## Business capacity

### Renewed expansion in employment

Private sector jobs in the South East rose at the start of the second quarter, following the first decline for 25 months in March. Moreover, the rate of growth was solid and the strongest since November 2022. Around one-in-five companies took on additional staff, citing new business gains and upbeat demand forecasts. By comparison, approximately 9% of firms reduced staffing levels.

The local increase in employment was slightly weaker than that seen at the UK level.

Employment Index  
sa, >50 = growth since previous month  
52.5  
Apr '23

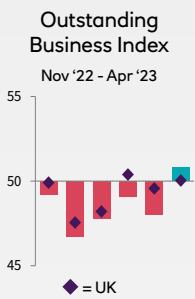
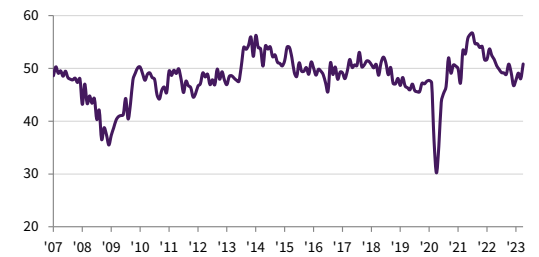


### Mild pressure on capacity seen in April

After falling in each of the prior five months, outstanding business volumes at companies in the South East rose during April. Survey participants that signalled higher backlogs mentioned hiring challenges, sales growth and shortages of some inputs. That said, the overall rate of accumulation was only marginal.

The South East was one of only four regions to post an increase in unfinished business, alongside London, Northern Ireland and Scotland.

Outstanding Business Index  
sa, >50 = growth since previous month  
50.8  
Apr '23



## Prices

### Input cost inflation eases for fifth consecutive month

As has been the case since December, cost inflationary pressures in the South East softened in April, receding to a 26-month low. Still, the rate of increase was sharp and historically elevated. Panellists mentioned wage pressures amid the cost-of-living crisis and supplier price hikes. Reduced energy and fuel price volatility reportedly curbed inflation.

Contrasting with the trend seen in March, the local rate of cost inflation was below the national average.

Input Prices Index 66.9  
sa, >50 = inflation since previous month Apr '23

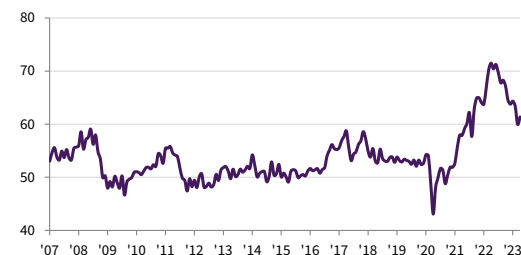


### Stronger increase in selling prices

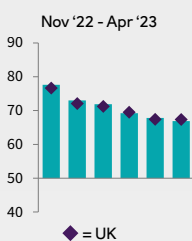
April data pointed to another increase in prices charged for goods and services in the South East. Moreover, the rate of inflation was sharp, quicker than in March and above its long-run average. Around one-quarter of survey members reported higher fees, which they attributed to the passing on of rising input and labour costs to clients. Concurrently, 5% of monitored firms offered discounts.

Regionally, the South East came fourth in the rankings for charge inflation.

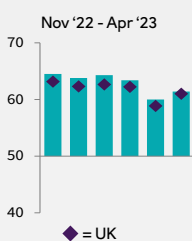
Prices Charged Index 61.4  
sa, >50 = inflation since previous month Apr '23



Input Prices Index



Prices Charged Index



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

#### South East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '23*
1	Computing & IT Services	1.65	58
2	Transport & Communication	1.14	48
3	Business-to-business Services	1.03	55
4	Hotels, Restaurants & Catering	0.91	58
5	Personal & Community Services	0.90	52
6	Financial Intermediation	0.62	58

## UK sector focus

### Basic Metals

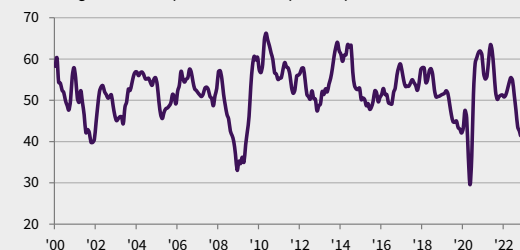
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland\*) where the pace of expansion slowed.

### Employment

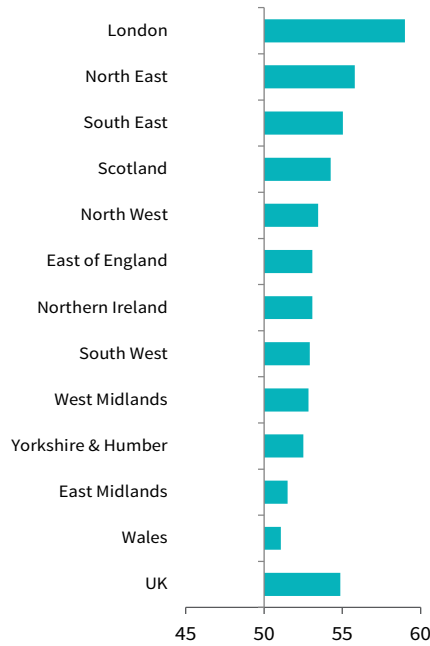
Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

### Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

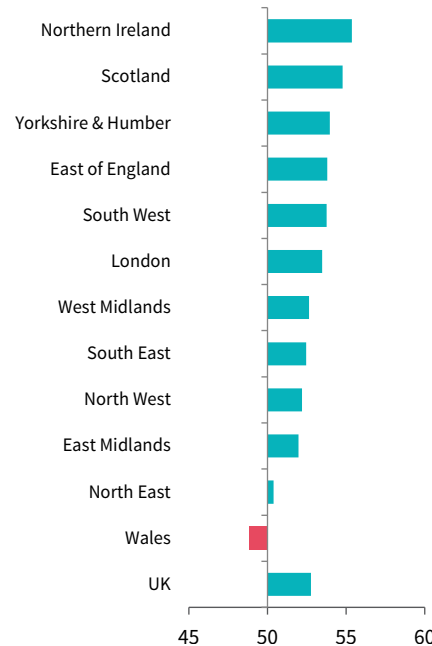
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Apr '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
Nov '22	48.0	44.7	47.7	62.9	52.5	49.2	77.6	64.5
Dec '22	48.8	48.0	48.5	68.3	51.2	46.7	73.0	63.8
Jan '23	49.3	51.0	49.9	72.0	50.6	47.8	71.9	64.3
Feb '23	53.3	53.1	51.9	69.6	51.0	49.1	69.2	63.4
Mar '23	52.3	54.5	52.4	74.8	49.8	48.0	67.8	60.0
Apr '23	55.0	55.9	53.0	74.7	52.5	50.8	66.9	61.4

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### 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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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