



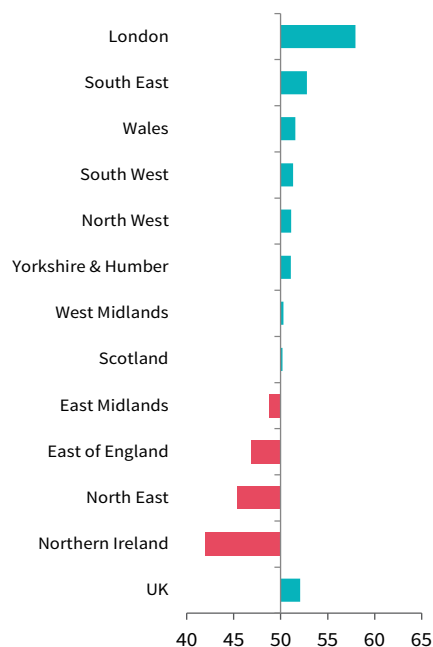
NatWest UK Regional PMI[®]

High inflation strains demand across a growing number of UK regions in July

UK Regional PMI

Business Activity Index

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



Key findings

Nine out of 12 regions record reduced inflows of new business in July

London maintains its recent outperformance

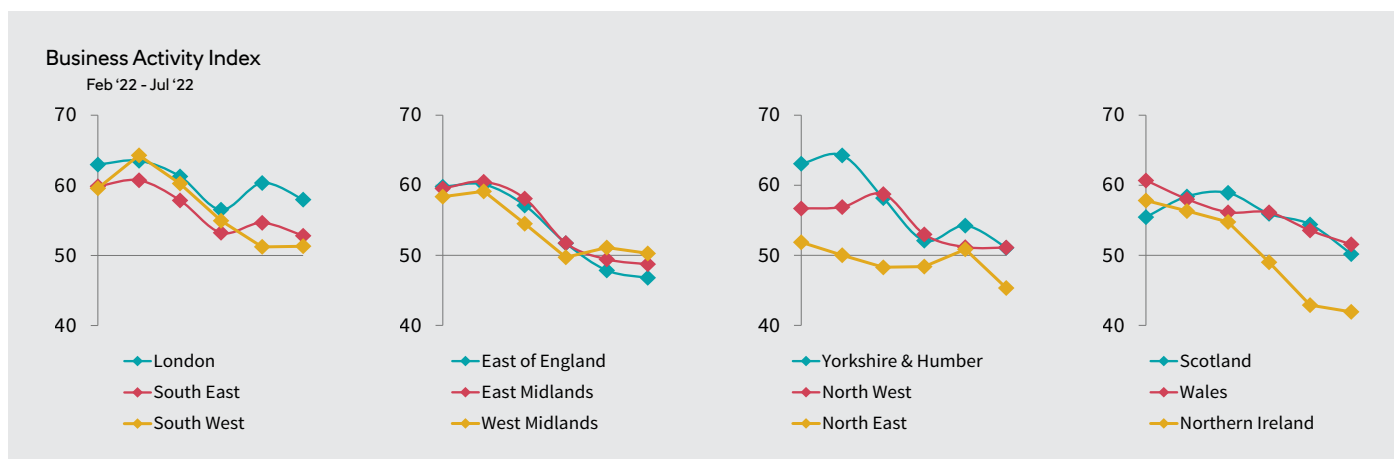
Business costs and output prices rise sharply, but rates of inflation slow

The number of UK regions reporting growth in business activity fell to its lowest since February 2021 in July, amid signs of a broadening slowdown in demand for goods and services due in part to high inflation, latest Regional PMI[®] data from NatWest showed.

The PMI Business Activity Index is the first fact-based indicator of regional economic health published each month, tracking the monthly change in the output of goods and services across the private sector. A reading above 50 signals growth, and the further above the 50 level the faster the expansion signalled.

Eight of the 12 monitored UK regions recorded higher business activity in July, the fewest since February 2021 (four). London (index at 58.0) saw by far the strongest expansion, but even here the rate of expansion slowed, as was the case in six other areas. These included the West Midlands (50.3) and Scotland (50.2) where growth came close to stalling. Northern Ireland* (41.9) remained at the bottom of the rankings, while lower output was also seen in the North East (45.3), East of England (46.8) and East Midlands (48.7).

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



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About the UK Regional PMI® report

The NatWest UK Regional PMI® data are compiled by S&P Global from responses to questionnaires sent to companies that participate in S&P Global's UK PMI surveys. S&P Global compiles data for nine English regions, Scotland, Wales and Northern Ireland (NUTS 1 definitions).

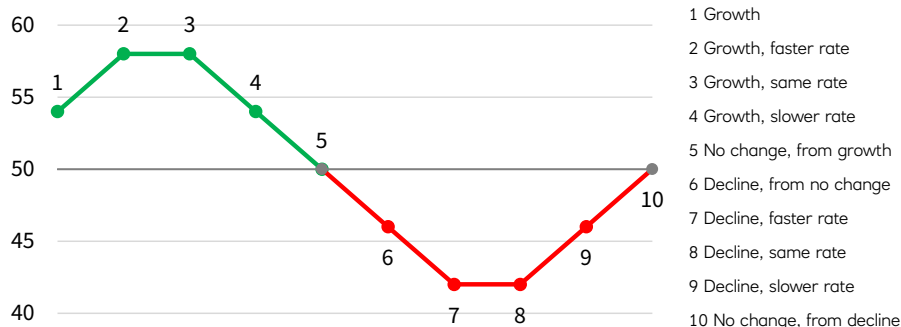
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 for each region 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 Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Index interpretation

50.0 = no change since previous month



Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"The effects of high inflation, and heightened levels of uncertainty are starting to be seen across more and more parts of the UK, with three-quarters of regions recording lower inflows of new business in July as the cost-of-living crisis continues to weigh on demand for goods and services.

"Growth is being constrained as a result, with the number of regions

reporting higher activity (nine) falling to its lowest since February 2021 (four). Moreover, even in areas where output rose during the month, growth generally slowed and was, in some cases, reliant on backlogs of work built up earlier in the year.

"Of the 12 UK regions covered by the PMI surveys, London was the best performer heading into the second half of the year, recording the strongest growth in activity and ranking behind only the South East for job creation.

"Business confidence has taken a hit since Russia's invasion in Ukraine and the ensuing surge in energy and commodity prices, and although there was an improvement in some areas in July, growth expectations generally remained subdued by historical standards.

"Businesses have started to slow the rate at which they increase prices charged for goods and services as demand weakens. Even so, inflationary pressures remain uncomfortably high across the UK."

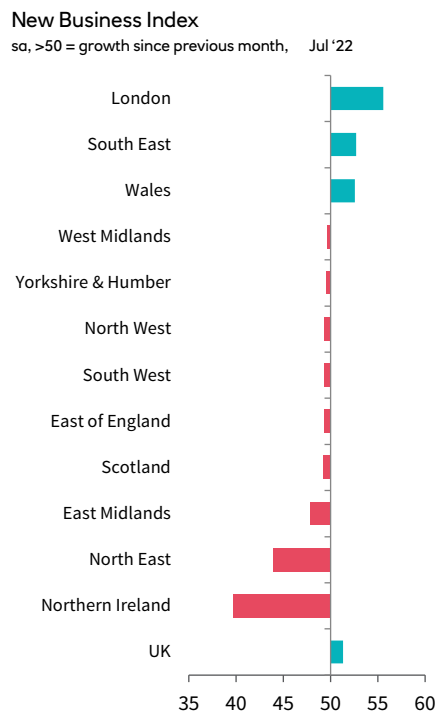
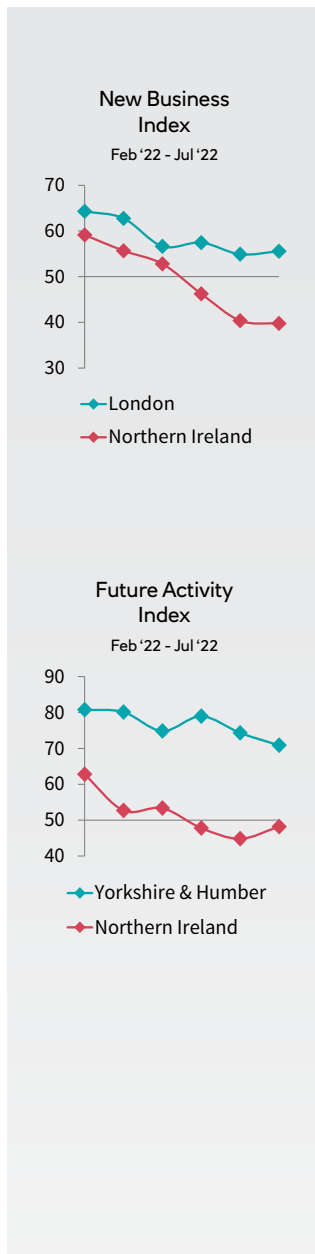
Demand and outlook

New business falls in the majority of regions

July's survey highlighted growing signs of weakness in demand, with nine out of the 12 monitored regions recording lower intakes of new business in July – the most since February 2021. Northern Ireland registered the steepest decline, followed by the North East. Growth in new work was confined to just London, the South East and Wales, with each seeing slightly faster increases than the month before.

Expectations generally remain positive, albeit subdued

Firms' expectations for future activity remained positive for the most part in July, with only those in Northern Ireland anticipating a decline in output over the next 12 months. Businesses in Yorkshire & Humber were the most optimistic about the outlook, despite confidence in the region have weakened from the previous month. Expectations also fell in the West Midlands, South East, East Midlands and South West.



Business capacity

Employment rises in nearly all areas

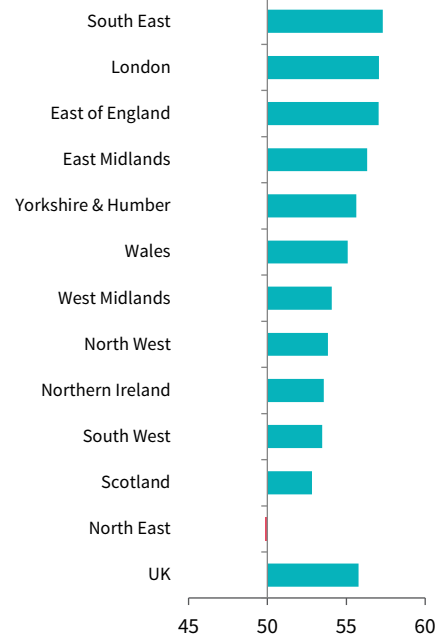
Rates of job creation generally remained robust across the UK in July. In fact, four regions even saw slightly faster increases in employment than the month before, including the South East which moved to the top of the rankings. The North East once again went against the broader trend, registering another marginal decline in workforce numbers, its third in the past four months.

More regions report falling backlogs of work

The number of regions reporting a decline in backlogs of work rose from seven (out of 12) in June to nine in July, as pressure on business capacity continued to ease in most parts of the UK. London was one exception, registering a further solid rise in outstanding business, alongside the West Midlands and East Midlands. The steepest fall in work-in-hand was in Northern Ireland.



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



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



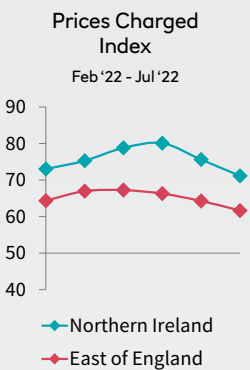
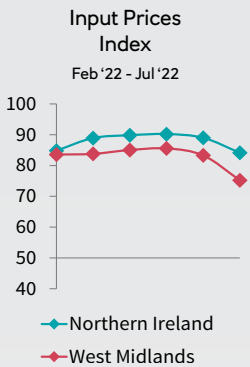
Prices

Cost inflation eases across the board

Whilst remaining elevated, rates of input price inflation faced by businesses eased across every monitored region in July. Northern Ireland topped the rankings but recorded its slowest rise in operating costs for 15 months. The most marked falls in input price inflation were recorded in the North East, Yorkshire & Humber and West Midlands, the last of which saw the weakest overall rise in costs.

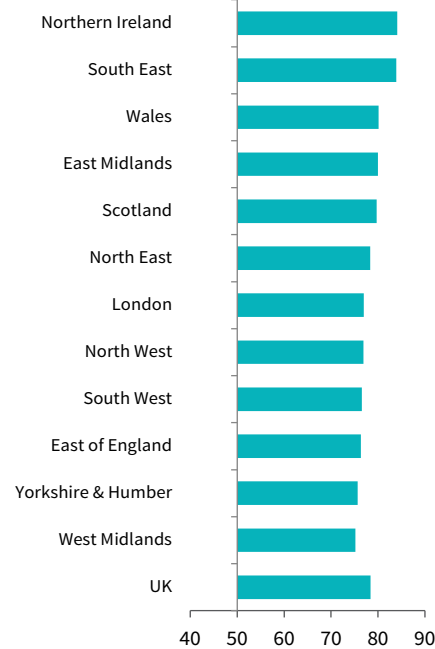
Slower, but still sharp, rises in prices charged

July saw a broad-based slowdown in rates of output price inflation, albeit from historically high levels the month before. Northern Ireland recorded the steepest overall rise in output prices, despite seeing the greatest deceleration in the rate of inflation. Firms in the East of England reported the slowest overall rise in charges, though even here the rate of increase was still well above the series long-run average.



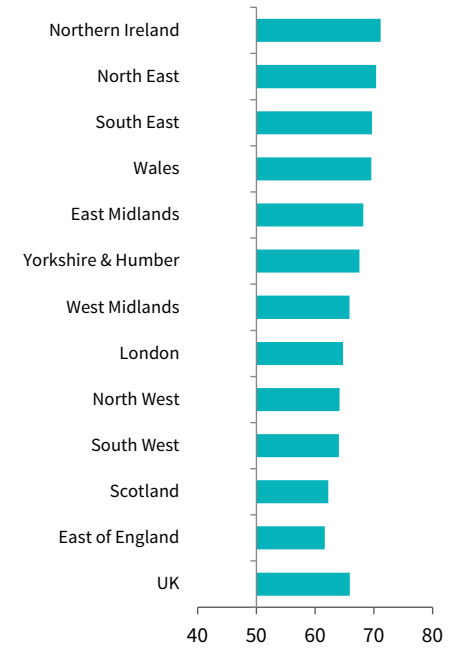
Input Prices Index

sa, >50 = inflation since previous month, Jul '22



Prices Charged Index

sa, >50 = inflation since previous month, Jul '22



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Jul '22

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	58.0	55.6	67.4	57.1	53.9	76.9	64.7
South East	52.8	52.7	64.6	57.3	49.2	83.9	69.7
South West	51.3	49.3	56.6	53.5	49.6	76.5	64.0
East of England	46.8	49.3	62.3	57.1	47.1	76.3	61.7
East Midlands	48.7	47.8	59.3	56.3	50.8	80.0	68.2
West Midlands	50.3	49.6	68.3	54.1	53.2	75.2	65.9
Yorkshire & Humber	51.1	49.5	70.9	55.6	48.6	75.7	67.5
North West	51.1	49.4	69.2	53.8	45.4	76.9	64.2
North East	45.3	43.9	52.7	49.8	45.6	78.3	70.4
Scotland	50.2	49.2	60.1	52.8	48.4	79.7	62.3
Wales	51.6	52.6	67.8	55.1	47.5	80.1	69.6
Northern Ireland	41.9	39.7	48.2	53.6	44.5	84.1	71.2

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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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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.

ihsmarkit.com/products/pmi.html

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