



NatWest

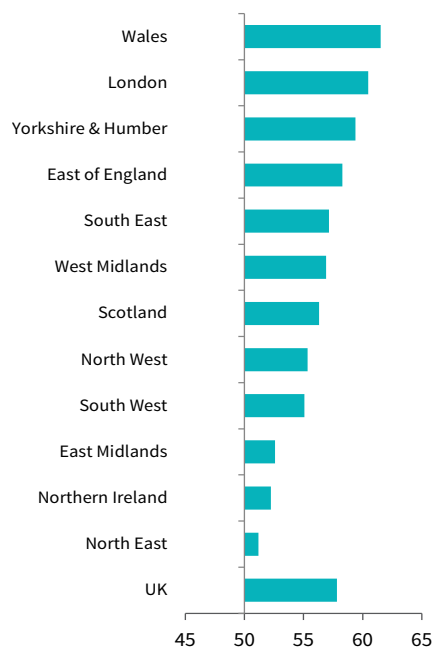
# NatWest UK Regional PMI<sup>®</sup>

## UK regions see business activity continue to recover, but outlook clouded by surging costs

### UK Regional PMI

#### Business Activity Index

sa, >50 = growth since previous month, Oct '21



### Key findings

Output levels rise across the board in October, but at varying speeds

Strong jobs growth amid widespread capacity constraints

Cost inflation at record highs in almost all areas, hitting confidence

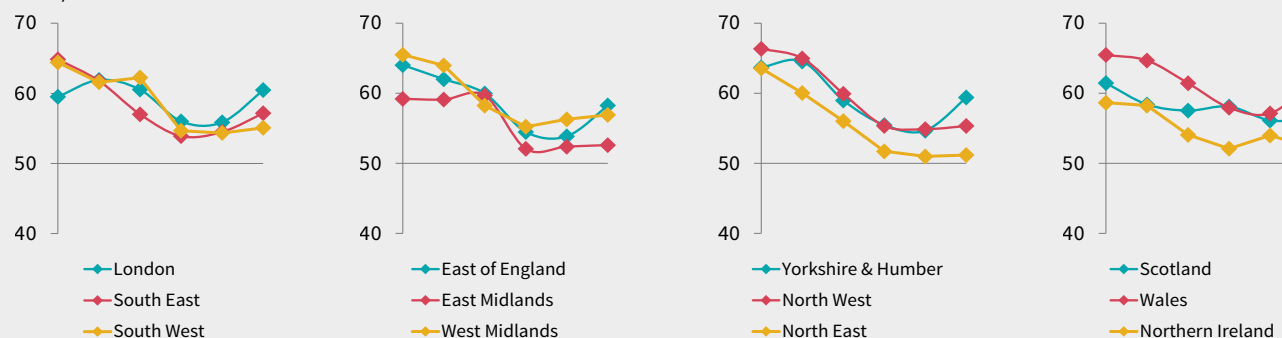
Most UK regions reported an upturn in growth during October, recording faster increases in output, new orders and employment, according to the latest Regional PMI<sup>®</sup> data from NatWest. However, the survey showed business cost pressures at an all-time high in almost all areas, amid increases in the price of energy and raw materials as well as higher wages. This often contributed to lower business confidence.

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.

Business activity rose across all regions and nations monitored by the survey in October, with rates of growth accelerating in the majority of cases. This included Wales, which topped the rankings for the second month running with an index of 61.5 ahead of London (60.5). The North East (51.2) recorded only a marginal rate of expansion and was once again the weakest-performing area for output growth.

#### Business Activity Index

May '21 - Oct '21



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## About the UK Regional PMI® report

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

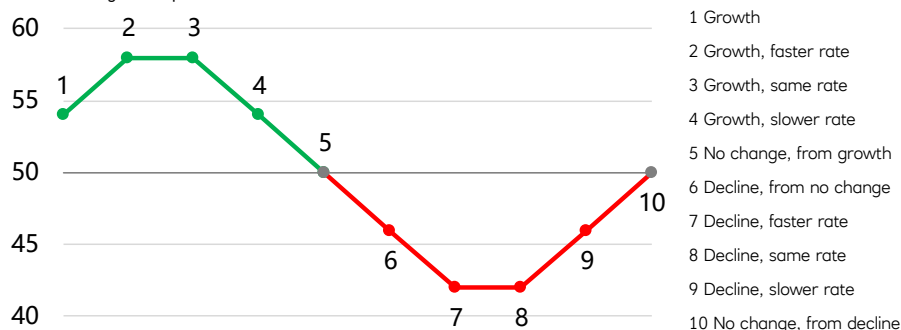
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"October's results can be described as a mixed bag. Signs of a pick-up in activity and employment growth across many areas have been somewhat overshadowed by sky-rocketing costs faced by businesses in all parts.*

*"One positive is that activity levels continued to recovery across every region and nation at the start of the fourth quarter, albeit with some carrying more momentum than others.*

*"We can also take encouragement*

*from a sustained broad-based rise in employment, as firms look to rebuild workforces and expand capacity in line with strengthened demand. However, businesses are having difficulty filling vacancies due to a tightening jobs market, which is not only holding back activity in some cases and contributing to rising backlogs of work, but also pushing up wages.*

*"When factoring in the surging prices of energy, raw materials and transportation, this has resulted in a cost environment unlike anything we've seen for at least two decades. Firms in almost every region and*

*nation recorded unprecedented increases in their operating expenses in October.*

*"These strong inflationary pressures, combined with related supply chain issues, have weighed on business confidence, which has seen a setback in the majority of areas in October. Still, firms generally remain positive about growth prospects in the coming year."*

## Demand and outlook

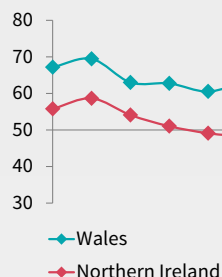
### Majority of regions see demand perk up

After losing momentum in most regions in September, inflows of new work generally reaccelerated in October. Wales remained out in front for new order growth, though even here the pace of increase was still below the highs during the early recovery phase in the second quarter. Northern Ireland saw a fall in new work for the second month running, while inflows broadly stagnated in the North East.

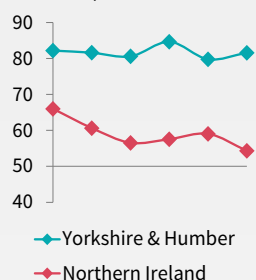
### Business confidence weakens in most areas

Businesses all across the UK remained upbeat about the outlook for activity over the coming year. The strongest optimism was recorded in Yorkshire & Humber, where confidence picked up slightly in October. In most areas, however, growth expectations moderated from the previous month, falling sharpest in the North West and Northern Ireland.

New Business Index  
May '21 - Oct '21



Future Activity Index  
May '21 - Oct '21



New Business Index

sa, >50 = growth since previous month, Oct '21



Future Activity Index

>50 = growth expected over next 12 months, Oct '21



## Business capacity

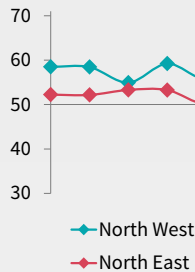
### Rates of employment growth generally gather pace

Latest data showed another broad-based rise in employment in October. Rates of job creation were fastest overall in the North West and London respectively, and even reached a series-record high in the case of the former. Most areas in fact recorded faster increases in employment than in September, including the lowest ranked region, the North East.

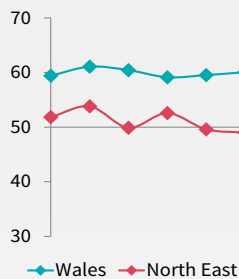
### Widespread capacity pressures recorded

A build-up of backlogs of work across 11 of the 12 monitored regions in October continued to indicate widespread capacity pressures across the economy. Wales recorded the most marked rise in outstanding business (by some margin), followed by the West Midlands and then Yorkshire & Humber. The North East saw the only fall in work-in-hand.

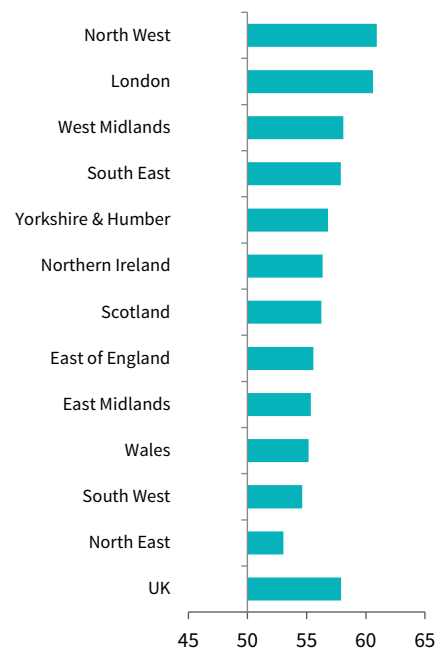
Employment Index  
May '21 - Oct '21



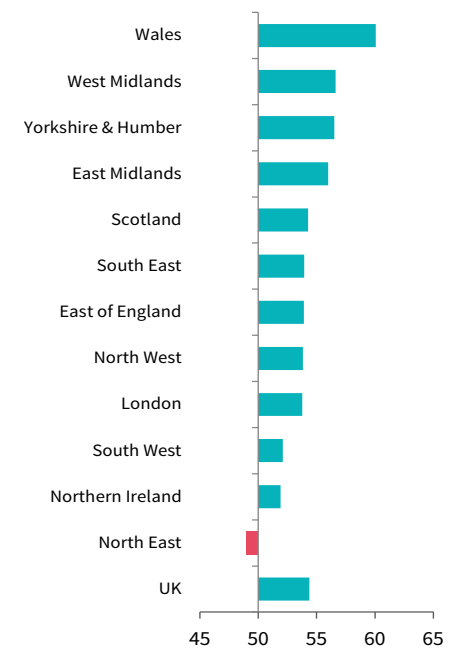
Outstanding Business Index  
May '21 - Oct '21



Employment Index  
sa, >50 = growth since previous month, Oct '21



Outstanding Business Index  
sa, >50 = growth since previous month, Oct '21



## Prices

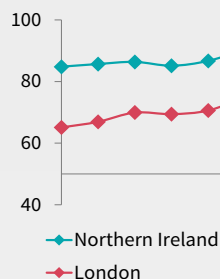
### Rates of cost inflation accelerate across the board

Latest data showed a universal acceleration in rates of input cost inflation at the regional level in October. Furthermore, they reached record highs in all but one case (the increase in the West Midlands was its third-fastest). Firms in Northern Ireland recorded the strongest overall cost pressures, while those in London faced the least marked (although still notably higher than at any time before).

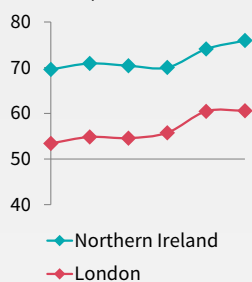
### Further sharp increases in prices charged

All regions saw further sharp increases in average prices charged for goods and services in October. Rates of inflation slowed only in the North West and Scotland, but even here they stayed close to their recent peaks. Northern Ireland and Wales recorded the steepest rises in output prices respectively, and were two of seven areas where rates of inflation hit all-time highs.

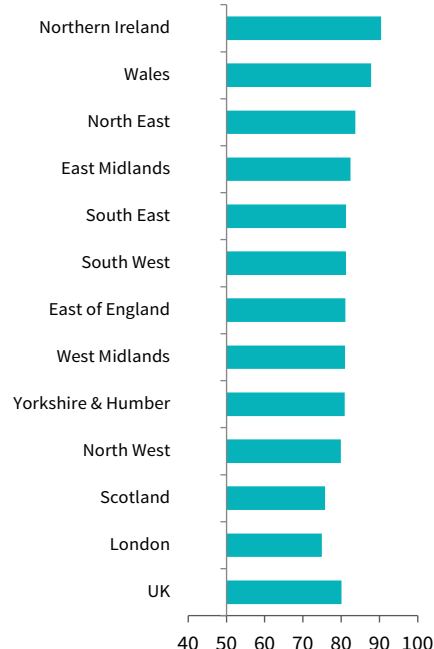
Input Prices Index  
May '21 - Oct '21



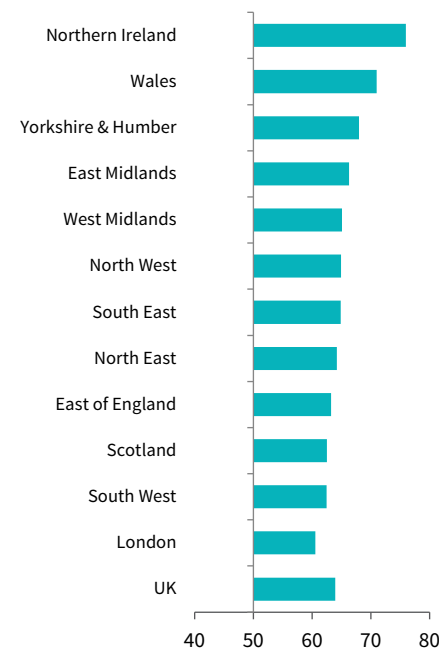
Prices Charged Index  
May '21 - Oct '21



Input Prices Index  
sa, >50 = inflation since previous month, Oct '21



Prices Charged Index  
sa, >50 = inflation since previous month, Oct '21





## Index summary

### UK regions

sa, 50 = no change over previous month / \*50 = no change over next 12 months, Oct '21

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	60.5	58.3	78.1	60.6	53.8	75.0	60.6
South East	57.2	57.8	80.2	57.9	53.9	81.3	64.9
South West	55.1	54.9	72.6	54.6	52.1	81.3	62.4
East of England	58.3	56.5	72.1	55.6	53.9	81.1	63.2
East Midlands	52.6	54.1	73.5	55.4	56.0	82.4	66.3
West Midlands	56.9	57.6	76.1	58.1	56.6	81.0	65.1
Yorkshire & Humber	59.4	56.3	81.6	56.8	56.5	81.0	68.0
North West	55.3	58.5	70.4	60.9	53.8	79.9	64.9
North East	51.2	50.2	66.6	53.0	49.0	83.7	64.2
Scotland	56.3	57.2	65.1	56.2	54.3	75.8	62.5
Wales	61.5	63.5	71.5	55.2	60.1	87.8	71.0
Northern Ireland	52.2	48.1	54.3	56.3	51.9	90.4	76.0

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### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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### About PMI

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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