

NatWest UK Regional PMI[®]

Most regions see sustained business activity growth in March, but also record price rises

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Mar '22



Key findings

South West and Yorkshire & Humber lead business activity growth

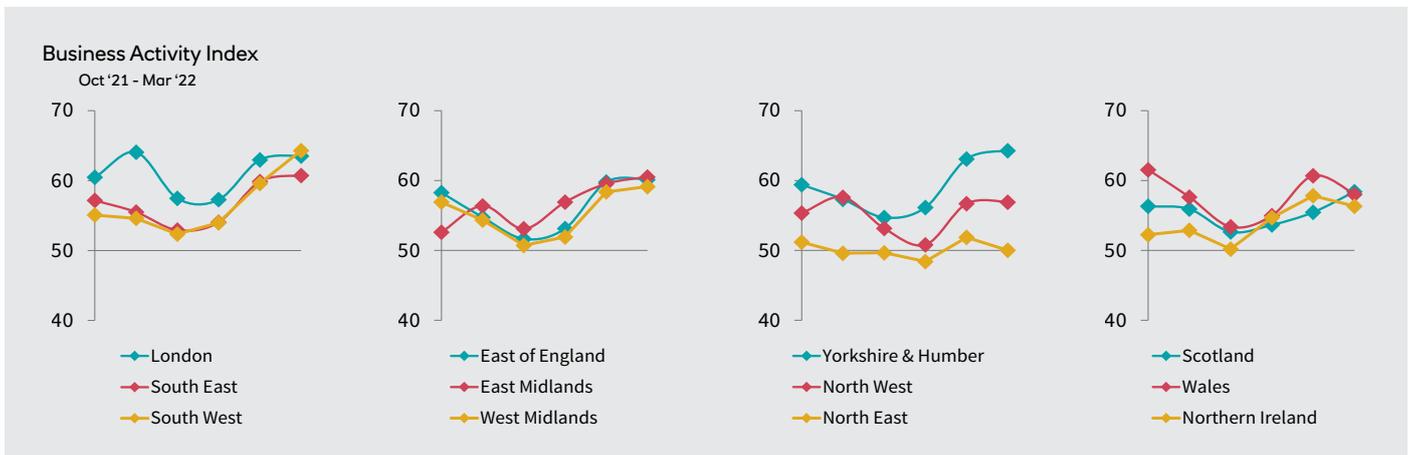
Output price inflation at record high in all but two areas

Expectations remain positive, but ease across the board

Business activity growth was sustained across most parts of the UK in March, helping to support a further broad-based rise in employment, latest NatWest Regional PMI[®] data showed. However, amid the economic uncertainty created by Russia's invasion of Ukraine and escalating price pressures, firms in all areas grew less optimistic about the outlook.

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.

Nearly all UK regions saw a continued recovery in business activity in March, the only exception being the North East (index at 50.0) where output stagnated after rising in February. The South West and Yorkshire & Humber (both 64.3) were joint-best-performing areas for business activity growth, both registering near-record highs, followed closely by London (63.5). Against the general trend, Northern Ireland* (56.3 from 57.8 in February) and Wales (58.0 from 60.7) both recorded slower rates of expansion.



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About the UK Regional PMI® report

The NatWest UK Regional PMI® data are compiled by S&P Global from responses to questionnaires sent to companies that participate in S&P Global's UK PMI surveys. S&P Global compiles data for nine English regions, Scotland, Wales and Northern Ireland (NUTS 1 definitions).

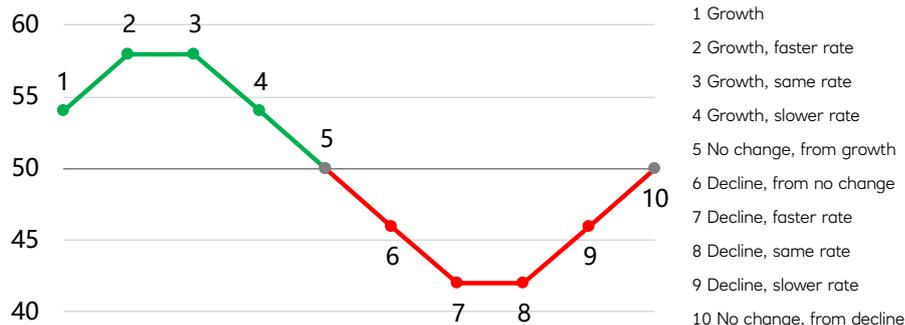
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 Regional PMI data indicated robust growth in business activity across most parts of the UK in March as the economy continued to recover from the pandemic.

"But while activity has enjoyed a boost from the easing of COVID restrictions, which has in turn provided a strong tailwind for a sustained rebound in regional employment levels, clouds have

started to gather as businesses and consumers come under pressure from rampant inflation.

"The fallout from Russia's invasion of Ukraine has seen global commodity prices soar, leading to sharp – and in most cases – accelerated increases in business expenses at a regional level. Adding to the inflationary environment, businesses are increasingly passing on higher costs to customers, with ten out of the 12 regions monitored by the survey registering record rises in

average prices charged for goods and services.

"On the whole, businesses remained optimistic about the outlook, but the heightened economic uncertainty and escalation in price pressures have seen firms in every part of the UK lower their growth expectations for the year ahead."

Demand and outlook

New business rises in all areas except the North East

March's regional data showed a rise in new business everywhere except the North East. Rates of growth tended to remain strong despite easing from the previous month. Only the South West (ranked third overall) and Scotland (eighth) recorded faster increases in new work. Still, out in front was London, which topped the rankings for new business growth for the fifth month in a row.

Expectations remain positive but ease across the board

Businesses across the UK generally remained optimistic about the outlook for activity in the year ahead during March. However, in all cases, expectations eased from the previous month. The sharpest decline was in Northern Ireland, which also recorded the lowest overall degree of optimism. Businesses in Yorkshire & Humber were the most upbeat, followed by those in the South East.



New Business Index
sa, >50 = growth since previous month, Mar '22



Future Activity Index
>50 = growth expected over next 12 months, Mar '22



Business capacity

London leads broad-based rise in employment

All 12 monitored regions and nations recorded a rise in employment in March, the eleventh month in a row in which this has been the case. London once again posted the steepest overall growth, with the South West moving into second place having seen a rapid acceleration in job creation from the previous month. The North East saw the slowest rise in workforce numbers, and one that was only modest overall.

Backlogs continue to rise fastest in Northern Ireland

Reflective of the trends in inflows of new business, most areas recorded slower increases in backlogs of work in March. That said, in the case of Northern Ireland, which continued to top the rankings, the rate of accumulation remained strong. The only outright decrease in work-in-hand was that signalled by firms operating in the North East, marking a third decline in as many months for the region.



Employment Index
sa, >50 = growth since previous month, Mar '22



Outstanding Business Index
sa, >50 = growth since previous month, Mar '22



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



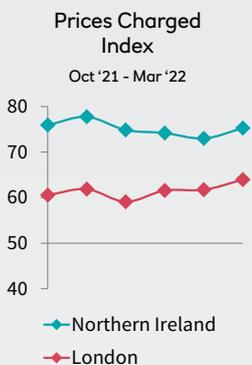
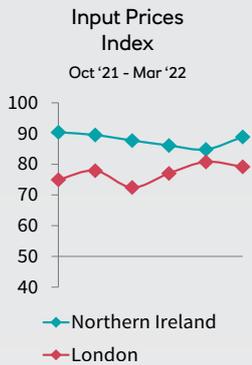
Prices

Input cost inflation remains rampant

Escalating cost pressures were widely seen in March, with ten out of the 12 monitored regions recording faster increases in firms' input prices. Northern Ireland posted the highest rate of input cost inflation (as well as the greatest acceleration since February), followed by the North East and East Midlands. London saw the slowest, with its rate of input price inflation ticking down slightly from a record high in February.

Ten out 12 areas post record increases in selling prices

March saw the widespread pass-through of higher costs by businesses, with selling prices rising sharply across the board. Moreover, in ten out the 12 areas monitored by the survey, the rate of inflation of average charges for goods and services reached a record high. Northern Ireland was one of the exceptions alongside Wales, although the former still topped the rankings ahead of Yorkshire & Humber.



Input Prices Index
sa, >50 = inflation since previous month, Mar '22



Prices Charged Index
sa, >50 = inflation since previous month, Mar '22



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Mar '22

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	63.5	62.7	73.8	60.8	52.1	79.2	64.0
South East	60.7	58.0	77.7	56.6	52.4	85.2	70.2
South West	64.3	60.2	68.1	60.1	50.8	81.3	66.7
East of England	60.1	58.2	68.6	58.3	51.7	82.0	67.0
East Midlands	60.5	58.0	69.2	56.9	52.7	86.1	68.5
West Midlands	59.1	55.4	75.2	53.9	50.8	83.8	70.7
Yorkshire & Humber	64.3	61.1	80.1	59.0	52.1	82.4	73.0
North West	56.9	58.2	74.5	58.6	50.7	81.4	69.9
North East	50.0	49.1	62.4	50.9	47.4	86.2	71.4
Scotland	58.4	55.7	67.2	53.9	52.1	81.7	68.2
Wales	58.0	53.7	66.5	58.0	51.7	84.5	70.7
Northern Ireland	56.3	55.6	52.7	53.0	58.6	88.9	75.3

Contact

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

Phil Smith
Economics Associate Director
S&P Global
+44 1491 461 009
phil.smith@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
+44-2072-602-234
joanna.vickers@spglobal.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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