

# South East PMI

The PMI® (Purchasing Managers' Index®) South East Report is produced by Markit Economics.

The report features original survey data collected from a representative panel of companies based in the South East and operating in both manufacturing and service sectors.

The South East survey forms part of a series of regional surveys published by Markit Economics and is derived from the highly regarded national PMI surveys produced by Markit for the Chartered Institute of Purchasing and Supply.



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The Regional PMIs are produced by Markit Economics, an independent research company that produces highly-regarded surveys of business conditions in nations around the world.

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## Growth of South East economy maintained. Job creation seen for first time since June 2008.

### Key findings:

- Output and new business growth both remained above long-run trends.
- Employment rose for first time since June 2008.
- Manufacturers faced steeper increase in costs than service providers.

The South East PMI® continued to signal a rebound in the region's private sector economy at the start of Q2. Despite easing to a three-month low, the rate of expansion in activity remained marked and well above the long-run series trend. Moreover, April data signalled a rise in employment for the first time in almost two years. The latest findings also showed a widening inflationary gap between firms' input and output prices.

### Output and demand

The current period of expansion in private sector activity was extended to ten months in April. The rates of growth in both manufacturing and services remained relatively sharp compared to historic averages. In line with the recent trend, manufacturing production continued to rise at a faster pace than services activity.

The rate of growth of incoming new business to South East private sector firms remained steep in comparison with the UK trend in April. New orders have risen continuously since last July, and the rate of expansion remained substantial despite easing since March. In line with the pattern for total activity, new business rose at a sharper rate in manufacturing than in services.

### Employment and backlogs

Growth of private sector jobs was registered in April, ending a twenty-one month period of workforce reduction. Rising employment mainly reflected recruitment at manufacturers. The overall rate of job creation was above the long-run trend, but slightly weaker than the latest average across the UK as a whole.

Backlogs of work in the South East continued to fall in April, despite further sharp rises in workloads. However, the rate of decline in outstanding business eased to a modest rate, and was largely confined to the service sector. Sector data signalled rising backlogs at manufacturers.

### Input and output prices

Average input prices rose at the fastest rate since September 2008 in April. Manufacturers continued to record faster increases in input costs than service providers, reflecting their greater exposure to rising metals and chemicals prices.

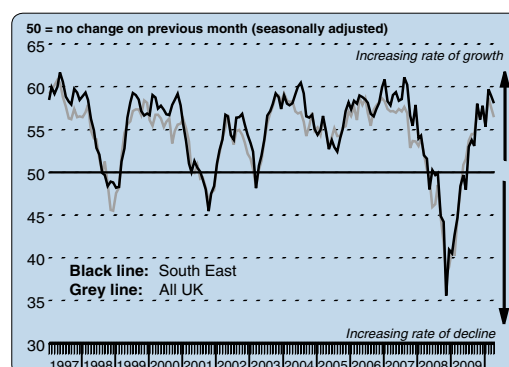
The ability to pass on higher costs to customers remained limited in April, as a result of strong competitive pressures. Charges rose for the fifth month running, but at a modest rate.



### Output / Business Activity

Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Aug	26.8	51.6	21.6	52.6	53.8	54.5
	Sep	27.4	51.0	21.7	52.9	53.1	54.5
	Oct	29.9	56.1	14.0	58.0	58.1	56.8
	Nov	26.4	54.1	19.5	53.5	56.2	56.5
	Dec	33.1	49.4	17.5	57.8	57.8	57.2
2010	Jan	25.8	49.0	25.2	50.3	55.3	55.6
	Feb	35.2	52.2	12.6	61.3	59.7	58.7
	Mar	38.1	48.1	13.8	62.2	59.0	57.7
	Apr	35.0	52.5	12.5	61.3	58.1	56.4

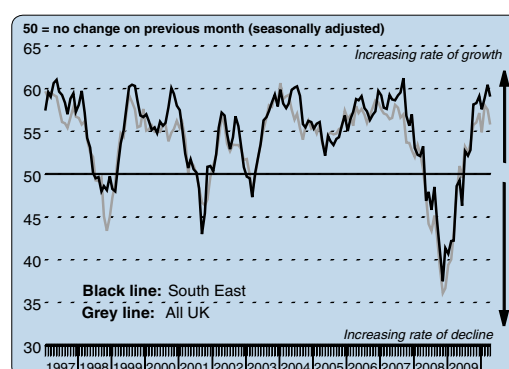


April marked another sharp rise in private sector output in the South East, albeit the weakest since January. The seasonally adjusted Business Activity Index eased further from February's twenty-nine month high, but remained above its long-run trend. The current sequence of expansion now extends to ten months, and the rate of activity growth has been sharper than the UK trend for the past three months. Higher output was mainly linked to rising volumes of new business, as demand continued to recover. Sector data signalled that manufacturing output continued to rise at a faster rate than services activity.

### New Orders / Incoming New Business

Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Aug	24.8	51.0	24.2	50.3	52.2	52.6
	Sep	26.9	54.5	18.6	54.2	52.9	53.6
	Oct	34.2	52.6	13.2	60.5	58.2	55.8
	Nov	32.3	48.4	19.4	56.5	58.3	56.1
	Dec	32.5	47.7	19.9	56.3	59.1	57.2
2010	Jan	29.7	47.3	23.0	53.4	57.6	54.9
	Feb	37.6	45.2	17.2	60.2	59.0	58.1
	Mar	39.9	47.5	12.7	63.6	60.5	57.6
	Apr	39.5	48.4	12.1	63.7	59.1	55.8

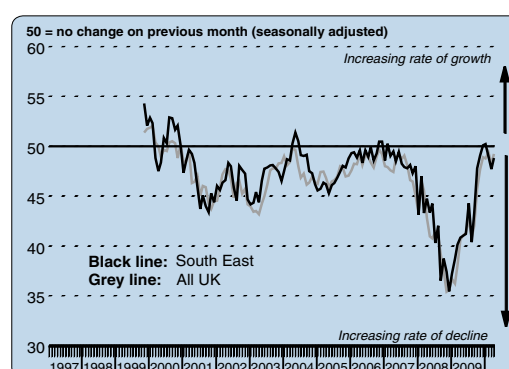


The seasonally adjusted Incoming New Business Index eased slightly from March's two-and-a-half year high, but still indicated a marked increase in new orders received by South East private sector companies. In line with the trend since last October, the Index remained higher than the comparable series for the UK as a whole, signalling relatively sharp growth. In the latest period, only the North West posted a steeper increase in new business than the South East. Both manufacturing and services recorded marked gains in new workloads, with the steeper expansion seen in the former.

### Business Outstanding

Q. Is the level of business outstanding at your company higher, the same or lower this month than one month ago?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Aug	11.7	59.9	28.5	41.6	40.4	40.9
	Sep	13.6	64.6	21.8	45.9	43.3	42.1
	Oct	15.2	66.2	18.6	48.3	47.8	45.8
	Nov	17.2	60.0	22.8	47.2	49.1	47.7
	Dec	14.9	66.7	18.4	48.2	50.1	48.9
2010	Jan	15.8	64.0	20.1	47.8	50.2	48.8
	Feb	19.3	61.4	19.3	50.0	49.0	49.4
	Mar	17.8	59.6	22.6	47.6	47.7	48.2
	Apr	21.2	62.3	16.4	52.4	48.9	49.3

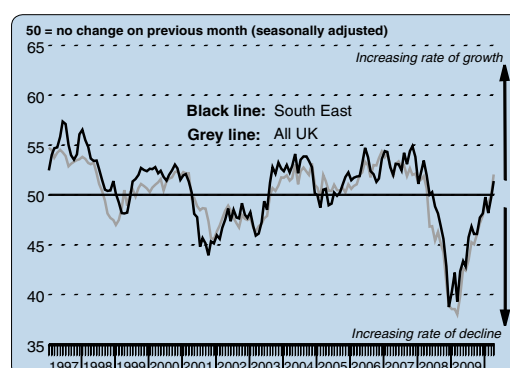


The volume of incomplete work in the South East private sector declined for the third month running in April. A rise in the seasonally adjusted Business Outstanding Index from 47.7 to 48.9 in April signalled a weaker rate of contraction than in March, and only a modest fall overall that was broadly in line with the UK trend. Firms linked falling backlogs to a variety of factors, including more deliveries to clients, the completion of long-term contracts and productivity improvements. Outstanding business fell in services and rose slightly in manufacturing.

## Employment

Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Aug	11.2	77.0	11.8	49.7	<b>46.9</b>	<b>45.3</b>
	Sep	7.1	80.1	12.8	47.1	<b>46.1</b>	<b>45.1</b>
	Oct	7.7	77.4	14.8	46.5	<b>46.1</b>	<b>46.1</b>
	Nov	7.6	82.3	10.1	48.7	<b>47.8</b>	<b>47.2</b>
	Dec	10.4	77.9	11.7	49.4	<b>48.2</b>	<b>48.0</b>
2010	Jan	7.3	80.0	12.7	47.3	<b>49.8</b>	<b>49.2</b>
	Feb	8.9	80.9	10.2	49.4	<b>48.2</b>	<b>49.3</b>
	Mar	11.2	78.9	9.9	50.6	<b>49.8</b>	<b>50.0</b>
	Apr	13.1	77.5	9.4	51.9	<b>51.4</b>	<b>52.1</b>

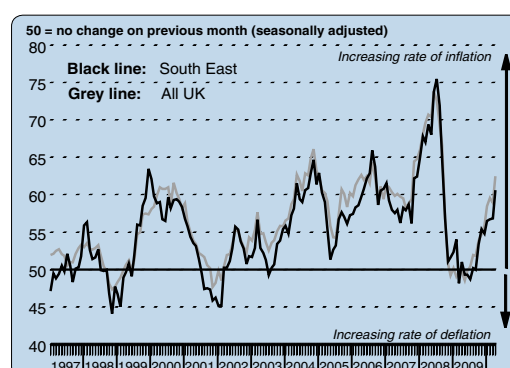


Private sector employment in the South East increased for the first time in almost two years in April. At 51.4, the seasonally adjusted Employment Index rose slightly above the neutral level of 50.0, having signalled job shedding for the previous twenty-one months. Recruitment was generally linked to rising workloads, and was centred on the manufacturing sector. Despite output rising more sharply than the UK trend, the rate of workforce growth in the South East was slower than the national average.

## Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Aug	11.8	78.9	9.2	51.3	<b>50.2</b>	<b>52.0</b>
	Sep	11.5	80.1	8.3	51.6	<b>50.0</b>	<b>51.9</b>
	Oct	14.7	77.6	7.7	53.5	<b>53.4</b>	<b>53.9</b>
	Nov	19.1	73.9	7.0	56.1	<b>55.4</b>	<b>54.7</b>
	Dec	10.4	84.4	5.2	52.6	<b>54.8</b>	<b>55.9</b>
2010	Jan	19.5	75.8	4.7	57.4	<b>56.5</b>	<b>58.5</b>
	Feb	22.8	69.6	7.6	57.6	<b>56.7</b>	<b>59.6</b>
	Mar	26.4	69.2	4.4	61.0	<b>56.8</b>	<b>58.9</b>
	Apr	37.5	60.6	1.9	67.8	<b>60.6</b>	<b>62.5</b>

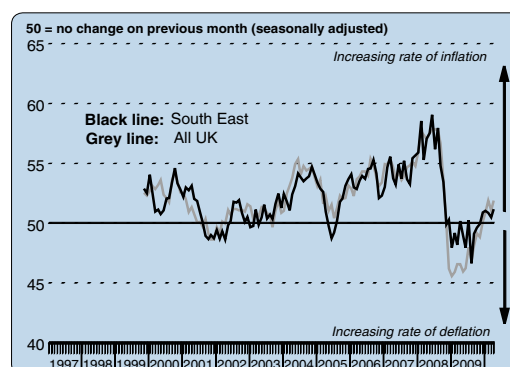


Average input prices paid by South East private sector firms rose for the seventh successive month in April. The rate of inflation accelerated sharply since March, with the seasonally adjusted Input Prices Index rising to a nineteen-month high. Both manufacturing and services posted steeper cost increases than in March, with inflation stronger in the former. Manufacturers linked inflation to raw material prices such as metals, plastics and other oil-related inputs. Some firms also noted that higher input costs reflected the weak sterling exchange rate. Meanwhile, service providers mainly attributed higher costs to rising fuel prices.

## Output Prices

Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

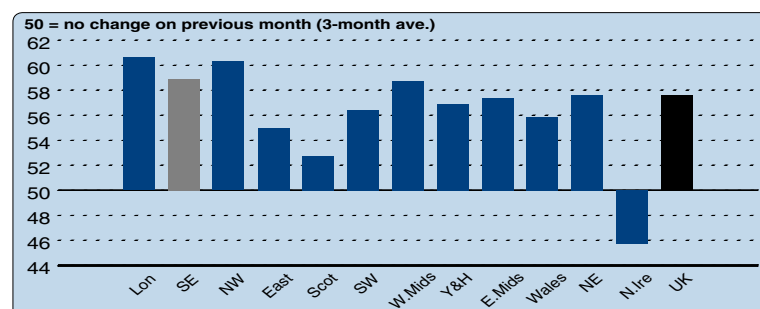
		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Aug	3.3	86.8	9.9	46.7	<b>46.6</b>	<b>46.9</b>
	Sep	7.1	85.3	7.7	49.7	<b>49.1</b>	<b>48.1</b>
	Oct	6.5	85.8	7.7	49.4	<b>49.6</b>	<b>49.2</b>
	Nov	7.6	84.1	8.3	49.7	<b>49.9</b>	<b>48.9</b>
	Dec	5.2	89.6	5.2	50.0	<b>50.9</b>	<b>50.2</b>
2010	Jan	11.3	81.3	7.3	52.0	<b>51.0</b>	<b>50.9</b>
	Feb	9.6	83.4	7.0	51.3	<b>50.9</b>	<b>51.9</b>
	Mar	10.1	83.6	6.3	51.9	<b>50.5</b>	<b>51.1</b>
	Apr	17.2	77.7	5.1	56.1	<b>51.2</b>	<b>51.9</b>



Although demand for goods and services in the South East rose strongly in April, firms' pricing power generally remained weak. At 51.2, up from 50.5 in March, the seasonally adjusted Output Prices was above the no-change mark of 50.0 for the fifth month running, but continued to signal a modest rate of charge inflation. Rising charges were mainly located in the manufacturing sector, where firms passed on higher raw material prices. Service providers continued to cut charges on average, mainly citing competitive pressures.

## Regional Comparisons: Output

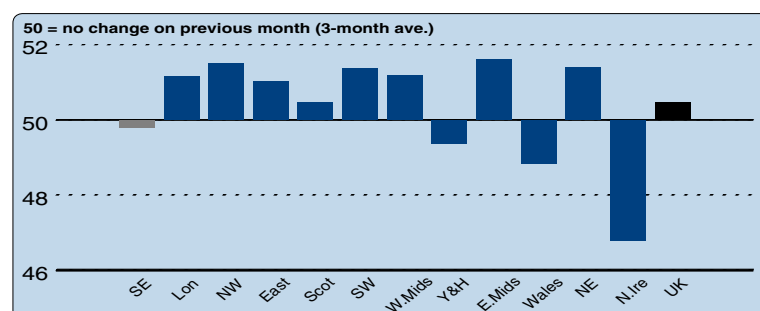
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London has recorded the strongest expansion of activity on average in the past three months, despite output growth easing markedly in April. The North West remained the second-best performing region, while only Northern Ireland registered a decline in output.



	Share of UK GVA, 2006 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.0%)	57.6	60.6	57.2
South East	(14.4%)	55.2	58.9	58.1
North West	(9.6%)	56.8	60.3	59.8
East of England	(8.9%)	54.7	55.0	55.9
Scotland	(8.2%)	51.6	52.7	51.6
South West	(7.8%)	55.6	56.4	56.0
West Midlands	(7.5%)	53.8	58.7	59.0
Yorks & Humber	(7.1%)	54.2	56.9	58.8
East Midlands	(6.3%)	54.8	57.4	56.4
Wales	(3.6%)	55.2	55.8	55.8
North East	(3.2%)	55.4	57.7	56.4
N.Ireland	(2.3%)	46.1	45.7	47.5
<b>UK</b>	<b>(100.0%)</b>	<b>55.3</b>	<b>57.6</b>	<b>56.4</b>

## Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Data showed a broadening of employment growth across the UK regions during the three months to April. Eight of the twelve regions saw an increase in workforce numbers, with the fastest rate of job creation recorded in the East Midlands.



	Contribution to UK Employment, 2006 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	47.2	49.8	51.4
London	(12.3%)	45.7	51.2	50.8
North West	(10.9%)	48.5	51.5	52.6
East of England	(9.6%)	47.4	51.0	54.1
Scotland	(8.7%)	49.0	50.5	50.2
South West	(8.6%)	47.0	51.4	53.1
West Midlands	(8.6%)	45.0	51.2	52.6
Yorks & Humber	(8.2%)	46.6	49.4	52.8
East Midlands	(7.3%)	46.2	51.6	53.9
Wales	(4.6%)	48.1	48.8	50.6
North East	(3.9%)	47.5	51.4	54.0
N.Ireland	(2.7%)	46.0	46.8	45.5
<b>UK</b>	<b>(100.0%)</b>	<b>46.7</b>	<b>50.5</b>	<b>52.1</b>

## PMI Survey Methodology

### PMI surveys

Purchasing Managers' Indexes (or PMIs) are monthly surveys of carefully selected companies which provide an advance indication of what is really happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made.

Questionnaires are completed in the latter half of each month and are collected and processed by economists at Markit Economics. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

### Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

## About Markit

Markit is a leading, global financial information services company with over 1,400 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place.

## About Markit Economics

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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.

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