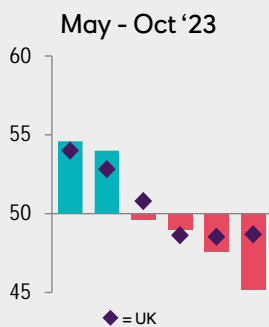




# NatWest South East PMI<sup>®</sup>

## Activity and new business decline solidly in the South East

### South East Business Activity Index



### Key findings

Fastest fall in sales in nearly a year

Inflationary pressures ease

Outlook weakens notably as jobs are cut for a second consecutive month

A sustained weakening in the health of the South East region was signalled by the NatWest PMI<sup>®</sup> data in October as companies reacted to subdued incoming new business by cutting their output levels. Cost and charge inflation persisted, but at notably slower rates compared to recent trends. A dip in confidence was reflected in employment decisions as jobs were cut marginally and, in some cases, selling prices were discounted in an attempt by firms to remain competitive.

Down from 47.6 in September to 45.2 in October, 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 — registered a solid rate of contraction that was the fastest since January 2021. Panellists attributed the downturn to adverse market conditions and supply-side issues.

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

*"The South East battled another month of poor demand conditions, with the impact of the cost-of-living crisis clear as we entered the final quarter of 2023, a trend made apparent by the sustained and quickening downturn in new business. Although firms scaled back output solidly, the second month of retrenchment signalled was only marginal. That said, sentiment among local companies regarding output over the next 12 months dropped notably from September. Meanwhile, the PMI price indices showed continued softening of inflation in October."*

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

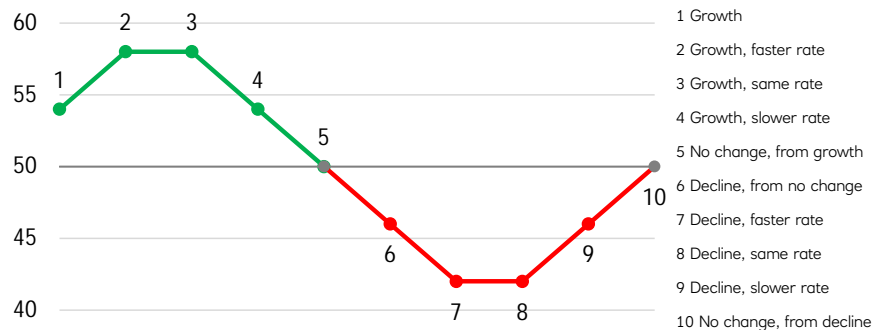
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business intakes fall at faster pace

Firms in the South East of England registered a decline in new business in October, with the latest downturn the fourth in successive months. Survey respondents often attributed the deterioration to persistently weak demand conditions. Others mentioned that incoming business fell amid reports of customer destocking. The pace of contraction picked up from September and was the sharpest in almost a year.

The South East registered a quicker decline than that seen at the UK level.

### Confidence dips to eight-month low

Despite dampened demand conditions, private sector companies in the South East of England remained upbeat towards output growth prospects in October. New product launches and increased marketing continued to underpin optimism. That said, the overall level of positive sentiment was notably lower than in September, and the weakest in eight months.

Regionally, the South East maintained its second-place position in the rankings for business confidence.

## Exports

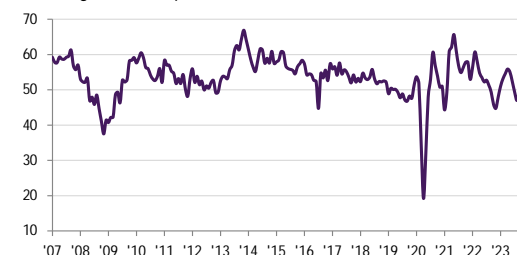
### Export opportunities dissipate

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.

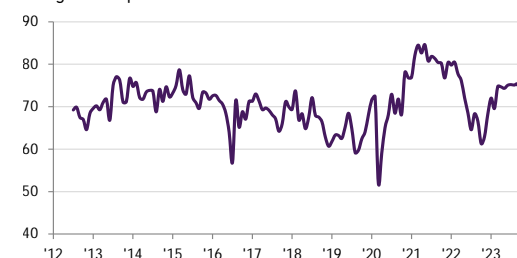
Posting 48.1 in October, the ECI signalled a third consecutive deterioration, falling from 48.9 in September. The rate of decline in demand conditions in export markets gained momentum on the month and was the largest since November last year.

Among the top five export markets for the South East region, all bar the USA registered a fall in activity. Ireland joined the contraction in October, having recorded moderate growth in September. Furthermore, the contractions in Germany and the Netherlands gathered pace.

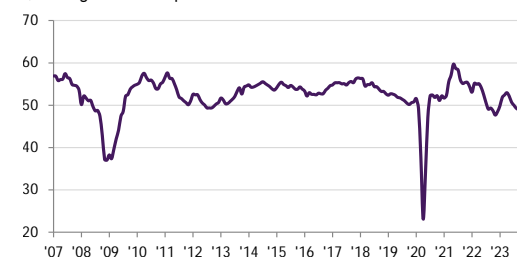
New Business Index  
sa, >50 = growth since previous month  
45.4  
Oct '23



Future Activity Index  
>50 = growth expected over next 12 months  
71.9  
Oct '23



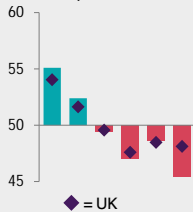
Export Climate Index  
sa, >50 = growth since previous month  
48.1  
Oct '23



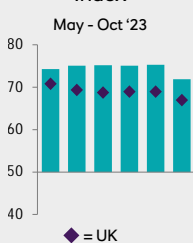
Top export markets, South East

Rank	Market	Weight	Output Index, Oct '23
1	USA	17.8%	50.7
2	Germany	13.5%	45.9
3	France	12.7%	44.6
4	Ireland	11.0%	49.7
5	Netherlands	10.6%	42.3

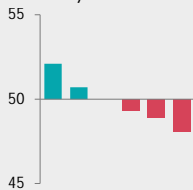
New Business Index  
May - Oct '23



Future Activity Index  
May - Oct '23



Export Climate Index  
May - Oct '23



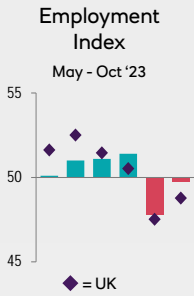
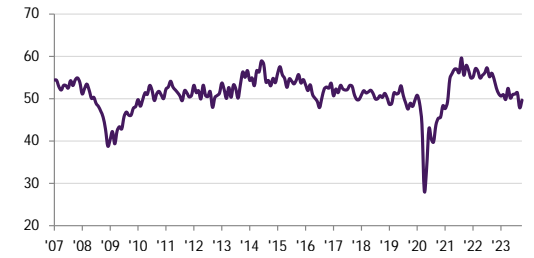
## Business capacity

### South East firms stay in job cut mode

October data indicated a second successive month of job cuts at private sector firms in the South East. Some panel members noted that they had adjusted their staffing levels to match business needs and make cost reductions while demand conditions were muted. Others cited that resignations caused the drop in payroll numbers. The pace at which jobs were shed slowed from September and was only marginal overall, however.

Compared to the UK, the local trend of job shedding was slower.

Employment Index  
sa, >50 = growth since previous month  
49.7  
Oct '23

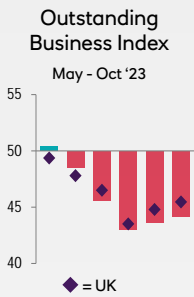
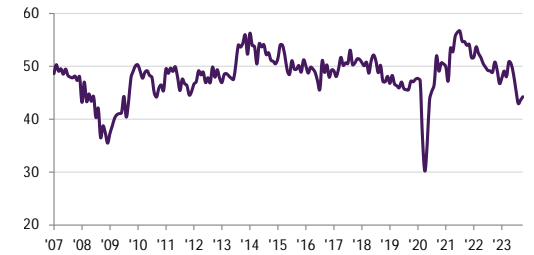


### Fifth consecutive month of depleting outstanding business

Companies in the South East signalled spare capacity in October, with orders pending completion declining for a fifth consecutive month. Survey respondents often mentioned that while demand remained subdued and orders fell, they had worked through backlogs. Although strong overall, the speed of outstanding business depletion slowed from September.

The South East recorded a faster clearing of pending workloads than the UK.

Outstanding Business Index  
sa, >50 = growth since previous month  
44.2  
Oct '23

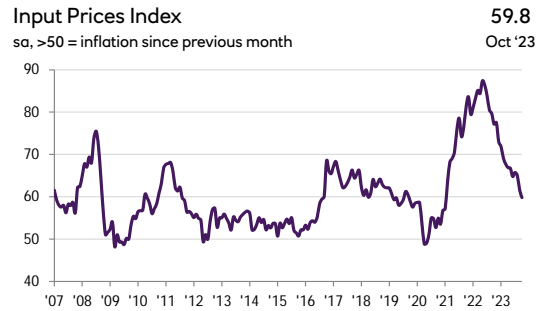


## Prices

### Input costs increase at softest rate since January 2021

Private sector operating expenses continued along a rising trend during October. Panellists noted an increased burden of raw materials, fuel, salaries, and software in anecdotal evidence. That said, the rate of inflation slowed from September to its lowest since January 2021. Some firms attributed operating cost reductions to weakened demand conditions.

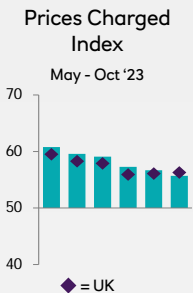
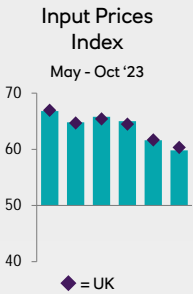
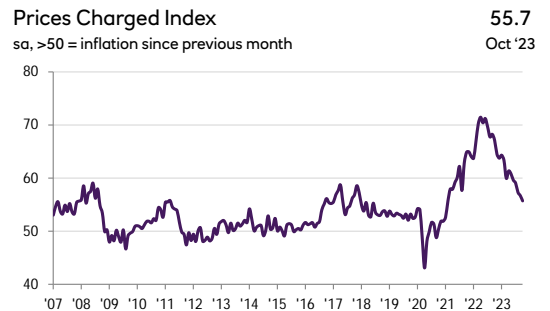
The rate of inflation in the South East was faster than the UK average.



### Selling price inflation eases again

Companies in the South East raised selling prices in October, amid reports of higher fuel, raw material, and overhead costs. Although strong, the rate of inflation eased from September, and was the joint-lowest since January 2021. Panellists noted that they had discounted fees to remain competitive amid ongoing market weakness.

A stronger rate of output charge inflation was registered in the UK than in the South East of England.



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

#### South East specialisation: Services

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

## UK sector focus

### Mechanical Engineering

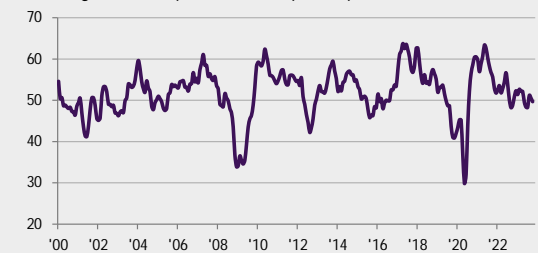
The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

### Employment

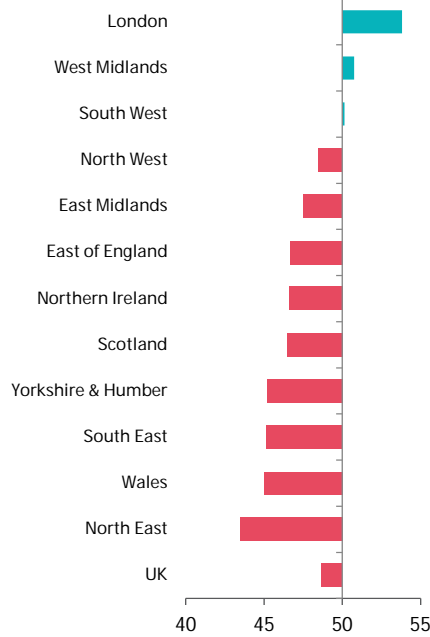
Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland\*, North West and East of England also seeing increases.

### Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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
May '23	54.6	55.1	52.1	74.3	50.1	50.4	66.8	60.8
Jun '23	54.0	52.4	50.7	75.1	51.0	48.5	64.8	59.6
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

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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<sup>®</sup>) 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](https://spglobal.com/products/pmi.html)

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