

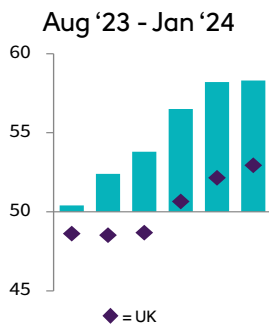


NatWest

NatWest London PMI[®]

Output and new business growth remain rapid in London at start of 2024

London Business Activity Index



Key findings

Activity growth ticks up to eight-month high

Employment numbers rise solidly amid greater demand pressure

Input price inflation eases to 33-month low

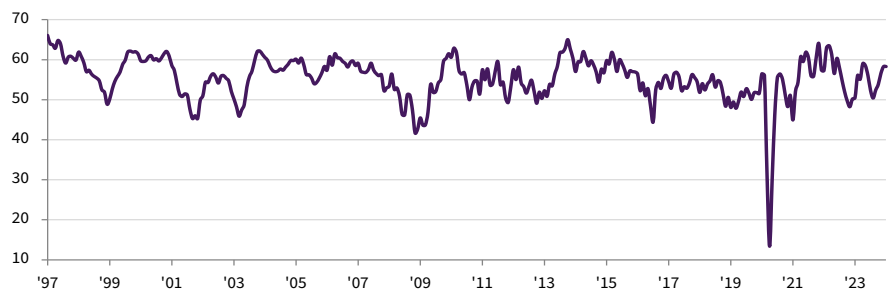
The headline NatWest London PMI[®] Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – crept up from 58.2 in December to 58.3 in January, the highest for eight months and indicative of a marked expansion in output. Business activity mainly grew due to improvements in new orders from domestic and foreign customers, according to survey panellists. Although the number of UK regions exhibiting growth rose from seven to ten, London was still easily the fastest-growing area in January.

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

"A further sharp uplift in demand across the capital spurred a solid increase in employment during January, suggesting that firms are happier to boost staff numbers despite salary pressures remaining steep. The upturn also followed another strong round of sentiment data, with 55% of surveyed businesses signalling expectations of output growth in the year ahead. London firms broadly expect strong demand in 2024 and are willing to invest in their own products, staffing and capital to achieve a good performance. Headwinds from inflation are still worth considering, especially as input cost pressures are falling at only a snail's pace and could yet be aggravated by global supply chains."

London Business Activity Index

sa, >50 = growth since previous month



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About the London PMI® report

The NatWest London PMI® is compiled by S&P Global from responses to questionnaires sent to London 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

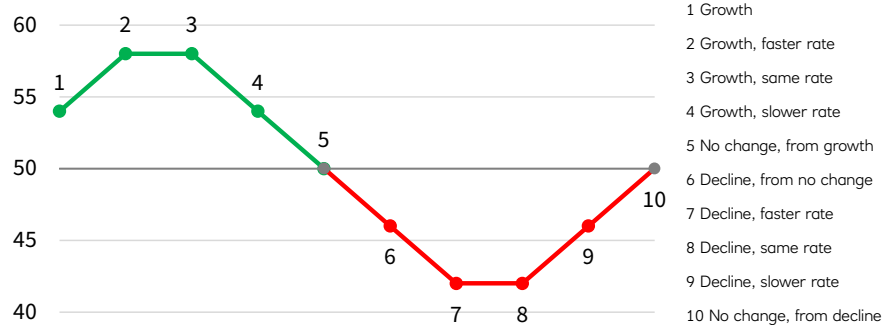
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

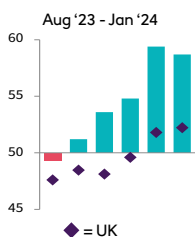
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



New orders rise sharply in January

London-based companies recorded an increase in new orders for the fifth month in a row in January. As was the case in December, the pace of growth was marked, despite easing marginally. Businesses often reported winning new clients and seeing greater demand from overseas customers.

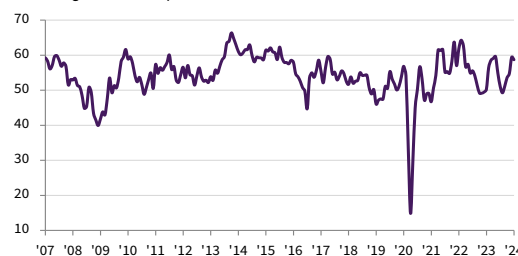
London remained the top-performing region of the UK in January, supporting a further increase in sales at the national level.

New Business Index

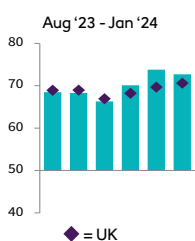
sa, >50 = growth since previous month

58.7

Jan '24



Future Activity Index



Confidence among highest seen in two years

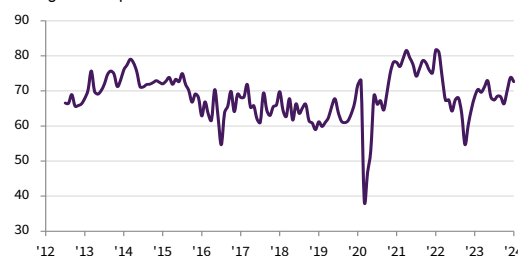
Firms in the capital remained strongly upbeat about future business activity at the beginning of the year. Although the degree of confidence eased slightly from December, it was still among the strongest recorded since early-2022. Where output forecasts were positive, panellists often cited increased investment and anticipated improvements in sales and economic conditions.

Future Activity Index

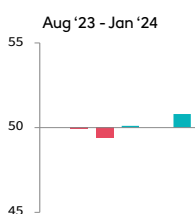
>50 = growth expected over next 12 months

72.7

Jan '24



Export Climate Index



Exports

Export conditions improve amid US growth

The London Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the London. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index rose from 50.0 to 50.8 in January, signalling an improvement in export conditions for London companies. While the rate of improvement was slight overall, it was the strongest seen for six months.

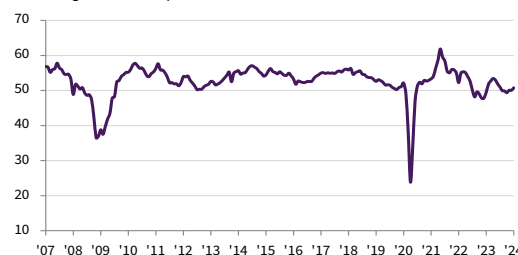
Stronger trading conditions were largely due to a faster expansion in activity across the US, where growth was modest but the sharpest since last July. Irish output also rose, albeit slightly, offsetting further downturns in France, Germany and the Netherlands.

Export Climate Index

sa, >50 = growth since previous month

50.8

Jan '24

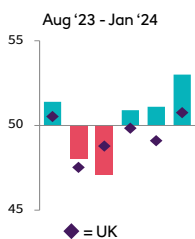


Top export markets, London

Rank	Market	Weight	Output Index, Jan '24
1	USA	38.1%	52.0
2	Ireland	8.3%	50.7
3	Germany	7.7%	47.0
4	Netherlands	6.2%	48.2
5	France	6.0%	44.6

Business capacity

Employment Index



Employment growth quickens to solid pace

The sharp and sustained rise in sales led to a solid increase in workforce numbers at London-based firms during January. The upturn in staffing was the third seen in a row and the fastest since July 2023.

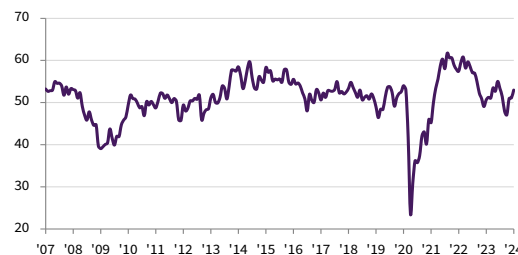
Some respondents took on additional workers as part of growth plans, while others commented on the increased availability of staff to fill open positions. However, there were some mentions of redundancies.

Employment Index

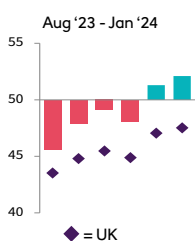
sa, >50 = growth since previous month

53.0

Jan '24



Outstanding Business Index



Backlogs of work rise for second month running

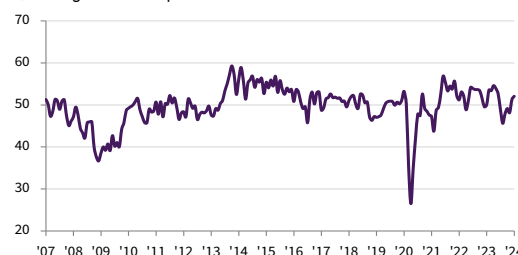
After registering the first increase for six months in December, companies saw a sustained uplift in the level of outstanding work in the first month of 2024. Anecdotal evidence signalled that this was mainly due to a sharp increase in new order volumes. The pace of backlog accumulation picked up slightly but remained modest overall.

Outstanding Business Index

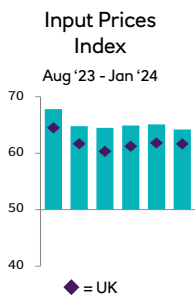
sa, >50 = growth since previous month

52.1

Jan '24



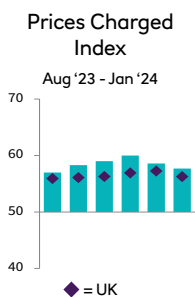
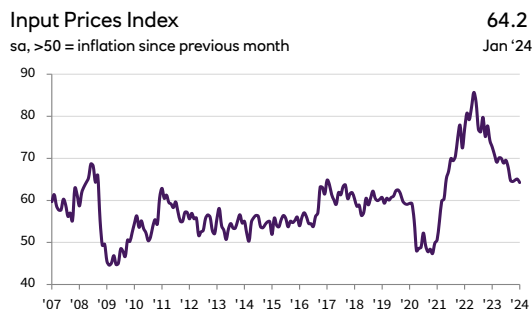
Prices



Input price inflation slips to 33-month low

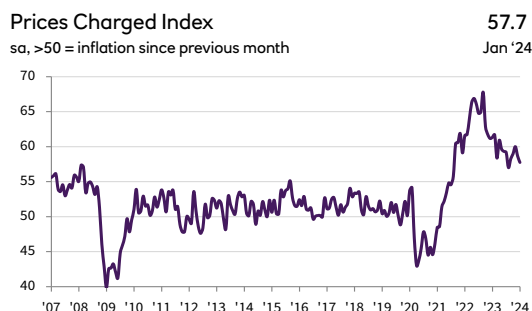
The average rise in input prices across London edged down slightly to the weakest pace since April 2021 in January. Nonetheless, the increase was still sharper than the series trend, and in part driven by greater supply chain constraints arising from disruption to shipping lines in the Red Sea. Greater salary costs were also widely mentioned by panellists, while some cited an uptick in electricity prices.

Notably, the rate of input price inflation in London was still the highest recorded out of the 12 monitored UK regions.



Firms hike prices at sharp, but slower pace

Higher input costs continued to feed through to an increase in output charges. The latest uplift in charges was sharp, despite slowing from December to the second-softest since August 2021 (after August 2023). Charge inflation across the UK likewise softened and was less marked than in London. In fact, only Scotland posted a sharper rise in selling prices than in the capital.



UK Sector PMI

Sector specialisation: London

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 London, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

London specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Jan '24
1	Textiles & Clothing	2.59	50
2	Food & Drink	1.97	50
3	Timber & Paper	1.26	45
4	Other Manufacturing	1.07	45
5	Mechanical Engineering	0.84	50
6	Basic Metals	0.82	45
7	Electrical & Optical	0.75	45
8	Chemicals & Plastics	0.60	45
9	Transport	0.50	55

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan '24
1	Financial Intermediation	1.56	55
2	Computing & IT Services	1.06	55
3	Business-to-business Services	1.00	50
4	Personal & Community Services	0.75	45
5	Hotels, Restaurants & Catering	0.68	55
6	Transport & Communication	0.66	50

UK sector focus

Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

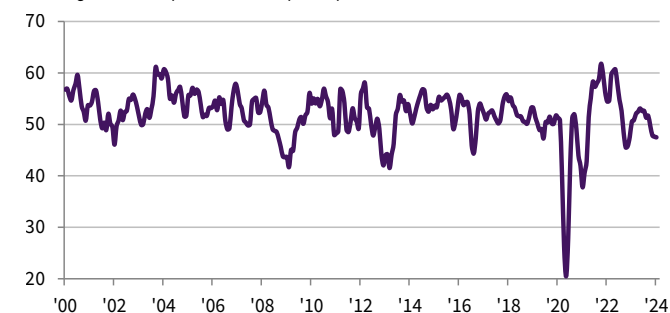
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

Employment

January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

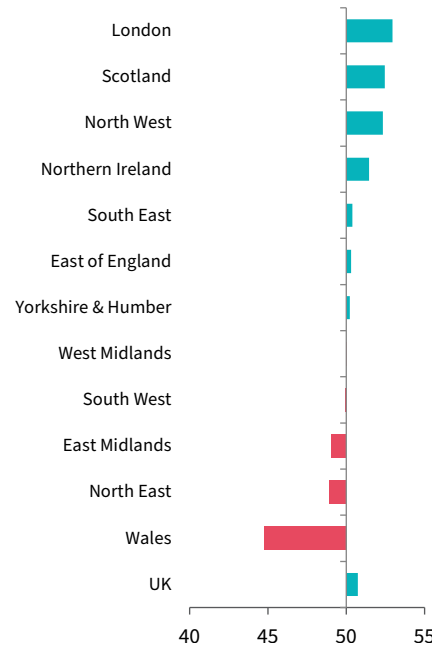
Business Activity Index

sa, >50 = growth since previous month, Jan '24



Employment Index

sa, >50 = growth since previous month, Jan '24

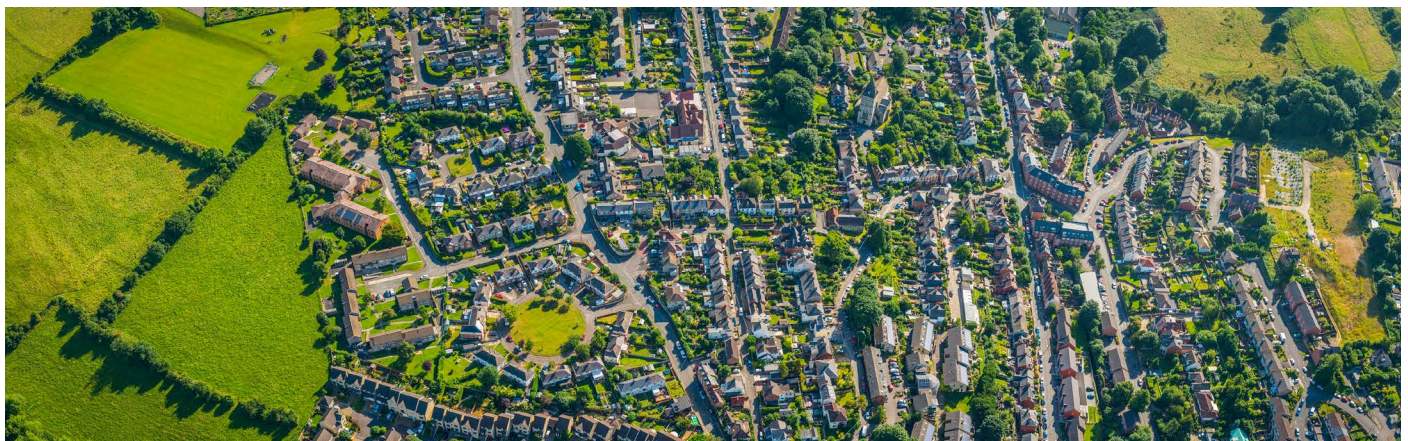


Future Activity Index

>50 = growth expected over next 12 months, Jan '24



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

London

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
Aug '23	50.4	49.3	50.0	68.5	51.4	45.6	67.8	57.0
Sep '23	52.4	51.2	49.9	68.3	48.0	47.9	64.8	58.3
Oct '23	53.8	53.6	49.4	66.3	47.1	49.1	64.5	59.0
Nov '23	56.5	54.8	50.1	70.1	50.9	48.1	64.9	60.0
Dec '23	58.2	59.4	50.0	73.8	51.1	51.3	65.1	58.6
Jan '24	58.3	58.7	50.8	72.7	53.0	52.1	64.2	57.7

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Purchasing Managers' Index™ (PMI®) 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.

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