

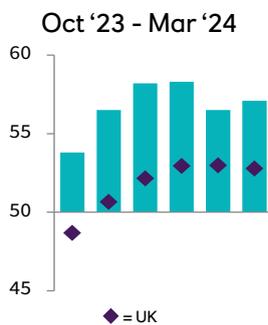


NatWest

NatWest London PMI[®]

Business activity growth picks up in March

London Business Activity Index



Key findings

New order growth slows further but remains strong

Employment decreases for first time since last October

Input prices rise at softest pace in nearly three years

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 from 56.5 in February to 57.1 in March, signalling a robust expansion in business activity across the capital. Output reportedly increased due to stronger demand conditions and rising new order volumes, although the uplift in sales slowed further. London was again the top-performing region of the UK in terms of activity growth.

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

"Output growth quickened in London at the end of the first quarter as new business inflows rose again, keeping the capital at the top of the regional rankings. Although the new order growth trend eased, it remained strong and supported higher workloads. However, hiring staff to meet workloads posed a challenge in March, as some companies were unable to replace voluntary leavers amid skills shortages. As a result, employment fell slightly and for the first time since last October.

"Meanwhile, the Input Prices metric took a further downwards step, signalling the slowest increase in total input costs since April 2021. Reports of higher salary costs were still frequent though, particularly amid upcoming Minimum and Living Wage rises. This led many firms to raise their charges, keeping inflation prospects elevated."

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

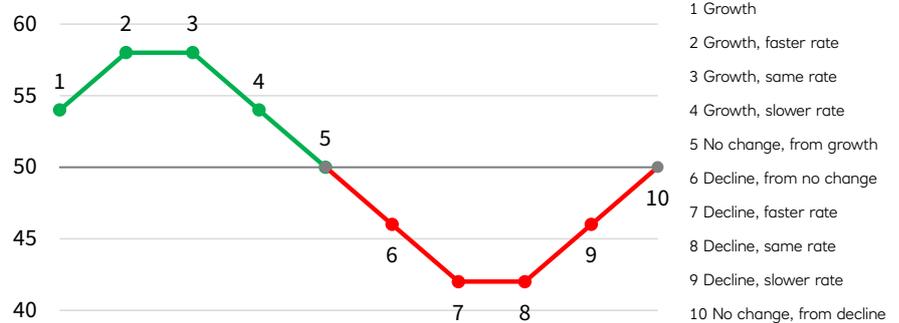
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

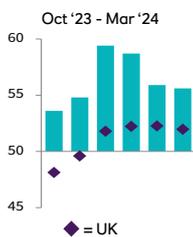
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



Sales growth continues to ease in March

Following the trend since the beginning of the year, new business received by London-based firms increased at a slower pace in March compared to the previous month. Nevertheless, the upturn was still sharp overall.

Respondents pointed to new clients, project confirmations and higher demand from existing customers. However, some firms indicated that sales were starting to slow amid economic concerns.

New Business Index

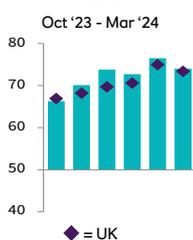
sa, >50 = growth since previous month

55.6

Mar '24



Future Activity Index



Business optimism edges down from two-year high

London companies stayed confident about the future activity outlook in March. Despite slipping from February's two-year high, the level of confidence remained stronger than at any time in this period, with 55% of firms expecting output to rise over the next 12 months. Optimism arose from new business pipelines, product releases, technology improvements and planned investment, according to panel members.

Future Activity Index

>50 = growth expected over next 12 months

74.0

Mar '24



Export Climate Index



Exports

Export conditions improve for third month running

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 headline index posted above the 50.0 neutral mark for the third month in a row in March, indicating an improvement in export conditions for London-based companies. Moreover, the index ticked up from 51.8 in February to 51.9, the highest since June 2023.

Stronger export conditions largely came as a result of increased activity in the USA and Ireland, the top-two services trade destinations for the UK. In contrast, German and French output continued to decline.

Export Climate Index

sa, >50 = growth since previous month

51.9

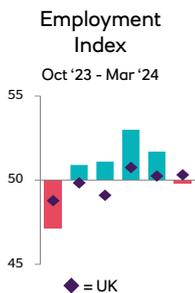
Mar '24



Top export markets, London

Rank	Market	Weight	Output Index, Mar '24
1	USA	38.1%	52.1
2	Ireland	8.3%	53.2
3	Germany	7.7%	47.7
4	Netherlands	6.2%	50.3
5	France	6.0%	48.3

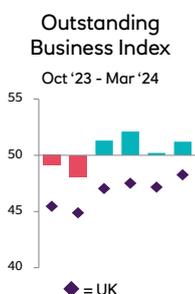
Business capacity



Staff numbers decrease for first time in five months

Employment numbers fell in London at the end of the first quarter, as the respective seasonally adjusted index dropped fractionally below the 50.0 no-change mark. Qualitative evidence suggested the reduction was mainly due to staff leaving and difficulties finding replacements. That said, other firms were able to add workers amid higher sales.

The slight fall in employment across the capital compared with a sustained (albeit marginal) rise across the UK as a whole.

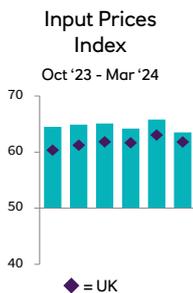


Backlogs rise slightly amid demand pressures

The level of unfinished business at London private sector companies rose during March, stretching the current sequence of growth to four months. Although the pace of accumulation picked up from February, it was still only marginal. Some panellists commented on higher new work and labour challenges.



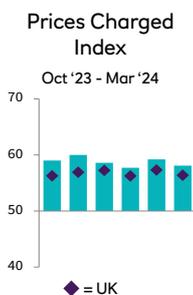
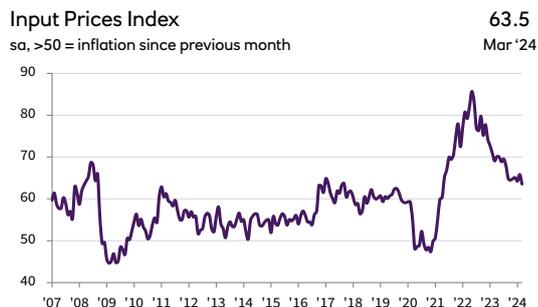
Prices



Input price inflation drops to 35-month low

Companies situated in London continued to face a relatively strong mark-up in input costs at the end of the first quarter. Higher salaries remained a key factor, with some respondents citing a planned rise in the Minimum and Living Wage. Freight, material and utility cost increases were also mentioned.

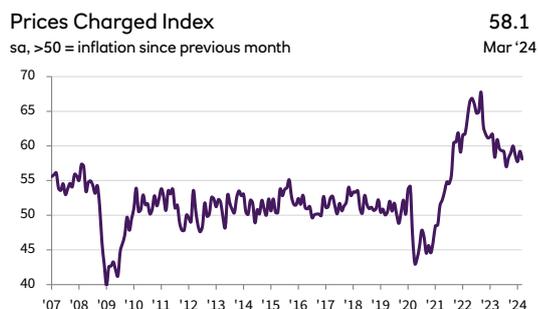
Nevertheless, the latest survey data showed the rate of input price inflation falling to its lowest level in almost three years.



Output prices increase sharply

Selling prices at London firms rose at a considerable pace during March, despite slowing marginally from that seen in February. Higher charges were mainly attributed to the passthrough of increased salary and freight costs.

As was the case in the prior survey period, London topped the regional rankings for both input and output price inflation in March.



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

London specialisation: Services

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

UK sector focus

Hotels, Restaurants & Catering

The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
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
Mar '24	57.1	55.6	51.9	74.0	49.8	51.2	63.5	58.1

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