

NatWest UK Regional PMI[®]

June sees varying regional growth performances, but demand under pressure from high inflation across the UK

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Jun '22



Key findings

London outperforms in terms of both output and employment growth

Demand coming under pressure as five regions report a fall in orders

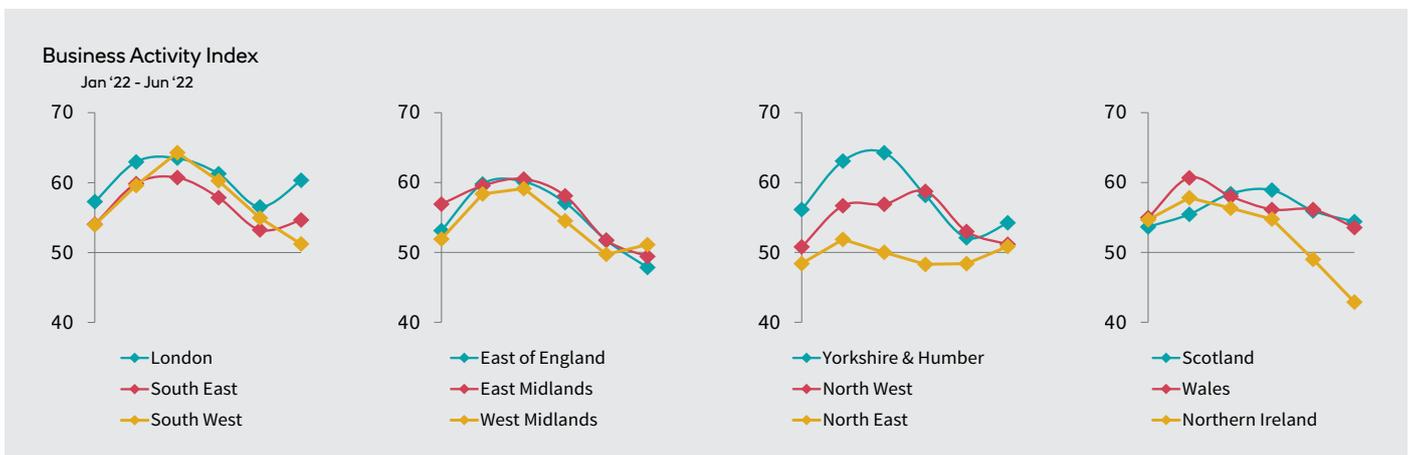
Business confidence wanes in most areas amid inflation concerns

Latest Regional PMI[®] data from NatWest showed levels of business activity across the UK diverging in June, with some pockets of solid growth contrasting with downturns elsewhere. All areas saw demand starting to come under pressure from persistently high inflation, however, with business expectations towards future activity falling in the majority of cases as a result.

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.

Regional performances varied markedly in terms of business activity in June. London led the growth rankings by some margin with a steep and accelerated rise in output (index at 60.3). However, three out of the 12 monitored areas recorded lower business activity, namely the East Midlands (49.4), East of England (47.9) and Northern Ireland* (42.9), the last of which saw output fall for the second month running and at the quickest rate since February 2021.

* 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).

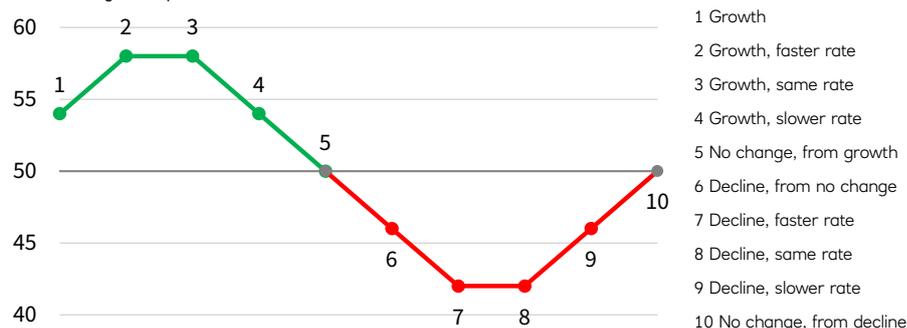
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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:

"There are signs that demand is beginning to falter across parts of the UK, under pressure from historically high inflation and strained by the uncertain economic outlook. Five out of the 12 regions monitored by the PMI data saw inflows of new business fall in June, the most since the lockdowns in early-2021, whilst the remaining areas all saw growth of new business slow.

"Weaker demand has started to weigh on the actual output of goods and services in some areas. However, other regions showed a greater degree of resilience to the growing headwinds in June, and none more so than London, which recorded the strongest growth in business activity throughout the second quarter.

"The capital once again outperformed on the employment front, which is in fact an area of positivity for most regions, with only the North East seeing workforce numbers decline

during June.

"Concerns over sustained high inflation served to dampen business confidence across most UK regions in June. Firms everywhere reported further hikes in prices charged for goods and services as they looked to offset rising costs, albeit with rates of increase ticking down in most cases from recent record highs."

Demand and outlook

New order trends weaken across the board

Just seven out of the 12 monitored regions recorded higher inflows of new work in June, the lowest number for 16 months. Even where an increase was recorded, the pace of growth slowed. Outright declines in demand were registered in the West Midlands, East of England, East Midlands, North East and Northern Ireland, the last of which saw a sharp downturn that was the steepest since February 2021.

New Business Index
sa, >50 = growth since previous month, Jun '22



Most areas see business confidence wane

Firms' expectations for activity in the year ahead generally worsened in June. Of the 12 monitored areas, only the West Midlands and Wales recorded stronger business confidence. Despite seeing sentiment weaken, Yorkshire & Humber remained the most optimistic region. Expectations were lowest in Northern Ireland, where they turned more pessimistic.

Future Activity Index
>50 = growth expected over next 12 months, Jun '22



Business capacity

Rates of job creation generally remain resilient

Employment rose in almost every region in June, the only exception being the North East. Here, staffing numbers fell – albeit fractionally – for the second time in the past three months. London recorded the strongest rate of job creation, as has been the case in each month since February. Five areas recorded a slower rate of employment growth than the month before, however.

Signs of capacity pressures easing

Seven out of 12 regions recorded lower backlogs of work in June, with a further three seeing rates of accumulation slow, in a sign of capacity pressures beginning to ease in most parts of the UK. This was particularly evident in the North East. London and the West Midlands bucked the trend, recording solid and accelerated increases in volumes of outstanding business.



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



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



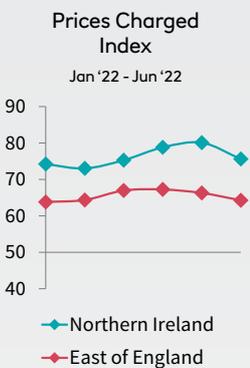
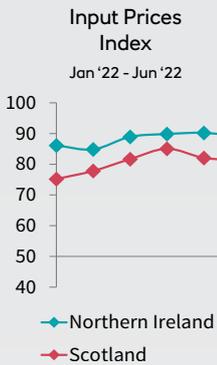
Prices

Rates of cost inflation remain elevated

Businesses across all parts of the UK continued to face severe cost pressure during June. Although rates of input price inflation ticked down slightly in most cases, they tended to remain at near-record highs. Northern Ireland saw the steepest rise in costs, followed by the North East, with the latter being the only region to see a faster increase than the month before.

Firms continue to hike prices charged for goods and services

Similar to the trends in input costs, rates of output price inflation remained historically elevated in June, despite retreating slightly from their recent peaks in the majority of cases. Northern Ireland topped the rankings ahead of the North East. The four lowest-ranked regions for cost increases, the East of England, Scotland, the South West and London, also occupied the bottom four positions for output price inflation.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	60.3	54.9	64.3	58.5	54.2	83.3	66.1
South East	54.6	52.2	68.5	56.1	49.8	86.4	71.3
South West	51.2	50.6	63.3	55.7	53.0	82.8	65.0
East of England	47.9	47.6	57.0	56.5	48.9	82.3	64.3
East Midlands	49.4	47.1	60.0	56.0	50.8	83.7	68.5
West Midlands	51.1	49.2	70.3	54.4	53.1	83.3	69.6
Yorkshire & Humber	54.2	50.5	74.3	57.0	51.5	84.4	71.6
North West	51.2	50.6	64.0	53.7	49.1	84.8	67.0
North East	50.9	45.1	52.0	49.8	44.7	87.2	74.0
Scotland	54.4	51.0	59.6	53.4	48.5	81.4	64.3
Wales	53.6	51.6	65.2	55.2	48.2	86.6	72.4
Northern Ireland	42.9	40.4	44.9	54.1	47.3	89.0	75.6

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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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