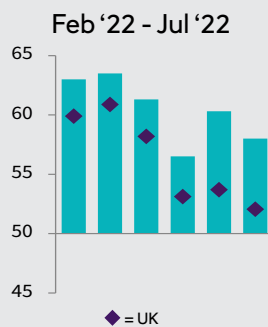


NatWest London PMI[®]

London activity growth widely outperforms rest of UK in July

London Business Activity Index



Key findings

Output continues to rise sharply as demand growth quickens

Job creation remains marked despite slipping to 15-month low

Input price and output charge inflation soften further

The headline NatWest London 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 – posted 58.0 in July, down from 60.3 in June, to indicate a sharp upturn in business activity across the capital. The rise in output was linked to a further marked increase in new business, according to survey panellists. Most notably, the rate of output growth was much stronger than the UK average and far quicker than in any of the 11 remaining monitored regions.

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

"The latest PMI data showed that London remained a hub of growth for the UK in July. The capital was one of only three regions to register an increase in new business (alongside Wales and the South East), while output rose at a sharp pace that was far quicker than the second-strongest rate seen in the South East (52.8). Notably, firms continued to benefit from a post-COVID recovery in tourism and services demand, which contributed to a further sharp rise in employment."

"The capital also saw a marked slowdown in input cost inflation, which eased to the softest pace since December 2021. That said, more than half of the survey panel still recorded a monthly rise in costs, with energy prices and wage demands remaining key inflation drivers. Subsequently, output charges continued to rise at a sharp pace, as firms sought to push higher costs onto customers."

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

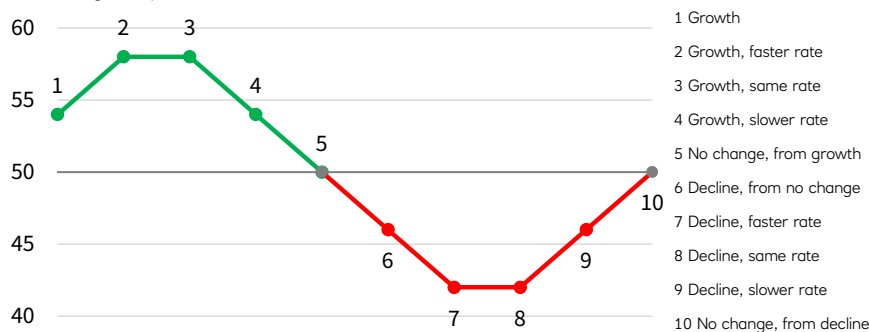
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

Index interpretation

50.0 = no change since previous month



Demand and outlook

New business continues to grow sharply

Businesses in London saw a sharp increase in new work at the start of the second half of the year, extending the current run of growth to 18 months. The upturn accelerated slightly from June as panellists commented on a sustained pandemic recovery, as well as new clients and technological benefits. That said, some firms noted that inflation and economic concerns weighed on growth.

London was one of only three UK regions to register an uplift in new business in July, alongside the South East and Wales.

Output expectations tick higher

London-based companies presented a more robust outlook for future activity in July, after expectations slipped to a 25-month low in June. In total, 47% of respondents expect output to rise over the next 12 months, compared to 12% that projected a decline. Positive expectations were mainly linked to hopes of sustained growth in new business and investment. However, rising economic uncertainty meant that the outlook was much weaker than the recent trend.

Exports

Weakest export climate in over two years

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 Export Climate Index registered 50.1 in July, down from 52.5 in June to its lowest level in over two years and only fractionally above the 50.0 neutral threshold. In fact, barring the first lockdown period between March and June 2020, the index reading pointed to the weakest improvement in export conditions since July 2009.

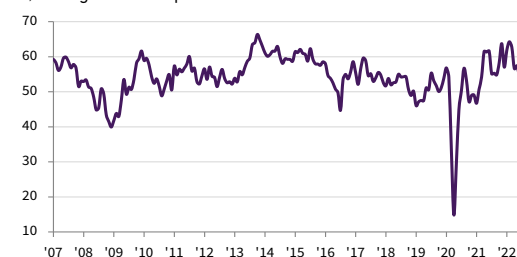
Two of London's key export markets, the USA and Germany, saw renewed contractions in output during July, suggesting reduced export opportunities in the capital.

New Business Index

sa, >50 = growth since previous month

55.6

Jul '22

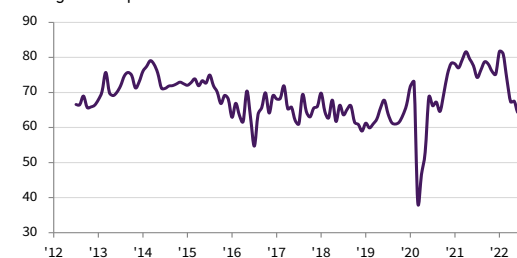


Future Activity Index

>50 = growth expected over next 12 months

67.4

Jul '22

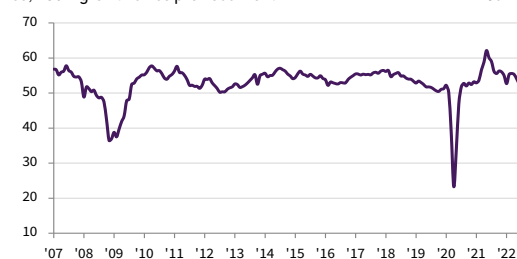


Export Climate Index

sa, >50 = growth since previous month

50.1

Jul '22



Top export markets, London

Rank	Market	Weight	Output Index, Jul'22
1	USA	26.8%	47.7
2	Ireland	9.0%	52.9
3	Germany	6.9%	48.1
4	Netherlands	6.8%	51.7
5	France	5.0%	51.7

New Business Index

Feb '22 - Jul '22



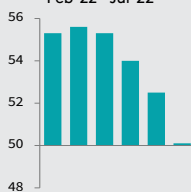
Future Activity Index

Feb '22 - Jul '22



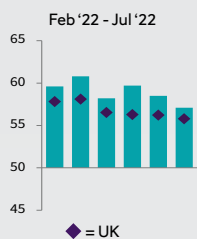
Export Climate Index

Feb '22 - Jul '22



Business capacity

Employment Index



Employment growth remains sharp, but eases to 15-month low

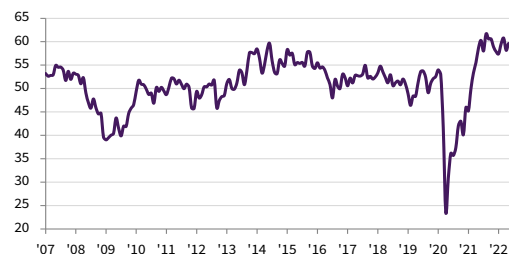
With new business continuing to rise sharply, London-based firms added to their employment numbers at the start of the third quarter. The expansion was the seventeenth in as many months and marked, but nonetheless the softest recorded since April 2021. Where employment rose, this was mostly linked to increased demand and higher business requirements.

Employment Index

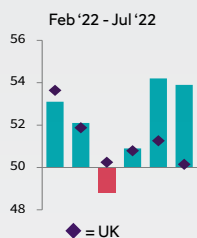
sa, >50 = growth since previous month

57.1

Jul '22



Outstanding Business Index



Backlog volumes rise solidly in July

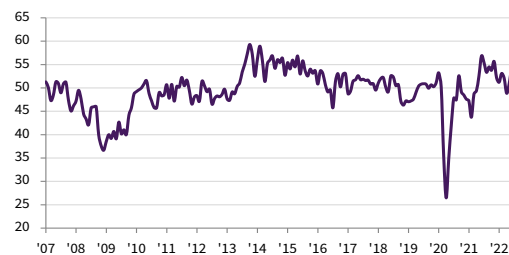
For the second month running, private sector companies in London reported a solid uptick in the volume of backlogged orders during July. While some panellists linked the upturn to increasing demand, others found that supply shortages and slower payments from clients weighed on their ability to complete new business. The rate of backlog growth was fractionally softer than in June, but remained the quickest of the 12 monitored UK regions.

Outstanding Business Index

sa, >50 = growth since previous month

53.9

Jul '22



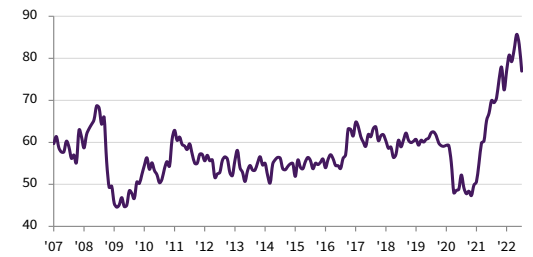
Prices

Input cost inflation slows to seven-month low

Input costs faced by London companies continued to rise steeply in July, albeit with the rate of inflation softening for the second month running to the weakest in 2022 to date. Just over half of all surveyed firms (52%) saw their input costs increase on the month, compared to 2% that reported a fall. Higher costs for energy, fuel, food and labour were often mentioned.

Notably, all 12 UK regions covered by the survey saw a slower rate of input cost inflation than in June, and the national average slipped to the weakest since September 2021.

Input Prices Index 76.9
sa, >50 = inflation since previous month Jul '22

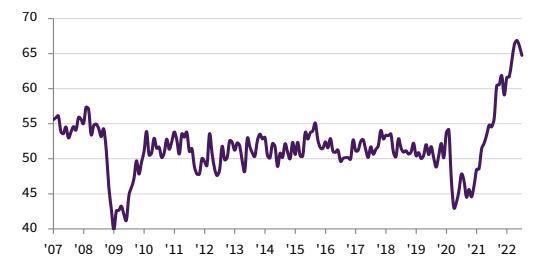


Output charge inflation remains near survey peak

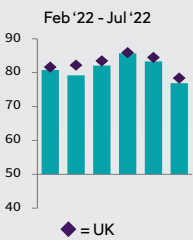
In line with the trend for input costs, London-based businesses saw a second consecutive monthly slowdown in output charge inflation during July. That said, despite reaching a four-month low, the overall rise in charges was only slightly weaker than the series record in May. Firms that raised their prices mainly linked this to inflationary pressures, with some also citing currency weakness.

All 12 UK regions reported a softer increase in charges than that recorded in June.

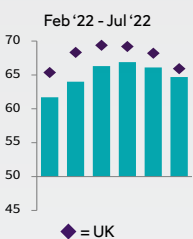
Prices Charged Index 64.7
sa, >50 = inflation since previous month Jul '22



Input Prices Index



Prices Charged Index



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, Jul '22*
1	Textiles & Clothing	2.54	48
2	Food & Drink	1.88	48
3	Timber & Paper	1.51	48
4	Other Manufacturing	1.14	52
5	Electrical & Optical	0.78	55
6	Mechanical Engineering	0.75	55
7	Basic Metals	0.65	52
8	Transport	0.56	52
9	Chemicals & Plastics	0.51	48

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '22*
1	Financial Intermediation	1.49	52
2	Computing & IT Services	1.06	55
3	Personal & Community Services	0.97	55
4	Business-to-business Services	0.97	52
5	Hotels, Restaurants & Catering	0.73	48
6	Transport & Communication	0.71	48

UK sector focus

Financial Intermediation

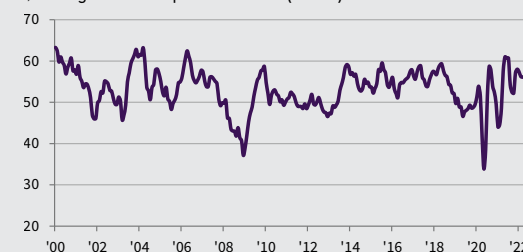
The UK's Financial Intermediation sector saw an increase in business activity in the three months to July. However, having been solid throughout the opening half of the year, the rate of growth slowed sharply and was among the softest seen since the current sequence of expansion began in the spring of last year.

The loss of momentum reflected a deepening decline in inflows of new work across the sector, with reports from surveyed firms highlighting the influence market and economic uncertainty, high inflation and rising interest rates. Expectations towards future activity deteriorated accordingly, dropping to their lowest in over two years.

On the price front, Financial Intermediation firms raised charges at a near-record rate in the three months to July, with underlying cost pressures close to the highest seen in over 25 years of data collection.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Eight of the 12 monitored UK regions recorded higher business activity in July, the lowest number since February 2021 (four). London saw by far the strongest growth, but even here the rate of expansion slowed, as was the case in six other areas. Northern Ireland* remained at the bottom of the rankings, while lower output was also seen in the North East, East of England and East Midlands.

Employment

Rates of job creation generally remained robust across the UK in July. In fact, four regions even saw slightly faster increases in employment than the month before, including the South East which moved to the top of the rankings. The North East once again went against the broader trend, registering another marginal decline in workforce numbers, its third in the past four months.

Future Activity

Firms' expectations for future activity remained positive for the most part in July, with only those in Northern Ireland anticipating a decline in output over the next 12 months. Businesses in Yorkshire & Humber were the most optimistic about the outlook, despite confidence in the region have weakened from the previous month. Expectations also fell in the West Midlands, South East, East Midlands and South West.

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

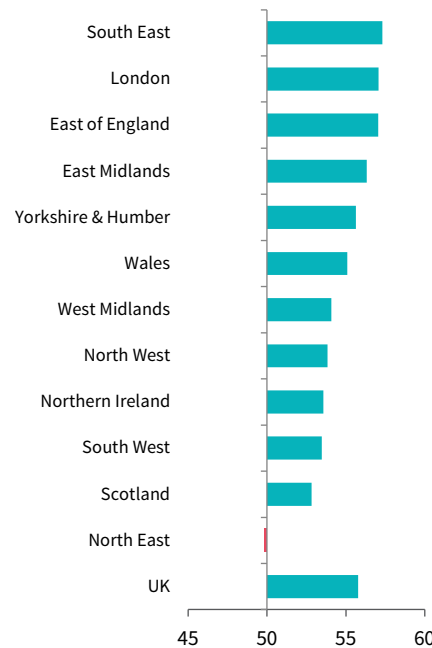
Business Activity Index

sa, >50 = growth since previous month, Jul '22



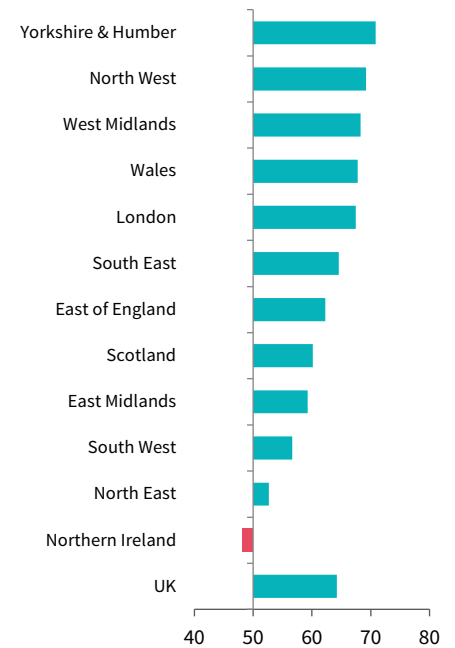
Employment Index

sa, >50 = growth since previous month, Jul '22



Future Activity Index

>50 = growth expected over next 12 months, Jul '22



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
Feb '22	63.0	64.3	55.3	81.0	59.6	53.1	80.8	61.7
Mar '22	63.5	62.7	55.6	73.8	60.8	52.1	79.2	64.0
Apr '22	61.3	56.6	55.3	67.4	58.2	48.8	82.1	66.3
May '22	56.5	57.5	54.0	67.5	59.7	50.9	85.7	66.9
Jun '22	60.3	54.9	52.5	64.3	58.5	54.2	83.3	66.1
Jul '22	58.0	55.6	50.1	67.4	57.1	53.9	76.9	64.7

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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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About PMI

Purchasing Managers' Index™ (PMI™) 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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