

NatWest UK Regional PMI[®]

September sees further broad-based increase in business activity, but inflationary pressures intensify

UK Regional PMI

Business Activity Index

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



Key findings

Output levels continue recover in all areas, despite supply constraints

Rates of job creation generally soften amid labour shortages

Most regions see record output price inflation

Latest Regional PMI[®] data from NatWest showed further broad-based improvements in business activity and employment across all nations and regions in September. However, supply chain issues and labour shortages generally constrained growth, whilst also leading to strong upward pressure on costs and prices.

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.

There were pockets of strong business activity growth in September, with Wales (index at 57.1), the West Midlands (56.3), Scotland (56.1) and London (55.9) seeing the fastest increases respectively. A number of areas continued to see a loss of momentum, however, including the North East (51.0), which remained at the foot of the rankings and saw only a marginal rise in activity on the month.



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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).

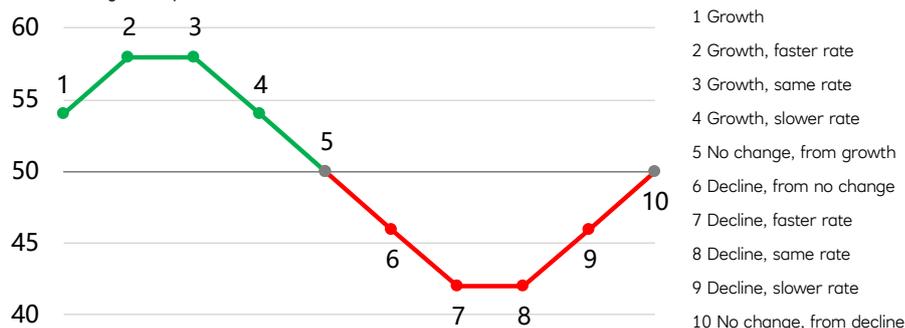
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"We've seen business activity levels rise across all nations and regions throughout the third quarter, as local economies continued to show signs of recovery. However, while growth has naturally slowed down compared to the initial reopening phase 'boom', it is also being increasingly constrained by supply chain issues and labour shortages.

"We saw notable increases in employment in most areas in September, but rates of job creation generally slowed as firms widely reported difficulty filling vacancies.

"These imbalances between supply and demand across both raw material and labour markets are generating sharp inflationary pressures in all parts of the UK. And with demand still recovering, we're seeing companies increasingly passing on higher costs to customers, with latest data showing record rates of output price inflation in seven of the 12 areas monitored by the survey.

"Though expectations generally remain positive, business confidence has taken a bit of knock in most regions. And that's even before factoring in the impact of the fuel

crisis and surge in energy prices, which the survey data for September won't have fully captured."

Demand and outlook

Wales continues to lead new order growth

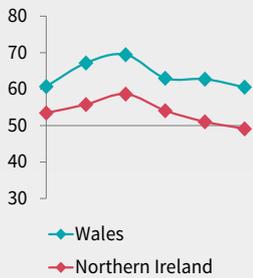
Demand continued to improve across almost all areas in September. The only exception was Northern Ireland, where new business fell – albeit marginally – for the first time in six months. Wales recorded the strongest overall rate of new order growth for the third successive month, though the South East was the only region to register a faster rate of increase than in the previous survey period.

Broad-based optimism towards future activity

Expectations towards activity over the coming year remained strongly positive in all areas in September. For the third time in the past five months, firms in the South East showed the strongest optimism, followed by their counterparts in Yorkshire & Humber. Confidence eased in the majority of areas, however. Northern Ireland was one of the exceptions but still recorded the weakest sentiment overall.

New Business Index

Apr '21 - Sep '21



Future Activity Index

Apr '21 - Sep '21



New Business Index

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



Future Activity Index

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



Business capacity

London tops rankings for employment growth

Rates of job creation generally eased in September. Still, employment rose notably across the majority of nations and regions, the only exception being the North East, where the level was little-changed since August. The fastest rate of workforce growth was once again recorded in London, with Wales and Scotland ranked second and third respectively.

Majority of areas continue to see a build-up of backlogs

Ten of the 12 monitored areas saw a rise in outstanding business in September, with firms in the North East and Northern Ireland reported renewed – albeit marginal – declines. Those in Wales recorded the most marked build-up of backlogs, as has been the case in each of the past four months. Slower rates of accumulation were recorded in most regions, however.



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



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



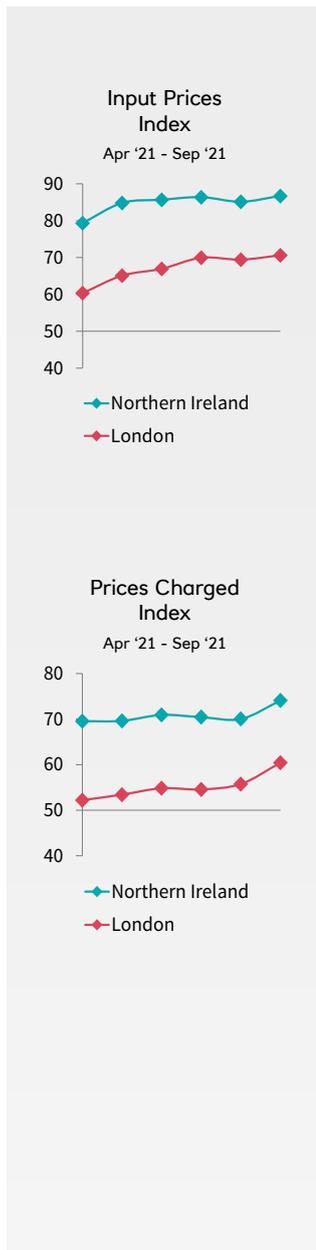
Prices

Firms in all regions face sharply rising costs

Cost pressures remained universally strong across all nations and regions in September. Northern Ireland recorded the sharpest rate of input price inflation, followed by Wales and the West Midlands respectively. London was at the bottom of the rankings, though even here the rate of increase in operating expenses accelerated and was at a record high (since 1997).

Seven areas register record output price inflation

All regions recorded faster increases in output prices in September. Furthermore, in seven of the 12 monitored areas, the rate of inflation was at a series-record high. Northern Ireland once again registered the steepest rise in average prices charged, followed by Wales. Despite seeing a notable acceleration in the rate of output price inflation, London remained at the foot of the rankings.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	55.9	54.9	78.7	60.6	54.5	70.6	60.4
South East	54.5	56.3	80.4	55.6	54.7	76.6	62.8
South West	54.3	50.9	74.3	56.1	53.1	74.4	61.0
East of England	53.9	54.4	68.6	55.0	54.2	75.6	61.1
East Midlands	52.4	51.7	77.4	53.1	55.4	77.6	64.8
West Midlands	56.3	57.3	76.8	56.3	55.6	78.0	64.7
Yorkshire & Humber	54.7	53.9	79.8	55.0	54.5	77.1	66.1
North West	54.9	54.1	76.1	55.9	53.6	77.4	66.4
North East	51.0	50.6	64.0	50.1	49.6	77.5	63.9
Scotland	56.1	54.8	63.7	56.4	50.3	73.3	62.7
Wales	57.1	60.5	73.5	57.7	59.5	79.2	68.0
Northern Ireland	54.0	49.1	59.0	54.9	49.7	86.7	74.1

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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.

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.

ihsmarkit.com/products/pmi.html

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