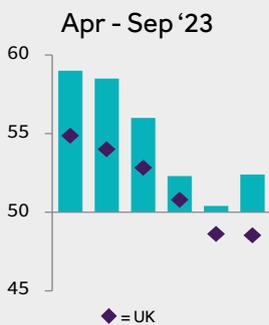




# NatWest London PMI<sup>®</sup>

## Activity growth strengthens amid uptick in new business

### London Business Activity Index



### Key findings

Sales volumes improve slightly, after contraction in August

London the only UK region to see output increase

Cost pressures ease to lowest since April 2021

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 – strengthened to a three-month high of 52.4 in September, from 50.4 in August, to signal a moderate expansion of private sector activity. The improvement came amid a renewed increase in new orders, and was the only upturn out of the 12 monitored UK regions.

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

*"The London PMI saw a positive swing in September as activity expanded despite contractions being recorded across the rest of the UK. Helped by a renewed (but mild) increase in new business intakes, the rate of activity growth even accelerated to a three-month high, although it remained modest compared to the rates seen earlier in the year.*

*"There was also some good news regarding price pressures, as input costs rose to the softest degree since April 2021 and a considerably weaker pace than in August. While many companies reported a further uplift in wages, job numbers were cut for the first time this year amid the subdued outlook for demand and higher interest rates, which should help to curtail pay pressures. That said, a slightly faster rise in output charges shows that firms are not done increasing prices until inflationary risks subside."*

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

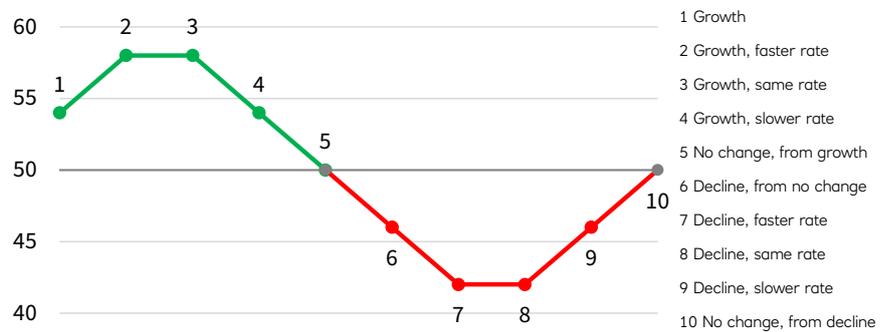
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New business picks up in September

Private sector firms based in the capital registered an increase in new work intakes at the end of the third quarter. The overall uplift was only marginal, but followed the first month-on-month decrease in 2023 so far in August. Some companies commented on new client wins, whereas others reported weak demand conditions.

The renewed expansion in new business contrasted with a third straight decline at the national level in September, albeit one that was softer compared to the previous month.

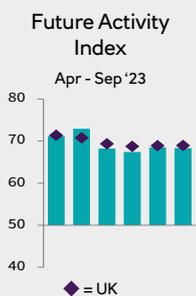
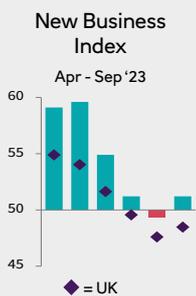
### Business confidence little-changed from August

The Future Output Index recorded only a fractional drop in September and continued to signal a solid degree of confidence among London businesses. Just over half of all survey participants forecasted an increase in output for the next 12 months, compared to 14% which predicted a decline. While some firms held concerns about inflation, interest rates and consumer confidence, many were hopeful about the economic outlook and investment strategies.

New Business Index  
sa, >50 = growth since previous month  
51.2  
Sep '23



Future Activity Index  
>50 = growth expected over next 12 months  
68.3  
Sep '23



## Business capacity

### Staffing levels fall at quickest pace since January 2021

London private sector companies signalled a reduction in employment for the first time in 2023 during September, amid reports that subdued demand conditions contributed to redundancies and restructuring efforts. While modest, the decline was only the second recorded in just over two-and-a-half years and the quickest since January 2021.

The UK also saw a renewed fall in employment in September, with ten of the 12 monitored regions noting a decline. The reduction was slightly faster than seen in the capital.

Employment Index 48.0  
sa, >50 = growth since previous month Sep '23



### Rate of backlog depletion slows

The level of outstanding business at London companies dropped for the third successive month in September. The latest fall was moderate but softer than that recorded in August. Where backlogs decreased, firms cited reduced demand pressure and fewer investment projects. However, this was slightly offset by new business wins at some companies.

Outstanding Business Index 47.9  
sa, >50 = growth since previous month Sep '23



## Prices

### Cost inflation softens markedly in September

The latest survey data signalled a notable slowdown in the rate of input cost inflation in the London private sector. Adjusted for seasonal factors, the Input Prices Index registered its largest monthly drop in the year-to-date, falling to the lowest since April 2021. Nevertheless, the overall rise in costs was still sharp, with panellists often citing increased wages and higher material prices.

Despite the slowdown, the pace of inflation across London remained quicker than the UK trend, which also registered a pronounced cooling.

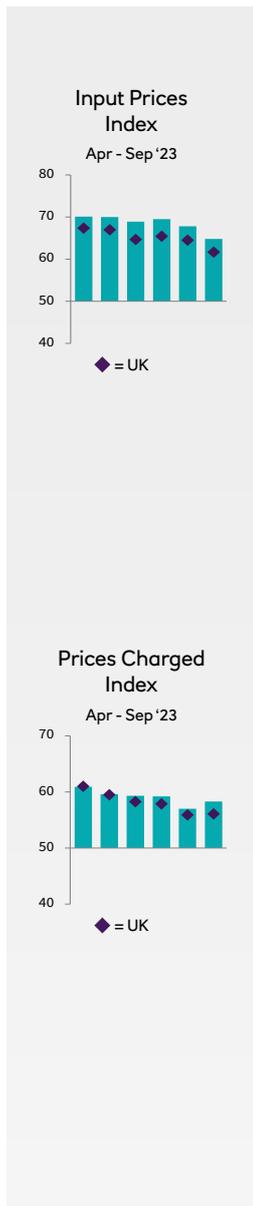
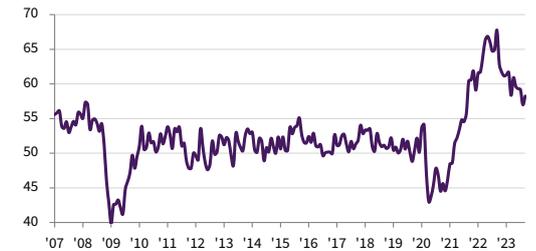
Input Prices Index 64.8  
sa, >50 = inflation since previous month Sep '23



### Output prices rise at quicker pace

Despite slowing cost pressures, London firms upped their output charges to a greater degree at the end of the third quarter, marking the first acceleration in five months. The rate of inflation was also the quickest out of the 12 regions covered across the UK. Several firms opted to raise their charges due to ongoing inflationary pressures as well as interest rate hikes.

Prices Charged Index 58.3  
sa, >50 = inflation since previous month Sep '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, Sep '23 |
|------|------------------------|------|--------------------------|
| 1    | Textiles & Clothing    | 2.54 | 48                       |
| 2    | Food & Drink           | 1.88 | 49                       |
| 3    | Timber & Paper         | 1.51 | 44                       |
| 4    | Other Manufacturing    | 1.14 | 48                       |
| 5    | Electrical & Optical   | 0.78 | 44                       |
| 6    | Mechanical Engineering | 0.75 | 49                       |
| 7    | Basic Metals           | 0.65 | 49                       |
| 8    | Transport              | 0.56 | 49                       |
| 9    | Chemicals & Plastics   | 0.51 | 49                       |

#### London specialisation: Services

| Rank | Sector                         | LQ   | UK Business Activity Index, Sep '23 |
|------|--------------------------------|------|-------------------------------------|
| 1    | Financial Intermediation       | 1.49 | 51                                  |
| 2    | Computing & IT Services        | 1.06 | 51                                  |
| 3    | Personal & Community Services  | 0.97 | 51                                  |
| 4    | Business-to-business Services  | 0.97 | 48                                  |
| 5    | Hotels, Restaurants & Catering | 0.73 | 46                                  |
| 6    | Transport & Communication      | 0.71 | 48                                  |

## UK sector focus

### Business-to-business services

The UK's large Business-to-business services sector contracted during the third quarter. Activity fell at a solid rate that was the fastest for over three years.

The downturn reflected a softening of demand across the sector, with firms recording a notable decline in inflows of new work in the three months to September. Business confidence towards the outlook was at its lowest since the start of the year and subdued by historical standards.

Although employment in the sector continued to rise, the rate of job creation slowed to the weakest in the year-to-date as firms made increasingly rapid inroads into their backlogs of work.

On the price front, input cost inflation remained historically elevated, driven by rising salaries and fuel prices, but it slowed to a two-and-a-half year low. It was a similar story for prices charged.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

Business activity fell across all but one of the 12 monitored UK regions and nations, the exception being London. Furthermore, output in the capital increased at an accelerated rate. The North East recorded the sharpest drop in business, its quickest for more than a year, followed by neighbouring Yorkshire & Humber.

### Employment

Employment growth was confined to just Northern Ireland\* and Scotland in September, albeit with the rates of job creation there slowing to a crawl. Ten of the 12 monitored areas recorded a reduction in staffing levels, the highest number since January 2021. For the third month running, the deepest job cuts were seen in the North East.

### Future Activity

As was the case throughout the third quarter, firms in the West Midlands were the most optimistic about future activity in September. Next in the rankings was the South East, which was one of seven regions where confidence improved. The most marked increase in sentiment was in the East of England. Expectations were lowest in the North East.

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

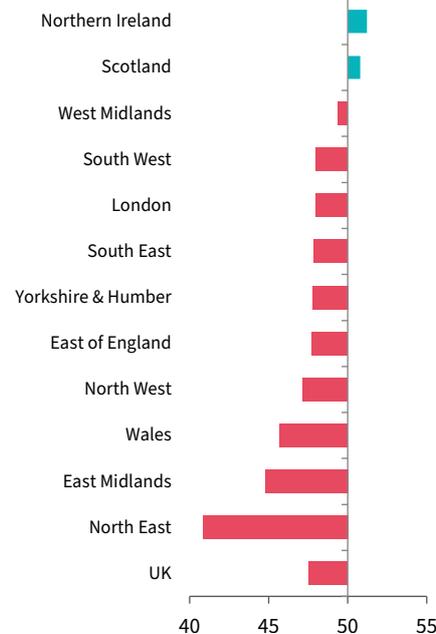
#### Business Activity Index

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



#### Employment Index

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



#### Future Activity Index

>50 = growth expected over next 12 months, Sep '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Apr '23 | 59.0              | 59.1         | 53.4           | 71.2             | 53.5       | 54.6                 | 70.1         | 60.9           |
| 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           |

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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.

### About S&P Global

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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.

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