



NatWest UK Regional PMI[®]

UK sees strong growth in business activity across all regions in May as COVID-19 restrictions ease

UK Regional PMI

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



Key findings

Output rises sharply in every region, with many seeing record growth

First broad-based increase in employment for over three years

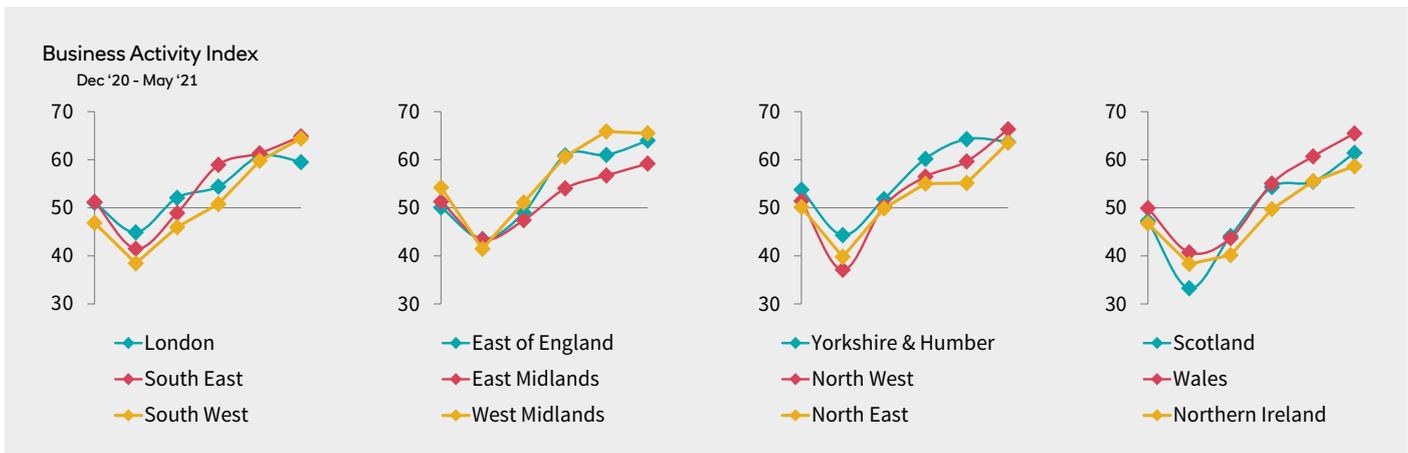
Prices charged inflation at a record high in two-thirds of regions

All regions and nations of the UK saw sharp increases in business activity in May amid the broad loosening of COVID-19 restrictions, latest NatWest Regional PMI[®] data showed.

Local labour market conditions meanwhile improved as firms looked to expand capacity to meet rising demand, with the survey showing the first universal increase in employment for more than three years. However, with the recovery came a further rise in price pressures, as two-thirds of the monitored regions saw record inflation in average charges for goods and services.

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 in May, registering an all-time-high Business Activity Index of 66.4, narrowly ahead of the West Midlands and Wales in joint-second place (both 65.5). Rates of expansion accelerated in nine out of the 12 monitored areas. Northern Ireland (58.7) was at the bottom of the rankings but nevertheless saw output growth accelerate to a 40-month high.



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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).

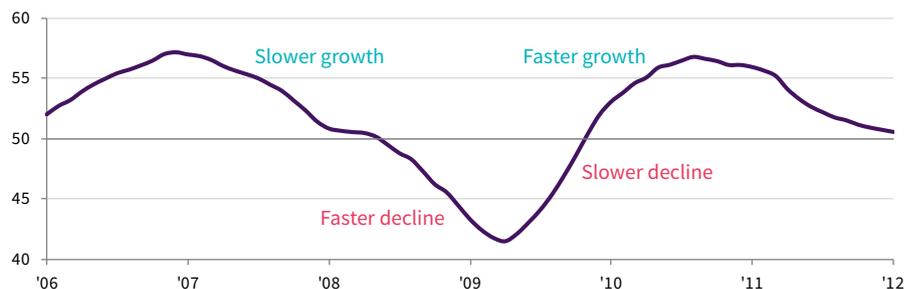
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"May's regional PMI surveys produced another set of eye-catching results, showing business activity rising sharply across every part of the UK, and in many cases at record rates.

"We also saw some convergence between the regional performances in terms of activity and business confidence with COVID-19 restrictions having eased across England, Scotland, Wales and Northern Ireland in May.

"It's encouraging to see local labour markets now in recovery in all corners of the UK, with businesses encouraged by the improvement in demand and remaining confident of a bright outlook for the coming year.

"Rising price pressures remained a prominent feature of the survey data, however. In every region, we've seen an increased number of businesses reporting a rise in costs, which in the majority of cases has fed through to record rises in charges for goods and services."

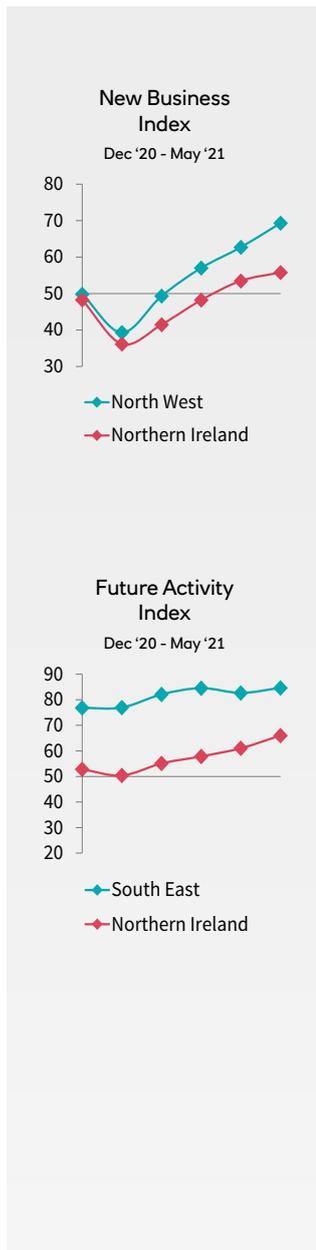
Demand and outlook

North West leads a universal rise in new work

The North West led a further broad-based increase in new work during May. The region was one of five where the rate of growth reached a record high, the others being the West Midlands (ranked second overall), Wales, (third), Yorkshire & Humber (sixth) and Scotland (eleventh). Northern Ireland continued to trail behind, but nevertheless recorded its steepest rise in new business since January 2018.

Firms in buoyant mood across all parts of the UK

Expectations towards future activity were strongly positive across all parts of the UK in May. Businesses in the South East were the most upbeat, followed by those in the North West. Optimism did, however, wane in five of the 12 monitored regions. Northern Ireland closed the gap with the rest of the areas, recording the highest business confidence for over three years.



New Business Index

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



Future Activity Index

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



Business capacity

Synchronised upturn in regional employment levels

May saw a broad-based rise in employment across the UK, the first time this has been the case since March 2018. Job creation was jointly led by the West Midlands and Yorkshire & Humber. Wales and the North East recorded only modest increases in workforce numbers, though in the case of the former it marked the first rise since February 2020.

Capacity pressures continue to build

All 12 regions recorded a rise in backlogs of work in May, up from ten in April and only the third time this has happened in the series history. The North West saw the steepest increase, narrowly ahead of Yorkshire & Humber and the West Midlands. Meanwhile, the North East and London saw only modest rates of growth in outstanding business.



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



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



Prices

All regions record steep and accelerated rises in costs

Sharp and accelerated rises in input prices were a general theme across all UK regions in May. Firms in Northern Ireland continued to face the greatest pressure from increased costs, followed by those in the North East. London remained at the foot of the rankings, though even here the rate of input price inflation was among the fastest in the series history.

Two-thirds of areas post record output prices rises

The combination of improved demand and surging costs led businesses across all parts of the UK to raise output prices in May. Furthermore, in eight of the 12 monitored regions, the rate of output price inflation was at either a new or joint-record high. This included Northern Ireland, where charges increased at the same sharp rate as seen in April. London meanwhile saw only a modest rise in output prices.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	59.5	61.3	79.5	58.6	52.6	65.1	53.4
South East	64.9	65.7	84.6	57.0	55.6	70.6	59.2
South West	64.4	63.1	75.3	56.3	57.9	70.1	60.7
East of England	64.0	62.7	72.8	56.7	57.6	71.7	62.1
East Midlands	59.2	60.1	78.4	58.4	54.7	75.6	61.1
West Midlands	65.5	67.8	83.6	58.8	59.5	74.4	61.1
Yorkshire & Humber	63.7	65.1	82.2	58.8	59.5	75.6	62.6
North West	66.4	69.3	83.8	58.5	59.7	72.7	65.5
North East	63.6	65.9	73.7	52.2	51.8	77.2	64.1
Scotland	61.5	59.2	76.6	57.7	55.4	66.8	58.6
Wales	65.5	67.2	75.3	52.0	59.4	72.2	62.5
Northern Ireland	58.7	55.8	66.0	56.6	54.0	84.8	69.6

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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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