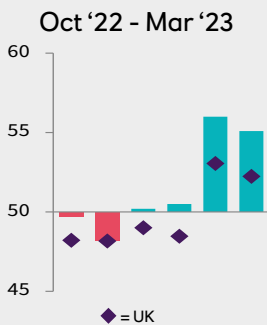


NatWest London PMI[®]

Activity rises sharply as new business growth reaches one-year high

London Business Activity Index



Key findings

Output growth remains strong as new orders rise sharply

Job creation still mild as firms seek to cut costs

Charge inflation softens amid pressure from clients

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 – posted 55.1 in March from 56.0 in February, remaining firmly above the 50.0 neutral mark and signalling a sharp rise in activity at London-based companies. The rise in output reflected a robust increase in new business volumes, with the rate of growth picking up to a 12-month high. Moreover, the rise in activity was the strongest seen out of the 12 monitored UK regions.

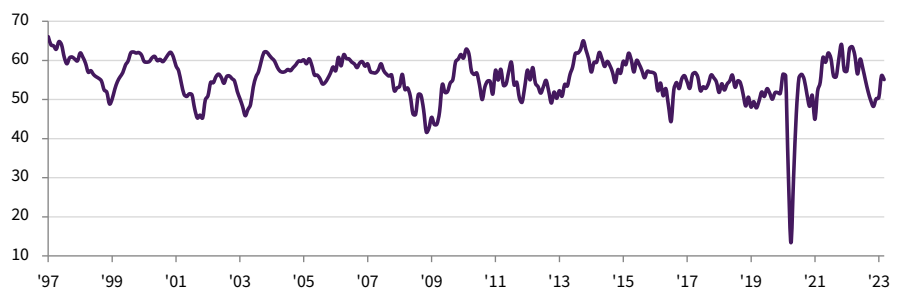
Catherine van Weenen, NatWest London and the South East Regional Board, commented:

“The March PMI data solidified the capital’s strong performance in the first quarter of 2023, as activity continued to rise strongly in the wake of another sharp uplift in new business volumes. The expansion largely reflected a rebound in client confidence after a dismal end to last year, boosting demand and optimism for the year ahead.

“Adding to this positivity was a drop in the rate of input price inflation, which fell to the lowest level since June 2021. Whilst output charge inflation has been sticky in recent months, the index fell sharply in March to a 19-month low, as companies indicated that greater pressure from clients seeking to cut costs had weighed on firms’ efforts to hike prices.”

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

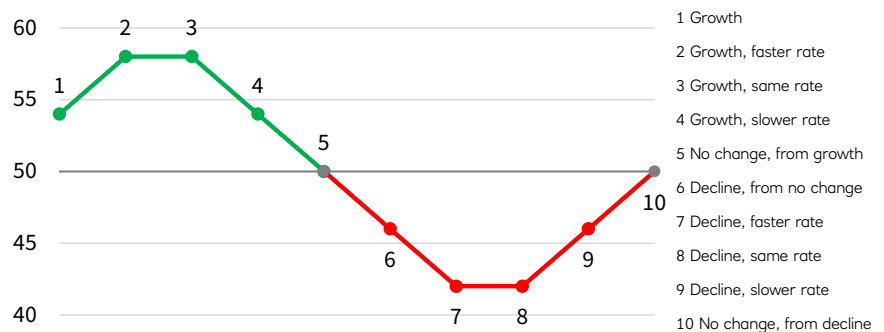
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

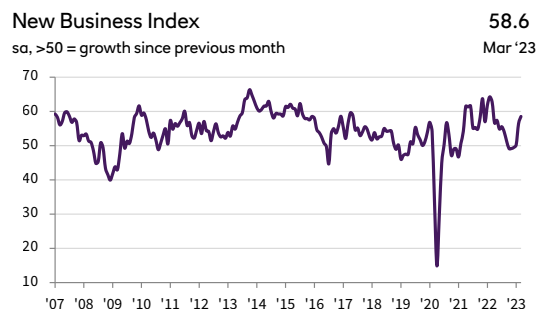
50.0 = no change since previous month



Demand and outlook

Growth of new business accelerates to 12-month high

The seasonally adjusted New Business Index rose for the fourth successive month in March, climbing to its highest level in a year and signalling a sharp increase in new orders across the capital's private sector economy. The upturn was stronger than both the nationwide trend and the series long-run average. Firms cited that improving client confidence, new projects, increased development and higher demand from overseas markets had helped to boost sales.



Business confidence remains strong, despite easing

London-based firms continued to project an expansion of activity over the next 12 months in March. Despite ticking down fractionally from February, the degree of positive sentiment was the second-highest in exactly one year. It was lower than the UK average, however. Some panellists noted that investment in new products, technology and education will support growth, while others hoped for greater economic stability.



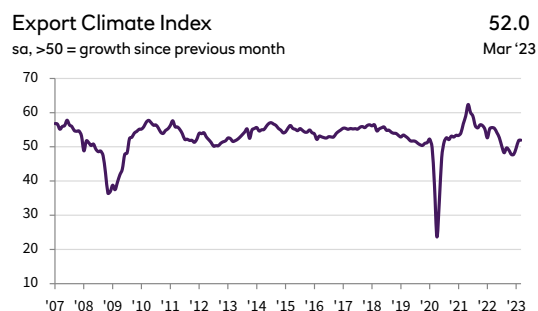
Exports

Export conditions remain positive in March

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.

For the second month running, the index registered above the 50.0 neutral mark, rising from 51.8 in February to 52.0 in March. This marked the highest reading since June 2022 and followed a rare sequence of declining export conditions.

The modest improvement in the export climate reflected expanding output across most of the capital's top trading partners. Of the five-largest export destinations, the Netherlands was the only country to register a contraction, with moderate uplifts in output seen elsewhere.



Top export markets, London

Rank	Market	Weight	Output Index, Mar '23
1	USA	31.4%	52.3
2	Ireland	8.9%	52.8
3	Netherlands	7.3%	48.2
4	Germany	7.0%	52.6
5	France	4.4%	52.7

New Business Index
Oct '22 - Mar '23

Future Activity Index
Oct '22 - Mar '23

Export Climate Index
Oct '22 - Mar '23

◆ = UK

Business capacity

Employment Index

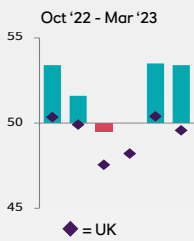


Employment ticks higher, but growth remains marginal

Private sector businesses in London increased their employment levels for the third consecutive month in March. However, the rate of job creation slipped from the previous survey period and was only slight overall. While some firms looked to improve their staffing capacity to meet higher demand, introduce new products and improve marketing, cost-cutting measures at other companies led to workforce reductions.

Employment at the UK level was meanwhile stable in March, with seven of the 12 monitored areas recording a rise over the month.

Outstanding Business Index



Outstanding business rises again in March

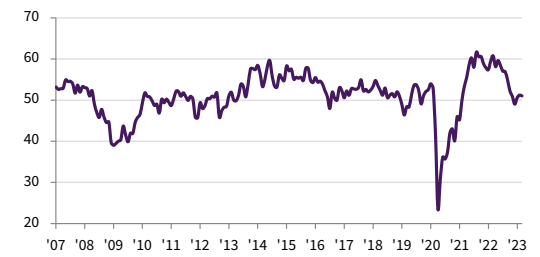
The amount of work outstanding at London companies increased at a solid pace in March, one that was broadly unchanged from February and the strongest out of the monitored UK regions. In fact, Northern Ireland was the only other area to see an increase in backlogs. Survey respondents based in the capital noted that higher new order volumes, mild hiring activity and transport shortages were behind the latest rise in outstanding business.

Employment Index

sa, >50 = growth since previous month

51.0

Mar '23

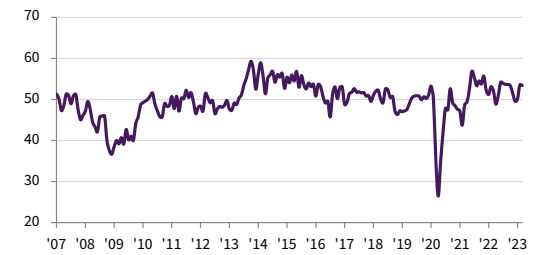


Outstanding Business Index

sa, >50 = growth since previous month

53.4

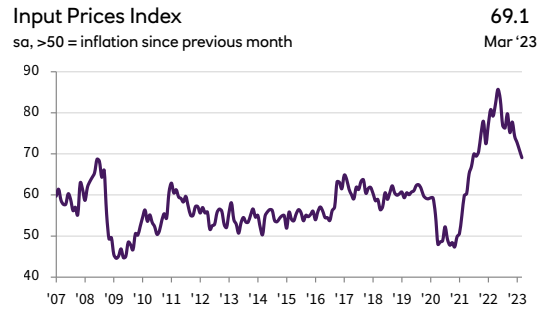
Mar '23



Prices

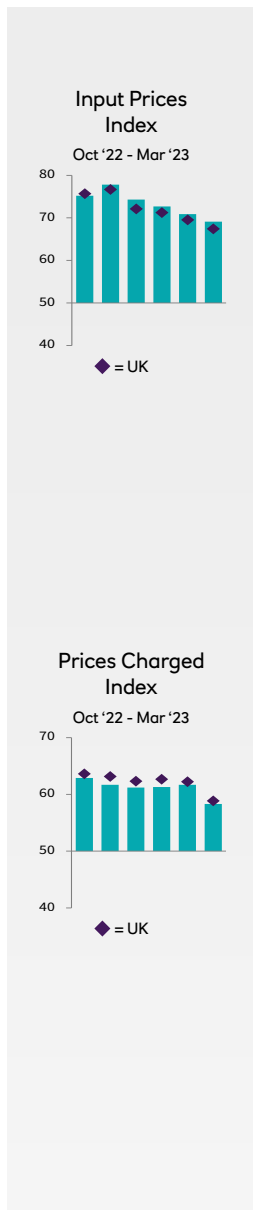
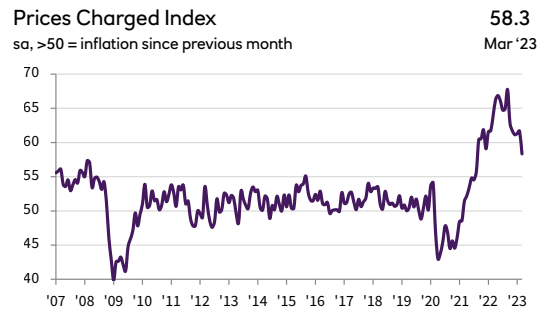
Input prices rise at softest rate in 21 months in March

The seasonally adjusted Input Prices Index continued its downward trend at the end of the first quarter, slipping to the lowest level since June 2021. While the reading signalled a slower rate of cost inflation at London-based businesses, the overall increase was still much faster than the long-run trend. Owing to anecdotal evidence which suggests that wage rises were the key driver of inflation, affecting service sector firms in particular, the capital again registered the fastest rise in input prices out of the 12 UK regions covered by the survey.



Output price inflation slows notably

The softening of input cost inflation helped to drive the rate of output charge inflation down in March. Adjusted for seasonal factors, the Prices Charged Index dropped for the first time in three months to the lowest level since August 2021. Around 21% of panellists raised their charges since February, largely citing increased wage costs. On the other hand, over 7% of companies saw a reduction, amid some evidence that clients had pressurised firms to reduce their prices as they seek to cut costs.



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, Mar '23
1	Textiles & Clothing	2.54	48
2	Food & Drink	1.88	52
3	Timber & Paper	1.51	42
4	Other Manufacturing	1.14	55
5	Electrical & Optical	0.78	52
6	Mechanical Engineering	0.75	52
7	Basic Metals	0.65	52
8	Transport	0.56	50
9	Chemicals & Plastics	0.51	48

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '23
1	Financial Intermediation	1.49	55
2	Computing & IT Services	1.06	55
3	Personal & Community Services	0.97	52
4	Business-to-business Services	0.97	55
5	Hotels, Restaurants & Catering	0.73	58
6	Transport & Communication	0.71	50

UK sector focus

Hotels, Restaurants & Catering

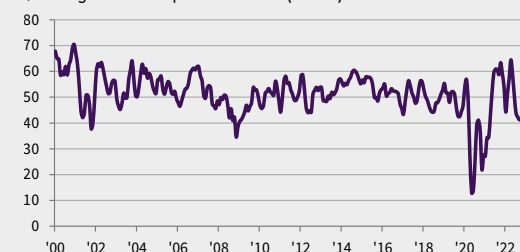
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

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

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
Oct '22	49.7	49.2	49.0	54.7	52.2	53.4	75.2	62.9
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

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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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