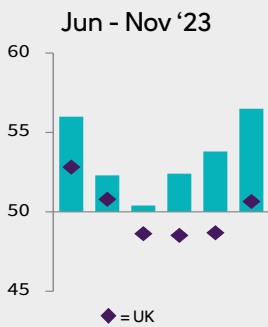




# NatWest London PMI<sup>®</sup>

## London sees strong growth in private sector activity in November

### London Business Activity Index



### Key findings

Business activity rises at sharpest rate since May

New order growth accelerates further

Inflation rates quicken

The headline NatWest London PMI<sup>®</sup> 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 56.5 in November from 53.8 in October, to indicate an even sharper expansion in business activity across the capital. The upturn was linked by survey panellists to a similarly robust rise in new business inflows amid mentions of greater client demand. The expansion helped to lift business activity across the UK into growth territory for the first time since July.

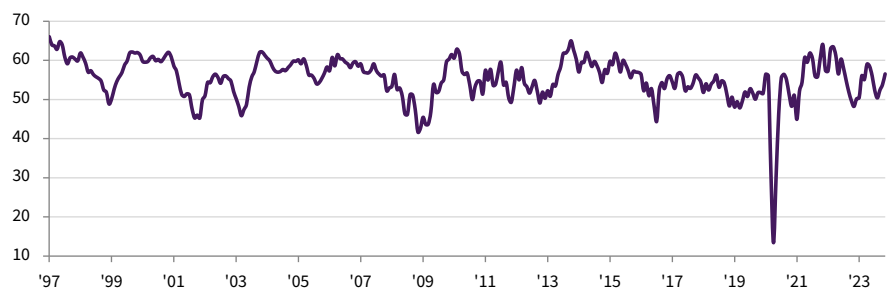
Catherine van Weenen, NatWest London and the South East Regional Board, commented:

*"The sharp uplift in business activity in the capital was the main driving force behind UK growth in November, the West Midlands being the only other region to record an expansion. The latest survey data showed that output and new business rose markedly, leading to the first upturn in employment levels since August.*

*"The data being released today is a promising sign for London-based companies. However, input cost inflation accelerated for the first time in four months, leading firms to raise their output charges at the quickest pace since April. The data also suggests rising wage costs, adding to inflationary pressures on consumers and businesses."*

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

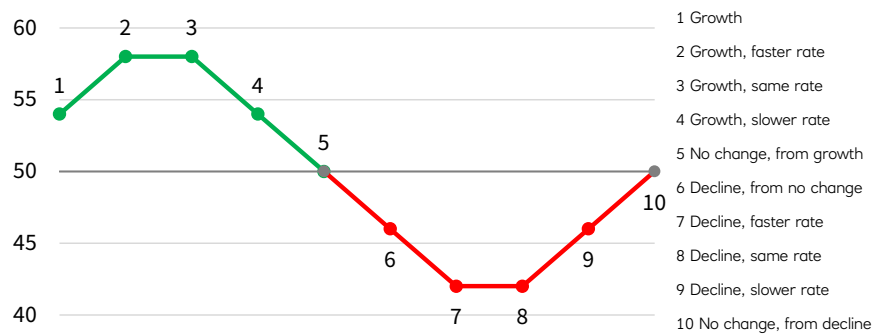
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

### Index interpretation

50.0 = no change since previous month



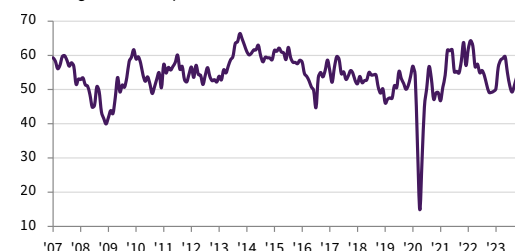
## Demand and outlook

### Sales upturn accelerates further in November

London private sector firms reported a sharp rise in new business inflows in the penultimate month of the year. The rate of growth picked up for the second month running and was the most marked since June. Panellists noted a rebound in client demand amid a more upbeat market.

As was the case in both September and October, London was one of two UK regions to post an increase in new business, the other being the West Midlands.

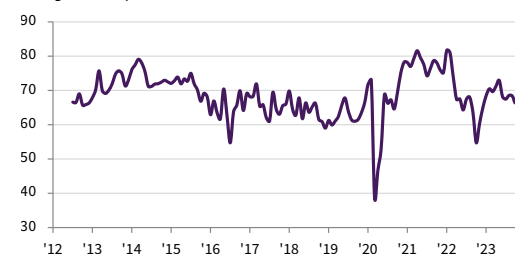
New Business Index  
sa, >50 = growth since previous month  
54.8  
Nov '23



### Business expectations strengthen to six-month high

The Future Activity Index rose for the first time in three months in November, indicating a stronger 12-month outlook among London companies. Anecdotal reports showed that confidence partly arose from expectations that interest rates have peaked, while investment in new products, greater marketing and export sales were also mentioned. The degree of optimism was the strongest since May and higher than the national trend.

Future Activity Index  
>50 = growth expected over next 12 months  
70.1  
Nov '23



## Exports

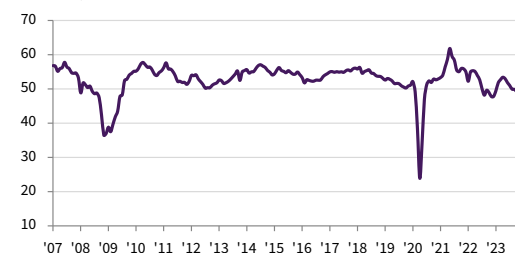
### Export climate improves slightly

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.

The index returned to growth territory for the first time in four months in November, registering 50.1 from 49.4 in October, to signal a fractional improvement in export conditions for London-based firms.

The capital's two-largest trading partners registered increases in output, with Ireland notably returning to growth. Other main European trade partners recorded sustained declines in activity, although rates of contraction softened in Germany and the Netherlands.

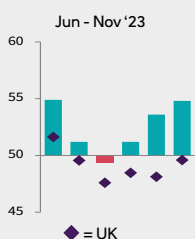
Export Climate Index  
sa, >50 = growth since previous month  
50.1  
Nov '23



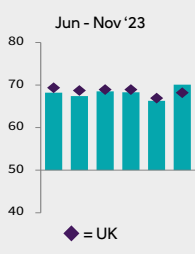
Top export markets, London

Rank	Market	Weight	Output Index, Nov '23
1	USA	38.1%	50.7
2	Ireland	8.3%	52.3
3	Germany	7.7%	47.8
4	Netherlands	6.2%	45.5
5	France	6.0%	44.6

New Business Index  
Jun - Nov '23



Future Activity Index  
Jun - Nov '23



Export Climate Index  
Jun - Nov '23



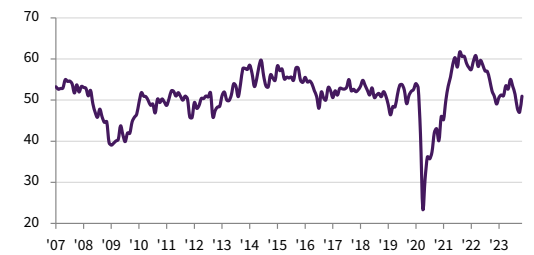
## Business capacity

### Staff numbers grow for first time since August

November data indicated a slight upturn in staffing levels at companies based in London, marking the first month-on-month expansion since August. Surveyed firms highlighted that this was largely due to stronger demand, whereas some panellists made cutbacks in an effort to save costs.

Growth in the capital contrasted with a sustained drop in employment across the UK as a whole. That said, the latest reduction was mild and the slowest seen in the current three-month sequence.

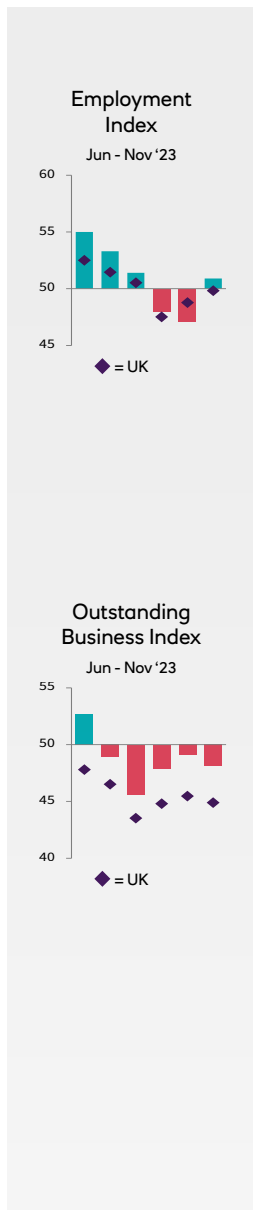
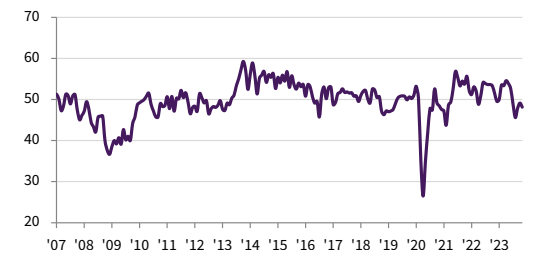
Employment Index  
sa, >50 = growth since previous month  
50.9  
Nov '23



### Backlogs continue to fall despite stronger sales

The seasonally adjusted Outstanding Business Index was below the 50.0 neutral mark for the fifth month running in November, pointing to a drop in work-in-hand at London firms. Businesses noted that despite rising inflows of new work, they continued to have sufficient capacity to reduce backlogs. There were also reports that hiring activity and improved supply positions supported backlog depletion. Although the rate of decline quickened from October, it was modest and much softer than the UK average.

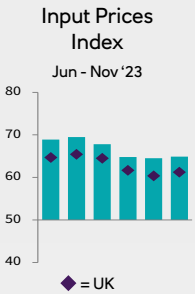
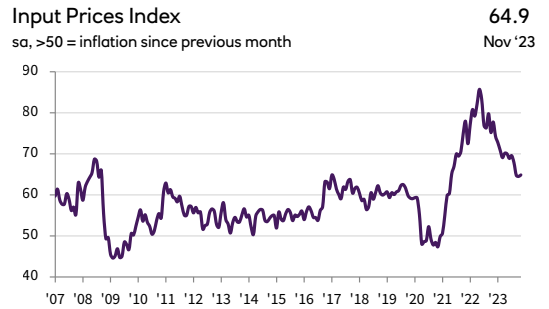
Outstanding Business Index  
sa, >50 = growth since previous month  
48.1  
Nov '23



## Prices

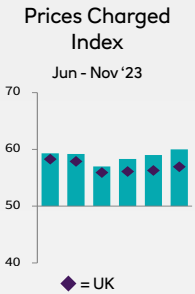
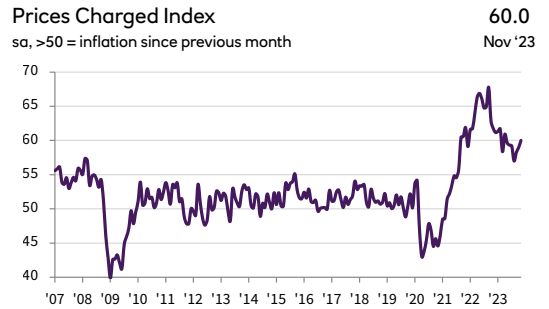
### Mild pick-up in cost inflation

The rate of input price inflation in the London private sector remained steep in November, as companies noted rising wage costs and higher energy prices. Moreover, inflation quickened slightly for the first time in four months and was the sharpest recorded out of the 12 monitored UK areas. The trend in the capital mirrored that seen across the UK, as cost pressures ticked higher for the first time since July.



### Sharpest rise in output prices since April

Output prices at London private sector firms increased at a quicker pace in November, as shown by the seasonally adjusted Prices Charged Index rising for the third month in a row to its highest since April. The uplift in charges mainly reflected the passing on of higher salaries and rising input costs, according to panellists.



Similarly, the UK as a whole registered a faster uptick in charges midway through the final quarter. Once again, London recorded the sharpest rise out of the 12 monitored regions.





## 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, Nov '23
1	Textiles & Clothing	2.54	55
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	50
9	Chemicals & Plastics	0.51	45

#### London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '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	45
5	Hotels, Restaurants & Catering	0.73	50
6	Transport & Communication	0.71	45

## UK sector focus

### Computing & IT Services

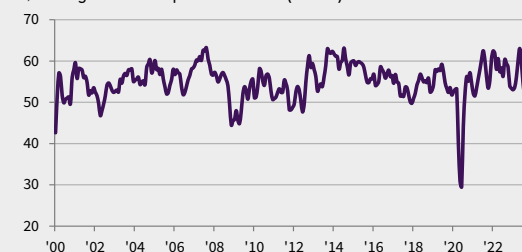
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

### Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

### Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

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

#### Business Activity Index

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



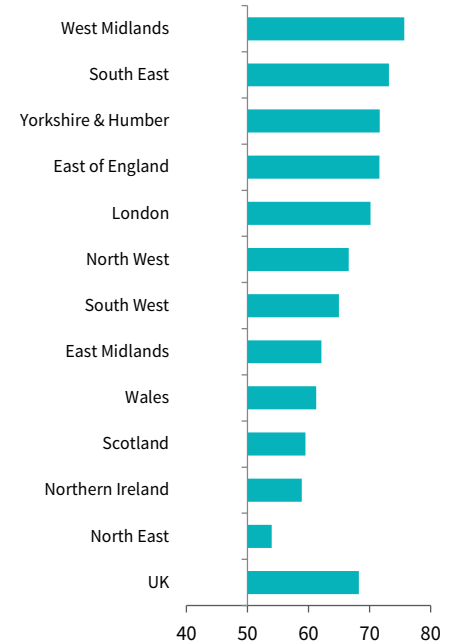
#### Employment Index

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



#### Future Activity Index

>50 = growth expected over next 12 months, Nov '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
Jun '23	56.0	54.9	51.9	68.2	55.0	52.7	68.9	59.3
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

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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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Purchasing Managers' Index™ (PMI<sup>®</sup>) 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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