

NatWest UK Regional PMI[®]

Most regions see growth in business activity and employment in March

UK Regional PMI

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



Key findings

Signs of recovery seen across the UK as lockdown restrictions are eased

Staffing numbers increase in ten out of 12 regions

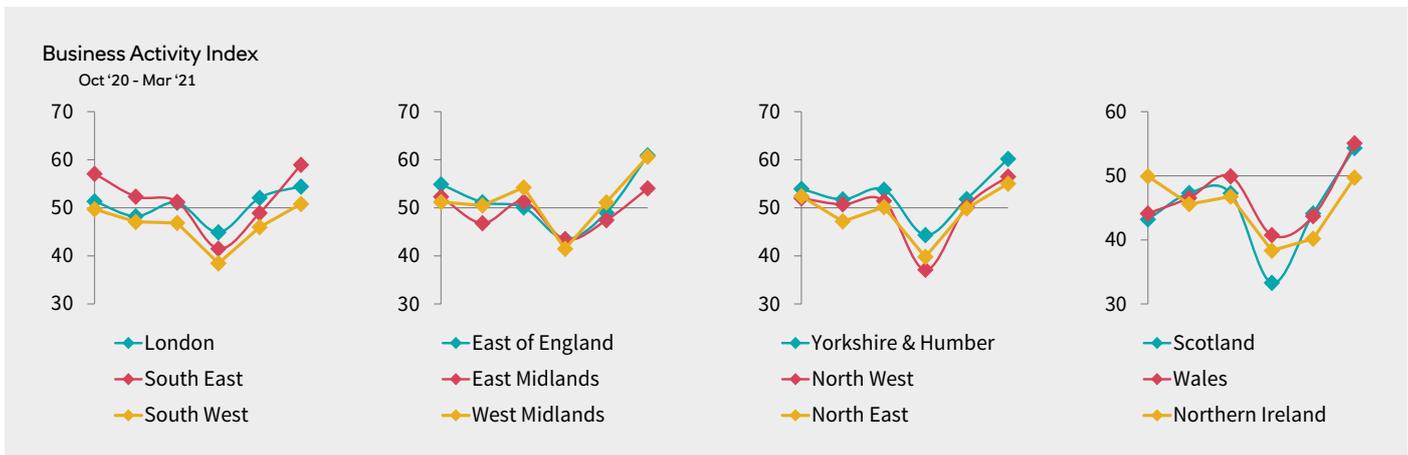
Price pressures continue to rise, reaching record levels in some areas

Latest NatWest Regional PMI[®] data showed a rebound in business activity across nearly all parts of the UK in March, amid widespread reports of customer demand increasing in line with the easing of lockdown restrictions and ahead of further loosening in the months ahead.

Rising workloads and strong business optimism meanwhile supported an upturn in employment across the majority of UK regions, despite firms coming under increased pressure from 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.

Business activity rose in 11 out of the 12 UK regions at the end of the first quarter. Growth was led by the East of England, where it was a series record high (index at 60.9), ahead of the West Midlands (60.7) and Yorkshire & Humber (60.2) respectively. Northern Ireland (49.7) recorded the only decline, though even here activity moved closer to stabilisation, falling only marginally and at the slowest rate for five months.



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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).

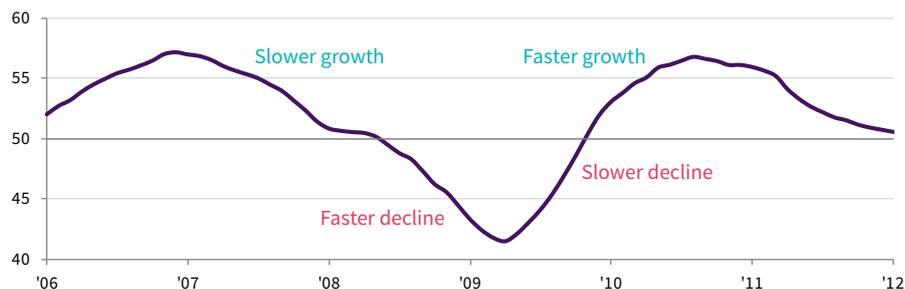
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 majority of regional economies started to see some real improvements in activity during March, as the easing of lockdown restrictions and the prospect of further loosening in the coming months lifted optimism and prompted an upturn in demand in most areas.

"More green shoots have started to appear across local labour markets as well. Out of the 12 regions monitored by the survey, the number reporting higher employment rose from just three in February to ten in March, with many even seeing strong rates

of job creation.

"The general step-up in hiring activity reflects growing customer demand and increased clarity about the path to recovery. Firms in all parts of the UK are strongly optimistic about the outlook, with expectations in a number of regions either at or close to record levels.

"While Northern Ireland continues to lag behind all other areas in terms of activity and business confidence, a first rise in employment since the start of the pandemic was a sign that firms are gearing up for busier times ahead. English regions generally continued to outperform, with the

East of England, West Midlands and Yorkshire & Humber the pick of the bunch, while encouraging signs for activity across Scotland and Wales were somewhat tempered by further job losses across both nations.

"We saw a further surge in firms' costs across all parts of the UK in March, though the impact is being felt particularly hard in Northern Ireland where both input and output prices are increasing at record rates. Even in London we have seen firms starting to raise charges for goods and services, in a sign of inflationary pressures broadening across the economy."

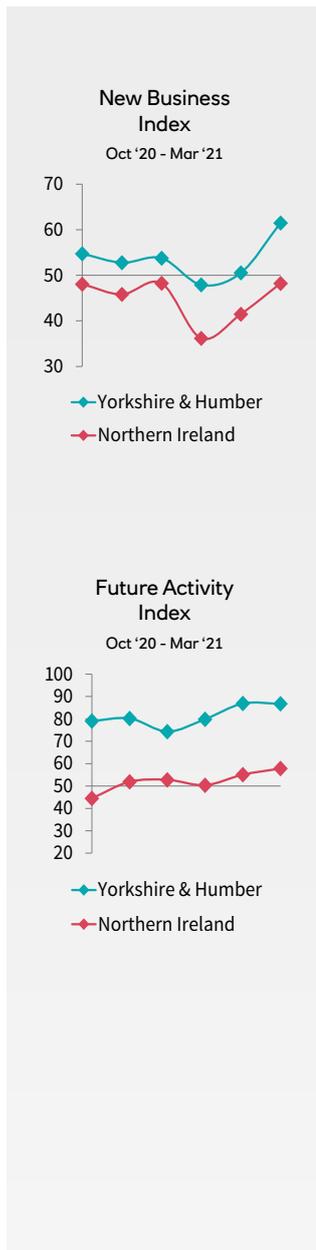
Demand and outlook

Demand conditions generally improve in March

The majority of UK regions saw a rise in inflows of new work at the end of the first quarter. The strongest rates of growth were recorded in Yorkshire & Humber, East of England, South East and West Midlands, respectively. At the other end of the scale, firms in Northern Ireland and Scotland saw new orders move closer to stabilisation, with rates of decline easing notably since February.

Output expectations continue to strengthen in most areas

Yorkshire & Humber topped the regional rankings for business confidence for the second month running in March. Expectations did, however, dip slightly from February's series-record high, contrasting with improvements in ten of the other 11 regions. Sentiment remained weakest overall in Northern Ireland, despite having ticked up to a 13-month high.



New Business Index
sa, >50 = growth since previous month, Mar '21



Future Activity Index
>50 = growth expected over next 12 months, Mar '21



Business capacity

Employment rises across majority of regions

The number of regions reporting higher employment increased from just three mid-way through the opening quarter to ten in March. This was the most since January 2020. Yorkshire & Humber recorded the strongest rate of job creation for the third time in the past four months, narrowly ahead of the North West. Scotland and Wales meanwhile saw further declines in staffing levels.

Capacity pressures start to build in some areas

March saw backlogs of work rise in six of the 12 monitored UK regions, namely the East of England, West Midlands, South East, Yorkshire & Humber, East Midlands and Wales. Firms operating in the South West reported no change following a near two-and-a-half-year sequence of decline, while in all remaining areas the rates of depletion slowed and were generally only modest.



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



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



Prices

Rates of input cost inflation continue to accelerate

Firms in all parts of the UK faced a rise in cost pressures in March. Businesses in Northern Ireland and North East recorded the sharpest overall increases, with the rates of input price inflation at series-record highs in both cases. London remained the region least impacted by rising costs, though even here the rate at which operating expenses increased was at a 17-month high and above the series average.

Broad-based rise in output charges in March

Latest data showed a broad-based increase in average prices charged for goods and services in March, led by Northern Ireland. Here, the rate of inflation accelerated to a new series-record high and was notably faster than the next-strongest in the North East. Firms in London recorded a rise output prices for the first time since before the initial lockdown last March, albeit one that was only modest.



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



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



Index summary

UK regions

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

| | Business Activity | New Business | Future Activity* | Employment | Outstanding Business | Input Prices | Prices Charged |
|--------------------|-------------------|--------------|------------------|------------|----------------------|--------------|----------------|
| London | 54.4 | 54.2 | 79.4 | 53.3 | 48.6 | 59.8 | 51.4 |
| South East | 59.0 | 60.8 | 84.5 | 54.7 | 53.4 | 68.1 | 57.9 |
| South West | 50.8 | 54.0 | 76.1 | 54.2 | 50.0 | 66.5 | 57.0 |
| East of England | 60.9 | 61.0 | 80.9 | 54.7 | 56.0 | 69.4 | 59.9 |
| East Midlands | 54.0 | 54.6 | 79.3 | 50.6 | 51.9 | 70.2 | 58.8 |
| West Midlands | 60.7 | 60.6 | 80.2 | 52.9 | 55.5 | 69.9 | 57.7 |
| Yorkshire & Humber | 60.2 | 61.5 | 86.8 | 55.6 | 52.7 | 69.8 | 60.8 |
| North West | 56.5 | 57.0 | 76.7 | 55.2 | 49.2 | 70.8 | 59.7 |
| North East | 55.0 | 58.4 | 71.5 | 53.2 | 48.1 | 75.1 | 62.0 |
| Scotland | 54.3 | 49.8 | 73.4 | 49.5 | 49.3 | 64.4 | 53.2 |
| Wales | 55.1 | 55.6 | 77.2 | 47.8 | 50.9 | 70.8 | 57.2 |
| Northern Ireland | 49.7 | 48.2 | 57.8 | 51.7 | 46.5 | 78.1 | 65.9 |

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

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.

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