

NatWest UK Regional PMI[®]

Regional economic recoveries gather pace in April

UK Regional PMI

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



Key findings

Rates of business activity growth accelerate in most areas, while Northern Ireland sees a return to expansion

Local labour market trends show further improvement

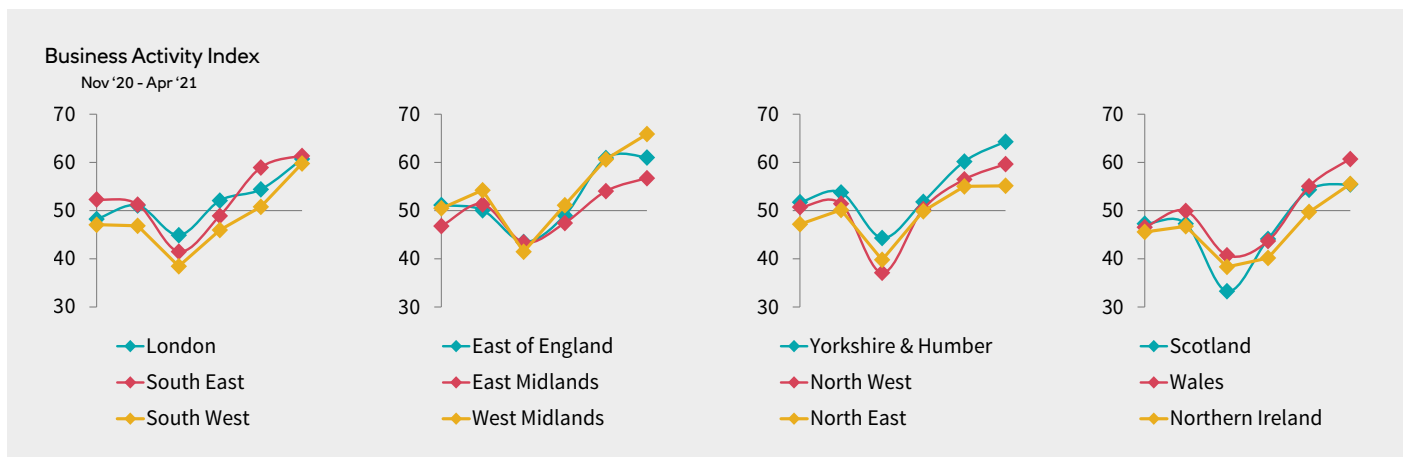
Costs continue to surge, leading to a general rise in output prices

April saw notable increases in business activity across all regions of the UK amid the easing of COVID-19 lockdown restrictions, latest NatWest Regional PMI[®] data showed. Expectations among businesses of a strong and lasting recovery were meanwhile reflected in a general improvement in local labour markets.

However, the survey also revealed a further intensification of cost pressures faced by UK businesses, with charges for good and services rising steeply across most regions 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.

Growth in April was led by the West Midlands, where the Business Activity Index registered 65.9, closely followed by Yorkshire & Humber (64.3). A return to growth in Northern Ireland (55.5) meant that higher output was recorded across all 12 regions of the UK for the first time in seven months. The lowest readings were recorded in the North East (55.2) and Scotland (55.4), though even here the rates of expansion were historically strong.



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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).

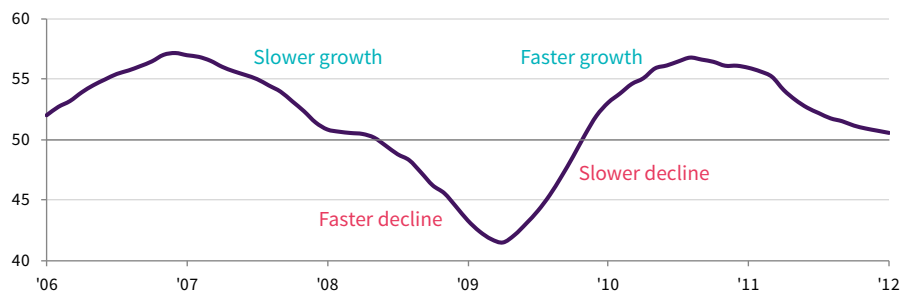
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"With Northern Ireland returning to growth in April thanks to the easing of COVID-19 restrictions, the picture across the UK is now one of a broad-based recovery in business activity.

"What's more, rates of growth were historically strong across the board, with firms in all areas seeing demand strengthening as confidence improved and parts of the economy reopened.

"There is a general sense of optimism among UK businesses towards future activity, which is underlined

by a continued improvement across almost all local labour markets as more businesses start to hire again.

"However, with the upturns in activity and employment comes a further increase in cost pressures on businesses. Input prices are rising much faster than normal across all regions of the UK, but particularly in Northern Ireland and the North East."

Demand and outlook

Broad-based rise in new orders in April

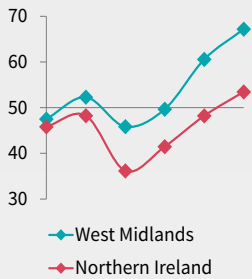
All 12 UK regions recorded increased inflows of new orders at the start of the second quarter amid easing lockdown restrictions and improving client confidence. The West Midlands led the way, registering a survey-record rate of growth. Northern Ireland and Scotland saw the first increases in new business for nine and eight months respectively, but were still the two lowest-ranked areas for a fourth straight month.

Strong optimism seen across all parts of the UK

Businesses across all parts of the UK were strongly confident about the outlook for activity over the next 12 months in April. Firms in Yorkshire & Humber showed the greatest optimism for the fourth month running, with the South East and London close behind. Expectations in Northern Ireland were the highest for 14 months, but still lower than in any other region.

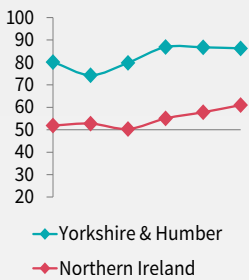
New Business Index

Nov '20 - Apr '21



Future Activity Index

Nov '20 - Apr '21



New Business Index

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



Future Activity Index

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



Business capacity

Regional job markets show further signs of recovery

There was a general improvement in labour market trends in April, with 11 out of the 12 monitored regions recorded higher employment, up from ten in March. Furthermore, almost all areas saw a faster rate of job creation, including the two standout performers, the North West and Yorkshire & Humber. Staffing numbers fell in Wales, albeit only marginally.

Capacity pressures spread to more parts of the UK

The number of regions recording higher backlogs of work continued to rise in April, jumping from six in March to ten – the most since May 2017. The West Midlands recorded the fastest rate of accumulation by a wide margin, though the increases in the East of England, Yorkshire & Humber and North West were also records for those regions. Declines were seen in the North East and London.



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



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



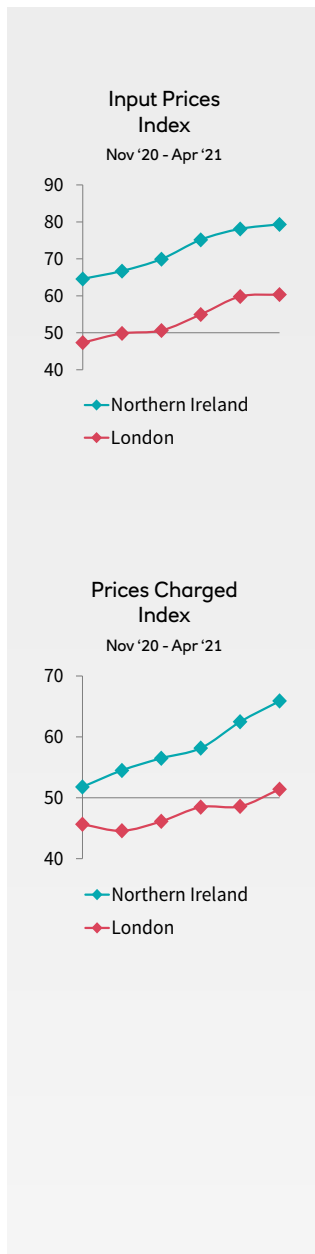
Prices

Cost pressures intensify further in most areas

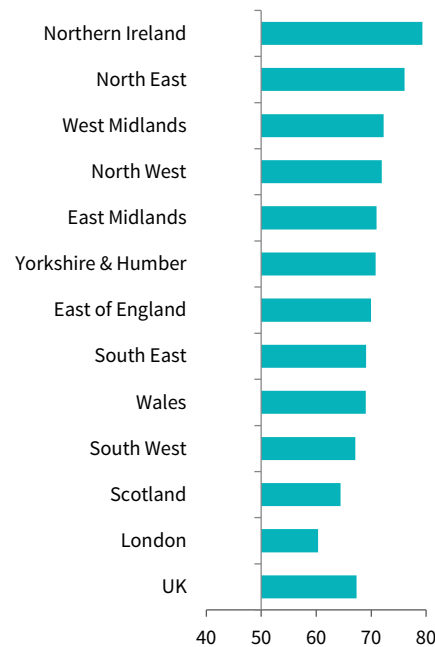
Input prices continued to rise sharply across all areas of the UK in April, with rates of cost inflation exceeding the historical series averages in all 12 regions. Furthermore, cost pressures generally intensified, including in Northern Ireland, which registered a record increase for the second month in a row and the steepest overall rate of inflation. The slowest rise in costs was once again recorded in London.

Charges continues to rise across the board

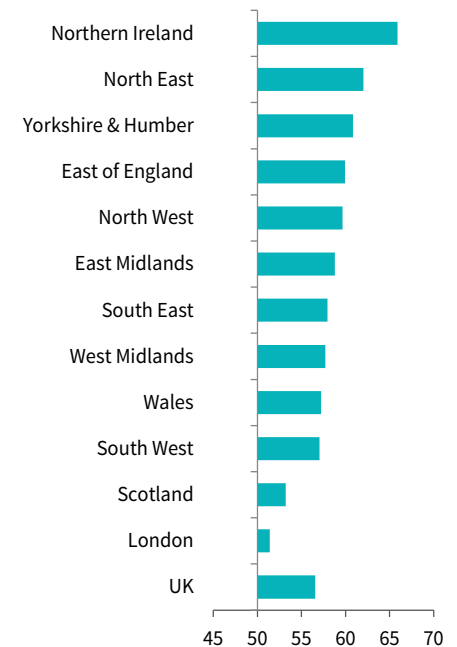
Firms in all areas raised average for goods and services in April, albeit to varying degrees. Northern Ireland recorded the steep rise, followed by the North East, reflecting the trends in underlying cost pressures. Similarly, the four regions with the slowest rates of input cost inflation also recorded the least marked rises in output prices, namely London, Scotland, the South West and Wales.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	60.7	61.5	81.6	55.6	49.4	60.3	52.2
South East	61.4	62.0	82.7	56.0	52.7	69.1	57.9
South West	59.8	57.2	78.9	55.6	54.8	67.1	57.6
East of England	61.0	60.9	77.0	55.4	56.3	70.0	59.9
East Midlands	56.7	56.2	79.7	52.2	53.3	71.0	58.6
West Midlands	65.9	67.2	80.8	55.9	59.7	72.3	58.1
Yorkshire & Humber	64.3	63.4	86.3	57.9	54.5	70.8	60.5
North West	59.7	62.7	80.3	58.4	54.3	71.9	60.3
North East	55.2	58.2	66.2	51.4	47.7	76.1	60.1
Scotland	55.4	53.9	72.4	50.6	50.4	64.4	56.0
Wales	60.7	60.7	74.8	49.0	53.5	69.0	54.8
Northern Ireland	55.5	53.5	61.0	54.2	52.9	79.3	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.

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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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