



NatWest UK Regional PMI[®]

Business activity growth cools across nearly all regions in August

UK Regional PMI

Business Activity Index

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



Key findings

Scotland tops growth rankings as rates of expansion slow elsewhere

Job markets show further recovery, helped by rising backlogs of work

Price pressures remained elevated despite easing in most areas

Nearly all regions and nations of the UK recorded slower growth in business activity in August, latest Regional PMI[®] data from NatWest revealed, as the post-lockdown recovery showed a further loss of momentum. Employment nevertheless continued to rise across all areas amid broad-based pressure on business capacity, with firms' expectations also brightening.

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 growth eased across the majority of regions for the third month in a row in August. Only Scotland, which recorded an index reading of at 58.1 and topped the rankings narrowly ahead of Wales (58.0), saw a faster rate of expansion than in July. The weakest increases in output were recorded in the North East (51.7), East Midlands and Northern Ireland* (both 52.1).

*Coverage in Northern Ireland also includes construction and retail.



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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).

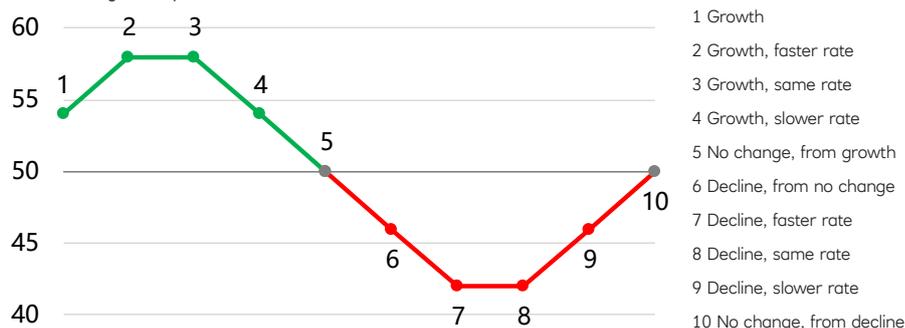
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Growth rates across UK regions are starting to settle down after the post-lockdown boom in activity we saw during the spring and early summer.

"However, we're still seeing notable increases in business activity in some areas, including Scotland, which defied the broader slowdown in August to move to the top of the growth rankings.

"Across the UK, business activity is being somewhat constrained by material and staff shortages, which is highlighted by a sustained broad-based rise in backlogs of work. The survey suggested that firms in Wales and the West Midlands had particular

difficulty keeping up with demand.

"Rates of job creation generally remained strong and even accelerated in the majority of regions in August, with firms urgently looking to expand staffing capacity. This is adding pressure on company margins however, amid widespread reports of higher wages.

"On a positive note, expectations for activity in the coming year brightened across most parts during August, hinting that there's greater optimism among businesses that the current supply issues and associated prices pressures will eventually ease."

Demand and outlook

Wales records strongest rise in new business

Inflows of new business rose across all regions and nations in August, albeit at varying speeds. Wales recorded a sharp rate of growth and topped the rankings for the second month running, ahead of the West Midlands and Scotland respectively. At the other end of the scale, firms in Northern Ireland saw only a marginal increase, and one that was the weakest for five months.

Expectations improve in most regions

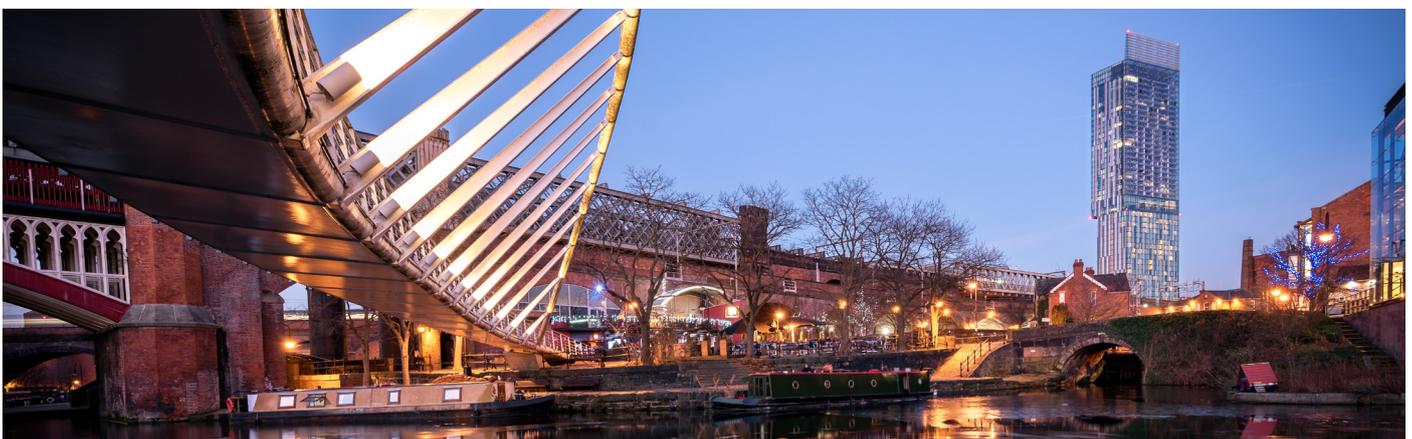
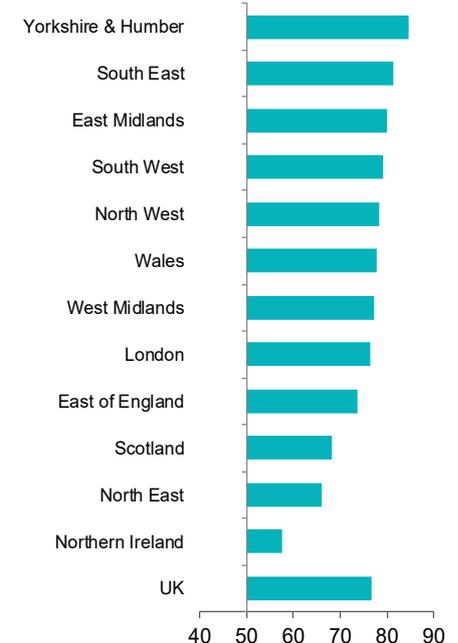
Most areas in August saw an improvement in firms' expectations towards future activity. The strongest increases in confidence were recorded in Wales and the South West respectively. Yorkshire & Humber also saw a notable improvement and regained the top spot in the rankings from the South East, which was second overall. Firms in Northern Ireland once again recorded the lowest optimism.



New Business Index
sa, >50 = growth since previous month, Aug '21



Future Activity Index
>50 = growth expected over next 12 months, Aug '21



Business capacity

Regional labour markets continue to recover...

Rates of job creation accelerated in eight of the 12 monitored regions in August. This included London, which recorded its steepest rise in workforce numbers on record and led employment growth for the first time since the pandemic began. Firms in the North East recorded the slowest rate of hiring, and one that was unchanged from the previous month.

... supported by rising levels of outstanding business

August saw a further broad-based increase in backlogs of work, highlighting a sustained rise in pressure on business capacity in all regions. Firms in Wales recorded the most marked accumulation of outstanding business for the third month a row, with neighbouring West Midlands also seeing a particularly sharp increase. The slowest rise was in Scotland.



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



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



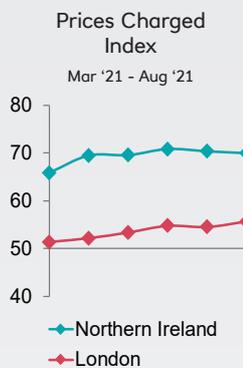
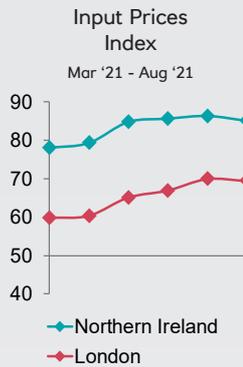
Prices

Cost pressures remain historically elevated

Latest data showed a sharp rise in input prices across all parts of the UK in August. The West Midlands, North West and Scotland each recorded slightly fastest increases, but all other areas saw rates of cost inflation ease from (but stay close to) July's record highs. Northern Ireland and London were top and bottom respectively for input price inflation, as has been the case since the start of the year.

Rates of output price inflation soften in most areas

Ten of the 12 monitored regions recorded slower increases in output prices in August. Still, rates of inflation generally remained sharp by historical standards, particularly in Northern Ireland. Firms in London and West Midlands bucked the trend and registered slightly faster rates of inflation, with the former posting the steepest rise for almost 13-and-a-half years.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	56.0	55.3	76.4	61.7	53.3	69.4	55.7
South East	53.9	54.9	81.4	59.7	54.7	74.2	57.7
South West	54.7	54.8	79.1	61.6	54.5	76.9	60.3
East of England	54.5	54.7	73.7	57.6	54.8	76.3	60.1
East Midlands	52.1	52.9	80.0	54.5	55.7	77.2	62.0
West Midlands	55.2	59.8	77.2	58.2	58.1	78.3	62.2
Yorkshire & Humber	55.5	56.1	84.6	56.7	55.4	77.1	62.9
North West	55.3	55.1	78.4	59.2	54.4	76.1	63.5
North East	51.7	55.6	65.9	53.3	52.6	76.3	62.1
Scotland	58.1	57.2	68.3	54.6	52.0	70.7	59.5
Wales	58.0	62.7	77.8	58.1	59.1	79.1	64.0
Northern Ireland	52.1	51.0	57.6	53.5	52.5	85.1	70.0

Contact

Kate Visser
Regional Campaign Manager
NatWest
+44 (0) 7970 947694
kate.visser@natwest.com

Phil Smith
Economics Associate Director
IHS Markit
+44 1491 461 009
phil.smith@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
+44-2072-602-234
joanna.vickers@ihsmarkit.com

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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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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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