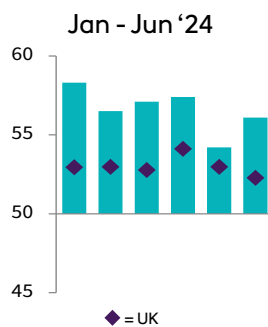




# NatWest London Growth Tracker

## Output rises sharply as demand growth strengthens

### London Business Activity Index



### Key findings

Private sector activity growth quickens from May's seven-month low

Little change in job numbers once again

Cost pressures remain among the softest for three years

The NatWest London Growth Tracker signalled a stronger upturn in output across the capital in June. The headline 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 54.2 in May to 56.1 in June, indicative of a faster expansion in private sector activity. Higher output was commonly linked to strengthening demand and new business wins. London topped the UK regional rankings for activity and was one of only two areas to see growth accelerate (alongside the South West).

Catherine van Weenen, Territory Head of Commercial Mid Market at NatWest, commented:

*"The stronger upturn in London private sector activity was encouraging in June, especially as it was at odds with the weaker national performance. The uplift in new business was also more favourable, as panel reports highlighted the continuation of robust demand conditions and the ability to secure new clients and projects."*

*"Nevertheless, employment conditions were more on a par with the subdued national trend. Firms are still reluctant to boost their workforces as wage pressures remain the dominant force behind rising costs. Perhaps the slowing of price pressures since the start of the year will support a return to sustainable employment growth in the near future. However, other evidence from the survey suggests that business capacity is quite healthy and that firms are generally able to expand their output with existing resources."*

London Business Activity Index

sa, >50 = growth since previous month



## Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sectors](#)
- [UK Regional Growth Tracker](#)
- [Data summary](#)
- [Contact](#)

## About the London Growth Tracker report

The NatWest London Growth Tracker 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

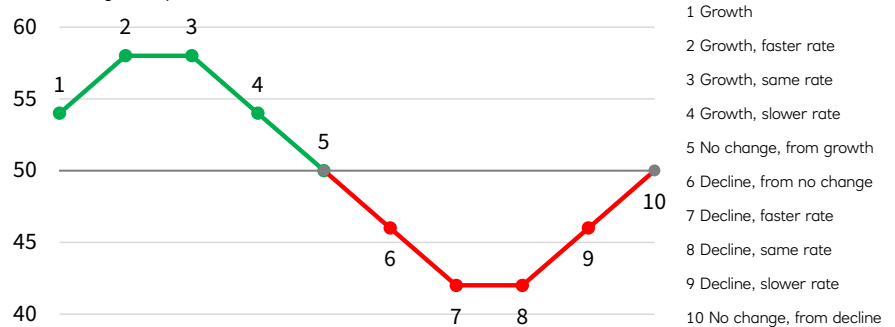
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index.

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).

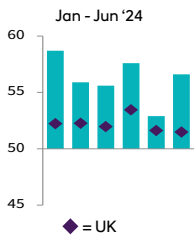
### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New Business Index



### New business at London firms rises sharply in June

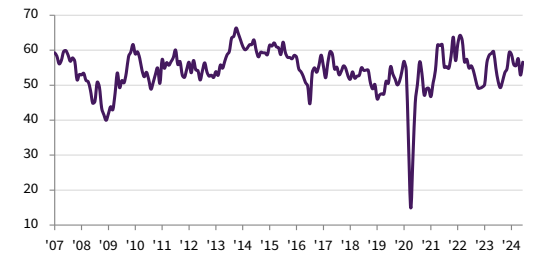
Having slowed to an eight-month low in May, the rate of growth in demand for London goods and services reaccelerated in June and was marked overall. The increase in new orders was also much faster than the UK average, and the second-best of the 12 monitored regions and nations (behind Northern Ireland). Bids for new work, greater client uptake and signed contracts were among the reasons quoted by panellists for higher sales.

### New Business Index

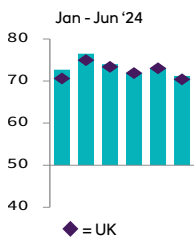
sa, >50 = growth since previous month

56.6

Jun '24



### Future Activity Index



### Confidence slips to weakest level since last November

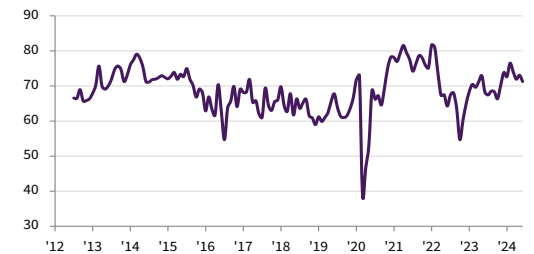
Companies in London continued to give a firmly positive outlook for the next 12 months of business activity in June. The proportion of firms expecting growth of output far exceeded the proportion expecting a decline, with anecdotal reports citing positive sales projections, greater investment plans and hopes of interest rate cuts. Although still above the long-run trend, the degree of optimism was the softest recorded for seven months.

### Future Activity Index

>50 = growth expected over next 12 months

71.2

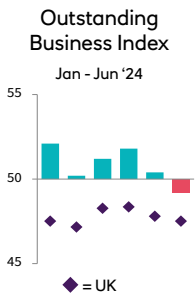
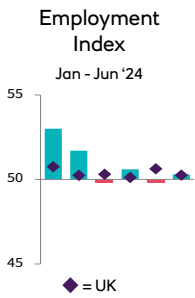
Jun '24



## Business capacity

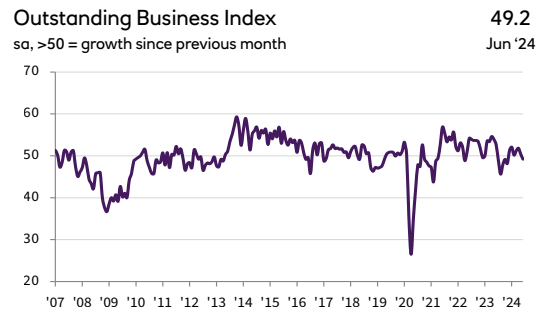
### Staff levels broadly static in June

Private sector businesses in London continued to restrain their employment activity at the end of the second quarter. Although signalling a fractional rise in jobs during June, the seasonally adjusted Employment Index has averaged near-neutrality since March with only minor monthly changes. Panel reports indicated that recruitment at some firms was largely offset by restructuring and the non-replacement of leavers elsewhere, which was often due to cost considerations.



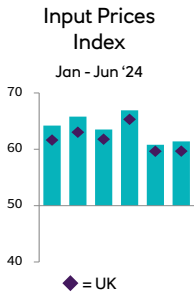
### Backlogs of work begin to decrease

Despite staff levels largely stalling at a time of robust sales growth, London companies were able to reduce outstanding workloads for the first time in seven months in June. Some firms mentioned the completion of previous projects freeing up capacity. However, of the monitored UK areas to see backlogs fall in June (11 out of 12), London's was the joint-slowest and marginal overall.





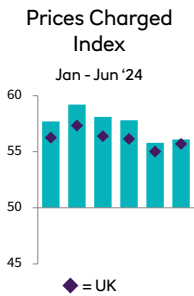
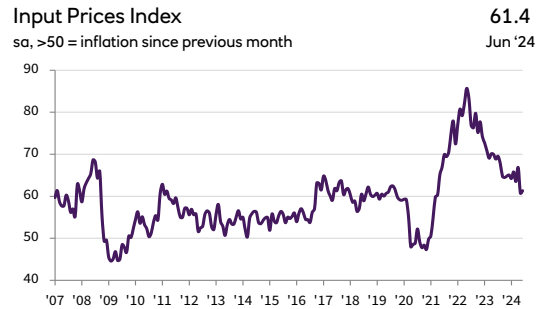
## Prices



### Input price inflation edges higher from May's 37-month low

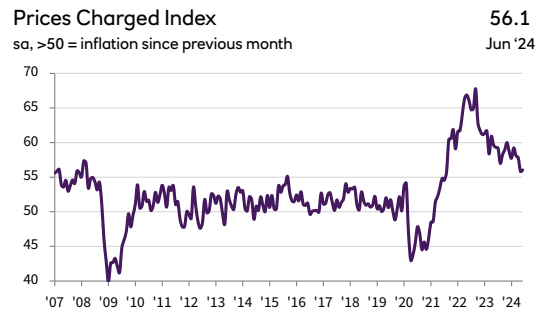
Higher wages and increased freight costs, due to lengthening shipping times, led to a further rise in costs faced by London-based firms during June. Copper, aluminium, paper and IT equipment were also noted as rising in price.

Although a quarter of surveyed firms saw their expenses rise since the previous month, the rate of input price inflation was only slightly higher than May's over three-year low. It was above the UK-wide average, however.



### Charges increase at fractionally quicker rate

Average prices charged by London businesses rose sharply at the mid-point of the year. The rate of inflation remained much stronger than the long-run trend, but it was the second-weakest in nearly three years and only slightly quicker than May's recent nadir. Survey comments mainly attributed higher charges to the passthrough of rises in wages and additional costs.



## UK Sectors

### 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, Jun '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	45
7	Electrical & Optical	0.75	45
8	Chemicals & Plastics	0.60	55
9	Transport	0.50	55

#### London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '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	55
5	Hotels, Restaurants & Catering	0.68	45
6	Transport & Communication	0.66	55

## UK sector focus

### Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

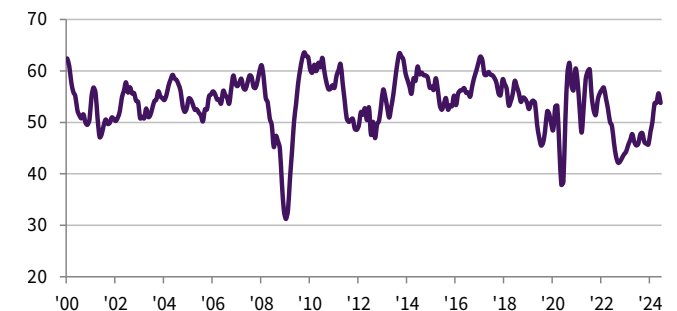
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

#### Output Index

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



\* 3-month moving average





## UK Regional Growth Tracker overview

### Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

### Employment

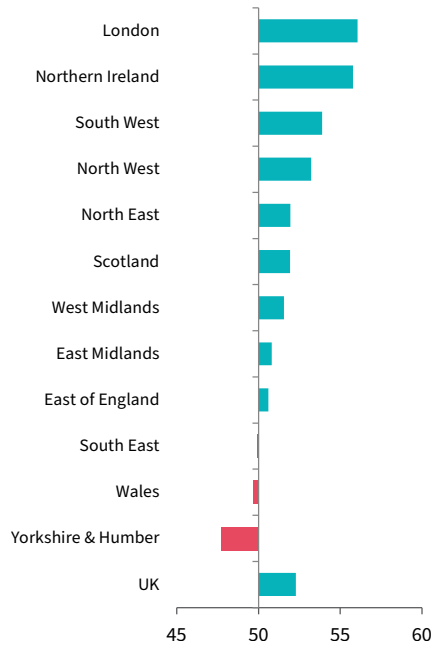
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

### Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

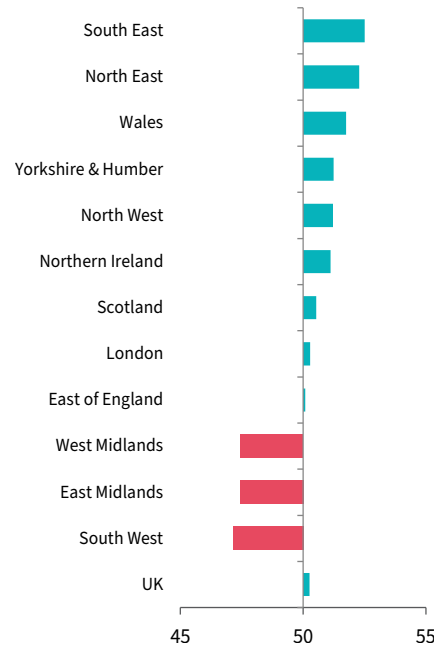
Business Activity Index

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



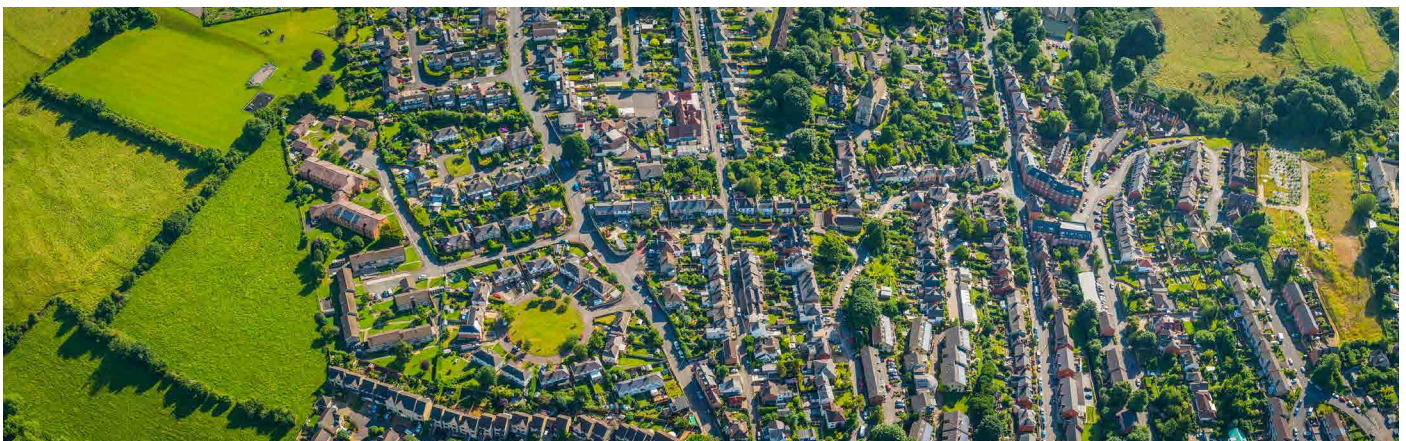
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '24



## 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
Jan '24	58.3	58.7	50.7	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
Apr '24	57.4	57.6	51.8	71.9	50.6	51.8	66.9	57.8
May '24	54.2	52.9	53.4	73.1	49.8	50.4	60.8	55.8
Jun '24	56.1	56.6	52.7	71.2	50.3	49.2	61.4	56.1

## Contact

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

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

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
+44 796 744 7030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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.

### About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.  
[www.spglobal.com](http://www.spglobal.com)

### 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.

[www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.