

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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9th August 2010

Output growth in South East private sector lost momentum in July.

Key findings:

- Total activity and new business both rose at weakest rates for ten months.
- Employment growth maintained for fourth month running.
- Input price inflation eased to seven-month low.

PMI™ data for the South East signalled a further improvement in business conditions in July, albeit at a slower pace. Output and new business both increased at the softest rates since September 2009, leading to the steepest fall in outstanding work in four months. Nevertheless, firms continued to add to their workforces on average, at a rate that was greater than the long-run series average.

Output and demand

Total business activity in the South East's private sector economy rose for the thirteenth successive month in July. The rate of expansion was solid overall and slightly faster than the UK-wide trend, but moderated since June. Overall, growth was the slowest in ten months and slightly weaker than the long-run average.

Sector data continued to indicate that manufacturing registered a sharper rate of output expansion than services. This reflected relatively strong growth of manufacturing new orders compared to services new business. Overall, new workloads rose at the slowest rate since September 2009.

Employment and backlogs

Private sector employment in the South East rose for the fourth successive month in July. The rate of job creation eased from June's twenty-seven month high, but was nevertheless greater than the long-run series average. Moreover, workforce growth was evident in both the manufacturing and service sectors.

Recruitment helped firms control workloads in July. The volume of outstanding business declined for the sixth month running, and at a slightly faster rate than in the previous month.

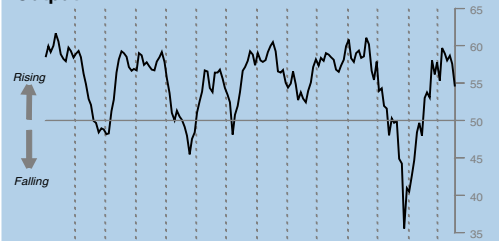
Input and output prices

Average input prices paid by companies in the South East private sector rose for the tenth month running in July. The rate of input cost inflation eased to a seven-month low, but remained slightly above its long-run trend. Sources of rising costs included chemicals, timber, paper, metals, fuel, foodstuffs and salaries.

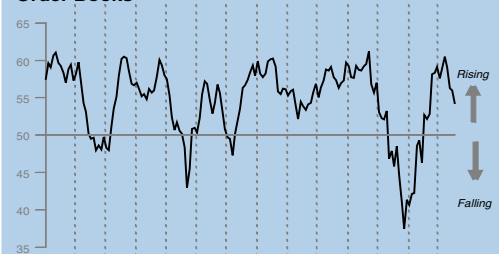
Survey data indicated a further rise in prices charged by private sector companies in the South East. The rate of output price inflation remained modest and eased slightly since June, reflecting an overall fall in service providers' charges. In contrast, manufacturers' output prices rose sharply during the month.

South East Business Conditions

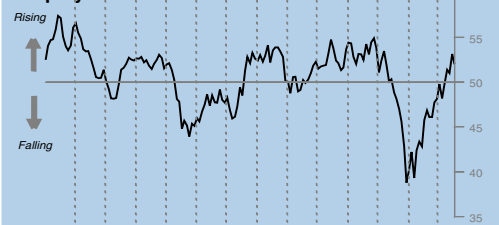
Output



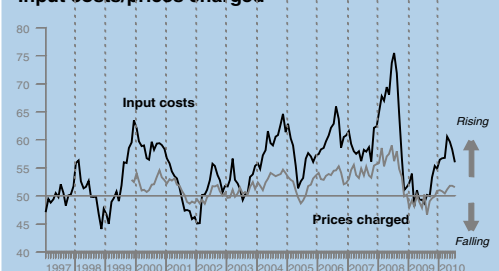
Order Books



Employment



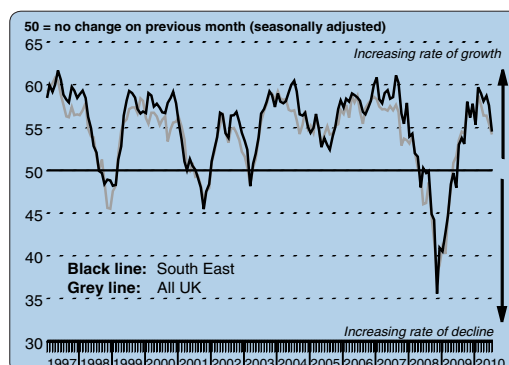
Input costs/prices charged



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	Nov	26.4	54.1	19.5	53.5	56.2	56.5
	Dec	33.1	49.4	17.5	57.8	57.8	57.1
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	58.8
	Mar	38.1	48.1	13.8	62.2	59.0	57.7
	Apr	35.0	52.5	12.5	61.3	58.1	56.4
	May	34.5	46.7	18.8	57.9	58.7	56.4
	Jun	32.1	51.8	16.1	58.0	57.6	55.5
	Jul	27.7	57.2	15.1	56.3	54.6	54.2

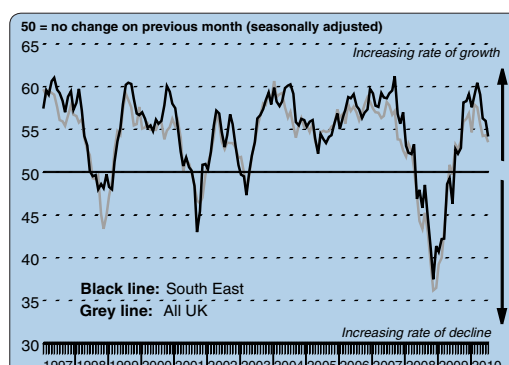


Private sector activity in the South East rose for the thirteenth successive month in July. Firms mainly linked higher activity to gains in new business and, in some cases, hotter weather than normal for the time of year. That said, the overall rate of expansion slowed sharply. The seasonally adjusted Business Activity Index posted its steepest month-on-month drop since November 2008, and indicated the weakest rate of growth since September 2009. Growth of manufacturing production remained faster than the gain in services activity, despite slowing sharply during the month.

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	Nov	32.3	48.4	19.4	56.5	58.3	56.2
	Dec	32.5	47.7	19.9	56.3	59.1	56.9
2010	Jan	29.7	47.3	23.0	53.4	57.6	54.7
	Feb	37.6	45.2	17.2	60.2	59.0	57.9
	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	54.3
	Jun	35.0	46.0	19.0	58.0	56.0	54.3
	Jul	27.3	51.3	21.4	52.9	54.2	53.5

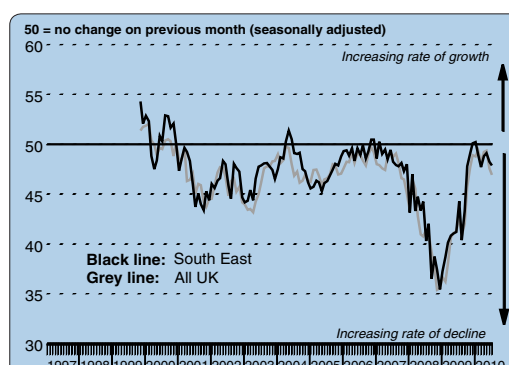


The seasonally adjusted Incoming New Business index remained above the no-change mark of 50.0 for the thirteenth month in a row in July, signalling further growth of incoming new work at private sector companies in the South East. The rate of expansion slowed for the fourth successive month to the weakest since September 2009, but remained greater than the average for the UK as a whole. By sector, manufacturing new orders rose at a sharper rate than service sector 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	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
	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

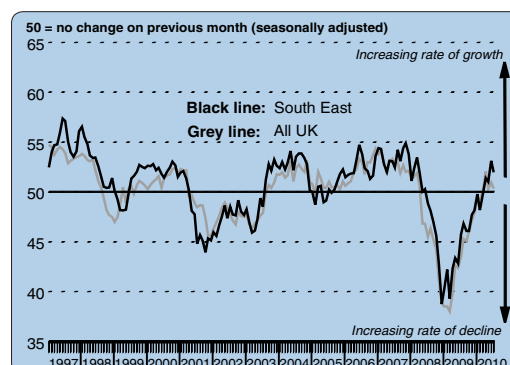


The level of outstanding business in the South East private sector economy declined for the sixth month running in July. Moreover, the rate of contraction accelerated slightly and was the second-fastest in the current sequence. Many survey respondents stated that they had been able to complete previous contracts as the pace of incoming new business had moderated somewhat. The rate of backlog depletion remained weaker than the UK-wide trend, however. By sector, outstanding business fell more sharply in services than 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	Nov	7.6	82.3	10.1	48.7	47.8	47.2
	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	49.3
	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

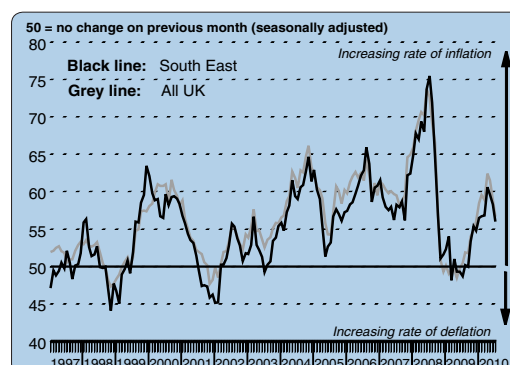


July survey data signalled a further rise in private sector employment in the South East. The current sequence of job creation in the region now stretches to four months. The seasonally adjusted Employment Index eased from June's twenty-seven month high, but remained above its long-run average of 50.6. It also compared favourably with the figure for the UK private sector as a whole. Firms recruited additional staff to facilitate growth and to manage current workloads. Sector data indicated broad-based employment growth across manufacturing and services for the third month running.

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	Nov	19.1	73.9	7.0	56.1	55.4	54.8
	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	62.4
	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	56.7

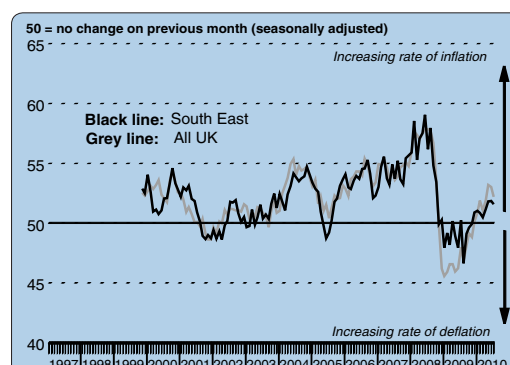


Average input prices paid by private sector companies rose at the slowest rate of 2010 so far in July, as the seasonally adjusted Input Prices Index fell to a seven-month low. This mainly reflected a weaker rate of input cost inflation in services, as cost pressures remained sharp in manufacturing. Goods producers reported a range of items as being up in price during the month, including chemicals, oil, timber, paper, foodstuffs and steel. Service providers mainly referred to rising fuel and salary pressures. Average input prices have risen continuously since October 2009.

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?

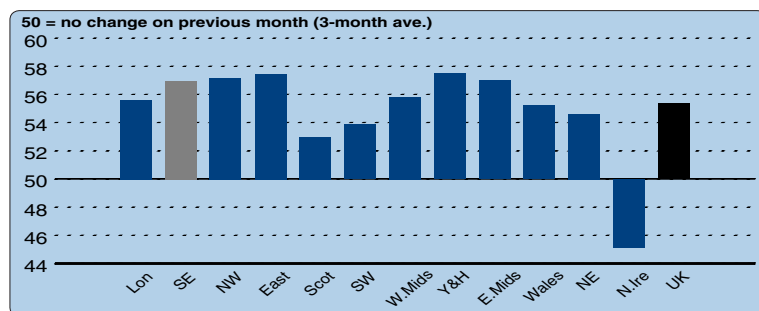
		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2009	Nov	7.6	84.1	8.3	49.7	49.9	48.9
	Dec	5.2	89.6	5.2	50.0	50.9	50.2
2010	Jan	11.3	81.3	7.3	52.0	51.0	50.9
	Feb	9.6	83.4	7.0	51.3	50.9	51.9
	Mar	10.1	83.6	6.3	51.9	50.5	51.1
	Apr	17.2	77.7	5.1	56.1	51.2	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



Prices charged by private sector companies operating in the South East rose for the eighth month running in July. The seasonally adjusted Output Prices Index remained indicative of a modest rate of charge inflation, and one that remained weaker than the trend seen across the UK as a whole. Around 82% of survey respondents reported no change in their output prices during the month. The overall increase in charges reflected strong growth in manufacturers' tariffs, as prices from service providers fell slightly during the month.

Regional Comparisons: Output

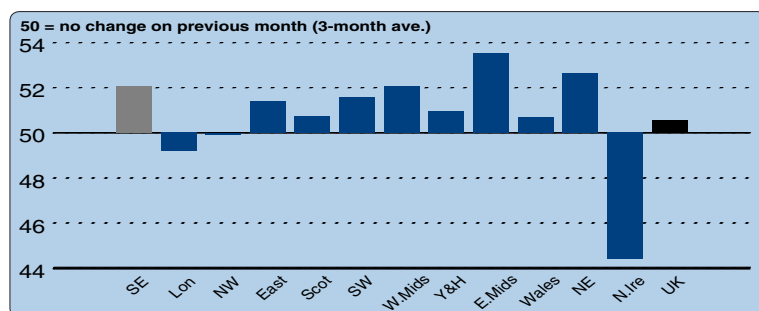
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in all UK regions except Northern Ireland in the three months to July. The East of England and Yorkshire & Humber posted the fastest rates of expansion, while Scotland recorded the weakest rise in private sector activity.



	Share of UK GVA, 2007 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.0%)	58.3	55.6	53.7
South East	(14.4%)	56.8	57.0	54.6
North West	(9.6%)	57.1	57.2	55.8
East of England	(8.9%)	55.5	57.5	55.9
Scotland	(8.2%)	52.6	53.0	53.0
South West	(7.8%)	55.4	53.9	54.5
West Midlands	(7.5%)	55.6	55.8	56.4
Yorks & Humber	(7.1%)	55.9	57.5	57.1
East Midlands	(6.3%)	55.9	57.0	56.3
Wales	(3.6%)	55.9	55.2	54.8
North East	(3.2%)	57.2	54.6	55.3
N.Ireland	(2.3%)	46.5	45.1	43.9
UK	(100.0%)	56.2	55.4	54.2

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). Scotland, Wales and seven English regions registered an increase in private sector staffing levels in the three months to July. Employment was little-changed in the North West and continued to fall in both London and Northern Ireland in the latest three-month period.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	49.2	52.1	52.0
London	(12.3%)	47.6	49.2	49.0
North West	(10.9%)	49.9	49.9	50.3
East of England	(9.6%)	49.2	51.4	50.4
Scotland	(8.7%)	50.0	50.8	50.0
South West	(8.6%)	48.9	51.6	50.9
West Midlands	(8.6%)	48.2	52.1	52.3
Yorks & Humber	(8.2%)	48.5	50.9	52.0
East Midlands	(7.3%)	49.7	53.5	52.3
Wales	(4.6%)	49.4	50.7	50.9
North East	(3.9%)	49.7	52.6	51.4
N.Ireland	(2.7%)	46.1	44.4	41.8
UK	(100.0%)	48.7	50.6	50.3

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.