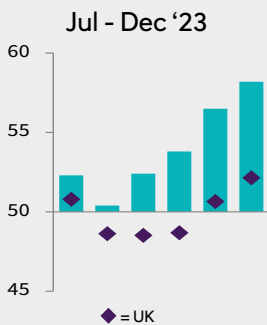




NatWest London PMI[®]

Marked rise in sales drives stronger activity growth and business confidence

London Business Activity Index



Key findings

Output and new order growth reach seven-month highs

Year-ahead optimism up to highest since March 2022

Cost inflation ticks higher amid wage increases

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 – rose to its highest level in seven months in December, signalling a marked upturn in output levels across the UK capital. Activity rose strongly on the back of a sharp and accelerated increase in new orders, both of which were the fastest observed out of the 12 covered regions.

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

"More UK regions registered an expansion in activity in December, yet it was again London where the fastest growth was recorded by far. Driven by sharply rising new business levels, companies in the capital raised output to the greatest degree since May, continuing the upwards growth trend seen over the past four months. With sales volumes looking promising and firms expecting a positive reaction to new product releases in 2024, overall confidence rose to the highest since March 2022, suggesting there is reason to hope for a good year in the capital."

"Wages still appear to be causing some stickiness to inflation according to the survey's price metrics, but the data also signals that hiring growth is being strained by a more strategic approach to costs, providing some expectation that salary pressures could also ease."

London Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

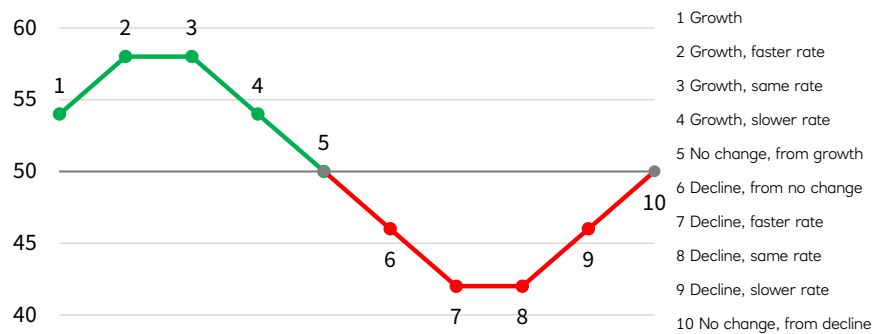
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

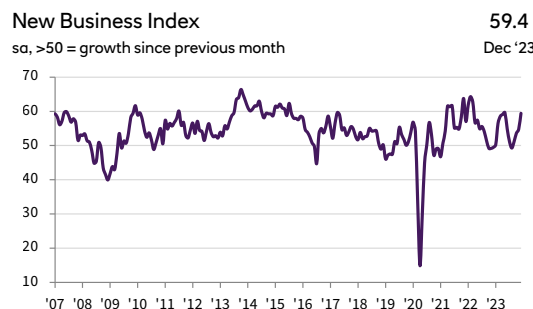
50.0 = no change since previous month



Demand and outlook

New business growth surges at end of 2023

London private sector firms reported strong gains in new business intakes at the end of the year, with the latest data indicating a sharp and accelerated increase in sales. Adjusted for seasonal factors, the New Business Index climbed to its highest since May, and marked the second-strongest uplift since early-2022. Moreover, the expansion was easily the sharpest seen out of the 12 monitored UK areas, with just the West Midlands and South West also recording rises.



Activity outlook strengthens to 21-month high

The net degree of optimism regarding activity in the year ahead rose for the second month running in December, and was the strongest registered since March 2022. Firms expecting growth in output often linked this to increased sales and the launching of new products. Optimism across the UK improved as well, but remained weaker than in the capital.



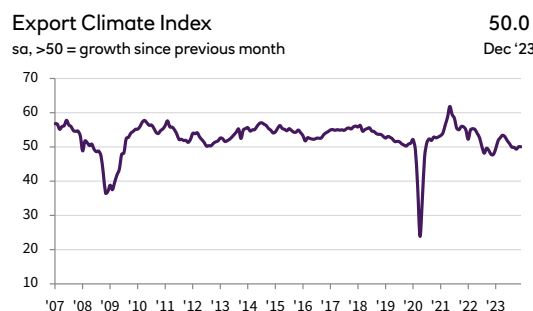
Exports

Export climate remains steady at year-end

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

December data signalled that export conditions were unchanged across the capital over the latest survey period, as the index posted at the 50.0 neutral threshold. This followed a similar reading of 50.1 in November.

Performances across London's top export markets differed widely in December. The US and Ireland posted sustained (albeit modest) expansions in output, contrasting with solid declines across the European continent, especially in France and the Netherlands.



Top export markets, London

Rank	Market	Weight	Output Index, Dec '23
1	USA	38.1%	50.9
2	Ireland	8.3%	51.5
3	Germany	7.7%	47.4
4	Netherlands	6.2%	44.7
5	France	6.0%	44.8

New Business Index
Jul - Dec '23

Future Activity Index
Jul - Dec '23

Export Climate Index
Jul - Dec '23

Business capacity

Employment Index
Jul - Dec '23

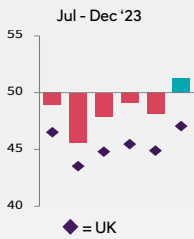


Job creation remains mild but contrasts with UK trend

Businesses in London saw a rise in employment for the second consecutive month in December, although the increase was again only marginal. Despite reports of higher demand creating greater workloads, firms indicated that cost pressures and a larger focus on automation had stymied the rate of jobs growth.

London was one of only three UK areas to register an uptick in staffing over December, the others being Scotland and Northern Ireland, while employment nationwide dropped for the fourth month running.

Outstanding Business Index
Jul - Dec '23



Work backlogs grow for first time since June

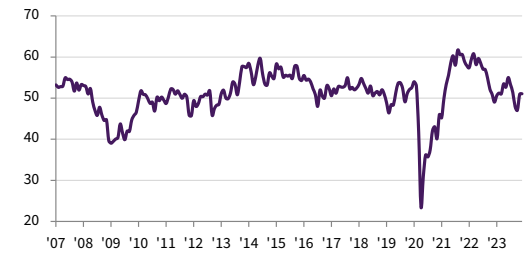
The influx of new orders at the end of the year led to a renewed increase in backlogs at London private sector companies. The uplift was the first recorded in six months, albeit modest overall. London was also the only region to see backlogs accumulate. Meanwhile, the decrease at the national level slowed considerably.

Employment Index

sa, >50 = growth since previous month

51.1

Dec '23

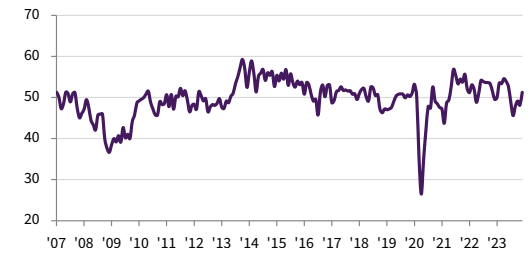


Outstanding Business Index

sa, >50 = growth since previous month

51.3

Dec '23



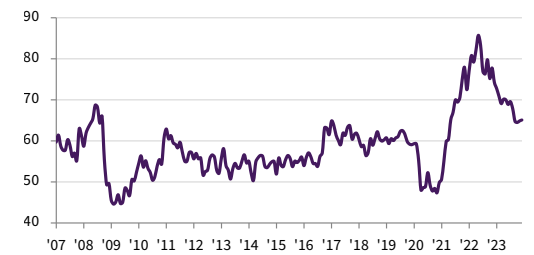
Prices

Input price inflation remains sticky in December

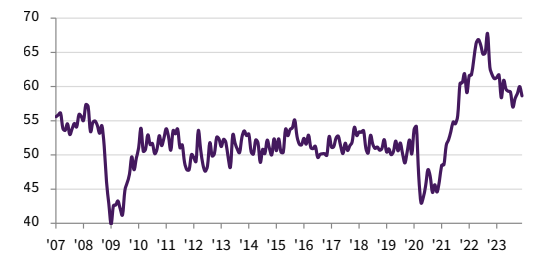
Input costs in the London private sector rose at a sharp and fractionally quicker pace in December, as the seasonally adjusted index ticked up to a four-month high. Companies noted that wage rises are keeping price pressures elevated, despite moderations in other expenses.

The stickiness in input cost inflation across the capital mirrors the trend seen nationwide where costs also increased at the fastest rate since August. Notably, London topped the regional rankings, followed by the East Midlands.

Input Prices Index
sa, >50 = inflation since previous month
65.1
Dec '23

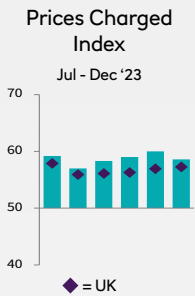
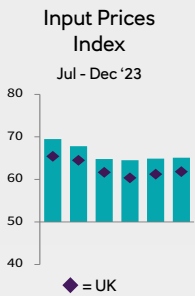


Prices Charged Index
sa, >50 = inflation since previous month
58.6
Dec '23



Output prices rise at softer, but still sharp, pace

Prices charged by London companies continued to rise markedly at the end of 2023. Although the pace of inflation softened from November, it was broadly in line with the average seen over the second half of the year. Panellists mainly linked price hikes to the pass-through of higher wage costs to customers, with greater interest rates, freight costs and food prices also cited. Meanwhile, the rate of charge inflation at the UK level quickened to the sharpest since July.



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, Dec '23
1	Textiles & Clothing	2.54	50
2	Food & Drink	1.88	55
3	Timber & Paper	1.51	45
4	Other Manufacturing	1.14	45
5	Electrical & Optical	0.78	45
6	Mechanical Engineering	0.75	45
7	Basic Metals	0.65	45
8	Transport	0.56	55
9	Chemicals & Plastics	0.51	45

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '23
1	Financial Intermediation	1.49	55
2	Computing & IT Services	1.06	55
3	Personal & Community Services	0.97	45
4	Business-to-business Services	0.97	50
5	Hotels, Restaurants & Catering	0.73	55
6	Transport & Communication	0.71	45

UK sector focus

Textiles & Clothing

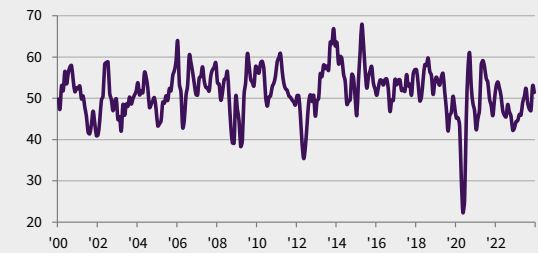
The UK's Textiles & Clothing sector saw a slight increase in production volumes in the three months to December. It was one of only three manufacturing sub-sectors monitored by PMI data to record growth, alongside Food & Drink and Transport. The result represented a marked turnaround from the solid rate of contraction seen in the opening quarter of 2023.

Driving the upturn was a strong increase in new orders, which in part reflected improved demand from abroad in recent months. Firms reacted by upping the pace of job creation to the one of the quickest rates in the past five years. They also continued to build up stocks of both purchases and finished goods.

On the price front, latest data showed a sustained rebound in input costs following a decline during the middle part of 2023. Average factory gate charges meanwhile rose modestly, and at one of the slowest rates in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Seven of the 12 monitored regions and nations recorded higher business activity in December, the most since last June. Growth was once again led by London, where output rose sharply during the month. At the other end of the scale, the North East recorded the most marked fall in output, followed by Wales.

Employment

Labour market trends worsened in most cases in December. Just three areas saw employment rise, the fewest since last September, with rates of growth slowing in both Scotland and Northern Ireland*. For the second month running, Wales posted the sharpest drop in workforce numbers – its fastest since January 2021.

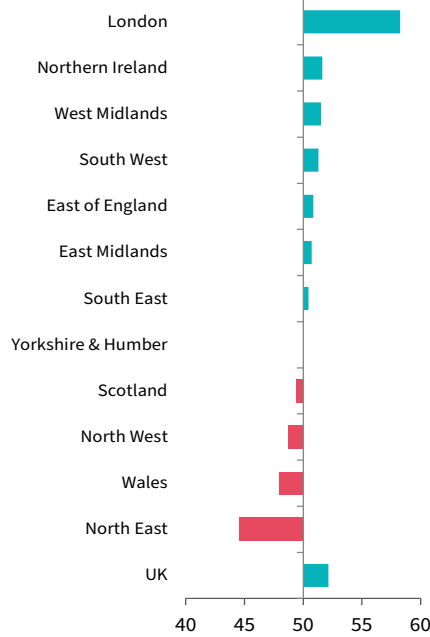
Future Activity

Business expectations improved in the majority of cases as 2023 drew to a close. This included the West Midlands, which topped the rankings ahead of the South East. The most marked upswing in confidence was in Wales, followed by the North East. Firms in Northern Ireland were the least optimistic about the year-ahead outlook.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Dec '23



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
Jul '23	52.3	51.2	51.0	67.4	53.3	48.9	69.5	59.2
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

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Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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