

10 December 2024

NatWest London Growth Tracker

London output growth holds
steady as most UK regions slow



NatWest

PMI[®]

by S&P Global

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Key findings

November 2024

Activity growth remains solid in November

Sales increase sharply, but growth eases

Headcounts rise despite dip in optimism

The NatWest London Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





London output growth holds steady as most UK regions slow

November saw the rate of business activity growth hold steady across the London private sector as sales continued to improve.

The increase in output signalled by the NatWest London Growth Tracker was strong and the fastest observed out of the 12 monitored UK regions and nations. Higher output was generally linked to an uplift in customer demand.

The headline 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 54.0 in November, its joint-lowest level in just over a year. That said, it remained firmly above the 50.0 neutral mark, indicating a robust expansion in business activity.

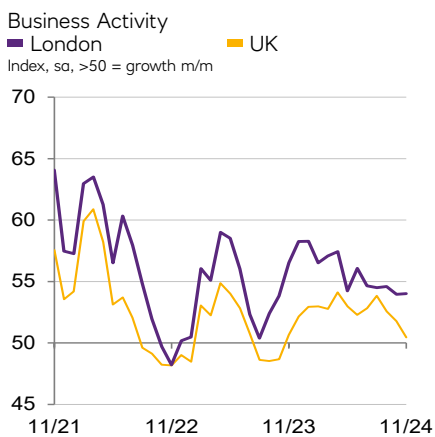
Growth in the capital was much stronger than the average observed across the UK, where the output expansion slid to a marginal rate. All other regions signalled either a slower upturn or a contraction in activity over the latest survey period.

NatWest London Business Activity Index November 2024

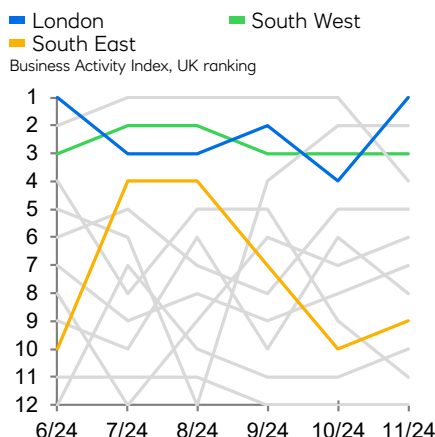
54.0

The Business Activity Index is a diffusion index calculated from companies’ responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 12-27 November



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Comment

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

"London returned to the top of the UK regional table in November, buoyed by another increase in order book volumes and a concurrent expansion in business activity. Its performance stood in contrast to all other regions where growth weakened on the month or even slipped into decline.

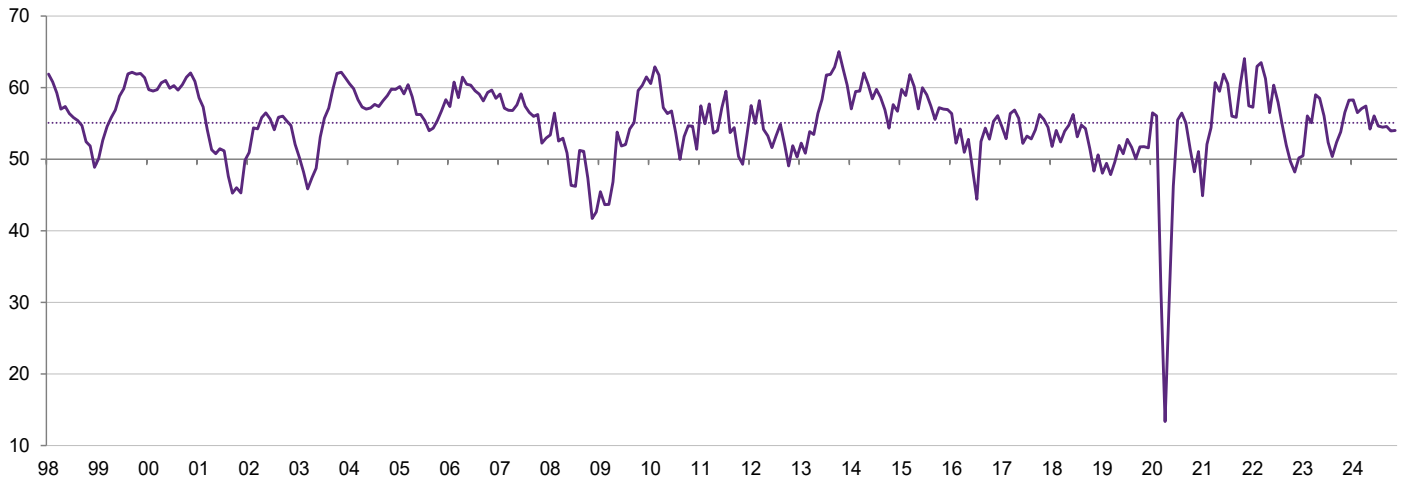
"However, the capital was not immune to the wider slowdown as the rate of new order growth eased to a six-month low. Although domestic clients generally supported higher sales, there were some hints that announcements in the Autumn Budget had weighed on spending and weakened business confidence. Whilst hiring recovered slightly, the jobs market was relatively subdued as firms planned for higher National Insurance contributions by cutting staff and looking to automate more.

"Price trends remained fairly relaxed compared to recent years, despite selling prices rising at the quickest pace since July. This acceleration, though mild, suggests that business charge inflation may have reached a floor, especially as some firms are already reporting efforts to pass through upcoming tax rises."



Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Demand and outlook

New business growth slips to six-month low

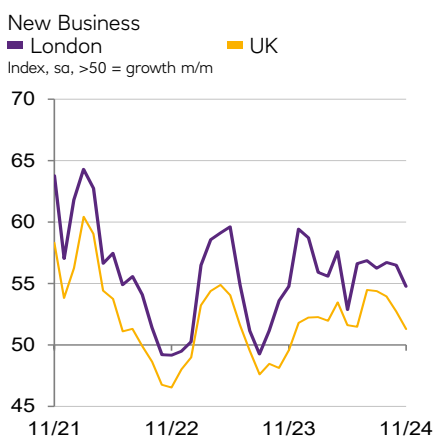
The volume of new orders received by London-based companies rose in the penultimate month of 2024. Firms in the survey panel pointed to new contract signings and increased sales from both domestic clients and external markets such as North America and Europe.

With some respondents highlighting a degree of caution at clients due to tax raising measures from the Autumn Budget, London followed the wider national trend and posted a slower uplift in overall new work that was the softest for six months.

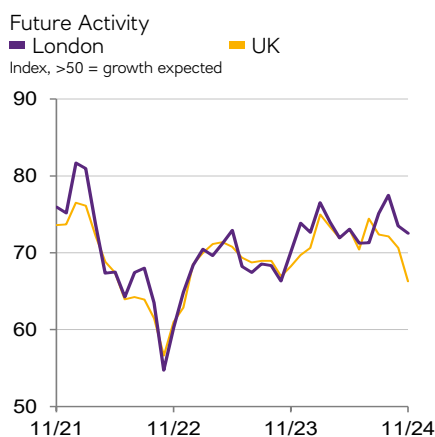
Nevertheless, the rate of expansion was robust overall and remained the quickest out of the 12 monitored UK areas.

London businesses were more apprehensive about the activity outlook for the next 12 months in November. The Future Activity Index slipped to its weakest since May, but remained firmly above the series average. Strong sales pipelines, ongoing investment, new product enhancements and hopes of lower borrowing costs underlined optimism, according to anecdotal evidence, although there were some reports of caution due to recent geopolitical events.

"Although domestic clients generally supported higher sales, there were some hints that announcements in the Autumn Budget had weighed on spending and weakened business confidence."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Jobs and capacity

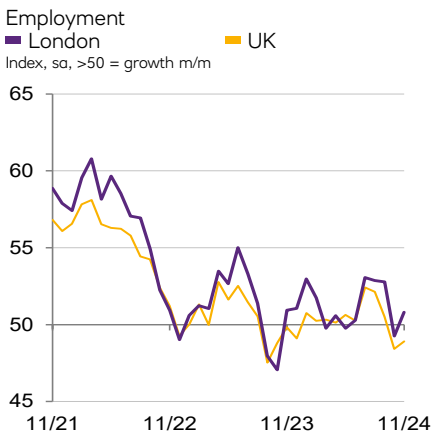
Staff numbers recover after falling in October

November survey data indicated a rise in headcounts across the capital's private sector over the month. Qualitative evidence suggested that recruitment activity was mainly growth-based, with firms commenting on increased workloads due to higher sales. There were however some reports of retrenchment due to lower business confidence and as part of both cost-cutting and automation strategies. Subsequently, the overall increase

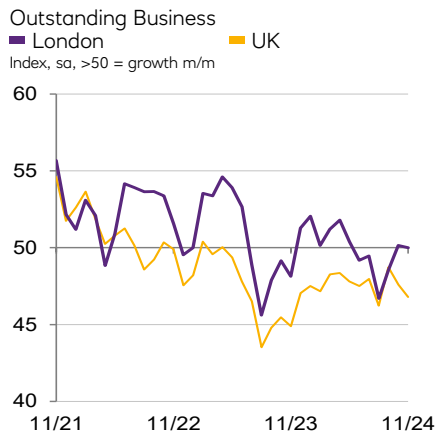
in employment was marginal, which broadly compensated for a slight reduction in the prior survey period. Higher workforces in London contrasted with a decrease in jobs at the UK level.

Meanwhile, London-based firms registered exactly no change to their backlogs of work during November, as signalled by the seasonally adjusted Outstanding Business Index posting at the 50.0 neutral value. The stability compared with a solid decrease in work-in hand on average nationwide.

"Whilst hiring recovered slightly, the jobs market was relatively subdued as firms planned for higher National Insurance contributions by cutting staff and looking to automate more."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Inflation

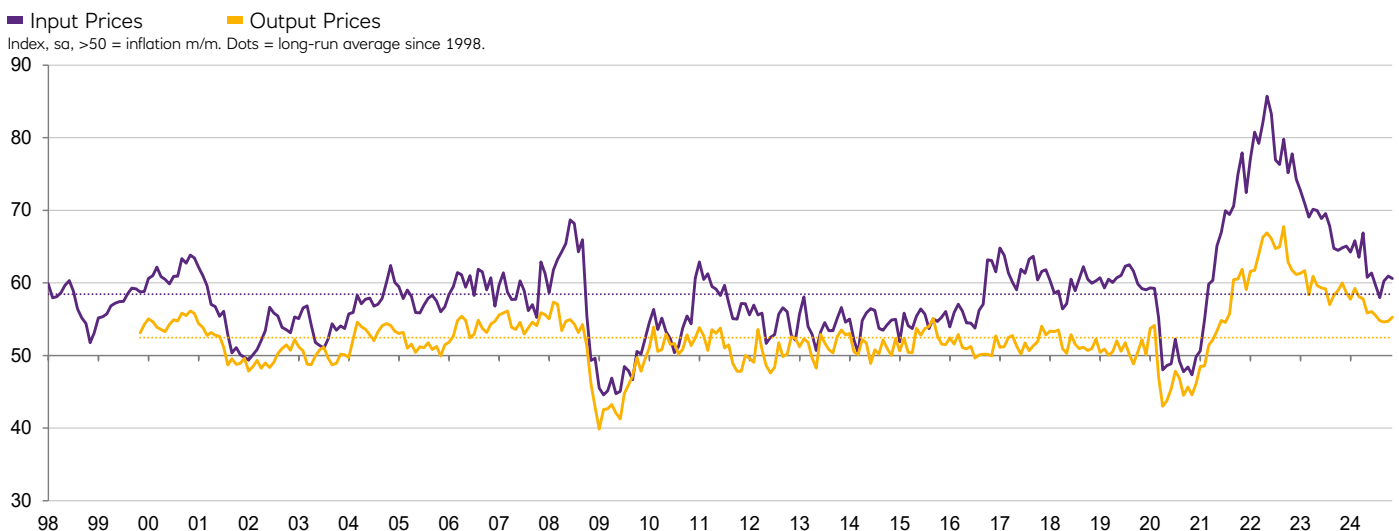
Prices charged inflation ticks up to its highest since July

Average selling prices at London companies increased sharply midway through the final quarter. Although still among the slowest recorded in the past three years, the pace of inflation was the fastest in four months and steeper than the long-run series average. It was also above the UK trend, with just Northern Ireland and the East of

England recording faster increases in charges.

London firms generally raised their prices in order to pass through higher input cost burdens. Specifically, panellists mentioned increases in freight costs and salaries. Like output prices, average input costs rose to a quicker degree in the capital compared to nationwide, and the rate of inflation was above the historical trend.

"Price trends remained fairly relaxed compared to recent years, despite selling prices rising at the quickest pace since July."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

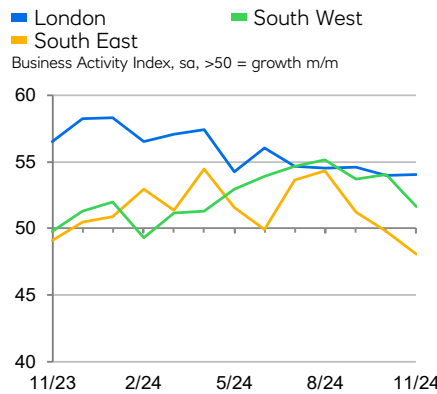
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



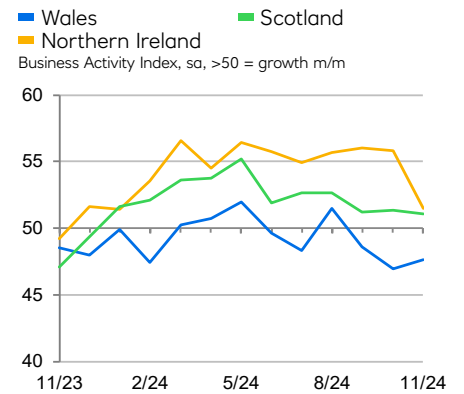
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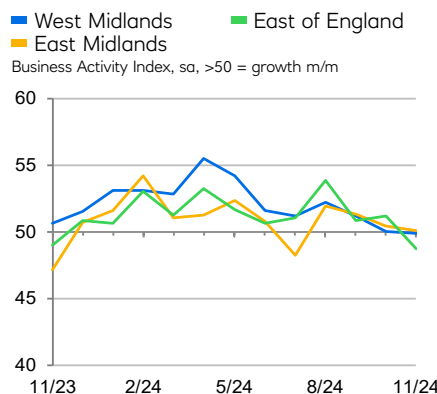
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



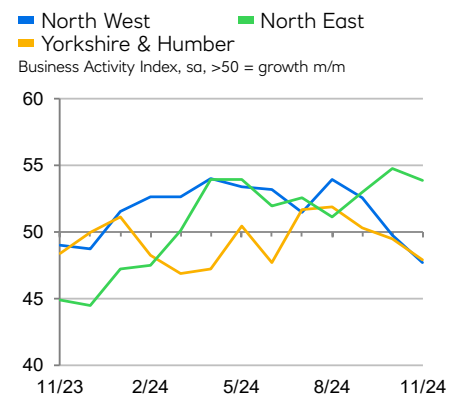
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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Growth Tracker heat map

November 2024

Darker colour = higher business growth



London

Business Activity Index
sa, >50 = growth m/m

54.0



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

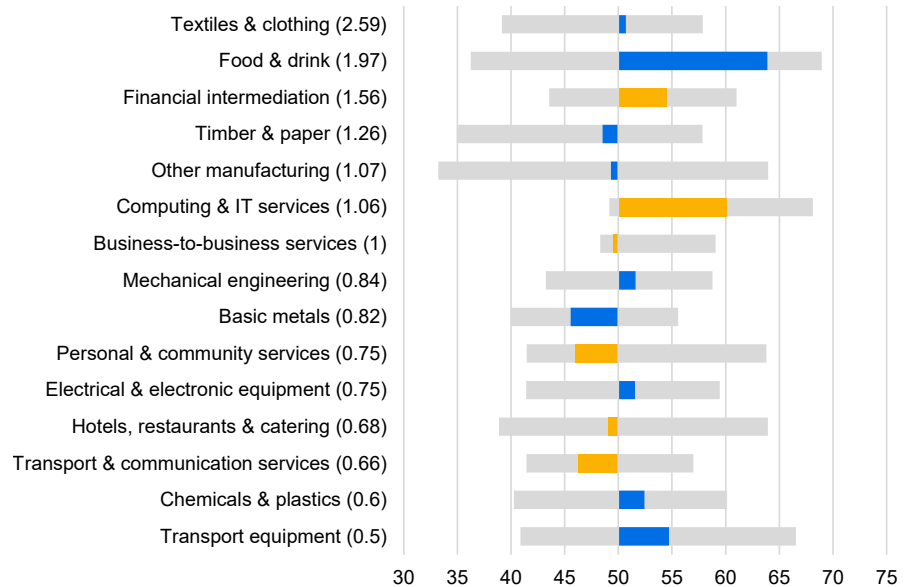
UK sectors

Sector specialisation: London

The chart shows UK output indices by sector, ranked by location quotients for London. Location quotients (LQs) 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.

UK sectors ranked by importance to London's economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Nov '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 Location quotients for London are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

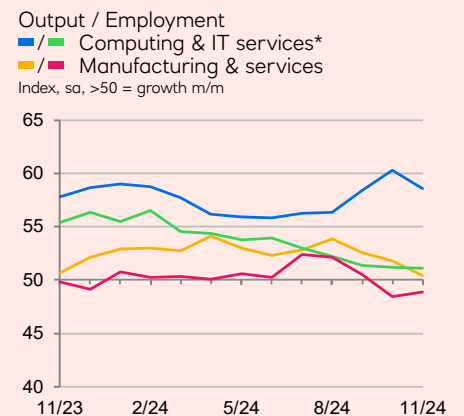
Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 *Data are smoothed as three-month moving average (3mma).

Methodology

The NatWest London Growth Tracker is compiled by S&P Global from responses to questionnaires sent to companies in London 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.

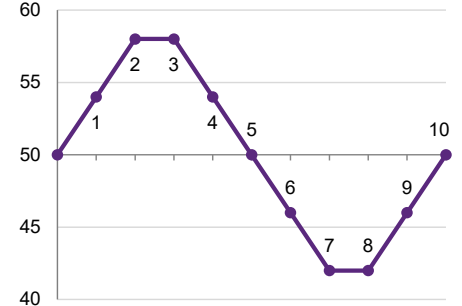
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable 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 survey methodology, please contact economics@spglobal.com.

Index interpretation

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

Data

London manufacturing and services

Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
6/24	56.1	56.6	52.7	50.3	49.2	71.2	61.4	56.1
7/24	54.6	56.9	52.2	53.1	49.5	71.3	59.6	55.5
8/24	54.5	56.2	52.5	52.9	46.7	75.1	58.0	54.8
9/24	54.6	56.7	51.9	52.8	48.6	77.5	60.3	54.6
10/24	54.0	56.5	52.2	49.3	50.1	73.5	60.9	54.7
11/24	54.0	54.8	52.4	50.8	50.0	72.5	60.6	55.3

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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.

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PMI by S&P Global

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