



# NatWest UK Regional PMI<sup>®</sup>

## Most areas of the UK see growth in business activity as trends in demand generally improve

### UK Regional PMI

#### Business Activity Index

sa, >50 = growth since previous month, Feb '24



### Key findings

Two-thirds of nations and regions see output rise in February

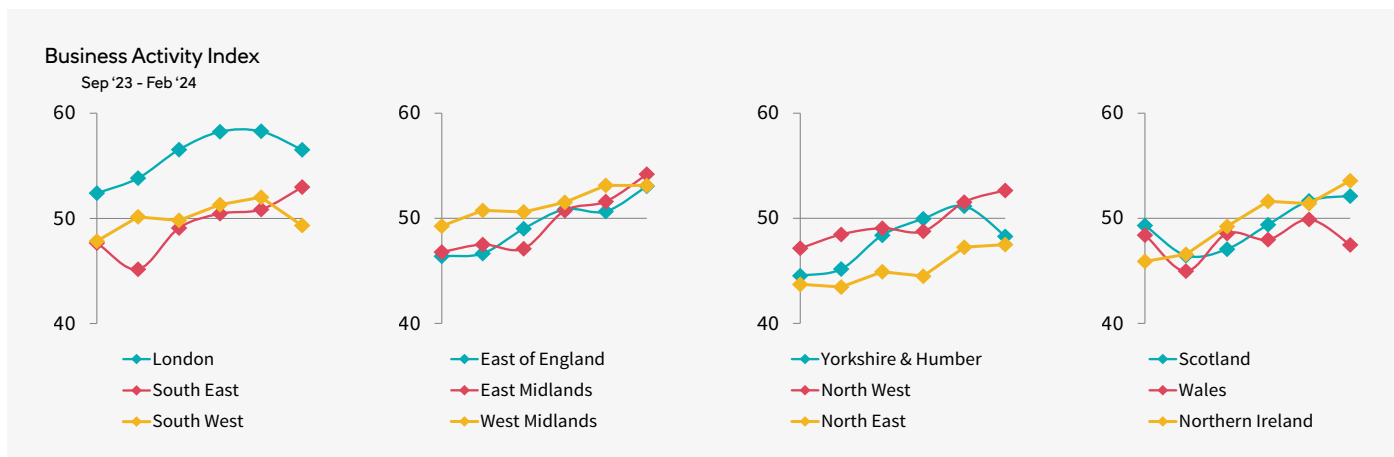
Business expectations towards future activity generally improve

Cost pressures intensify in most areas

The latest NatWest Regional PMI<sup>®</sup> survey showed business activity growing across most parts of the UK in February. Business confidence also generally picked up amid a more broad-based improvement in underlying demand. Labour market trends remained more varied, however, with firms in most areas reporting stronger cost pressures and low capacity utilisation.

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.

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low (index at 56.5). At the other end of the scale, Wales (47.5) posted a solid and accelerated fall in output, while declines were also seen in the North East (47.5), Yorkshire & Humber (48.3) and South West (49.3).



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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).

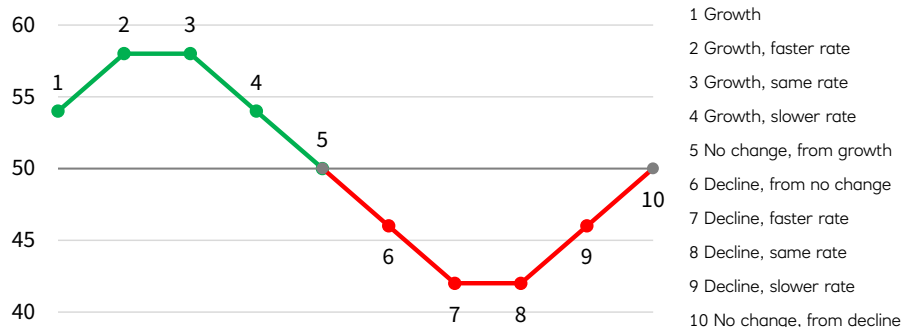
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"These latest PMI figures build on the positive start to the year we reported last month, with business activity rising in the majority of nations and regions in February. Encouragingly, growth in most cases is being supported by increasing levels of new business, indicating a pick-up in underlying demand and hinting that the upturn as has legs.*

*"Business confidence has generally perked up and in many areas has improved considerably since the start of the year, in a further boost to*

*the outlook.*

*"Price pressures generally increased across the UK in February, with businesses reporting a combination of growing wage demands and cost increases related to the Red Sea shipping disruption. Inflation indicators remain particularly high in London, but they have picked up again in most other areas, too.*

*"With falling backlogs of work suggesting a lack of strain on business capacity, and wage pressures remaining persistently high, we're still seeing some caution towards hiring. The UK labour market as a whole is trading water*

*amid mixed sub-national trends in employment."*

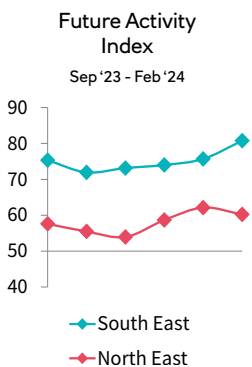
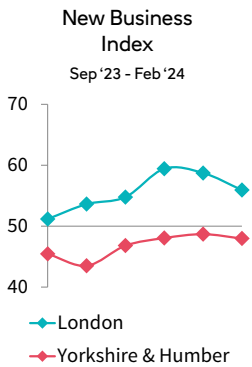
## Demand and outlook

### New business grows in majority of areas

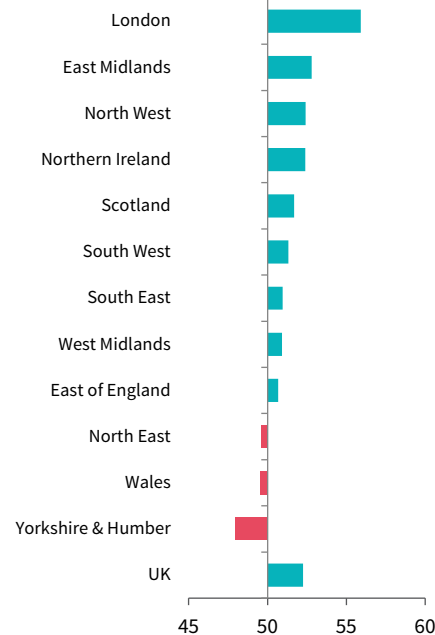
February data showed a growing number of areas reporting higher inflows of new business. There were renewed upturns in Scotland, the South East and the East of England, while the strongest overall increase was once again recorded in London. Firms in Yorkshire & Humber, Wales and the North East by contrast reported further reductions in new work.

### Business confidence generally improves

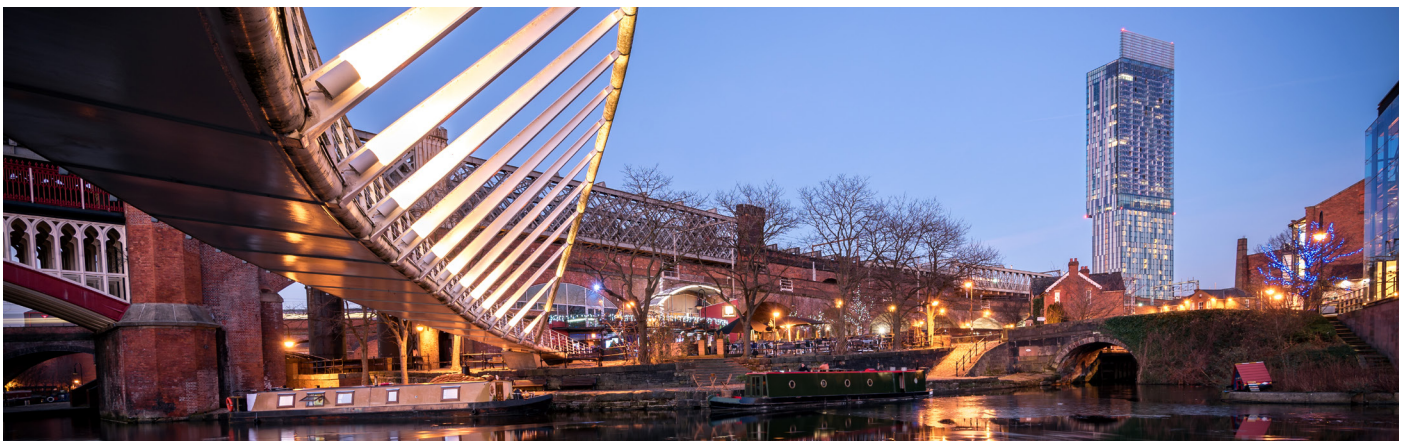
Business expectations improved in the majority of areas in February. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).



New Business Index  
sa, >50 = growth since previous month, Feb '24



Future Activity Index  
>50 = growth expected over next 12 months, Feb '24



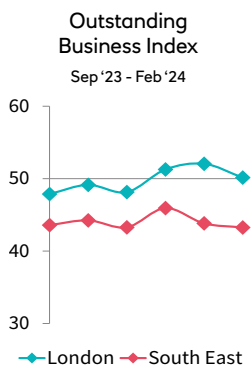
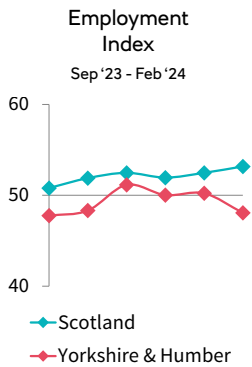
## Business capacity

### Employment rises in just half of nations and regions

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland\*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

### Backlogs continue falling everywhere bar London

Falling backlogs of work remained a common theme across the UK during February, in a sign of a general lack of pressure on business capacity. The South East saw the most marked decrease, followed by Wales. Only London recorded a rise in outstanding business, though even there the increase was marginal and slower than seen in January.



Employment Index  
sa, >50 = growth since previous month, Feb '24



Outstanding Business Index  
sa, >50 = growth since previous month, Feb '24



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





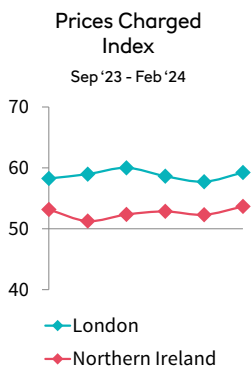
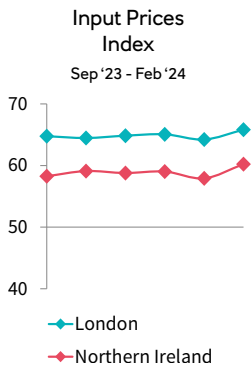
## Prices

### Cost pressures intensify across most parts of the UK

Cost pressures intensified across most parts of the UK in February. Input prices continued growing fastest in London, where the rate of inflation quickened to a six-month high. Only in the East of England and Scotland did costs rise more slowly compared with January. Northern Ireland saw the weakest overall increase and was unique in recording a rate of cost inflation below its long-run average.

### Prices charged for goods and services rise fastest in London

Firms in London recorded the sharpest overall rise in prices charged for goods and services in February, as has been the case in five of the past six months. They were followed by those in the East of England. Rates of output price inflation generally quickened, except for in Scotland and the West Midlands. The slowest increase in charges was once again seen in Northern Ireland.



Input Prices Index  
sa, >50 = inflation since previous month, Feb '24



Prices Charged Index  
sa, >50 = inflation since previous month, Feb '24



## Index summary

### UK regions

sa, 50 = no change over previous month / \*50 = no change over next 12 months, Feb '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	56.5	55.9	76.5	51.7	50.2	65.8	59.2
South East	53.0	51.0	80.7	50.3	43.3	61.8	57.1
South West	49.3	51.3	72.3	50.4	47.3	63.1	55.5
East of England	53.1	50.7	79.9	50.7	45.2	62.5	58.6
East Midlands	54.2	52.8	76.0	49.0	47.5	63.1	56.8
West Midlands	53.1	50.9	76.8	49.0	47.7	61.3	57.2
Yorkshire & Humber	48.3	48.0	75.7	48.1	45.4	61.0	56.0
North West	52.7	52.4	71.5	50.0	46.6	61.1	54.7
North East	47.5	49.6	60.2	49.3	46.5	63.1	57.3
Scotland	52.1	51.7	63.8	53.2	48.6	61.5	56.6
Wales	47.5	49.5	74.5	48.8	43.7	60.9	57.0
Northern Ireland	53.6	52.4	64.6	50.6	49.0	60.2	53.7

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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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

### About PMI

Purchasing Managers' Index™ (PMI<sup>®</sup>) 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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