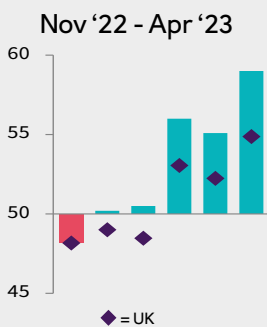




NatWest London PMI[®]

Output growth accelerates in London as growing confidence supports demand

London Business Activity Index



Key findings

Output rises at sharpest pace since June 2022

Quickest increase in new business in just over a year

Inflationary pressures tick up slightly from March's recent low

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 – climbed to a ten-month high of 59.0 in April, up from 55.1 in March, to signal a steep and accelerated rise in activity at London-based companies. The capital continued to lead the way in terms of output growth, posting the fastest expansion of the 12 UK areas covered.

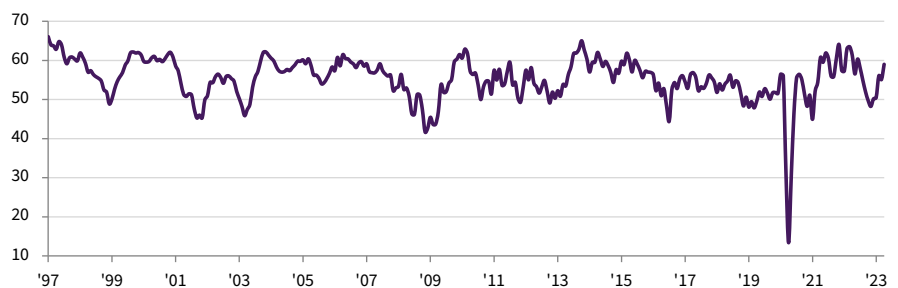
Catherine van Weenen, NatWest London and the South East Regional Board, commented:

"The London economy went from strength to strength in April, registering an increase in business activity that again eclipsed those seen across the rest of the UK. The upturn came as companies reported another sharp rise in new business inflows, amid suggestions that client confidence was being restored as recession fears eased. Notably, both the New Orders and the Future Output indices climbed to their highest for 13 months, showing that the demand picture looks much brighter than it did towards the end of last year.

"The downwards trend in the inflation metrics paused in April, however, with firms recording slightly quicker increases in both costs and charges. While some businesses blamed hikes in supplier prices, wage pressures remained the dominant factor behind rising costs, although some reports suggested that these were also beginning to soften as labour availability improves."

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

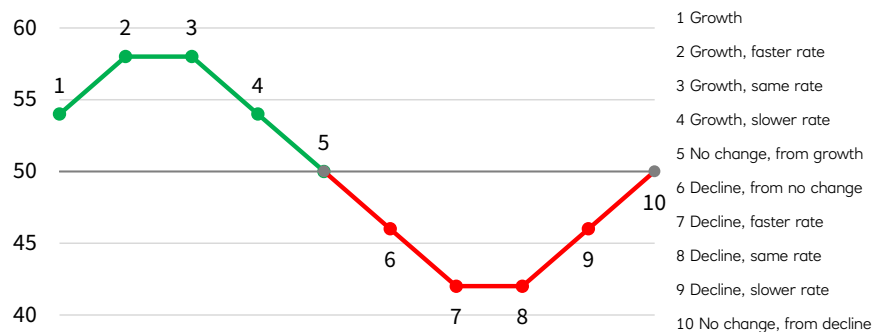
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

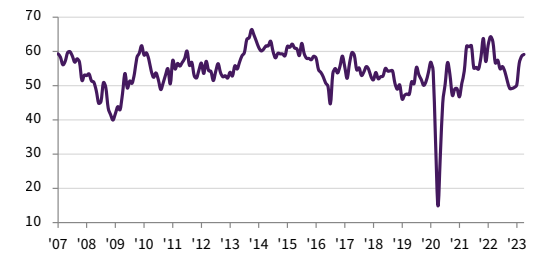


Demand and outlook

New business growth accelerates even further

London-based companies recorded an even sharper upturn in new business inflows at the start of the second quarter of the year. Adjusted for seasonal factors, the respective index rose for the fifth month running to its highest since March 2022 and remained well above the UK trend. Respondents that saw an increase in new work often attributed this to an improvement in confidence at customers regarding the economic outlook.

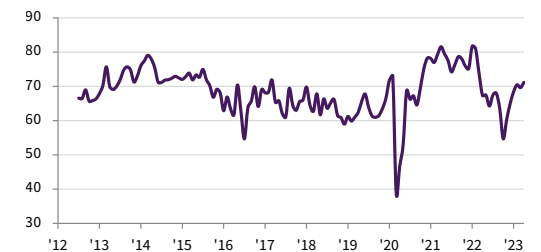
New Business Index
sa, >50 = growth since previous month
59.1
Apr '23



Business confidence ticks up to 13-month high

Firms were more upbeat in their assessment of the 12-month outlook for activity in April, with over 55% of panellists expecting growth compared to 13% that projected a decline. The resulting net positivity was the strongest recorded since March 2022, and broadly in line with the average seen across the UK. Falling inflation, improved client confidence and a reduced risk of a recession were all cited as underpinning optimism amongst businesses.

Future Activity Index
>50 = growth expected over next 12 months
71.2
Apr '23



Exports

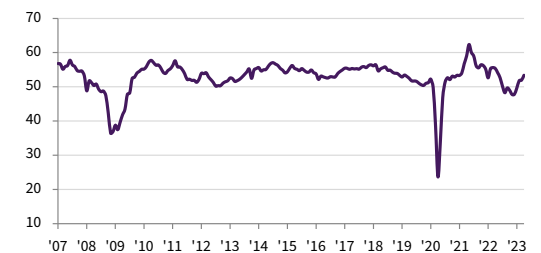
Strongest improvement in export climate in almost a year

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 index gained further ground in April, rising for the fourth consecutive month from 52.0 in March to 53.4, indicating a solid upturn in export conditions across the capital. The reading was also the highest recorded since May 2022.

Rebounding activity in a number of key export markets drove most of the improvement in trading conditions, with the USA, Ireland and Germany all recording solid expansions in April. The Netherlands was the only major foreign market to see a reduction in output.

Export Climate Index
sa, >50 = growth since previous month
53.4
Apr '23



Top export markets, London

Rank	Market	Weight	Output Index, Apr '23
1	USA	38.1%	53.4
2	Ireland	8.3%	53.5
3	Germany	7.7%	54.2
4	Netherlands	6.2%	47.7
5	France	6.0%	52.4

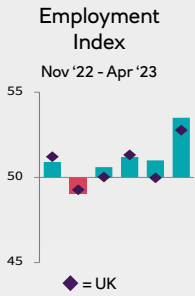
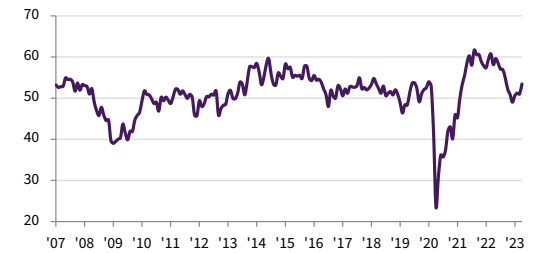


Business capacity

Staffing levels rise at strongest pace since last September

Increased efforts to boost activity and meet demand led to a surge in employment growth across the London private sector in April. Job numbers increased at a solid pace that was much faster compared to March, and the quickest for seven months. Some panellists added that an improvement in labour availability had enabled them to recruit into areas with long-standing vacancies.

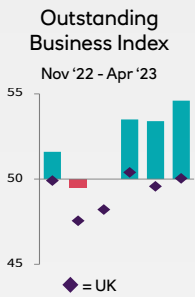
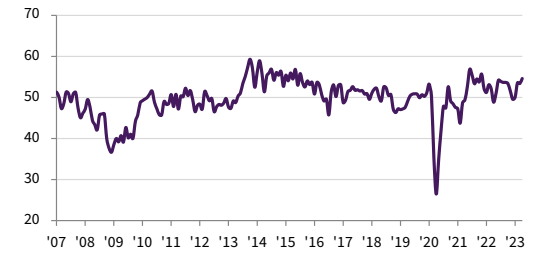
Employment Index
sa, >50 = growth since previous month
53.5
Apr '23



Outstanding business increases sharply in April

Despite increased hiring activity, London firms continued to see an accumulation of outstanding work at the start of the second quarter, with reports suggesting that they struggled to complete orders amid growing demand pressures. Work-in-hand notably rose at the sharpest rate since November 2021. By comparison, work-in-hand at the UK level was unchanged.

Outstanding Business Index
sa, >50 = growth since previous month
54.6
Apr '23

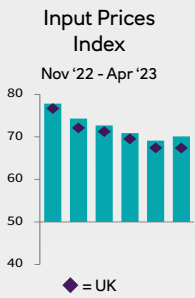
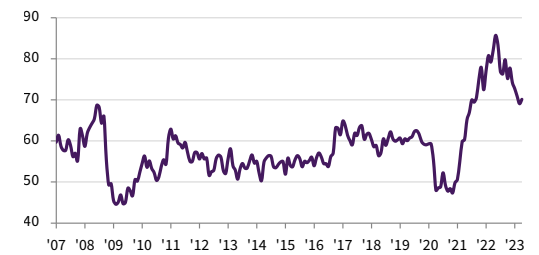


Prices

Input cost inflation rises for first time in five months

Businesses in London saw a slight uptick in the rate of input cost inflation in April, as the respective seasonally adjusted index rose for the first time in five months. Higher expenses were generally linked to a rise in salary costs, while some firms mentioned that their suppliers had raised their prices amid inflation fears. That said, the overall increase in input costs was the second-weakest since August 2021, and remained much softer than the record highs observed approximately one year ago.

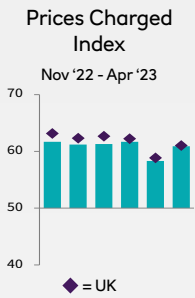
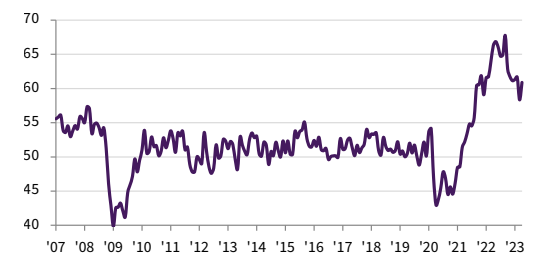
Input Prices Index
sa, >50 = inflation since previous month
70.1
Apr '23



Output charges increase at sharper pace

In line with that seen for input prices, average prices charged by London-based companies rose at a faster pace in April, after slowing to a 19-month low during March. However, the rate of inflation was still the second-softest since the end of 2021. The uptick in charges was also broadly aligned with the national average.

Prices Charged Index
sa, >50 = inflation since previous month
60.9
Apr '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, Apr '23
1	Textiles & Clothing	2.54	55
2	Food & Drink	1.88	50
3	Timber & Paper	1.51	45
4	Other Manufacturing	1.14	55
5	Electrical & Optical	0.78	55
6	Mechanical Engineering	0.75	55
7	Basic Metals	0.65	50
8	Transport	0.56	55
9	Chemicals & Plastics	0.51	50

London specialisation: Services

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

UK sector focus

Basic Metals

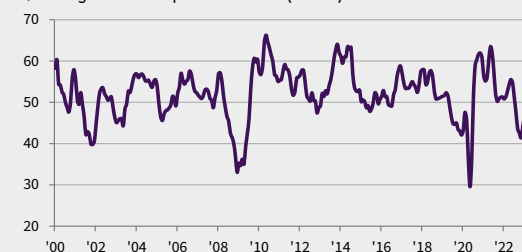
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland*) where the pace of expansion slowed.

Employment

Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

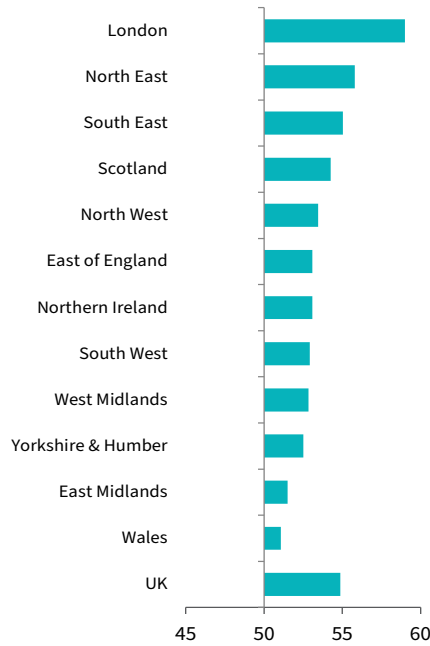
Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

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

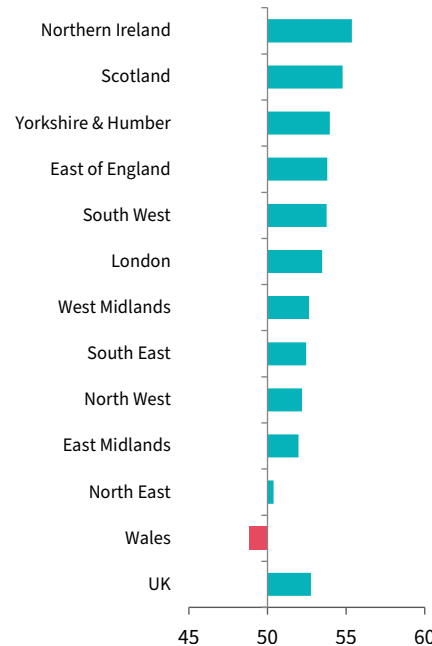
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Apr '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
Nov '22	48.2	49.2	47.8	60.3	50.9	51.6	77.8	61.7
Dec '22	50.2	49.5	47.8	64.9	49.0	49.5	74.3	61.2
Jan '23	50.5	50.2	49.6	68.4	50.6	50.0	72.7	61.3
Feb '23	56.0	56.5	51.8	70.5	51.2	53.5	70.9	61.7
Mar '23	55.1	58.6	52.0	69.6	51.0	53.4	69.1	58.3
Apr '23	59.0	59.1	53.4	71.2	53.5	54.6	70.1	60.9

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