



NatWest

# NatWest UK Regional PMI®

## Business activity growth slows in December amid a resurgence in COVID-19

### UK Regional PMI

Business Activity Index

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



### Key findings

11 out of 12 regions post slower growth; North East sees a slight contraction

Rates of input cost inflation stay close to recent record highs

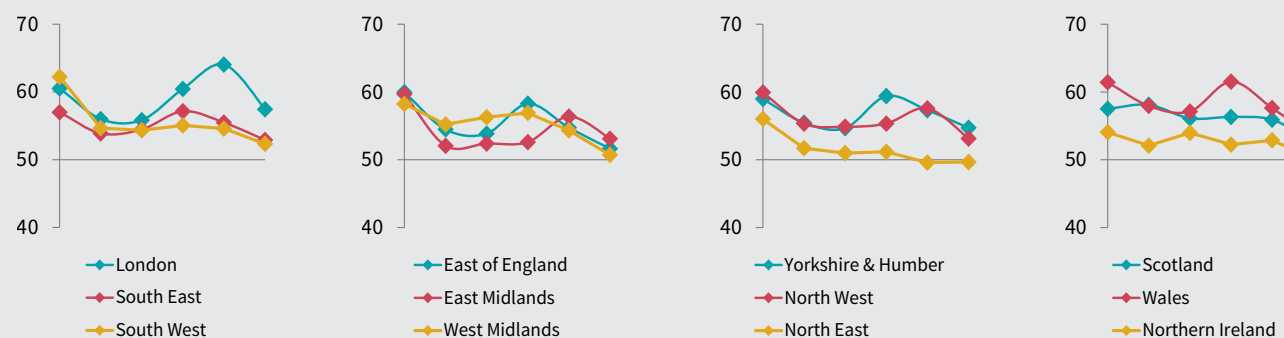
Further broad-based increase in employment

A fresh wave of COVID-19 infections acted as a headwind growth throughout the UK during December, the final NatWest Regional PMI® data for 2021 showed. Rising prices remained a prevalent feature in all areas, albeit with cost pressures easing from recent record highs. Employment levels nevertheless continued to recover across the board.

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.

December saw a general slowdown in business activity growth across the UK regions. London remained the fastest-growing area but saw its Business Activity Index drop from 64.1 in November to 57.5, signalling a marked loss of momentum. The North East (49.7) saw the only outright fall in output, though the rate of decline was marginal.

Business Activity Index  
Jul '21 - Dec '21



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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).

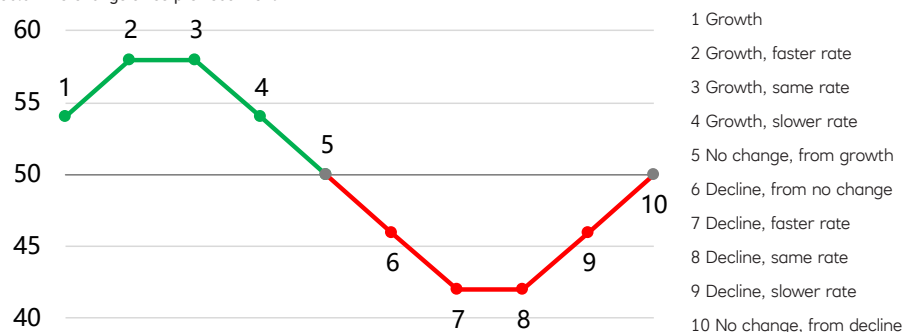
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"The resurgence of the pandemic in December put the brakes on the UK's economic recovery, with each nation and region seeing the effects of renewed uncertainty and virus containment measures. The situation has some parallels to the one seen at the start of 2021 when the variant now known as Alpha had emerged, only this time activity levels seem have been more resilient due in part to comparatively lighter restrictions.*

*"The labour market was a bright spot for all regions in December, as was the case throughout most*

*of last year. Although in many instances the pace of job creation slowed, rates of employment growth generally remained solid by historical standards, supported by continued optimism towards growth prospects in 2022.*

*"Rates of input price inflation eased universally in December, though this won't have provided much respite to businesses as cost pressures continued to run hot by historical standards. Businesses had success in passing on higher costs to clients during 2021 as demand strengthened, and December was no exception albeit with rates of*

*output price inflation ticking down from record highs in November in some cases."*

## Demand and outlook

### London continues to see strongest new order growth

Firms in the capital once again noted the steepest increase in new business in December. However, the rate of growth eased sharply since the previous survey period, with nine other regions also recording slower increases in new orders. Inflows of new work stagnated in the West Midlands, while Northern Ireland recorded a further modest decline.

### Firms in all areas expecting growth in the year ahead

Businesses in all parts of the UK were optimistic about growth prospects in the year ahead in December. Yorkshire & Humber recorded the highest expectations, followed by the South East and West Midlands. The East Midlands, which ranked fourth, saw the largest upswing in confidence since November. Sentiment was the least positive in Northern Ireland.

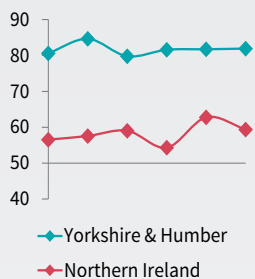
New Business Index

Jul '21 - Dec '21



Future Activity Index

Jul '21 - Dec '21



New Business Index

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



Future Activity Index

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



## Business capacity

### Most areas see solid, albeit slower, rise in employment

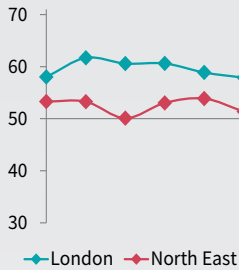
There was a further broad-based rise in employment in December, albeit with rates of job creation slowing in most cases. The only exceptions were the East Midlands, East of England and South West, all three of which were directly behind London at the top of the rankings. The slowest rise in employment was once again recorded in the North East.

### Wales leads broad-based increase in backlogs

December saw a rise in backlogs of work across all UK regions. The steepest increase by some margin was recorded in Wales, which was the only area to register a faster rate of accumulation than in the previous survey period. At the other end of the scale, the North East saw only a fractional increase in outstanding business.

Employment Index

Jul '21 - Dec '21



Outstanding Business Index

Jul '21 - Dec '21



Employment Index

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



Outstanding Business Index

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





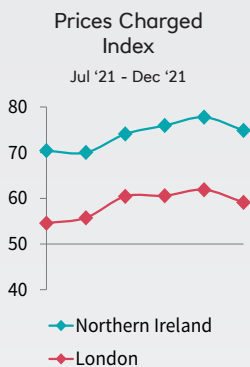
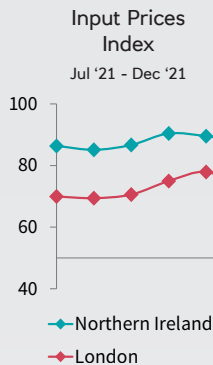
## Prices

### Rates of cost inflation remain elevated despite easing

All 12 monitored regions recorded slower rises in firms' input prices in December. However, rates of cost inflation remained among the fastest on record in all cases, with each having been at an all-time high in either October or November. Northern Ireland registered the steepest overall increase in costs ahead of the East Midlands, while London recorded the slowest.

### Further sharp increases in prices charged

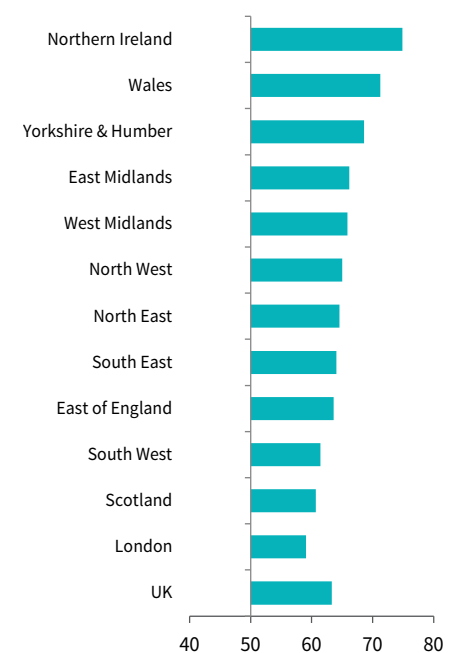
Latest data showed sharp increases in prices charged across the board in December. Although rates of inflation slowed in the majority of cases, they were still historically elevated. Against the general trend, Wales (which ranked second overall behind Northern Ireland), the West Midlands and East of England all posted fresh record increases in output prices.



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



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



## Index summary

### UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	57.5	57.0	75.2	57.9	52.2	72.5	59.1
South East	52.9	52.9	80.4	54.9	51.6	79.5	64.1
South West	52.3	54.0	70.6	56.5	53.0	79.2	61.4
East of England	51.6	53.3	70.5	57.7	50.7	80.0	63.6
East Midlands	53.1	51.7	76.1	57.7	51.9	85.9	66.2
West Midlands	50.7	50.0	79.8	55.0	50.3	82.1	65.9
Yorkshire & Humber	54.7	54.2	81.9	56.3	51.6	82.5	68.6
North West	53.1	53.1	68.3	55.6	52.0	80.9	65.0
North East	49.7	52.6	59.6	51.4	50.1	81.5	64.6
Scotland	52.7	52.3	67.0	53.4	50.4	75.9	60.7
Wales	53.4	53.4	72.3	52.8	57.6	83.5	71.3
Northern Ireland	50.2	49.3	59.4	54.3	51.2	87.7	74.9

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### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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](https://ihsmarkit.com/products/pmi.html)

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