

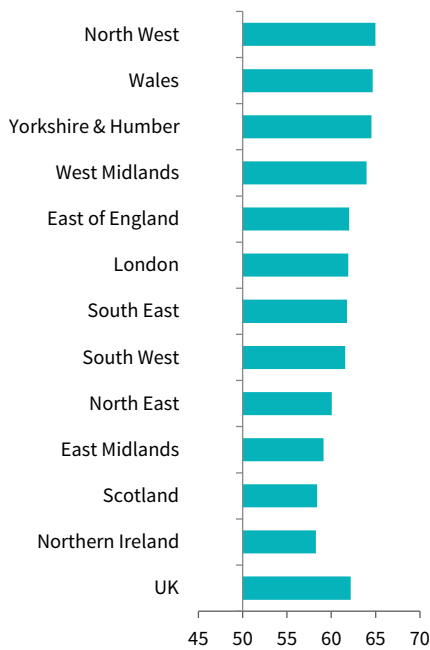


NatWest UK Regional PMI[®]

Further strong rises in business activity seen throughout the UK in June

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Jun '21



Key findings

Regional output levels continue to recover, supported by rising demand

Continued broad-based rebound in employment levels

Price pressures intensify, reaching new record highs in majority of areas

Latest Regional PMI[®] data from NatWest showed an ongoing broad-based recovery in business activity and employment across the UK in June. Rates of growth in business activity generally remained strong, but eased since May in most cases.

The rebound in demand for goods and services was accompanied by increasing inflationary pressures, with nine out of the 12 regions monitored by the survey posting record rises in prices charged as firms' costs continued to soar.

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.

The North West topped the regional growth rankings for a second straight month in June, its Business Activity Index coming in at 65.0. However, only Yorkshire & Humber (64.5) and London (61.9), which were ranked third and sixth overall respectively, saw faster increases in business activity compared to May. Northern Ireland (58.2) and Scotland (58.4) were at the foot of the table, though even here rates of growth remained strong by historical standards.



Contents

- [About the report](#)
- [Comment](#)
- [Demand and outlook](#)
- [Business capacity](#)
- [Prices](#)
- [Index summary](#)
- [Contact](#)

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).

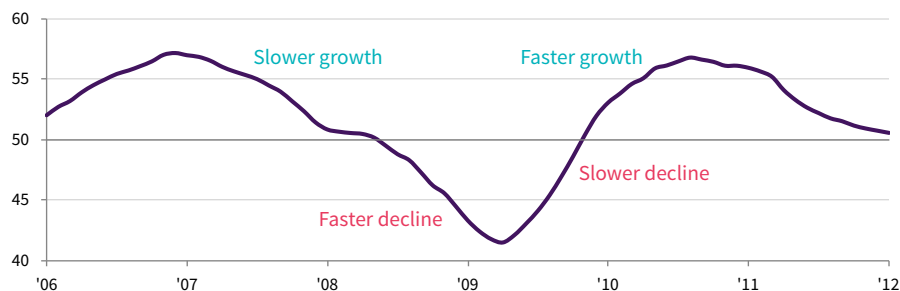
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

“June’s PMI results rounded off a strong second quarter of growth for all UK regions and nations as business activity levels continued to bounce back following the gradual loosening of restrictions. Rates of expansion eased in most areas from the highs seen in May, though another broad-based rise in backlogs of work indicates that supply still has some way to catch up with demand, indicating plenty of scope for further increases in business activity and employment throughout the UK as we head into the third quarter.”

“At the same time, however, we’re seeing businesses in all corners of the UK coming under increased pressure from rising costs. This is underscored by three-quarters of UK regions registering record inflation in prices charged for goods and services. Notably, we continue to see marked variations in regional inflation, with London recording well below average rates of increase in costs and output prices.”

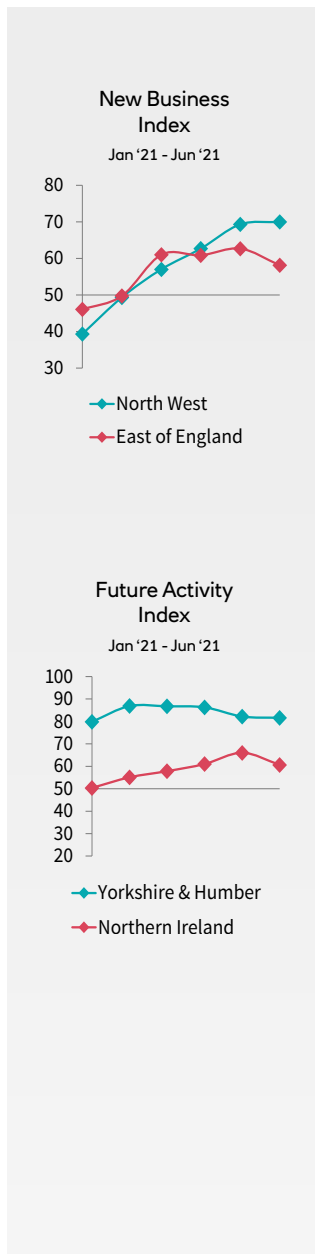
Demand and outlook

All areas see strong growth in new orders

Demand for goods and services continued to rise across all areas of the UK in June, as highlighted by a further broad-based increase in new business. Rates of growth were generally strong, though the North West and Wales saw particularly steep increases in new work. The East of England, which was one of eight regions where the pace of expansion eased since May, was at the foot of the rankings for new business.

Growth expectations moderate in most regions

Sentiment towards future activity was generally positive in June. However, only Wales (ranked third overall) and the South West (fifth) saw growth expectations improve since May. Firms in Yorkshire & Humber recorded the highest degree of optimism, as has been the case in five of the past six months, while those in Northern Ireland were the least upbeat.



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



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



Business capacity

Further broad-based rise in employment

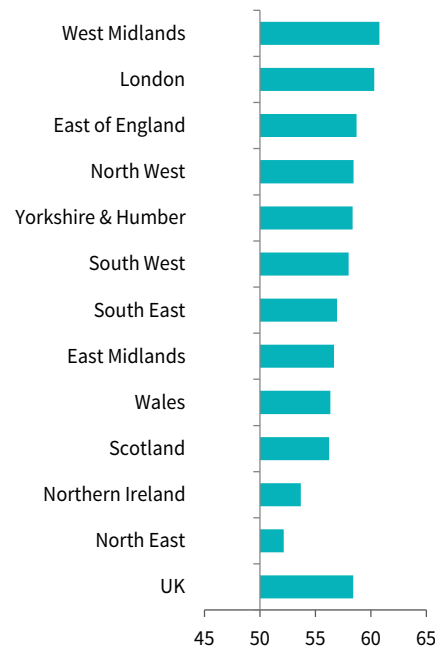
The West Midlands led a broad-based increase in regional employment in June. Rates of job creation accelerated in five out of 12 cases and were unchanged in three others. Wales saw the greatest acceleration in the pace of workforce growth, although still ranked only ninth overall, ahead of Scotland, Northern Ireland and the North East.

Firms in all regions struggle to keep pace with demand

All 12 regions monitored by the survey saw a rise in outstanding business in June, in a sign of firms in every part of the UK struggling to keep pace with demand. The most marked increase was recorded in Wales, which was one of six areas where the rate of accumulation was at a series-record high, the others being the North West, Northern Ireland, East of England, South East and East Midlands.



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



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



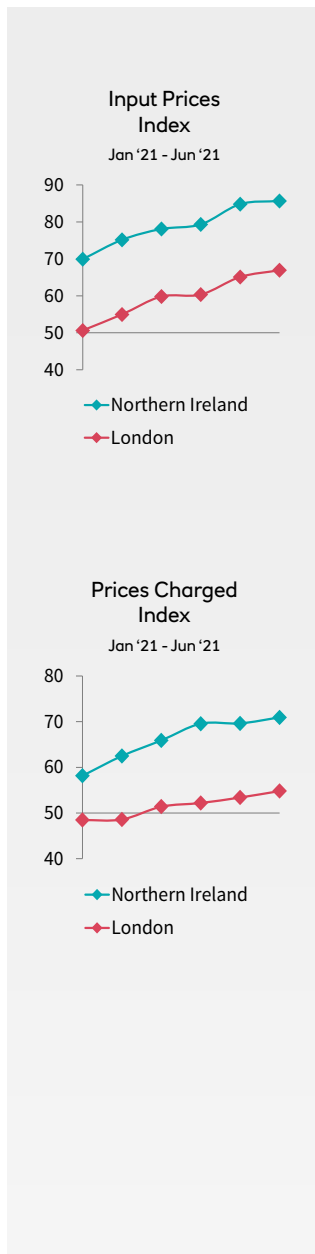
Prices

Rates of input cost inflation continue to accelerate

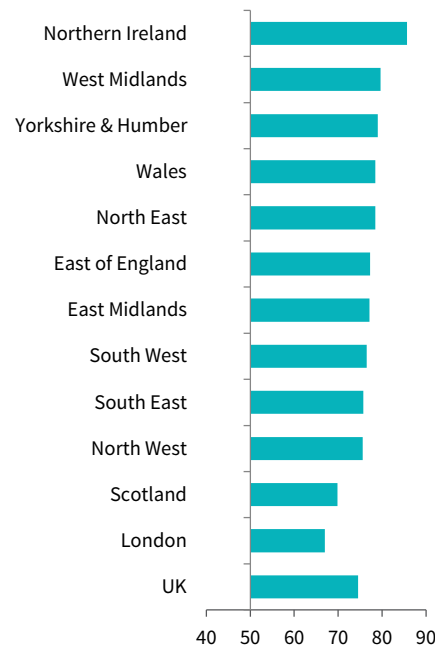
Cost pressures continued to intensify across the board in June, with all regions and nations of the UK seeing faster rates of input price inflation. Northern Ireland once again reported the steepest overall rise in costs (by some margin), and was one of seven areas where the rate of inflation was at a record high. London saw the slowest rise in input prices, but even here the rate of inflation was among the fastest on record.

Three-quarters of areas post record output price rises

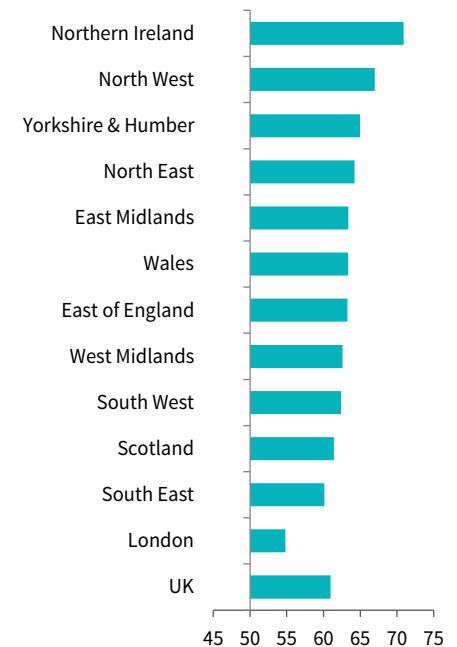
Rates of output price inflation reached record highs in nine of the 12 monitored regions in June. Northern Ireland continued to see by far the quickest increase in charges, with the North West and Yorkshire & Humber ranked second and third respectively. Price pressures remained softest in London, where the rate of output charge inflation was at a near six-year high but still well below its historical peak.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	61.9	61.6	77.6	60.3	56.8	66.9	54.8
South East	61.8	61.1	80.8	57.0	56.4	75.7	60.1
South West	61.6	58.5	77.5	58.0	55.7	76.5	62.4
East of England	62.0	58.1	70.9	58.7	57.8	77.3	63.3
East Midlands	59.1	59.4	73.6	56.7	55.2	77.1	63.4
West Midlands	64.0	62.2	77.1	60.8	59.2	79.6	62.6
Yorkshire & Humber	64.5	64.5	81.6	58.4	57.6	79.0	65.0
North West	65.0	70.0	77.2	58.5	60.2	75.5	67.0
North East	60.0	61.1	70.4	52.2	53.8	78.4	64.2
Scotland	58.4	58.4	70.4	56.3	53.8	69.8	61.4
Wales	64.7	69.4	78.0	56.4	61.1	78.5	63.4
Northern Ireland	58.2	58.7	60.6	53.7	58.8	85.7	70.9

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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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