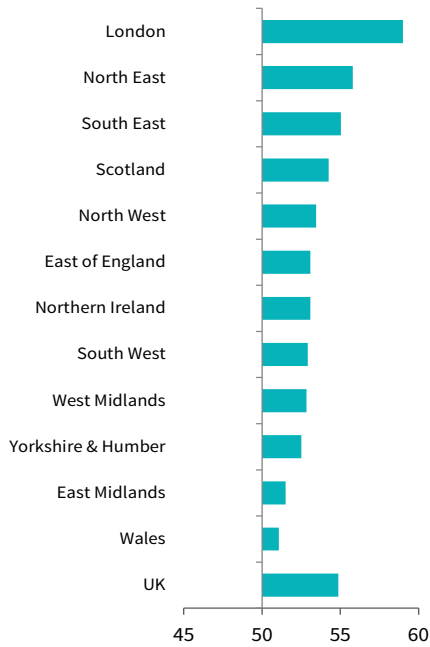


NatWest UK Regional PMI[®]

London leads broad-based rise in business activity in April

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Apr '23



Key findings

Output rises in all areas, led by particularly sharp growth in the capital

Employment up everywhere – except in Wales

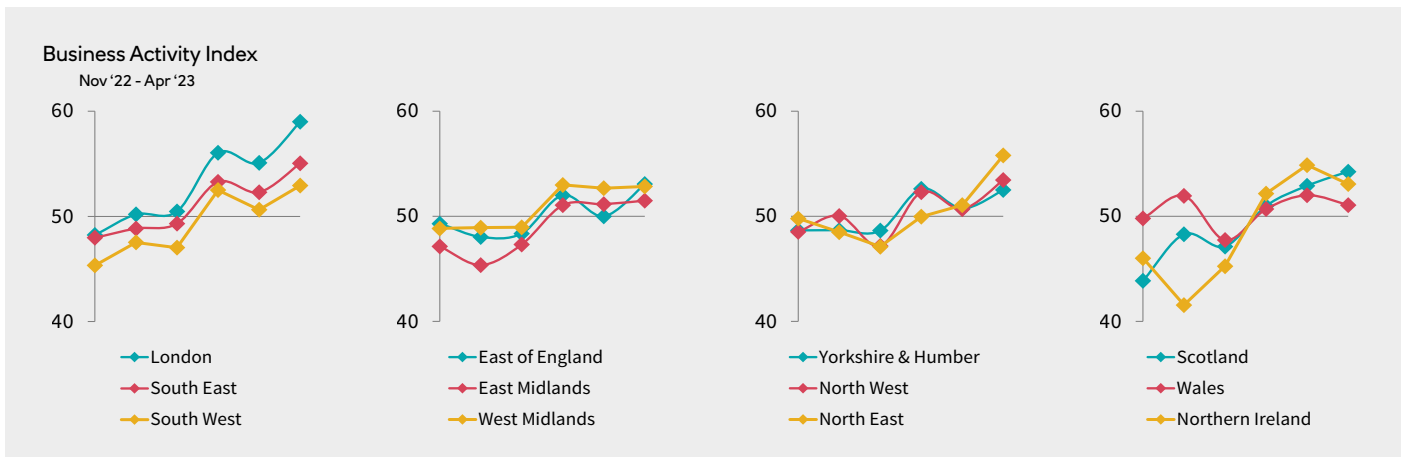
Quicker increases in output prices point to sticky inflation

The latest Regional PMI[®] survey from NatWest indicated broad-based growth in business activity across the UK in April, led by a sharp expansion in output across London. Employment levels generally increased, supported by positivity towards the outlook. Price pressures meanwhile remained elevated, with average charges for goods and services rising at a quicker rate in almost all areas.

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.

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high (index at 59.0). Wales (51.1) sank to the bottom of the rankings for output growth and was one of only two areas, alongside Northern Ireland* (53.1), where the pace of expansion slowed.

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



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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).

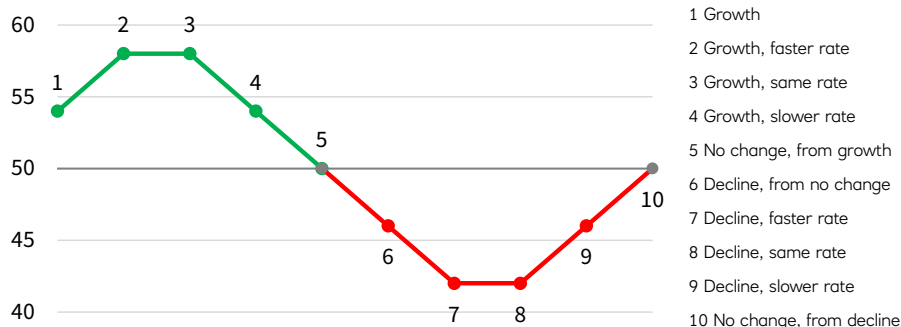
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"It was a generally positive start to the second quarter for all regions and nations across the UK, with business activity and inflows of new work rising across the board. But the clear standout performer in terms of output growth is London, which has regained considerable momentum in recent months following a slowdown in the second half of last year.

"It was also encouraging to see a general pick-up in hiring activity in April following a slower period for the jobs market in recent months, which has been helped by a recovery

in business confidence. Expectations have strengthened considerably in all regions since the end of last year, and even improved further in April in just over half of cases.

"At the same time, the latest PMI data point to some stickiness in inflation. Despite signs that cost pressures faced by businesses continue to ebb from the highs over the past two years, average prices charged for goods and services actually increased more quickly in almost all areas in April, perhaps supported by stronger-than-expected demand conditions."

Demand and outlook

Broad-based rise in new business

Latest data showed a broad-based rise in new business across the UK. London recorded the strongest growth in new work by some margin – the pace of expansion there reaching the quickest for over a year – followed by the South East. At the other end of the scale, the smallest rise in new business was in Northern Ireland, which was one of six areas (out of 12) where the rate of growth slowed.

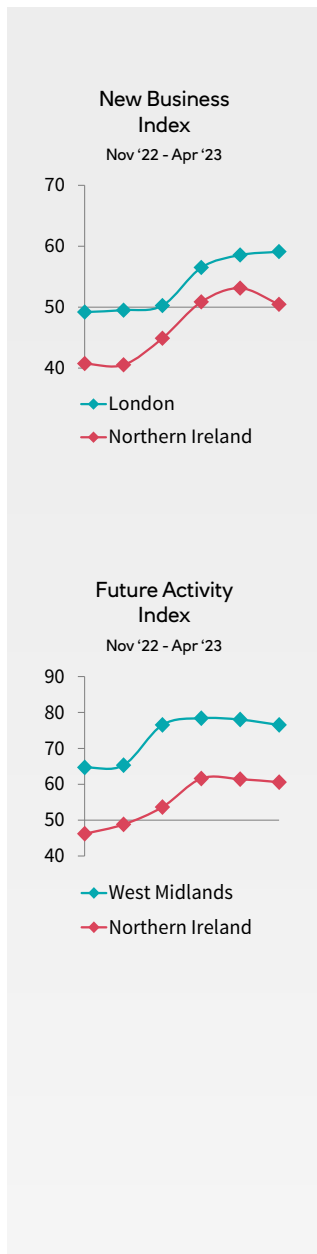
New Business Index
sa, >50 = growth since previous month, Apr '23



Output expectations remain positive in all areas

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

Future Activity Index
>50 = growth expected over next 12 months, Apr '23



Business capacity

Employment rises everywhere – except in Wales

Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, followed by Scotland. Notably, the North East saw staffing levels rise – albeit marginally – for the first time in nearly a year.

Capacity pressures strongest in London

Business capacity pressures were strongest in London, where backlogs of work rose sharply and at the fastest rate since November 2021. Scotland, the South East and Northern Ireland also recorded increases in outstanding business, although rates of accumulation were modest at best. Firms in Wales registered the steepest drop in work-in-hand, as has been the case in each of the past three months.



Employment Index
sa, >50 = growth since previous month, Apr '23



Outstanding Business Index
sa, >50 = growth since previous month, Apr '23



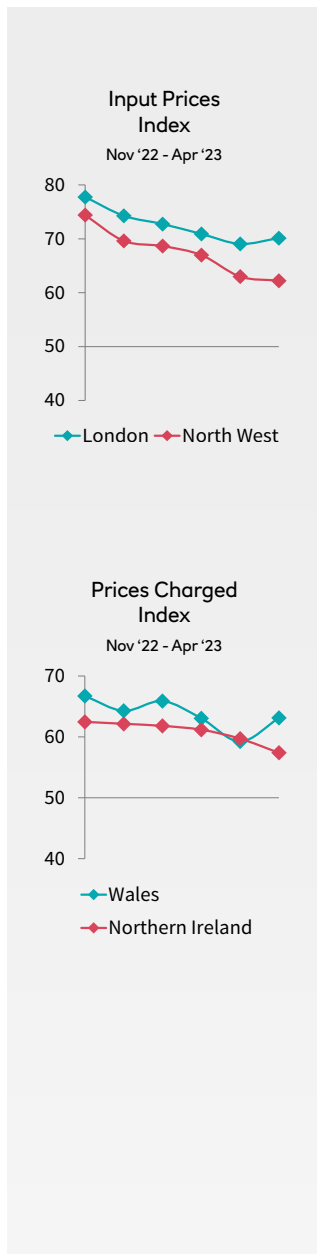
Prices

Rates of input cost inflation slow in most areas

No change in the rate of input cost inflation at the UK level in April masked slowdowns in eight of the 12 nations and regions. Among them were the North West and West Midlands, which recorded the slowest increases in operating expenses respectively. London, Scotland, Wales and the East of England all went against the trend and posted faster increases in input prices.

Output prices continue to rise sharply

All areas of the UK once again recorded sharp increases in average prices charged for goods and services in April. Moreover, rates of output price inflation accelerated in almost all cases, the only exception being Northern Ireland where firms reported the slowest rise in charges for almost two-and-a-half years. Wales topped the rankings for output price inflation, ahead of Yorkshire & Humber.



Input Prices Index
sa, >50 = inflation since previous month, Apr '23



Prices Charged Index
sa, >50 = inflation since previous month, Apr '23



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Apr '23

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	59.0	59.1	71.2	53.5	54.6	70.1	60.9
South East	55.0	55.9	74.7	52.5	50.8	66.9	61.4
South West	52.9	52.6	65.1	53.8	47.2	65.8	59.3
East of England	53.1	55.0	74.9	53.8	48.1	66.7	59.8
East Midlands	51.5	50.8	72.9	52.0	45.9	66.7	60.6
West Midlands	52.8	54.0	76.5	52.6	48.3	63.9	60.3
Yorkshire & Humber	52.5	50.9	75.8	54.0	46.5	65.9	62.5
North West	53.5	51.5	71.9	52.2	47.0	62.2	60.9
North East	55.8	54.7	63.8	50.4	48.5	68.5	61.6
Scotland	54.3	52.0	63.4	54.8	51.0	68.8	60.1
Wales	51.1	52.6	73.0	48.8	44.1	67.3	63.1
Northern Ireland	53.1	50.5	60.6	55.4	50.3	66.1	57.4

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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.

ihsmarkit.com/products/pmi.html

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