

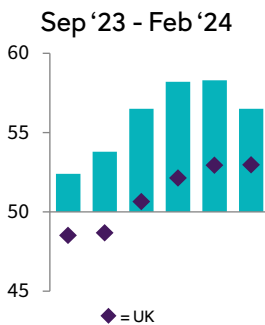


NatWest

NatWest London PMI[®]

Output growth begins to soften in February

London Business Activity Index



Key findings

Business activity expands sharply amid strong rise in sales...

...but the rate of growth eases for the first time since last August

Output expectations reach two-year high

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 – dropped from 58.3 in January to 56.5 in February, its first monthly fall since August 2023. Nevertheless, the index was still indicative of a robust expansion in activity, which companies mainly linked to a sustained upturn in new business. London remained the strongest-performing region in the UK.

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

"London-based businesses are looking forward to a prosperous year according to the latest PMI data, as expectations strengthened to a two-year high amid growing sales volumes. Firms also hope that they will benefit from looser financial conditions and the realisation of business investment strategies, particularly as hopes remain that the Bank of England will cut interest rates at some point in 2024.

"While business conditions appear to support this outlook at present, rates of expansion in activity and sales notably slowed from January. In fact, the drop in output growth was the first since last August, which could suggest that the current growth cycle has reached its peak. Firms should also remain cautious with regards to inflation, as greater wage pressures appeared to drive the fastest uptick in overall input costs for six months."

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

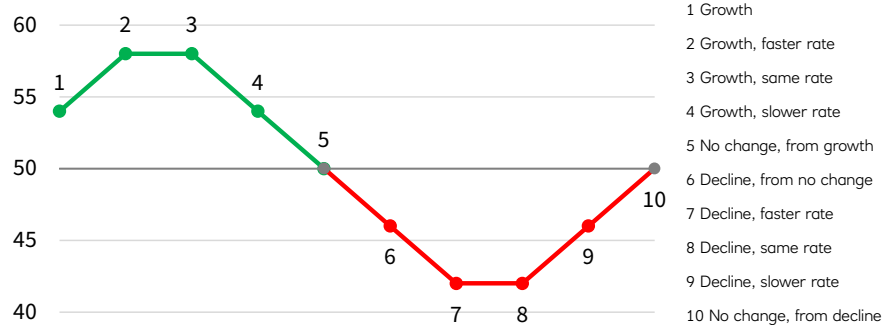
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

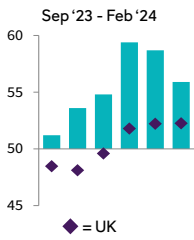
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

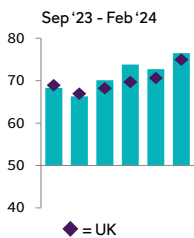


New business rises strongly, but at slower pace

New orders placed at London private sector companies continued to grow midway through the first quarter of 2024, extending the current run of growth to six months. Despite easing markedly since January, the rate of expansion remained sharp and the quickest observed out of the 12 monitored UK regions.

Improving markets, sales campaigns, greater air freight demand and new customers were cited by surveyed companies where new order growth was recorded.

Future Activity Index



Business confidence climbs to two-year high

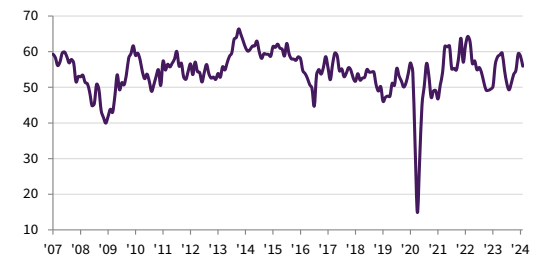
Consistent with the UK trend, business expectations regarding future activity rose to the highest in exactly two years across the capital in February. Improving confidence was underlined by hopes of stronger sales and returns on long-term business investment, according to panellists. Around 63% of companies forecast output to grow in the next 12 months, much higher than the 10% that predicted a decline.

New Business Index

sa, >50 = growth since previous month

55.9

Feb '24

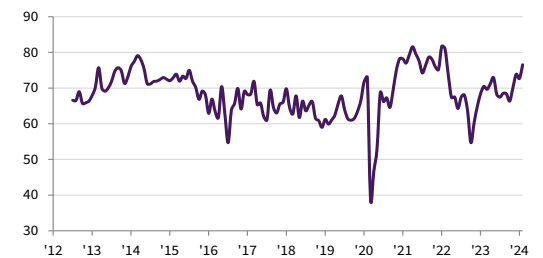


Future Activity Index

>50 = growth expected over next 12 months

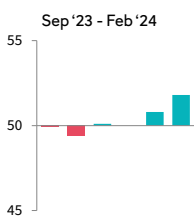
76.5

Feb '24



Exports

Export Climate Index



Export conditions improve again in February

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.

Once again, the index pointed to stronger trading conditions in February, following a renewed upturn at the start of the year. At 51.8, up from 50.8, the index was also at its highest level since June 2023.

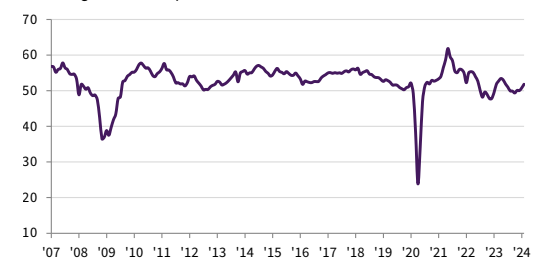
Better export opportunities mainly arose from the USA and Ireland where output expanded more quickly than in January. Meanwhile, contractions in the Netherlands and France both eased, whereas Germany registered its sharpest fall in four months.

Export Climate Index

sa, >50 = growth since previous month

51.8

Feb '24

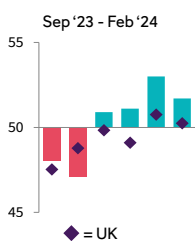


Top export markets, London

Rank	Market	Weight	Output Index, Feb '24
1	USA	38.1%	52.5
2	Ireland	8.3%	54.4
3	Germany	7.7%	46.3
4	Netherlands	6.2%	49.7
5	France	6.0%	48.1

Business capacity

Employment Index



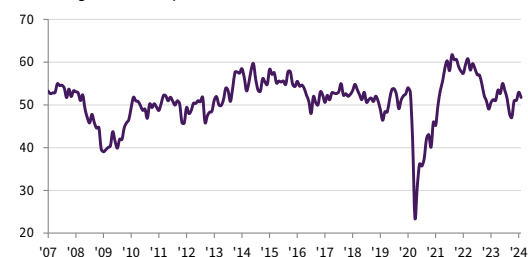
Moderate uplift in staffing over February

Improvements in demand and confidence supported a further expansion of workforce numbers at London companies in February. The latest increase was moderate and slower than that recorded in January, but nonetheless was the second-fastest for seven months. Moreover, it compared with only a fractional uptick in employment across the whole of the UK.

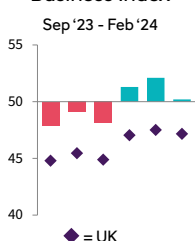
Employment Index

sa, >50 = growth since previous month

51.7
Feb '24



Outstanding Business Index



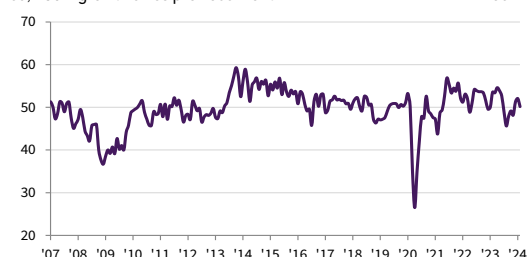
Backlogs almost stabilise after two months of growth

London businesses signalled a greater ability to work through their existing orders, following two successive months in which backlogs of work had accumulated. That said, February data indicated a fractional rise overall, and the only uptick seen nationwide for the third month running.

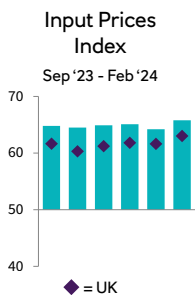
Outstanding Business Index

sa, >50 = growth since previous month

50.2
Feb '24



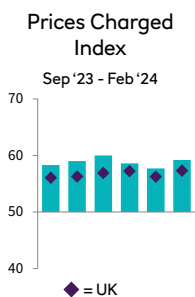
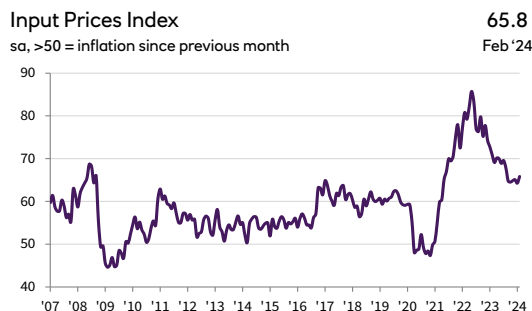
Prices



Input cost inflation picks up to six-month high

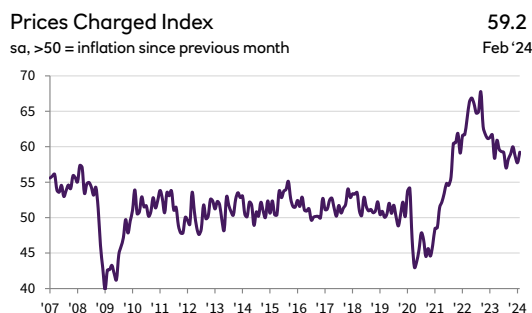
The latest survey data signalled a renewed uplift in inflationary pressures across the London private sector economy. Input prices rose at their quickest rate for six months, after reaching a 33-month low in January, and remained sharp against the historical trend. Once again, the pace was the fastest observed out of the 12 monitored UK areas.

According to survey comments, wages were the primary driver of higher input costs, which some firms in turn attributed to increased hiring. Rising electricity and supplier prices were also mentioned.



Output prices rise at quicker pace

London firms opted to pass on the quicker rate of input price inflation to their clients during February, as survey data pointed to a sharp and accelerated increase in prices charged. The rate of inflation stayed considerably higher than the long-run trend, and was the strongest recorded nationwide.



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, Feb '24
1	Textiles & Clothing	2.59	48
2	Food & Drink	1.97	48
3	Timber & Paper	1.26	50
4	Other Manufacturing	1.07	48
5	Mechanical Engineering	0.84	55
6	Basic Metals	0.82	48
7	Electrical & Optical	0.75	48
8	Chemicals & Plastics	0.60	48
9	Transport	0.50	52

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '24
1	Financial Intermediation	1.56	55
2	Computing & IT Services	1.06	55
3	Business-to-business Services	1.00	52
4	Personal & Community Services	0.75	48
5	Hotels, Restaurants & Catering	0.68	55
6	Transport & Communication	0.66	52

UK sector focus

Transport Manufacturing

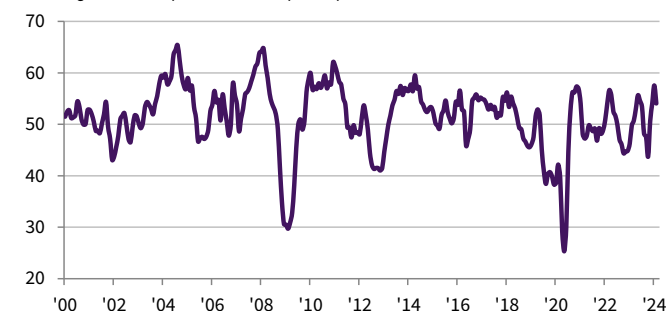
Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

Employment

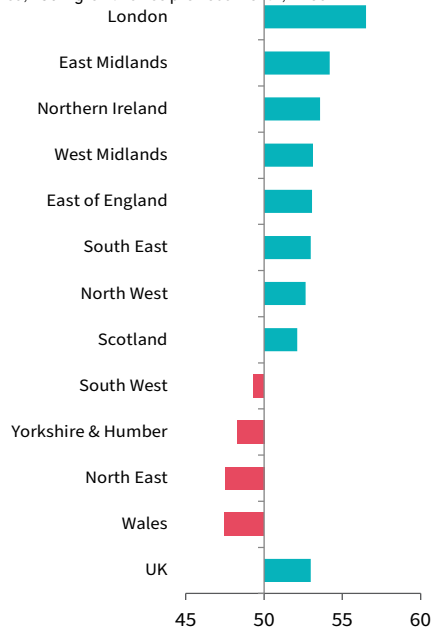
Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

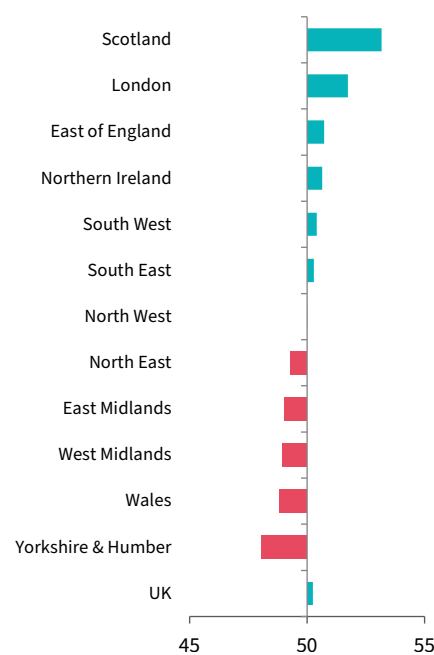
Business Activity Index

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



Employment Index

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

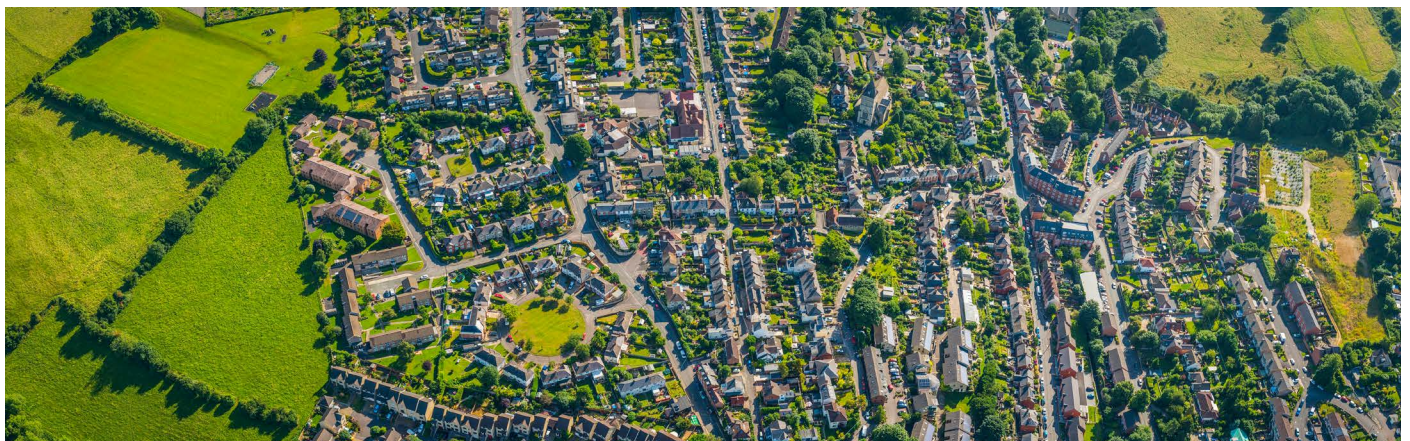


Future Activity Index

>50 = growth expected over next 12 months, Feb '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
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
Feb '24	56.5	55.9	51.8	76.5	51.7	50.2	65.8	59.2

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

David Owen
Senior Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 796 744 7030
sabrina.mayeen@spglobal.com

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