

# NatWest UK Regional PMI<sup>®</sup>

## Business activity continues to recover across all regions in July, but rates of growth slow in most cases

### UK Regional PMI

Business Activity Index

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



### Key findings

Ten out of 12 regions record slower increases in output levels

Employment rises across the board, but often with waning momentum

Rates of cost inflation at record high in majority of areas

Levels of business activity continued to recover across all regions of the UK during July, albeit with rates of growth generally pulling back from the highs seen in the second quarter, latest Regional PMI<sup>®</sup> data from NatWest showed. Elsewhere, firms across the majority of areas reported unprecedented cost increases, with charges for goods and services generally rising sharply 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.

Topping the growth rankings in July was the South West, recording a Business Activity Index reading of 62.2. However, it was one of only two regions, alongside the East Midlands (59.7; ranked sixth overall), to see a faster increase in output. Northern Ireland\* (54.1) was one of the areas that saw a loss of momentum and remained at the foot of the table.

\*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).

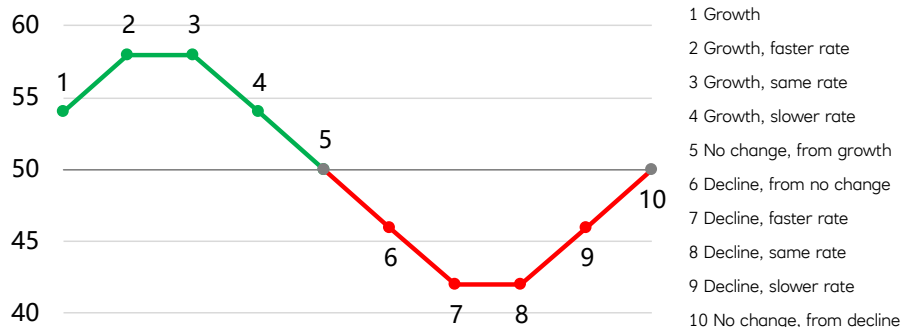
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Latest data showed a sustained broad-based recovery in business activity levels across all regions and nations of the UK at the beginning of the third quarter. Rates of growth have generally eased, however, with demand in almost all areas rising less sharply than during the earlier reopening phase in the second quarter.

"The South West bucked the slowdown and recorded the strongest overall growth in July, with firms in the region reporting a particularly strong boost from

the latest easing of restrictions and benefiting from a 'staycation' boom.

"In line with recovering levels of activity, businesses in all corners of the country continued to take on more staff, with rates of job creation remaining historically strong despite also easing in most cases since June.

"Another common, albeit less positive feature across all areas of the UK is a sharp rise in cost pressures faced by businesses. We saw unprecedented input price increases across three-quarters of regions in July, reflecting widespread upward pressure on raw material costs and wages.

"Although businesses remain confident about the outlook, growth expectations softened across the majority of areas. This is inevitable as we get closer to pre-pandemic levels of output, but it also reflects a number of concerns among businesses about supply bottlenecks, difficulty finding suitable staff, and associated inflationary pressures that could constrain future demand."

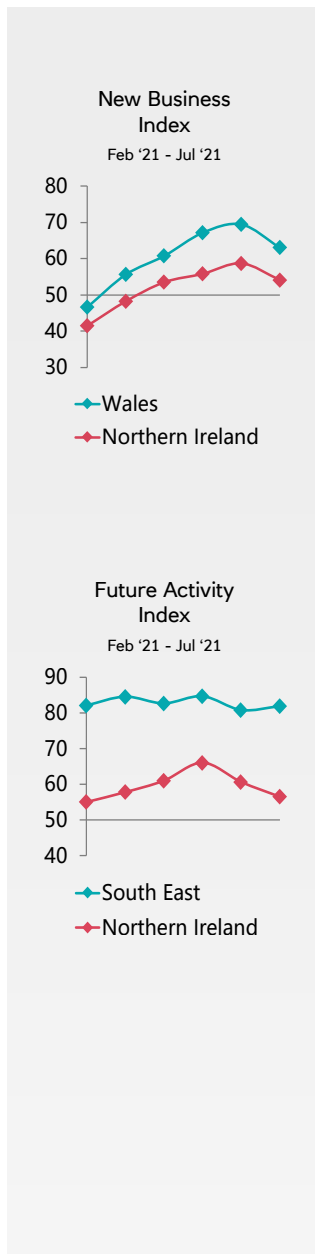
## Demand and outlook

### Sustained broad-based recovery in demand

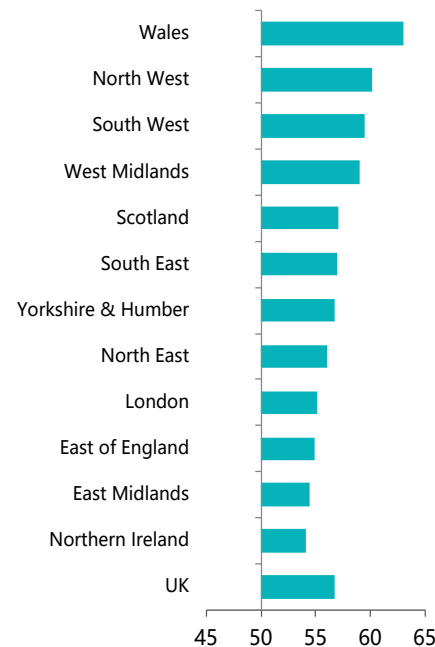
For the fourth month running, all 12 regions monitored by the survey recorded a rise in inflows of new business. Rates of growth generally remained strong but eased notably in many cases. This included Wales, which nevertheless moved from second to first in the rankings ahead of the North West. Northern Ireland recorded the slowest increase in new work behind the East Midlands.

### Optimism softens in two-thirds of areas

Firms in all parts of the UK remained upbeat about the year-ahead outlook for activity in July. Those in the South East reported the strongest optimism, followed by Yorkshire & Humber. However, the latter, like two-thirds of the regions monitored, recorded lower expectations than in June. Sentiment was weakest in Northern Ireland, where it dipped to a five-month low.



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



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



## Business capacity

### Employment levels continue to recover across all regions

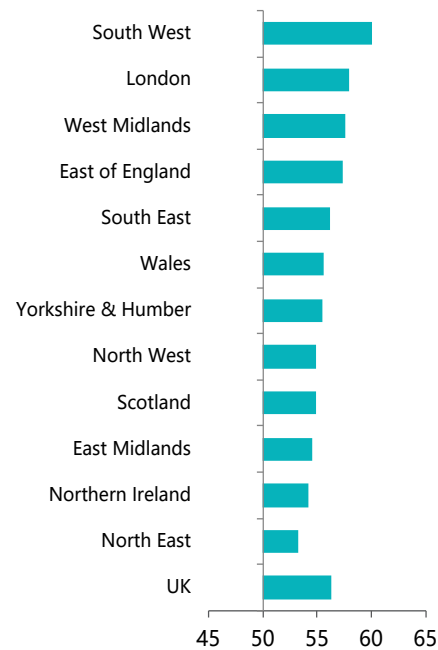
The South West was the best-performing region for employment growth in July, seeing the rate of job creation accelerate to a record high. The majority of areas, however, recorded slower increases in workforce numbers than in June. The North East and Northern Ireland were two other exceptions, though the pair still registered the slowest overall rises in staffing levels.

### Wales records steepest rise in backlogs of work

Latest data showed a build-up of outstanding business across 11 of the 12 monitored areas in July. Wales recorded the steepest rise in backlogs of work by some margin. Next in the rankings was the South West, which was one of just three regions where the rate of accumulation accelerated. At the other end of the scale, firms in the North East recorded broadly unchanged levels of work-in-hand.



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



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





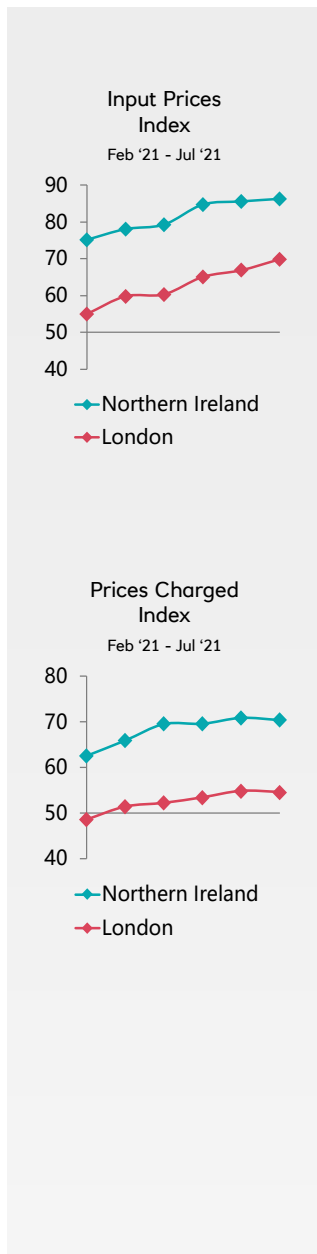
## Prices

### Cost inflation continues to rise across most areas

Record rates of cost inflation were seen across three-quarters of the monitored regions in July. This included Northern Ireland, which once again topped the rankings. The South West saw the greatest acceleration in input price inflation to sit in second place overall. The lowest cost pressures continued to be seen in London, though even here the rate of increase was a series record.

### Output prices up steeply across the board

Acute cost pressures drove steep increases in average prices charged for goods and services across all regions in July, albeit at varying rates of inflation. Output price increases were sharpest overall in Northern Ireland, followed by the East Midlands and Wales respectively. London meanwhile saw the slowest rise, with the rate of inflation dipping slightly since June (but still historically strong).



## Index summary

### UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	60.5	55.1	74.2	58.0	55.4	69.9	54.6
South East	57.0	56.9	81.9	56.2	56.7	78.6	62.2
South West	62.2	59.5	72.9	60.0	57.5	80.4	63.5
East of England	60.0	55.0	74.6	57.4	56.9	78.6	63.0
East Midlands	59.7	54.4	77.6	54.6	53.8	79.4	65.8
West Midlands	58.3	59.0	74.4	57.6	54.7	77.9	62.0
Yorkshire & Humber	59.0	56.8	80.6	55.5	54.9	80.3	64.5
North West	59.9	60.2	75.2	55.0	56.0	75.5	64.7
North East	56.0	56.1	65.4	53.3	49.9	79.1	65.0
Scotland	57.5	57.1	70.7	54.9	54.2	70.6	62.1
Wales	61.4	63.0	71.0	55.6	60.4	79.6	65.5
Northern Ireland	54.1	54.1	56.6	54.2	55.3	86.4	70.4

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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](https://ihsmarkit.com/products/pmi.html)

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