

South East PMI™

Sponsored by England's Regional Development Agencies

The PMI™ (Purchasing Managers' Index™) South East Report is produced for SEEDA 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 nine regional surveys published by the Regional Development Agencies and Markit Economics and is derived from the highly regarded national PMI surveys produced by Markit.

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SEEDA has one aim - to support the economic development of our world-class region. We work at a local, regional, national and international level to attract inward investment, to help businesses reach their full potential and to win practical support from a range of partners. We bring funding into the region to help the economic growth of the South East.

SEEDA works to secure sustainable prosperity through expert interventions, expert deal-making and expert advice. We provide businesses with the support they need to grow, through our in-depth knowledge of their needs and the economic conditions, in which they operate.

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13 September 2010

Business activity in the South East grew at muted pace in August.

Key findings:

- Rates of expansion in output and new business both slowed further from recent peaks.
- Employment declined for first time in five months.
- Output prices rose at fastest rate since October 2008.

PMI™ data for the South East indicated that the rate of economic expansion continued to slacken in August. Growth of total activity was maintained for the fourteenth successive month, but the rate of expansion was the slowest in this sequence and slightly weaker than the UK average. Meanwhile, employment in the region's private sector fell for the first time since March.

Output and demand

Total business activity at service providers and manufacturers in the South East rose in August. However, the rate of growth slowed for the third month running to a weak pace that was well below the long-run trend for the series. It was also slower than the UK average for the first time since January.

Driving the slowdown in output growth in August was a weaker gain in new work. The rate of new business expansion eased for the fifth successive month from March's two-and-a-half year high, to the weakest since last September. Services again registered a slower rise in new work than manufacturing.

Employment and backlogs

Reflecting the lack of pressure on capacity in August, manufacturers and service providers cut their backlogs of work on average at the fastest rate since September 2009. The volume of outstanding business in the South East has fallen every month since February.

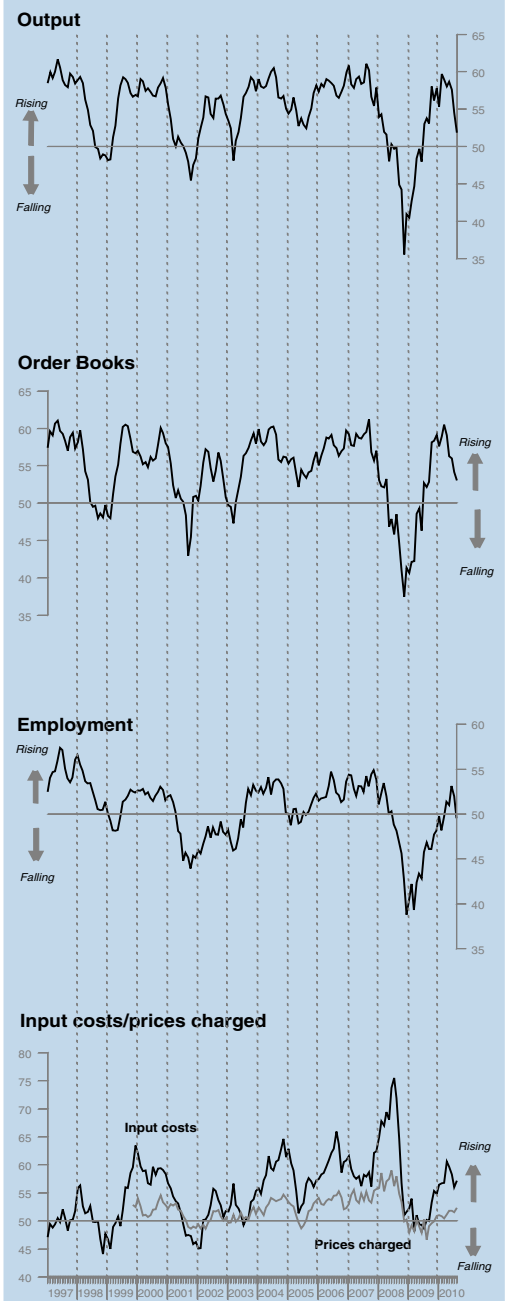
Employment in the South East's private sector workforce declined in August. Though marginal, the contraction in staffing was the first indicated since March. Services was the main source of the overall decline as manufacturing employment continued to rise (albeit at a weaker rate).

Input and output prices

Average input prices continued to rise in August. The rate of inflation accelerated for the first time since April, and remained greater than the long-run series average. This broadly followed the trend seen across the UK as a whole. Items reported by survey respondents as rising in price during the latest period included metals, plastics, timber and oil.

Prices charged by private sector firms in the South East rose at the fastest rate since October 2008. The rate of inflation was also slightly stronger than the long-run survey average.

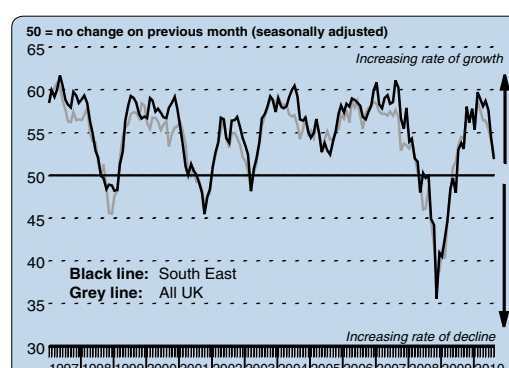
South East Business Conditions



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	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	55.7
	Feb	35.2	52.2	12.6	61.3	59.7	58.8
	Mar	38.1	48.1	13.8	62.2	59.0	57.7
	Apr	35.0	52.5	12.5	61.3	58.1	56.5
	May	34.5	46.7	18.8	57.9	58.7	56.4
	Jun	32.1	51.8	16.1	58.0	57.6	55.4
	Jul	27.7	57.2	15.1	56.3	54.6	54.1
	Aug	26.7	49.1	24.2	51.2	51.9	52.3

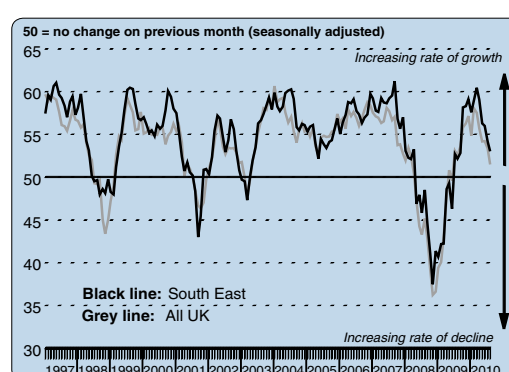


Growth of private sector activity in the South East was maintained for the fourteenth successive month in August. Where activity rose compared to July, this was mainly attributed by panellists to higher intakes of new orders. However, the seasonally adjusted Business Activity Index fell for the third month running, and signalled the slowest rate of growth of the current sequence. The pace of expansion was also weaker than the UK average for the first time since January. By sector, manufacturing and services posted similarly modest rates of growth in August.

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	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	55.7
	May	31.9	47.2	20.9	55.5	56.3	54.2
	Jun	35.0	46.0	19.0	58.0	56.0	54.2
	Jul	27.3	51.3	21.4	52.9	54.2	53.4
	Aug	31.0	43.7	25.3	52.8	53.1	51.5

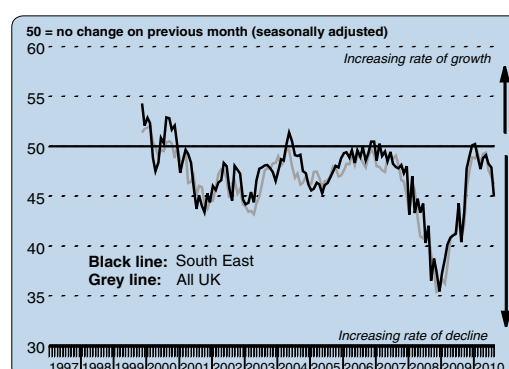


The rate of growth in new work received by South East private sector firms slowed for the fifth successive month in August, as signalled by a further fall in the seasonally adjusted Incoming New Business Index from 54.2 in July to 53.1. The latest figure indicated the weakest pace of expansion since September 2009, and was below the long-run trend level of 54.6. That said, new business growth in the South East remained sharper than the trend for the UK as a whole, as has been the case since last October. Detailed sector data showed a sharp slowdown in manufacturing new order growth and a further modest rise in services new business.

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	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
	May	14.8	64.5	20.6	47.1	49.1	49.4
	Jun	20.6	60.6	18.7	51.0	48.3	47.6
	Jul	13.1	63.4	23.4	44.8	47.9	46.9
	Aug	15.6	58.5	25.9	44.9	45.0	46.2

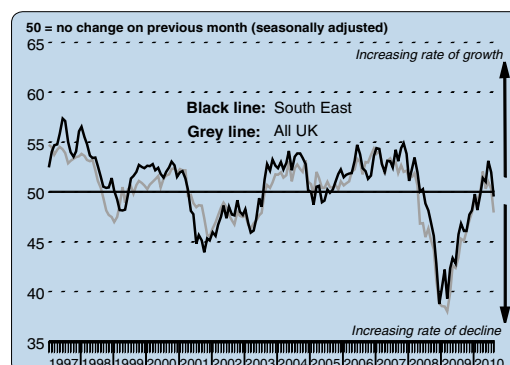


Continuing the trend since February, outstanding business in the South East private sector declined in August. Moreover, the seasonally adjusted Business Outstanding Index fell for the third month running, signalling the fastest rate of contraction since September 2009. The latest anecdotal evidence from survey respondents linked falling backlogs to spare capacity and softening demand in services. The South East registered a faster decline in backlogs than the UK average during the month. Outstanding business declined in both manufacturing and services during the month.

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	Dec	10.4	77.9	11.7	49.4	48.2	48.0
2010	Jan	7.3	80.0	12.7	47.3	49.8	49.2
	Feb	8.9	80.9	10.2	49.4	48.2	49.2
	Mar	11.2	78.9	9.9	50.6	49.8	50.0
	Apr	13.1	77.5	9.4	51.9	51.4	52.1
	May	17.0	73.9	9.1	53.9	51.0	50.3
	Jun	18.0	74.3	7.8	55.1	53.1	51.0
	Jul	15.2	79.1	5.7	54.7	52.0	50.3
	Aug	14.9	75.8	9.3	52.8	49.6	48.0

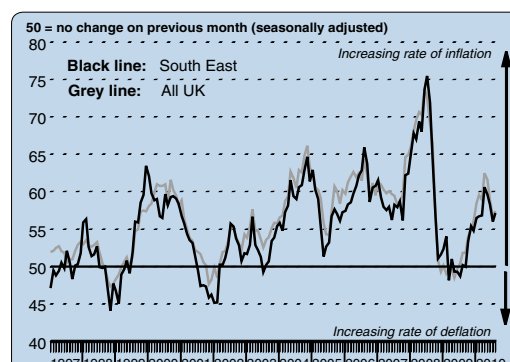


Employment in the South East private sector fell marginally in August. At 49.6, the seasonally adjusted Employment Index sank to just below the no-change mark of 50.0, having signalled net job creation in the sector from April through to July. The August contraction reflected the trend seen across the UK, though the South East posted a weaker rate of job shedding relative to the national average. Sector data signalled that services was the main source of declining employment in August, while manufacturing workforces continued to rise.

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	Dec	10.4	84.4	5.2	52.6	54.8	56.1
2010	Jan	19.5	75.8	4.7	57.4	56.5	58.5
	Feb	22.8	69.6	7.6	57.6	56.7	59.6
	Mar	26.4	69.2	4.4	61.0	56.8	58.9
	Apr	37.5	60.6	1.9	67.8	60.6	62.5
	May	31.5	66.1	2.4	64.5	59.7	61.6
	Jun	30.1	66.9	3.0	63.6	58.3	58.9
	Jul	25.8	68.6	5.7	60.1	56.0	56.6
	Aug	29.2	67.1	3.7	62.7	57.2	57.5

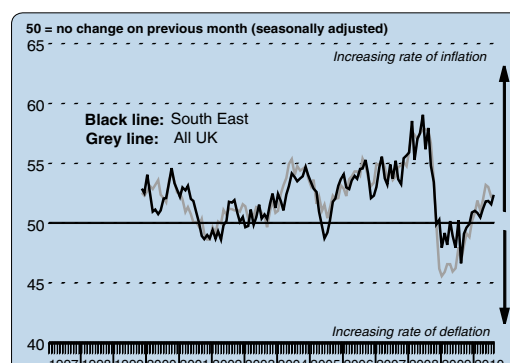


Average input prices paid by private sector companies in the South East rose at a broadly similar pace to that seen across the UK as a whole in August. Also in line with the nationwide trend, the rate of input price inflation accelerated for the first time since April. According to the latest anecdotal evidence, sources of inflationary pressures included raw materials such as steel, paper, plastics and oil. By sector, manufacturers continued to record a much sharper rate of input cost inflation than their counterparts in services.

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?

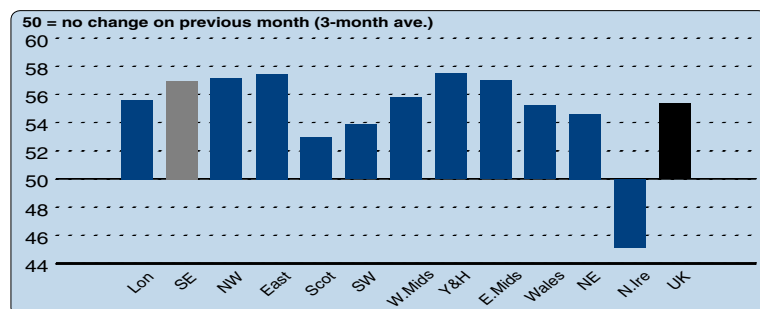
		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Dec	5.2	89.6	5.2	50.0	50.9	50.2
2010	Jan	11.3	81.3	7.3	52.0	51.0	50.9
	Feb	9.6	83.4	7.0	51.3	50.9	51.9
	Mar	10.1	83.6	6.3	51.9	50.5	51.1
	Apr	17.2	77.7	5.1	56.1	51.2	51.9
	May	12.3	83.4	4.3	54.0	51.8	53.2
	Jun	13.3	80.0	6.7	53.3	51.9	53.0
	Jul	13.3	82.3	4.4	54.4	51.6	52.2
	Aug	10.6	86.3	3.1	53.8	52.4	52.1



Average output prices charged by private sector companies in the South East continued to rise in August, as has been the case since December 2009. Firms mainly linked higher output prices to rising input costs such as raw materials and freight charges. The seasonally adjusted Output Prices Index rose on the month and signalled the fastest rate of inflation since October 2008. The upward movement in the Index also placed it above the All-UK figure for the first time since January. Sector data signalled that upward pressure on output prices was mainly centred on manufacturing, as service providers cut their charges slightly.

Regional Comparisons: Output

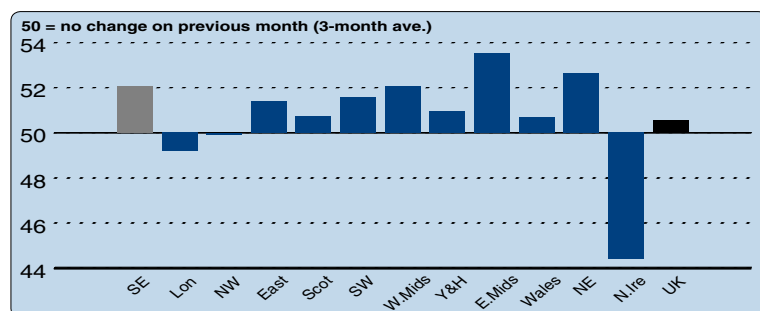
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Solid rises in business activity were recorded in eleven of the twelve UK regions during the three months to August. Yorkshire & Humber posted the fastest rate of expansion, while Scotland saw the slowest growth. Business activity in Northern Ireland continued to fall markedly.



	Share of UK GVA, 2007 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.0%)	58.0	53.5	50.0
South East	(14.4%)	56.7	54.7	51.9
North West	(9.6%)	56.8	55.1	52.5
East of England	(8.9%)	55.4	55.9	53.2
Scotland	(8.2%)	52.7	53.0	53.0
South West	(7.8%)	55.1	53.9	52.8
West Midlands	(7.5%)	55.8	55.1	54.6
Yorks & Humber	(7.1%)	55.8	56.2	54.9
East Midlands	(6.3%)	56.2	55.9	55.0
Wales	(3.6%)	55.4	53.9	52.0
North East	(3.2%)	57.3	55.0	55.1
N.Ireland	(2.3%)	46.3	44.8	45.5
UK	(100.0%)	56.0	54.0	52.3

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). Northern Ireland registered by far the sharpest rate of job shedding in the three months to August. London and the North West also recorded lower staffing levels on average over this period. Meanwhile, jobs growth was the fastest in the North East.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	49.4	51.6	49.6
London	(12.3%)	48.0	48.2	46.9
North West	(10.9%)	49.9	49.4	48.1
East of England	(9.6%)	49.4	50.1	47.7
Scotland	(8.7%)	50.3	50.7	51.2
South West	(8.6%)	49.4	51.2	50.0
West Midlands	(8.6%)	48.8	52.1	50.1
Yorks & Humber	(8.2%)	48.8	51.1	50.1
East Midlands	(7.3%)	49.8	50.9	46.6
Wales	(4.6%)	49.6	50.3	50.0
North East	(3.9%)	50.4	52.3	51.6
N.Ireland	(2.7%)	45.7	42.6	41.7
UK	(100.0%)	48.9	49.8	48.0

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. 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. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

About SEEDA and Markit Economics

SEEDA is one of England's nine Regional Development Agencies with responsibility for creating sustainable economic development in their regions. It was established in 1999 and has led the development and implementation of the Regional Economic Strategy (RES) for South East England.

SEEDA undertakes high quality research to inform the development of the RES and economic policy for the South East. In addition to monthly snapshots and annual monitoring reports, a wide range of research projects is undertaken on issues of current importance.

SEEDA is wholly focused on supporting economic development in the South East – the engine room of the UK economy. Economic growth brings regeneration and enables people and places to grow and ultimately to build their futures. To achieve growth we work at the strategic level – through partnerships in the public and private sectors – and manage practical programmes to support businesses, champion innovation, attract investment and drive global competitiveness.

Independent research by PricewaterhouseCoopers provided evidence of SEEDA's performance between 2002 and 2007. For

every £1 invested by SEEDA, £5.60 was returned to the South East economy, and for every £1 invested in attracting foreign investment, there was a return of £14.60.

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.