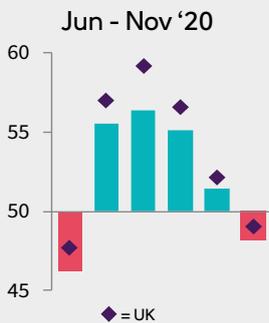


NatWest London PMI[®]

Output contracts in November, but optimism soars amid vaccine hopes

London Business Activity Index



Key findings

Output and new business fall as national lockdown begins

Vaccine news leads optimism to highest since May 2014

Planned redundancies drive sharper drop in employment

Private sector output in London contracted for the first time since June, according to the November PMI survey data, amid tighter national lockdown measures and a decline in new business volumes for the second month in a row. Importantly though, the downturn in activity across the capital was much softer than in the spring lockdown.

Meanwhile, news about effective vaccines and distribution in the near future sent business optimism to its strongest level for six-and-a-half years. Firms were much more hopeful of a promising economic recovery throughout 2021.

Stuart Johnstone, Managing Director, London & South East, Corporate & Commercial Banking, commented:

"Despite entering into a second lockdown in November, London firms can take positive signs from the latest set of PMI data. Business activity went back into decline, but only just, suggesting that the targeted approach from the government meant a number of firms were able to operate effectively. Moreover, news about vaccine success and rollout led sentiment much higher, as companies targeted strong growth and investment in the new year.

"On the negative side, employment trends worsened as several respondents had already planned redundancies before the furlough scheme was extended to March 2021. Hopefully, this will start to improve as firms make use of government support and look ahead to a promising horizon."

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 IHS Markit from responses to questionnaires sent to London companies that participate in IHS Markit'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

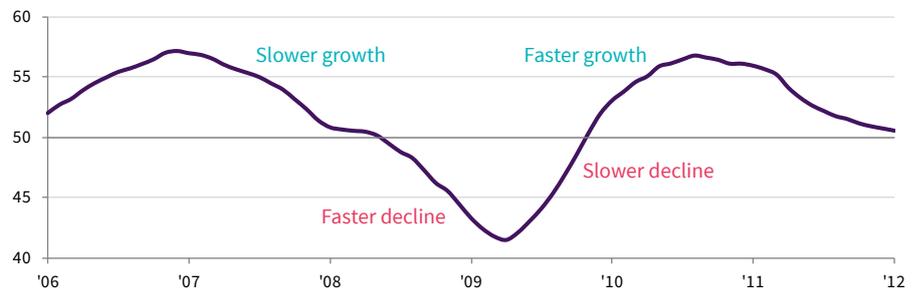
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'London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

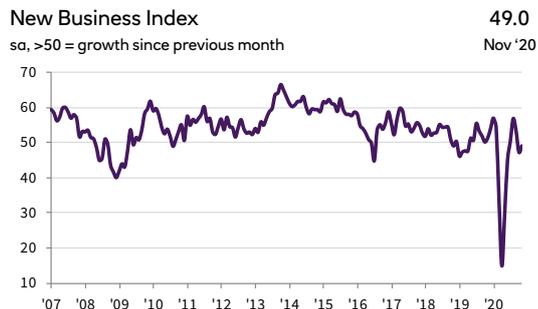


Demand and outlook

New business falls slightly in November

Private sector firms in London saw a second successive monthly drop in new business in November, that was largely attributed to tighter national lockdown measures. However, new project wins at some companies helped to partially offset the downturn, as overall business volumes fell just marginally.

Notably, the capital mirrored the UK-wide trend, which also registered a second successive, but slower, fall in sales.



Optimism soars to six-and-a-half year high

Confidence regarding the 12-month outlook for activity rose to the highest seen since May 2014 in November. Firms mostly linked this to news about effective vaccines, which gave increased hopes of a recovery in economic output.

Meanwhile, business confidence across the UK was the strongest since early-2015.



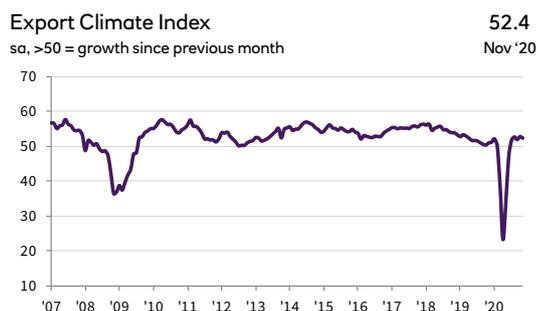
Exports

Moderate improvement in export climate

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.

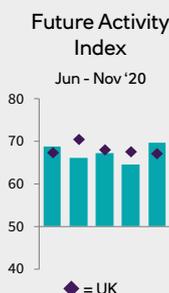
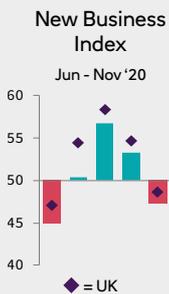
The index fell slightly from 52.9 in October to 52.4 in November, to signal moderate growth in export conditions. A strong upside to the latest data was a considerable rise in output across the USA, the fastest since March 2015.

Meanwhile, Germany and the Netherlands saw only modest upturns in November. Both Ireland and France recorded further declines in activity, with the latter seeing a steep downturn overall.



Top export markets, London

Rank	Market	Weight	Output Index, Nov '20
1	USA	26.8%	58.6
2	Ireland	9.0%	47.7
3	Germany	6.9%	51.7
4	Netherlands	6.8%	51.3
5	France	5.0%	40.6



Business capacity

Job shedding gathers pace

Employment continued to decline across London midway through the fourth quarter, with the rate of job shedding accelerating for the first time since July. A number of businesses reported having planned redundancies before the furlough scheme was extended to March 2021.

London registered the second-quickest fall in jobs of the 12 monitored UK areas, with the West Midlands seeing the strongest decrease.

Employment Index

sa, >50 = growth since previous month

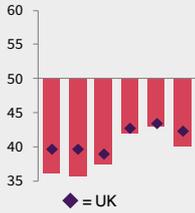
40.1

Nov '20



Employment Index

Jun - Nov '20



Outstanding Business Index

Jun - Nov '20



Backlogs fall for second month running

Businesses in the capital managed to lower backlogs further in November, as the respective seasonally adjusted index posted below 50.0 for the second month in a row.

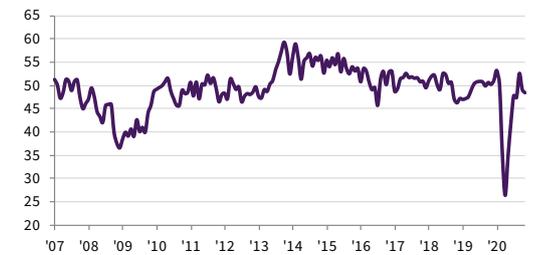
Moreover, the rate of decrease quickened from October, but was still only modest and slower than the national average. Firms linked the fall in outstanding work to weaker inflows of new orders and having completed some projects.

Outstanding Business Index

sa, >50 = growth since previous month

48.5

Nov '20



Prices

Input costs fall at fastest pace since September 2009

Cost pressures faced by London-based firms decreased for the fourth successive month in November. Notably, the fall in input prices was solid and the most marked for more than 11 years.

The capital continued to contrast with a steep rise in cost pressures seen on average across the UK. All 11 of the other monitored areas registered an uptick in costs.

Input Prices Index

sa, >50 = inflation since previous month

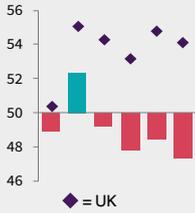
47.3

Nov '20



Input Prices Index

Jun - Nov '20



◆ = UK

Charge discounting sharpens despite stabilisation across UK

London firms continued to reduce output charges at a steep pace during the latest survey period. The rate of discounting quickened, as the seasonally adjusted Prices Charges Index fell to broadly on a par with September's four-month low.

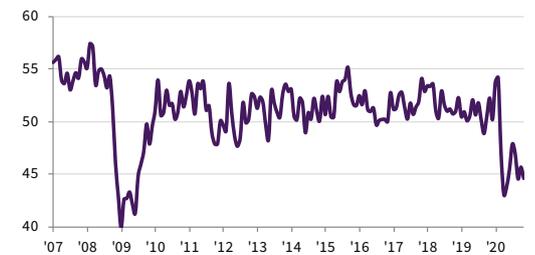
Again, the drop in selling prices was the sharpest seen across the UK, while on average there was a broad stabilisation of charges nationwide.

Prices Charged Index

sa, >50 = inflation since previous month

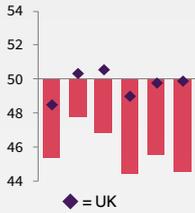
44.6

Nov '20



Prices Charged Index

Jun - Nov '20



◆ = UK



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, Nov ' 20*
1	Textiles & Clothing	2.65	55
2	Food & Drink	1.89	55
3	Wood & Paper	1.65	50
4	Other Manufacturing	1.25	55
5	Electrical & Electronic	0.86	55
6	Transport Equipment	0.67	55
7	Metals & Metal Products	0.63	55
8	Chemicals, Rubber & Plastics	0.54	55
9	Machinery & Equipment	0.44	55

London specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov ' 20*
1	Financial Intermediation	1.48	50
2	Computing & IT Services	1.05	50
3	Business-to-business Services	0.96	50
4	Other Services	0.95	50
5	Hotels, Restaurants & Catering	0.71	30
6	Transport & Communication	0.71	50

UK sector focus

Computing & IT Services

According to latest detailed PMI data, Computing & IT Services was the UK's strongest-performing services sector in the three months to November, showing notable resilience to the second wave of coronavirus infections and the subsequent tightening of containment measures. Since its initial rebound back in the summer, the sector has enjoyed consistently strong growth, with latest data showing the fastest upturn in business activity since mid-2019.

The sector also defied the broader trend in UK employment, recording a solid increase in workforce numbers that was the quickest since March. Job creation was supported by rising backlogs of work and growing optimism towards the outlook.

Latest data did, however, point to a squeeze on margins, with firms as yet unable to pass on higher costs to clients through increased charges.

Output Index

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



UK Regional PMI overview

Business Activity

Just five of the 12 monitored UK regions recorded higher business activity in November, the lowest number since June. The strongest-performing area was the South East, though even here growth slowed sharply to the weakest for five months. At the other end of the scale, Northern Ireland* saw the steepest drop in business activity, followed by Wales. The latter, like Scotland, did however register a slower rate of contraction than in October.

Employment

November saw another broad-based decrease in private sector employment across the UK. The West Midlands, London and North East recorded the fastest overall rates of job losses respectively, with workforce numbers falling more quickly than in October in all three cases. The East of England and East Midlands registered the joint-slowest overall rate of staff cuts, though the declines were still considerable by historical standards.

Future Activity

There was a general improvement in firms' expectations for activity over the next 12 months in November. Those in Yorkshire & Humber were once again the most optimistic, recording their highest level of confidence for almost four years. Notably, sentiment in Northern Ireland turned positive for the first time since February, albeit with expectations remaining muted by historical standards and still the lowest of all UK areas.

Business Activity Index

sa, >50 = growth since previous month, Nov '20



Employment Index

sa, >50 = growth since previous month, Nov '20



Future Activity Index

>50 = growth expected over next 12 months, Nov '20



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



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
Jun '20	46.2	44.9	46.9	68.7	36.2	41.9	48.9	45.4
Jul '20	55.5	50.4	51.7	66.2	35.7	47.8	52.3	47.8
Aug '20	56.4	56.7	52.8	67.2	37.4	47.4	49.2	46.9
Sep '20	55.1	53.3	52.0	64.6	42.0	52.6	47.8	44.5
Oct '20	51.4	47.2	52.9	69.6	43.0	49.2	48.4	45.6
Nov '20	48.2	49.0	52.4	75.2	40.1	48.5	47.3	44.6

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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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