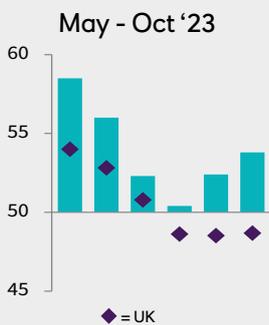




NatWest London PMI[®]

Output and new business growth reach four-month highs

London Business Activity Index



Key findings

Activity growth sharpens in October, contrasting with UK trend

Employment levels fall for second month running

Charges rise more quickly despite softer cost inflation

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 52.4 in September to 53.8 in October, signalling a solid expansion in output that was the fastest since June. Firms in the region reported that a sharper uplift in new business drove the rise in activity.

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

"The latest PMI findings show that the London economy remains on a strong footing. Despite challenging economic conditions across the UK, businesses in the capital saw resilient customer and sales growth in October. Subsequently, London was the only UK area to register a solid increase in activity, compared with only mild expansions in the West Midlands and the South West, and declines elsewhere.

"That said, other indicators were more downbeat about the city’s prospects. Employment numbers fell for the second month running, and to the greatest degree since January 2021. Similarly, expectations for future activity weakened to a ten-month low as firms grow wary of the possible impact of tighter financial conditions on spending over the coming year."

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

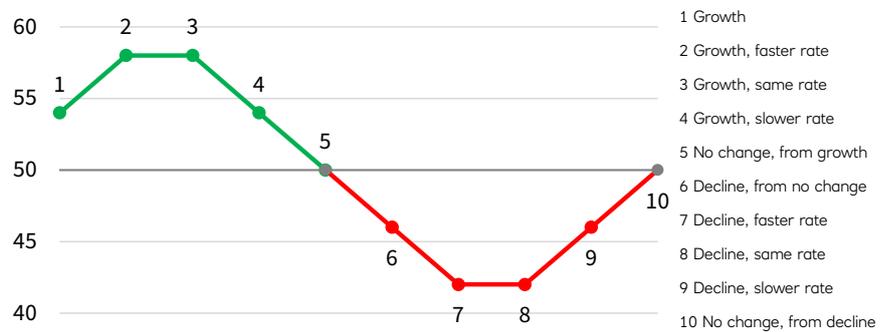
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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



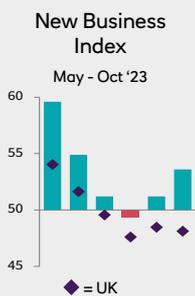
Demand and outlook

Solid upturn in new business

October survey data pointed to a further rise in the volume of incoming new business at London private sector firms, following a renewed uplift in September. Furthermore, the rate of growth quickened and was solid, with companies relating the upturn to acquiring new customers and launching new products.

Growth in the capital continued to oppose the national trend, where new work intakes decreased for the fourth month in a row. The West Midlands was the only other monitored region to record an expansion.

New Business Index
sa, >50 = growth since previous month
53.6
Oct '23

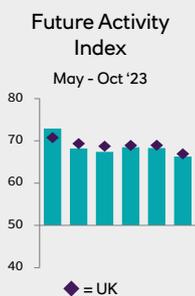


Output expectations slip to ten-month low

Despite stronger demand conditions, firms in the capital signalled a drop in confidence towards the year-ahead outlook in October. Though output expectations were strongly positive overall, the respective index fell to its lowest point in 2023 so far.

Sales initiatives, new products and strong project pipelines all supported optimism during October. On the other hand, some firms expressed pessimism due to tighter financial conditions and large stock holdings at clients.

Future Activity Index
>50 = growth expected over next 12 months
66.3
Oct '23



Exports

Weakness in Europe harms export conditions

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.

At 49.4, down from 49.9 in September, the Export Climate Index signalled back-to-back monthly declines in export conditions for London companies in October. Although the deterioration was only marginal, it was the quickest recorded since December 2022.

Persistent weakness in output across key trading partners on the European continent was the main drag on the export climate, contrasting with a slight increase in activity in the USA and only a marginal fall in Ireland, albeit the first since last November.

Export Climate Index
sa, >50 = growth since previous month
49.4
Oct '23



Top export markets, London

| Rank | Market | Weight | Output Index, Oct '23 |
|------|-------------|--------|-----------------------|
| 1 | USA | 38.1% | 50.7 |
| 2 | Ireland | 8.3% | 49.7 |
| 3 | Germany | 7.7% | 45.9 |
| 4 | Netherlands | 6.2% | 42.3 |
| 5 | France | 6.0% | 44.6 |

Business capacity

Staffing cuts accelerate in October

The start of the fourth quarter saw a second straight monthly decrease in employment across London, after growth was recorded in the first eight months of the year. Adjusted for seasonality, the Employment Index dropped further below the neutral 50.0 mark, indicating a solid reduction in staffing and the most marked since January 2021. The decline was also faster than the UK average.

While some firms reported new hiring activity to cope with demand, there were several reports of redundancies linked to cost considerations.

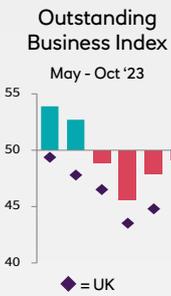
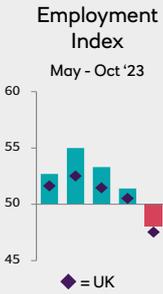
Backlogs of work fall marginally

As has been the case since July, London companies were able to deplete their work-in-hand over the course of October. That said, with some panellists mentioning that rising new order volumes had impeded work on backlogs, the overall pace of reduction softened to the slowest in this sequence and was only slight. The drop was also the smallest recorded out of the 12 monitored UK regions.

Employment Index
sa, >50 = growth since previous month
47.1
Oct '23



Outstanding Business Index
sa, >50 = growth since previous month
49.1
Oct '23



Prices

Cost pressures dip to two-and-a-half-year low

The latest survey data provided further signs of cost inflation easing in the capital. Adjusted for seasonal factors, the Input Prices Index dipped to its lowest level since April 2021 in October, albeit signalling a sharp rise in costs that was rarely matched in pre-pandemic times.

Following recent trends, surveyed companies highlighted wage pressures as the main driver of higher costs, with some respondents also mentioning increased supplier charges amid item shortages.

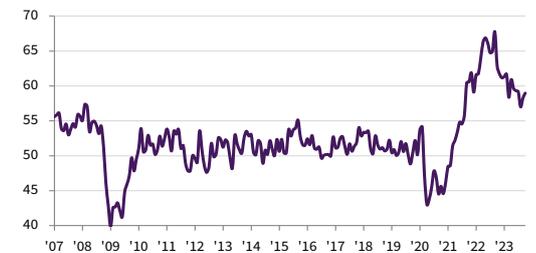
Input Prices Index
sa, >50 = inflation since previous month
64.5
Oct '23



Output prices rise at faster pace

The rate of output price inflation continued to defy the expected trend set by the softening cost environment in October. Rising for the second successive month, the seasonally adjusted Prices Charged Index pointed to the sharpest increase in charges at London companies since July. Anecdotal evidence signalled that firms looked to pass on previously absorbed costs to customers and improve their margins after a period of severe inflation.

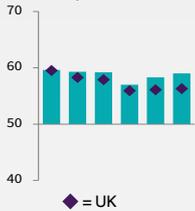
Prices Charged Index
sa, >50 = inflation since previous month
59.0
Oct '23



Input Prices Index
May - Oct '23



Prices Charged Index
May - Oct '23



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, Oct '23 |
|------|------------------------|------|--------------------------|
| 1 | Textiles & Clothing | 2.54 | 48 |
| 2 | Food & Drink | 1.88 | 55 |
| 3 | Timber & Paper | 1.51 | 42 |
| 4 | Other Manufacturing | 1.14 | 46 |
| 5 | Electrical & Optical | 0.78 | 47 |
| 6 | Mechanical Engineering | 0.75 | 49 |
| 7 | Basic Metals | 0.65 | 48 |
| 8 | Transport | 0.56 | 45 |
| 9 | Chemicals & Plastics | 0.51 | 46 |

London specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, Oct '23 |
|------|--------------------------------|------|-------------------------------------|
| 1 | Financial Intermediation | 1.49 | 52 |
| 2 | Computing & IT Services | 1.06 | 55 |
| 3 | Personal & Community Services | 0.97 | 50 |
| 4 | Business-to-business Services | 0.97 | 48 |
| 5 | Hotels, Restaurants & Catering | 0.73 | 47 |
| 6 | Transport & Communication | 0.71 | 45 |

UK sector focus

Mechanical Engineering

The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

Employment

Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland*, North West and East of England also seeing increases.

Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

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

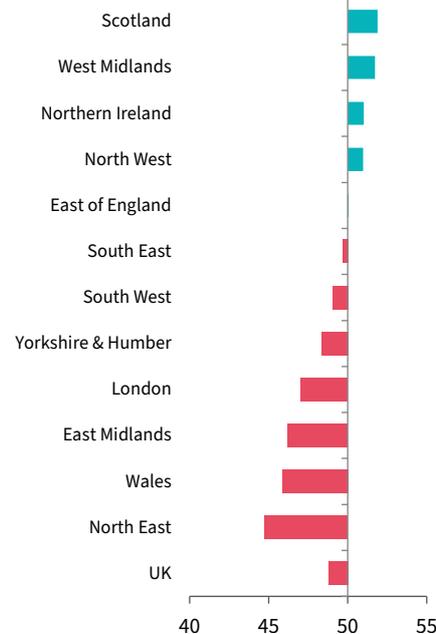
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| May '23 | 58.5 | 59.6 | 53.0 | 72.9 | 52.7 | 53.9 | 70.0 | 59.6 |
| Jun '23 | 56.0 | 54.9 | 51.9 | 68.2 | 55.0 | 52.7 | 68.9 | 59.3 |
| Jul '23 | 52.3 | 51.2 | 51.1 | 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 | 49.8 | 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 |

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