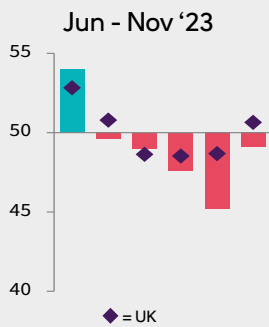




NatWest South East PMI[®]

Business activity and new orders fall at softer rates

South East Business Activity Index



Key findings

Output and new orders contract for a fifth consecutive month

Excess capacity signalled by backlog depletion and job shedding

Cost inflation drops to 34-month low while charges rise at faster pace

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 — posted at 49.1 in November to signal a modest deterioration in operating conditions. Although extending the current sequence of decline to five months, this was up from 45.2, October’s 33-month low. Again, the South East of England recorded a faster rate of output decline than the UK average. Survey respondents mentioned that activity had fallen in line with lower order numbers. Some firms linked caution to high interest rates and geopolitical tensions.

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

"Although weakness remained evident in November's PMI data, firms signalled less pronounced deteriorations in business conditions. Activity and demand both continued along a course of descent now spanning over five months but recorded marginal and softer falls. High interest rates, ongoing geopolitical tensions and demand weakness were the main stumbling blocks for firms in November.

"With that, companies registered another month of job cuts. Growing uncertainty and muted demand conditions led to the non-replacement of leavers. Spare capacity was also highlighted as backlogs fell at the quickest rate in three months. Meanwhile, low demand led cost inflation to a near three-year low while firms stood firm in their price setting as charge inflation picked up."

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

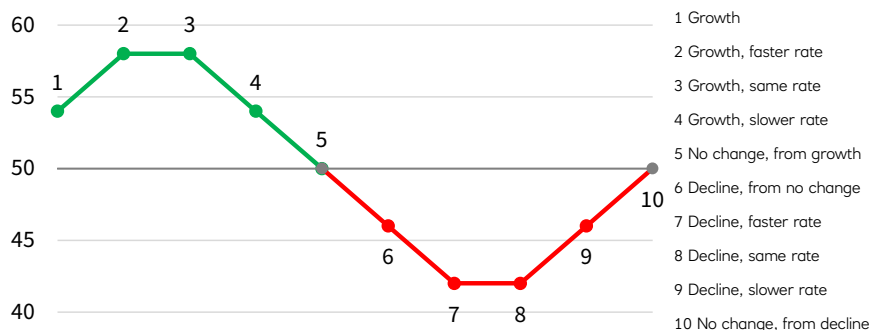
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South East Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the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

Private sector firms across the South East of England recorded another monthly decrease in new work in November, the fifth in successive months. Interest rates, inflation, and geopolitical tensions were some of the factors panellists linked to muted demand conditions. That said, having slowed from October, the rate of decline was modest overall.

The local fall in sales was faster than the UK average.

Companies signal greater optimism towards outlook

November data indicated that private sector firms across the South East were optimistic in their outlook for output over the coming year. Some firms mentioned that new product releases and improved marketing drove confidence in November. Others hoped for stronger demand and better economic conditions.

As well as picking up from October's eight-month low, sentiment in the South East was the second-strongest of the 12 monitored UK regions.

Exports

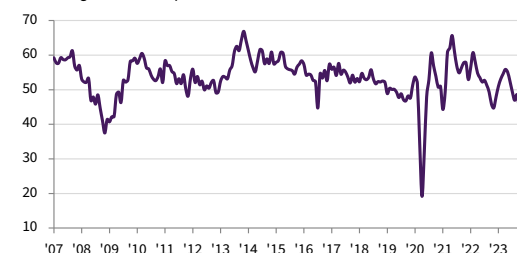
Export conditions deteriorate

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.

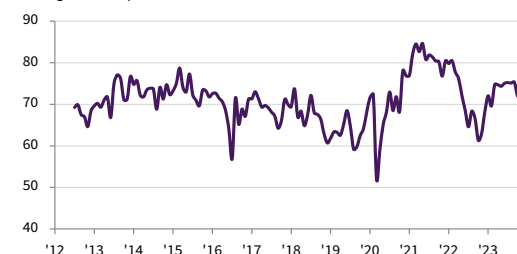
Posting at 49.2, the ECI signalled an external environment conducive to contraction in November. Although the fourth deterioration in successive months, the decline softened as the ECI rose from 48.1 in October.

Considering the top five destinations for South East goods & services, Germany, France, and the Netherlands continued to record contractions. The US remained in expansion territory, while the most pronounced rise was registered for Ireland, which returned to growth after a month of decline.

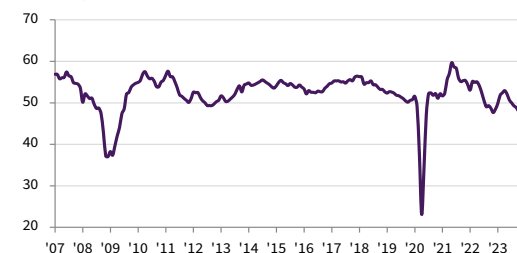
New Business Index
sa, >50 = growth since previous month
48.1
Nov '23



Future Activity Index
>50 = growth expected over next 12 months
73.1
Nov '23



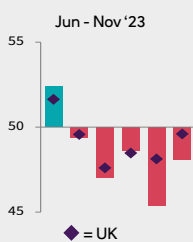
Export Climate Index
sa, >50 = growth since previous month
49.2
Nov '23



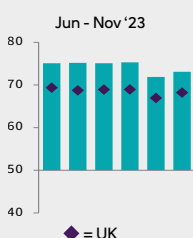
Top export markets, South East

Rank	Market	Weight	Output Index, Nov '23
1	USA	17.8%	50.7
2	Germany	13.5%	47.8
3	France	12.7%	44.6
4	Ireland	11.0%	52.3
5	Netherlands	10.6%	45.5

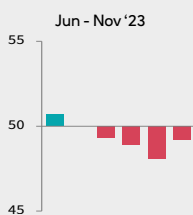
New Business Index
Jun - Nov '23



Future Activity Index
Jun - Nov '23



Export Climate Index
Jun - Nov '23



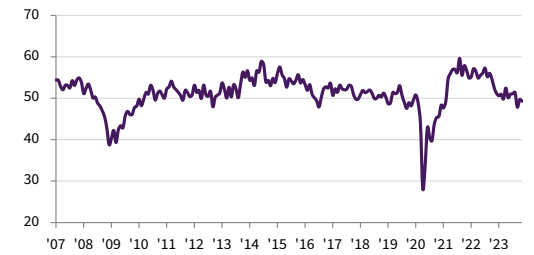
Business capacity

Retrenchment continues as firms cut jobs again

Companies in the South East signalled a third successive month of job shedding in November. Some survey respondents noted that staff turnover was high and that leavers were not replaced. Others mentioned that hours had been reduced amid demand weakness and economic uncertainty. The rate at which jobs were cut gathered pace from October, but was marginal overall.

The South East registered a slightly quicker rate of job losses than the UK average.

Employment Index
sa, >50 = growth since previous month
49.3
Nov '23

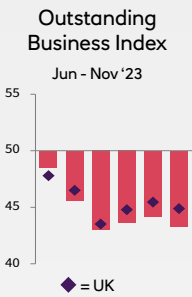
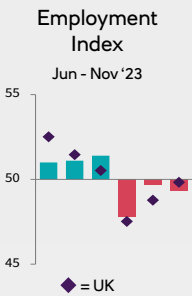
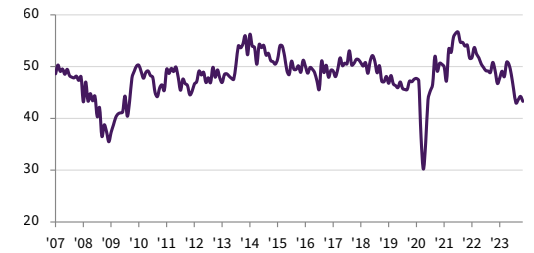


Outstanding work depleted at fastest pace in three months

South East firms recorded a fall in the level of orders pending completion in November, extending the current sequence of contraction to six months. Panellists suggested that subdued demand conditions allowed them to work through outstanding businesses. Outstanding work depleted sharply and at the quickest rate in three months.

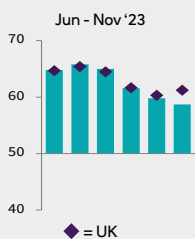
Compared to the UK average, companies in the South East indicated a sharper rate of backlog depletion.

Outstanding Business Index
sa, >50 = growth since previous month
43.3
Nov '23



Prices

Input Prices Index
Jun - Nov '23



Input price inflation at 34-month low

November data pointed towards another rise in operating expenses for firms in the South East. Some panellists noted that inflation was caused by ongoing geopolitical tensions. Others mentioned that higher wages and fuel costs drove up input prices. Although steep and remaining just above the historic trend, the rate of inflation was the weakest since January 2021.

Inflation locally was among the slowest of the 12 monitored regions.

Input Prices Index

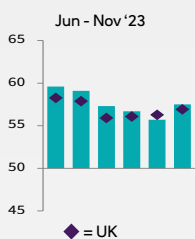
sa, >50 = inflation since previous month

58.7

Nov '23



Prices Charged Index
Jun - Nov '23



Charge inflation hits four-month high

Selling prices set by companies across the South East of England increased again in November, as some firms passed on the burden of higher operating expenses to customers. Charge inflation picked up to post a four-month high in November but remained lower than the average of the last 12 months.

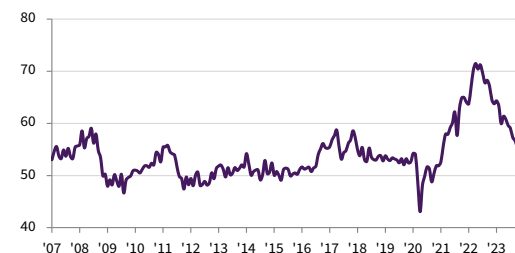
That said, considering the 12 monitored regions, faster output price hikes were only registered in London.

Prices Charged Index

sa, >50 = inflation since previous month

57.5

Nov '23



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, Nov '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	45
6	Basic Metals	0.88	48
7	Transport	0.63	48
8	Food & Drink	0.57	55
9	Textiles & Clothing	0.39	52

South East specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '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

Computing & IT Services

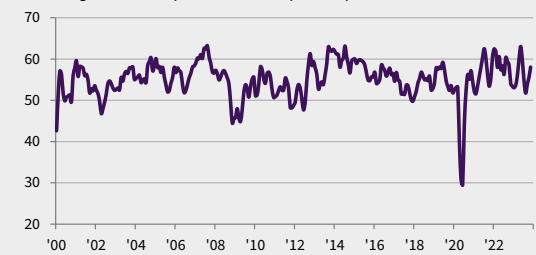
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

Business Activity Index

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



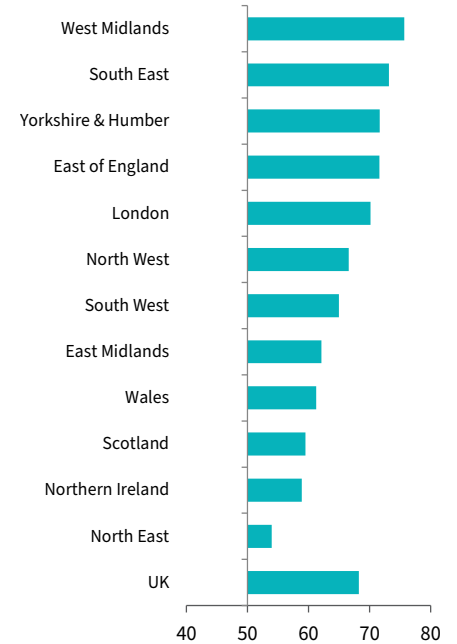
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Nov '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
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
Nov '23	49.1	48.1	49.2	73.1	49.3	43.3	58.7	57.5

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