

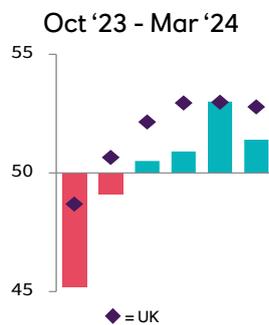


NatWest

NatWest South East PMI[®]

Business activity growth sustained across the South East, but at softer pace

South East Business Activity Index



Key findings

New business and activity both rise at modest rates

Inflationary pressures ease, but remain elevated

South East sees second-strongest degree of optimism of all areas

There was a further improvement in the business environment across the South East region in March, with the latest NatWest South East PMI[®] data continuing to signal demand and activity growth. The headline 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 – posted at 51.4 in March, down from 53.0 in February to indicate a slower rate of output growth. The expansion marked the fourth successive rise in activity and one that was consistent with a slight rate of increase. Survey members noted that the uplift reflected improved demand for South East goods and services.

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

"Private sector firms across the South East remained on a growth footing at the end of the first quarter, as signalled by the latest NatWest PMI[®] data. A further improvement in demand encouraged firms to raise output levels for the fourth month in a row. Activity growth eased on the month and was only modest, however, matching that of demand. Though the UK average outpaced the South East in terms of growth of activity and new work, the region was the second-most optimistic that output would rise over the coming year, behind only the West Midlands.

"Though cost pressures remained sharply elevated, companies continued to take on additional staff and firms were able to make further inroads to their backlogs, though at the softest pace for nine months."

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

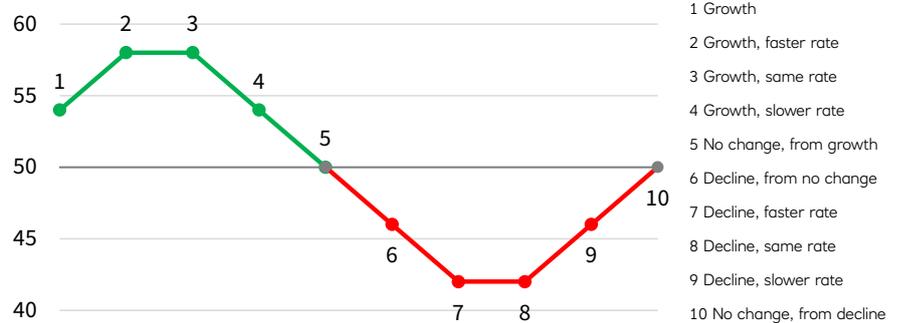
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

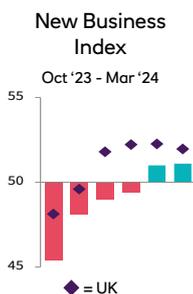
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



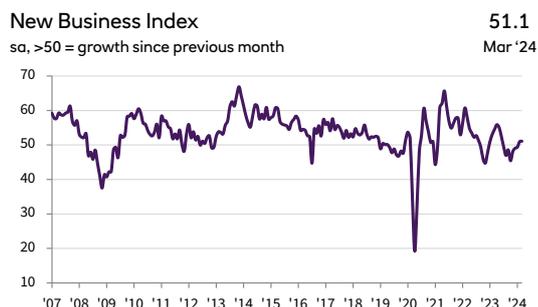
Demand and outlook



Further slight increase in new work

New business placed at private sector firms across the South East rose for the second successive month in March. That said, the rate of expansion was only slight and little changed from that seen in February. The uptick in new work reportedly reflected greater customer interest.

The increase in the region remained slower than the national average.



Business confidence drops, but remains strong

March survey data saw sentiment towards the outlook for output dip from February's 30-month high. Nevertheless, optimism remained well-above the historical average, as some firms expect economic conditions to improve and others expressed upbeat growth forecasts, including for export orders.

The West Midlands was the only monitored region or nation more confident that output would rise over the coming year than the South East.



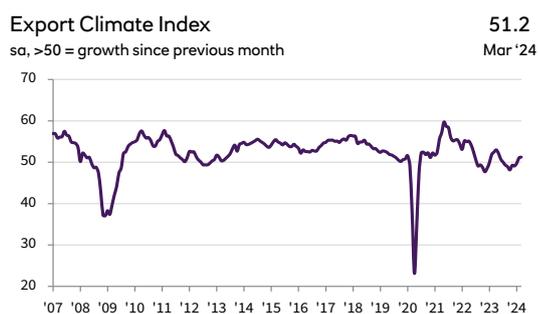
Exports

Export conditions improve again

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.

The ECI posted at 51.2 in March, up from 51.0 in February to signal a second improvement in export demand conditions in successive months. Though only modest, the increase was the strongest in nearly a year.

Divergent trends were reported across the region's top five export markets in March. The US and Ireland recorded softer increases, while the Netherlands posted a marginal expansion that was the first in just over a year. Meanwhile, Germany and France both registered eased deteriorations in demand conditions.

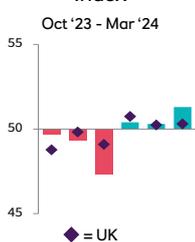


Top export markets, South East

Rank	Market	Weight	Output Index, Mar '24
1	USA	17.8%	52.1
2	Germany	13.5%	47.7
3	France	12.7%	48.3
4	Ireland	11.0%	53.2
5	Netherlands	10.6%	50.3

Business capacity

Employment Index



Fastest jobs growth since August last year

As has been the case since the start of the year, private sector firms across the South East region recruited additional staff in March. The rate of job creation was the quickest in seven months and modest overall. According to anecdotal evidence, headcounts were increased in line with current demand, with some firms taking on temporary staff in particular.

Only Northern Ireland registered a faster increase in workforce levels than that seen locally.

Employment Index

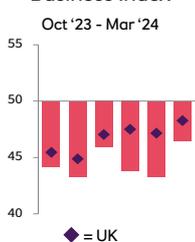
sa, >50 = growth since previous month

51.3

Mar '24



Outstanding Business Index



Softest backlog depletion since last June

The seasonally adjusted Outstanding Business Index registered below the 50.0 no-change mark for the tenth month running in March, to signal a further decline in the level of incomplete work. Panellists noted that order completion led to a drop in the level of outstanding business. Although solid, the rate of depletion was the softest in nine months.

Despite easing on the month, the local decline in backlogs was more pronounced than the UK average.

Outstanding Business Index

sa, >50 = growth since previous month

46.5

Mar '24



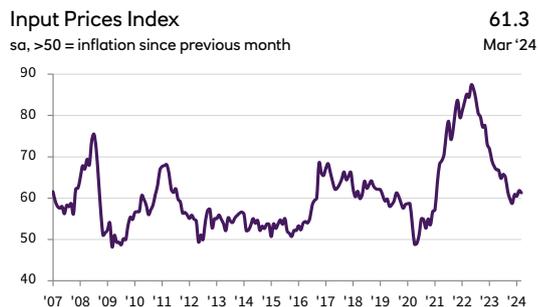
Prices



Price pressures remain elevated

Operating expenses faced by private sector firms across the South East increased again at the end of the quarter, thereby marking nearly four years of successive monthly rises. Panel members often attributed inflation to increased price lists at suppliers and higher fuel costs.

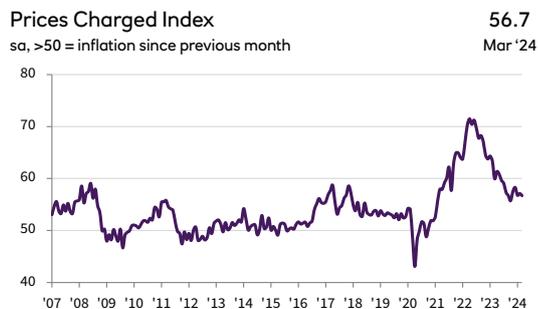
Despite easing slightly on the month, the rate of cost inflation remained historically elevated and was broadly in line with the national average.



Output charges rise rapidly in March

Prices charged by South East private sector companies remained on an upward trend in March. Where an increase was recorded, this reflected the passing through of raised input costs to the customer in order to protect profit margins. Though sharp overall, the rate of charge inflation dipped from February and was the softest for five months.

The local rise in selling prices was slightly faster 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, Mar '24 [†]
1	Electrical & Optical	1.90	48
2	Mechanical Engineering	1.27	52
3	Chemicals & Plastics	1.23	52
4	Timber & Paper	0.98	52
5	Other Manufacturing	0.97	52
6	Basic Metals	0.82	48
7	Transport	0.62	48
8	Food & Drink	0.49	52
9	Textiles & Clothing	0.43	48

South East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '24 [†]
1	Computing & IT Services	1.71	52
2	Transport & Communication	1.22	52
3	Business-to-business Services	1.04	52
4	Hotels, Restaurants & Catering	0.95	52
5	Personal & Community Services	0.93	48
6	Financial Intermediation	0.63	52

UK sector focus

Hotels, Restaurants & Catering

The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

sa, >50 = growth since previous month (3mma)[†]



[†] 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
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
Mar '24	51.4	51.1	51.2	78.1	51.3	46.5	61.3	56.7

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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.

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