



NatWest UK Regional PMI[®]

April sees a general loss of growth momentum across the UK as almost all areas post record output price increases

UK Regional PMI

Business Activity Index

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



Key findings

Most areas see slower growth in businesses activity and new orders

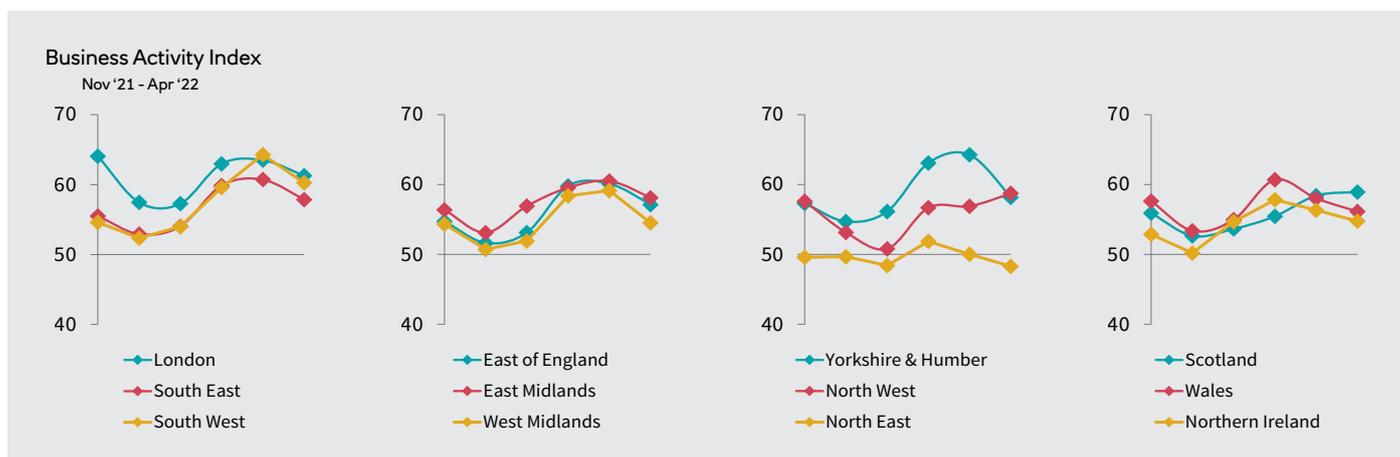
11 out of 12 regions post record rises in charges for goods and services

Rising employment remains a bright spot for most areas

Latest NatWest Regional PMI[®] data showed a slowdown in growth of business activity and inflows of new work across most parts of the UK at the start of the second quarter. Rampant price pressures acted as a headwind to demand, with businesses in nearly all regions indicating a record rise in average charges for goods and services in April as they looked to offset soaring 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.

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East (index at 48.3) seeing a renewed contraction. London (61.3) recorded the fastest overall rate of expansion, followed by the South West (60.3), though only Scotland (58.9 from 58.4) and the North West (58.7 from 56.9) registered quicker increases in business activity than the month before.



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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).

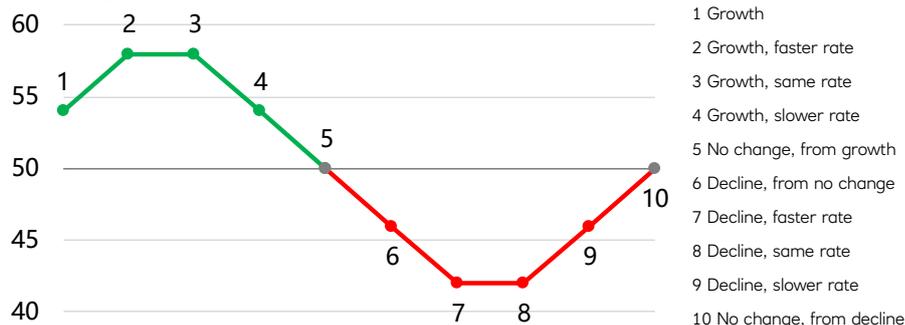
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Most areas of the UK are experiencing a loss of growth momentum, with the post-lockdown rebound in activity losing steam and demand starting to creek under the pressure from ever-increasing prices.

"Latest Regional PMI data showed slower increases in business activity in ten of the 12 areas monitored by the survey, with many seeing an even sharper slowdown in new

business growth.

"Soaring costs are a key challenge for businesses, a growing number of which are resorting to hiking their own prices to protect profit margins. Almost every region saw a record rise in average prices charges for goods and services, which will ultimately put even greater pressure on household budgets in the coming months.

"Higher employment remained a bright spot for most regions in April,

with only the North East seeing a fall in workforce numbers during the month. However, rates of job creation generally slowed in April, with business confidence having been hit in recent months by the events in Ukraine and soaring prices."

Demand and outlook

Majority of regions see slower growth in demand

While inflows of new business rose across 11 out of the 12 monitored regions in April, rates of growth generally slowed, with only Wales seeing a faster increase than the month before. The steepest overall rise in new orders was recorded by firms operating in the North West, while the North East registered the only decline, its third in the past four months and the quickest since May 2020.

Activity expected to rise, but confidence falls in most cases

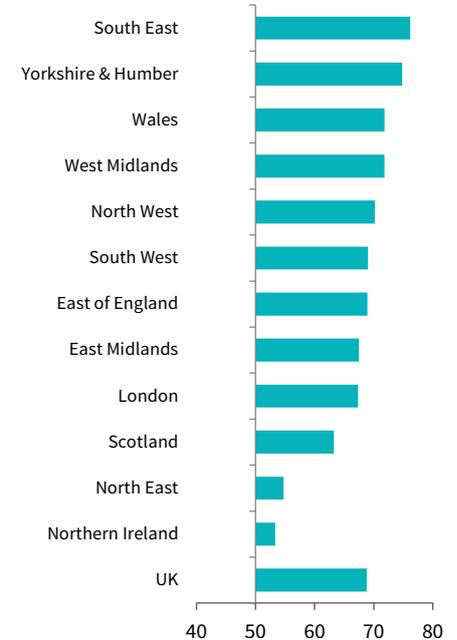
Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland* (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.



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



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



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



Business capacity

Rising employment remains a bright spot for most areas

A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only marginally. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

Northern Ireland sees the sharpest rise in backlogs by far

Firms in Northern Ireland once again recorded by far the steepest increase in backlogs of work during April. Eight other areas saw an increase in outstanding business, but rates of accumulation generally slowed and were only modest overall. The North East posted the steepest fall in work-in-hand, with London and the North West also recording declines, their first for 12 and 13 months respectively.



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



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



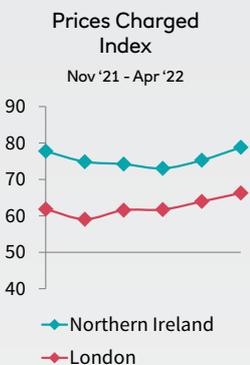
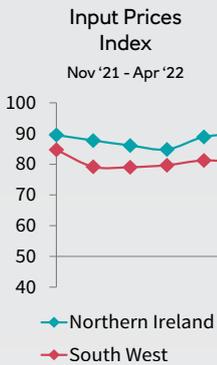
Prices

Sharp cost pressures recorded across the board

Common across all areas of the UK in April was a sharp rise in business costs. Rates of input price inflation were either at or close to a record high in all cases, with two-thirds of regions seeing a faster rise than the month before. Firms in Northern Ireland registered the steepest overall increase in operating expenses, followed by those in Wales.

Nearly all areas see a record increase in prices charged

April data indicated unprecedented increases in average prices charged for goods and services across nearly all areas of the UK. The only exception was Wales, where the rate of output price inflation was just below the record high seen last December. Northern Ireland posted the steepest increase by some margin, while London saw the slowest rise.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	61.3	56.6	67.4	58.2	48.8	82.1	66.3
South East	57.9	54.8	76.2	54.9	51.7	84.4	71.5
South West	60.3	56.9	69.1	57.1	52.5	80.5	67.1
East of England	57.1	53.8	68.9	57.4	50.8	82.7	67.3
East Midlands	58.1	51.0	67.5	55.5	50.5	84.7	70.2
West Midlands	54.5	50.2	71.8	55.1	50.2	85.0	71.2
Yorkshire & Humber	58.2	54.1	74.8	57.6	51.6	83.0	73.3
North West	58.7	56.9	70.2	57.3	49.5	84.6	71.9
North East	48.3	45.2	54.8	48.6	44.9	85.6	71.8
Scotland	58.9	55.2	63.2	53.0	51.8	85.0	71.0
Wales	56.2	56.0	71.8	56.9	50.4	87.1	70.8
Northern Ireland	54.8	52.8	53.3	52.2	57.5	89.8	78.8

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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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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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