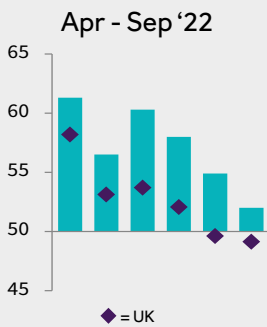




NatWest London PMI[®]

Activity growth slumps to 20-month low in September

London Business Activity Index



Key findings

New business levels rise only modestly

Employment growth softens to slowest in one-and-a-half years

Output prices rise at record pace

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 – pointed to the weakest rate of output growth for 20 months in September. At 52.0, down from 54.9 in August, the latest index reading signalled only a modest rise in activity, which panellists linked to a slowdown in demand growth and concerns about inflation and higher interest rates. That said, London was one of only two UK areas to record an overall expansion in September (alongside Yorkshire & Humber).

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

"While London remained the strongest performing area of the UK, according to September PMI data, output moved closer to contraction territory. The rate of activity growth was the softest recorded since the current sequence of expansion began in February 2021, as new business inflows rose more slowly. Fears over the impact of higher interest rates and the cost-of-living crisis weighed on client demand, while the rate of job creation moderated from August (albeit still rising sharply). At the same time, inflationary pressures picked up for the first time in four months, as growing concerns about energy supply in Europe led to a fresh surge in prices, alongside sustained salary pressures. Subsequently, output charges were raised at a record pace, which could further depress sales in the months ahead."

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

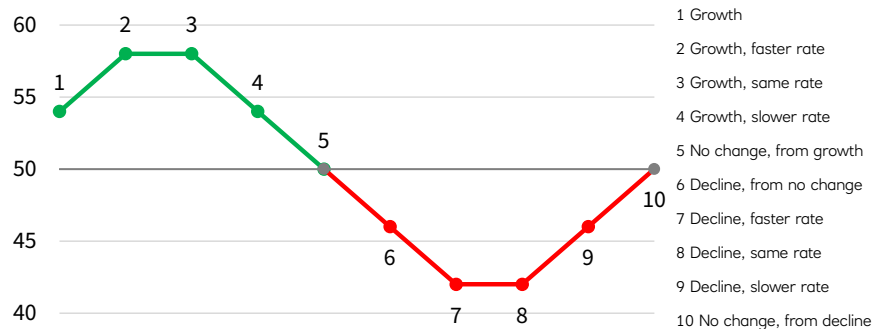
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

Modest rise in new orders

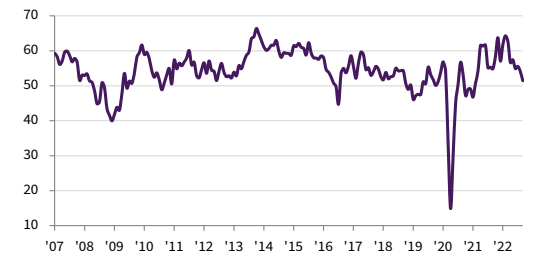
Private sector firms in the capital registered only a modest expansion in new business intakes at the end of the third quarter. The upturn softened to the weakest recorded for 19 months, but contrasted with an outright decline in new orders across the UK. Some panellists mentioned that concerns about inflation, higher interest rates and a weaker currency had weighed on customer sales. Nonetheless, London and Yorkshire & Humber were the only UK regions to see an overall increase in new business.

New Business Index

sa, >50 = growth since previous month

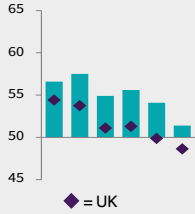
51.4

Sep '22



New Business Index

Apr - Sep '22



◆ = UK

Business confidence slides to 28-month low

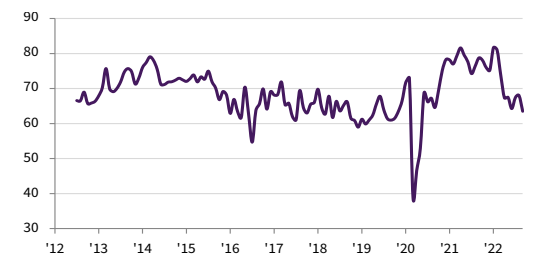
The outlook for future activity among London-based companies remained optimistic in September, but moderated from August to the weakest in over two years. Positive sentiment stemmed from forecasts of growth in market share, new projects, and stronger consumer confidence. However, concerns over high inflation, rising interest rates and an economic slowdown led some firms to predict a decline in output. UK business confidence was also down to the lowest in 28 months.

Future Activity Index

>50 = growth expected over next 12 months

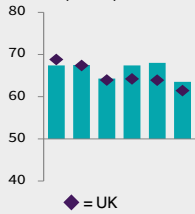
63.5

Sep '22



Future Activity Index

Apr - Sep '22



◆ = UK

Exports

Export conditions weaken again in September

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 below the 50.0 neutral mark, posting 49.5 in September from 48.2 in August. The index signalled a decline in export conditions, but one that was only marginal and softer compared to the previous survey period.

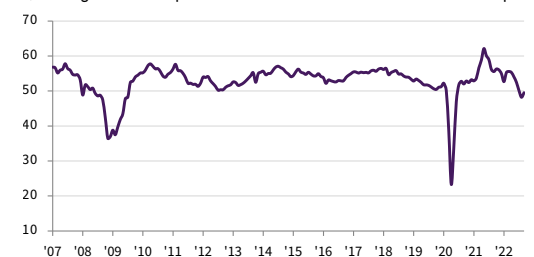
As was the case in August, Ireland and France were the only two top-five export markets to record an expansion in activity. On the flip side, sharp contractions were registered in Germany and the Netherlands.

Export Climate Index

sa, >50 = growth since previous month

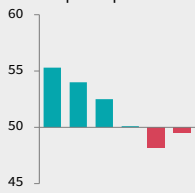
49.5

Sep '22



Export Climate Index

Apr - Sep '22



Top export markets, London

Rank	Market	Weight	Output Index, Sep'22
1	USA	26.8%	49.3*
2	Ireland	9.0%	52.2
3	Germany	6.9%	45.7
4	Netherlands	6.8%	46.4
5	France	5.0%	51.2

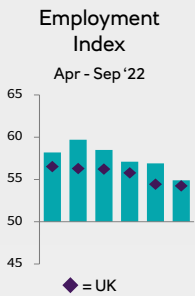
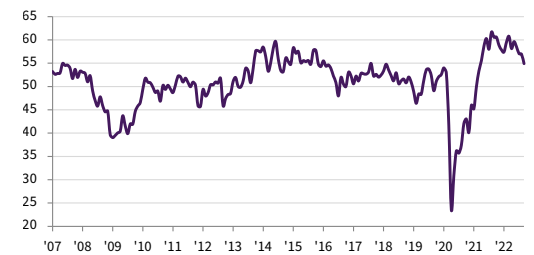
* September 'flash' data

Business capacity

Notable drop in employment growth in September

The seasonally adjusted Employment Index lost two index points in September, to indicate a softer, but still solid uptick in staffing numbers at London-based firms. The rate of job creation was also the softest since March 2021, but quicker than the long-run trend. Several panellists linked hiring activity to increased business investment. The rise in employment was more closely aligned with the UK average compared to recent survey periods.

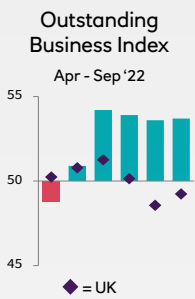
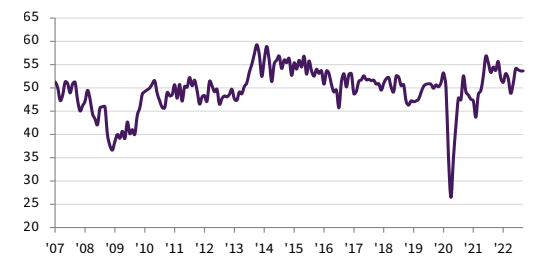
Employment Index
sa, >50 = growth since previous month
54.9
Sep '22



Backlogs of work increase for fifth month running

September data signalled a further increase in work-in-hand at London companies, thereby extending the current run of expansion that began in May. Moreover, the uplift was solid and broadly aligned with that recorded in August, amid reports of project delays and supply shortages. By contrast, backlogs of work at the national level dropped for the second month in a row, with East Midlands the only other region to see a rise.

Outstanding Business Index
sa, >50 = growth since previous month
53.7
Sep '22



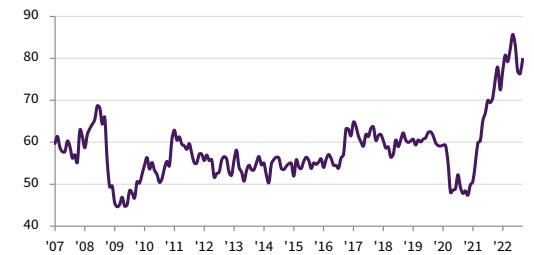
Prices

Input price inflation ticks higher for first time since May

Rising energy prices and sustained wage pressures led to a renewed uptick in the rate of input cost inflation in London during September, according to surveyed businesses. The respective seasonally adjusted index rose for the first time in four months, although it remained nearly six points lower than the series record in May.

For the first time since April 2020, in the index reading for the capital was higher than the trend observed across the UK as a whole.

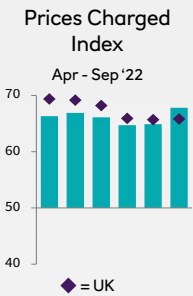
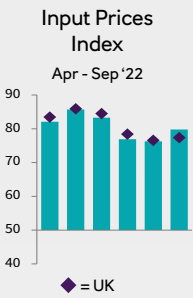
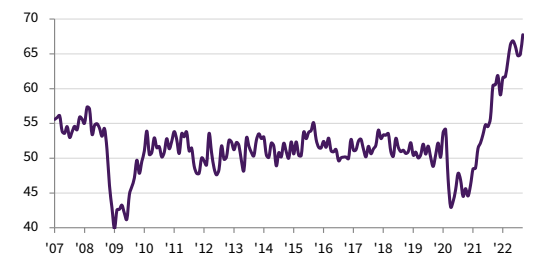
Input Prices Index
sa, >50 = inflation since previous month
79.8
Sep '22



Selling prices rise at record pace

A sharper rate of output price inflation was also recorded in the latest survey data. In fact, the seasonally adjusted Prices Charged Index rose to a survey-record high (since July 1996) and posted above the UK average for the first time since January 2020. Where charges increased, this was widely attributed to the pass-through of higher overheads to clients.

Prices Charged Index
sa, >50 = inflation since previous month
67.8
Sep '22



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 '22
1	Textiles & Clothing	2.54	48
2	Food & Drink	1.88	46
3	Timber & Paper	1.51	45
4	Other Manufacturing	1.14	50
5	Electrical & Optical	0.78	52
6	Mechanical Engineering	0.75	48
7	Basic Metals	0.65	46
8	Transport	0.56	48
9	Chemicals & Plastics	0.51	44

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep '22
1	Financial Intermediation	1.49	52
2	Computing & IT Services	1.06	58
3	Personal & Community Services	0.97	48
4	Business-to-business Services	0.97	48
5	Hotels, Restaurants & Catering	0.73	46
6	Transport & Communication	0.71	46

UK sector focus

Business-to-Business Services

The UK's large Business-to-Business Services sector suffered a downturn in activity in the three months to September, latest PMI data showed. Output levels fell, albeit only slightly, for the first time since the third national lockdown at the start of 2021.

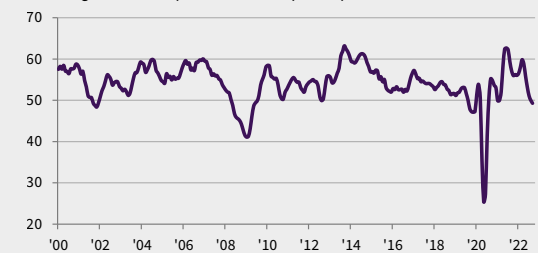
High inflation and waning confidence among customers acted as headwinds to growth, according to surveyed businesses. With rising interest rates forecast to further dampen demand, firms' expectations towards future activity fell to the lowest for almost two-and-a-half years.

Employment continued to rise across the sector. However, whilst still solid by historical standards, the pace of job creation slowed to the weakest since early-2021.

On the price front, rates of both input cost and output charge inflation remained elevated but maintained a steady decline from their recent record highs in Q2.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Nine of the 12 monitored regions recorded lower levels of business activity in September. The fastest rates of contraction were seen in Northern Ireland* and the South West. London was the best-performing region, despite seeing growth slow to a 20-month low, ahead of Yorkshire & Humber. Business activity in the South East was unchanged on the month, after having fallen slightly in August.

Employment

Although employment rose in most regions in September, rates of job creation slowed in the majority of cases. This included the East of England, which nevertheless topped the rankings ahead of the South East. Workforce numbers fell in the North East for the fourth month running, whilst the South West recorded its first decline since February 2021.

Future Activity

Business confidence towards future output fell across three-quarters of the surveyed regions in September. Yorkshire & Humber recorded the strongest optimism, despite seeing the greatest reduction in expectations from the previous month. Business sentiment was generally positive, with the exception of Northern Ireland and the North East.

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

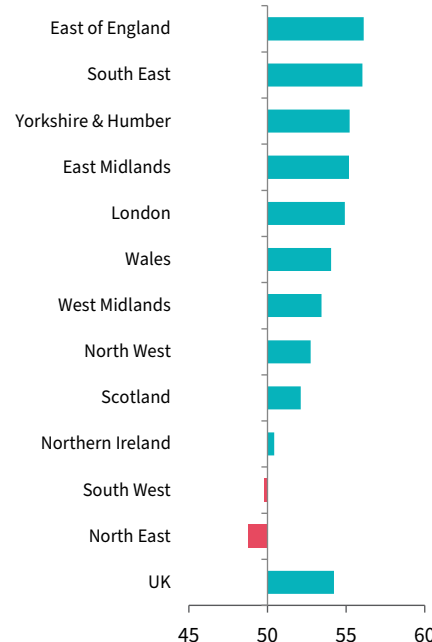
Business Activity Index

sa, >50 = growth since previous month, Sep '22



Employment Index

sa, >50 = growth since previous month, Sep '22



Future Activity Index

>50 = growth expected over next 12 months, Sep '22



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 '22	61.3	56.6	55.3	67.4	58.2	48.8	82.1	66.3
May '22	56.5	57.5	54.0	67.5	59.7	50.9	85.7	66.9
Jun '22	60.3	54.9	52.5	64.3	58.5	54.2	83.3	66.1
Jul '22	58.0	55.6	50.1	67.4	57.1	53.9	76.9	64.7
Aug '22	54.9	54.1	48.2	68.0	56.9	53.6	76.3	64.9
Sep '22	52.0	51.4	49.5	63.5	54.9	53.7	79.8	67.8

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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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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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