



NatWest UK Regional PMI[®]

Business activity picks ups across the UK in February as Omicron wave recedes

UK Regional PMI

Business Activity Index

sa, >50 = growth since previous month, Feb '22



Key findings

11 out of 12 areas see growth quicken; North East returns to expansion

London leads further broad-based rise in employment

Output prices continue to rise sharply and at a record rate in many areas

Latest NatWest Regional PMI[®] data showed a general upturn in growth across the UK in February as the Omicron wave of COVID-19 receded and virus containment measures were scaled back. This contributed to a further broad-based improvement in local labour markets. However, price pressures remained historically elevated, with firms in all areas continuing to face sharply rising costs.

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.

February data showed improved regional performances across the board in terms of business activity. Output in the North East returned to growth (index at 51.9), while all other areas saw faster rates of expansion than in January. The steepest increase in business activity was recorded in Yorkshire & Humber (index at 63.1), followed closely by London (63.0), with the former also seeing the strongest monthly gain in momentum.



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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).

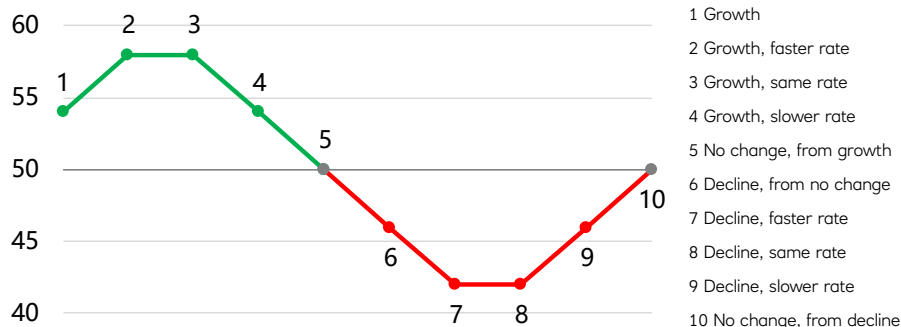
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"There was renewed momentum in business activity all across the UK in February, as the Omicron wave of COVID-19 receded and restrictions were eased across all regions and nations.

"With more businesses operating under normal conditions, we saw a continued, broad-based improvement in local labour markets. However, the jobs market

is becoming increasingly tight, which is pushing up wages at a time when businesses also face pressure from the rising cost of energy, transport and materials.

"Cost inflation remains at or close to record levels in every part of the UK, and could be made even worse by the recent surge in energy prices and heightened supply chain pressures brought about by Russia's invasion of Ukraine.

"At the same time, we're seeing

strong core inflationary pressures as businesses in every UK region rapidly raise their output prices, in many cases at record rates.

"As COVID concerns subside, new inflation and geopolitical risks have emerged in their place, both of which represent potential headwinds to regional growth in 2022."

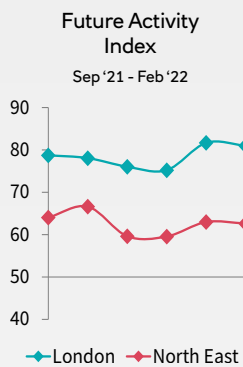
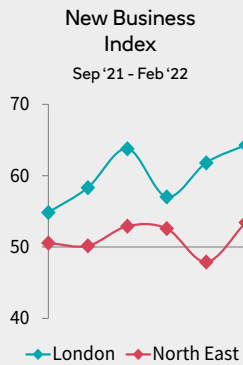
Demand and outlook

Demand picks up across all areas in February

February saw inflows of new business increase across all areas of the UK, pointing to a broad-based strengthening of underlying demand conditions. Firms in London recorded the fastest growth in new work by some margin, followed by those in Yorkshire & Humber. The slowest rise was in the North East, where new orders returned to growth after a brief fall at a start of the year.

Optimism towards the outlook remains universal

Expectations towards future output remained positive across all regions in February. Firms in London were the most optimistic, followed closely by those in Yorkshire & Humber and the South East respectively. However, whereas Northern Ireland, Scotland and Wales all saw sentiment improve since January, most English regions (except the South East and East of England) registered a weaker level of confidence.



New Business Index

sa, >50 = growth since previous month, Feb '22



Future Activity Index

>50 = growth expected over next 12 months, Feb '22



Business capacity

London tops rankings for employment growth

Not only did employment rise across all areas in February, but rates of job creation quickened in most cases. As was the case in November and December 2021, employment growth was led by London. At the other end of the scale, Northern Ireland* recorded the slowest rise in workforce numbers, having seen its rate of job creation slow to the weakest in the current 12-month sequence.

Northern Ireland sees steepest rise in backlogs

Nearly all regions and nations of the UK recorded a rise in backlogs of work in February, in a further sign of imbalances between supply and demand. Firms in Northern Ireland saw the sharpest growth in outstanding business, linked to a combination of staff shortages, supply delays and strong new order growth. Second in the rankings was the East Midlands.



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



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



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



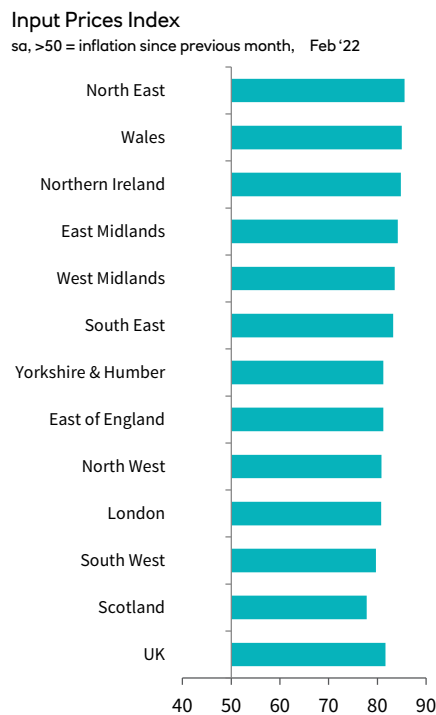
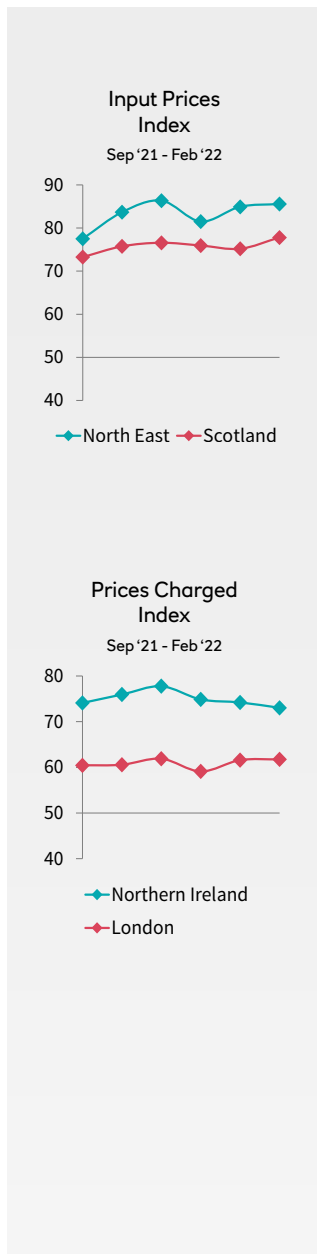
Prices

Input costs continue to rise steeply across all areas

February data showed firms' input prices continuing to rise steeply across all areas of the UK. Furthermore, cost pressures intensified in most cases. The North East registered the sharpest overall increase, followed by Wales, with Northern Ireland slipping to third in the rankings. Scotland saw the slowest rise in input costs for the second month running, though even here the rate of inflation reached a record high.

Rates of output price inflation remain historically elevated

Every part of the UK once again saw a sharp rise in average prices charged for goods and services in February. Northern Ireland saw its rate of output price inflation ease further from last November's series high but still topped the rankings ahead of Wales. Five regions saw record rates of increase in average charges, namely the West Midlands, North East, South East, Scotland and East of England.



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	63.0	64.3	81.0	59.6	53.1	80.8	61.7
South East	59.9	60.7	80.5	57.1	53.7	83.3	66.9
South West	59.6	57.6	71.6	56.7	52.8	79.7	62.1
East of England	59.8	59.1	75.5	58.3	52.1	81.2	64.4
East Midlands	59.6	60.3	73.2	56.7	56.4	84.2	65.8
West Midlands	58.4	58.7	76.7	56.3	51.7	83.6	68.5
Yorkshire & Humber	63.1	61.2	80.8	58.9	55.8	81.2	70.5
North West	56.7	58.6	75.2	58.5	53.8	80.8	66.3
North East	51.9	53.4	62.6	53.0	46.8	85.6	66.9
Scotland	55.5	54.4	69.7	54.1	52.7	77.8	64.7
Wales	60.7	57.5	72.2	56.4	55.5	85.0	70.8
Northern Ireland	57.8	59.1	62.8	51.6	57.2	84.8	73.0

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.

About IHS Markit

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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.

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