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.
Demand

After losing momentum in most regions in September, inflows of new work generally reaccelerated in October. Wales remained out in front for new order growth, though the pace of increase was still below the highs during the early recovery phase in the second quarter. Northern Ireland* saw a fall in new work for the second month running, while inflows broadly stagnated in the North East.

Capacity

A build-up of backlogs of work across 11 of the 12 monitored regions in October continued to indicate widespread capacity pressures in the economy. Wales recorded the most marked rise in outstanding business (by some margin), followed by the West Midlands and then Yorkshire & Humber. The North East saw the only fall in work-in-hand.

Latest data showed another broad-based rise in employment in October. Rates of job creation were fastest overall in the North West and London respectively, and even reached a series-record high in the case of the former. Most areas in fact recorded faster increases in employment than in September, including the lowest ranked region, the North East.

Prices

Latest data showed a universal acceleration in rates of input cost inflation at the regional level in October. Furthermore, they reached record highs in all but one case (the increase in the West Midlands was its third-fastest). Firms in Northern Ireland recorded the strongest overall cost pressures, while those in London faced the least marked (although still notably higher than at any time before).

All regions saw further sharp increases in average prices charged for goods and services in October. Rates of inflation slowed only in the North West and Scotland, but even here they stayed close to their recent peaks. Northern Ireland and Wales recorded the steepest rises in output prices respectively, and were two of seven areas where rates of inflation hit all-time highs.

*Continued...
Outlook

Businesses all across the UK remained upbeat about the outlook for activity over the coming year. The strongest optimism was recorded in Yorkshire & Humber, where confidence picked up slightly in October. In most areas, however, growth expectations moderated from the previous month, falling sharpest in the North West and Northern Ireland.

* Coverage in Northern Ireland also includes construction and retail, which were the main drags on new business.

Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"October's results can be described as a mixed bag. Signs of a pick-up in activity and employment growth across many areas have been somewhat overshadowed by sky-rocketing costs faced by businesses in all parts.

"One positive is that activity levels continued to recovery across every region and nation at the start of the fourth quarter, albeit with some carrying more momentum than others.

"We can also take encouragement from a sustained broad-based rise in employment, as firms look to rebuild workforces and expand capacity in line with strengthened demand. However, businesses are having difficulty filling vacancies due to a tightening jobs market, which is not only holding back activity in some cases and contributing to rising backlogs of work, but also pushing up wages.

"When factoring in the surging prices of energy, raw materials and transportation, this has resulted in a cost environment unlike anything we’ve seen for at least two decades. Firms in almost every region and nation recorded unprecedented increases in their operating expenses in October.

"These strong inflationary pressures, combined with related supply chain issues, have weighed on business confidence, which has seen a setback in the majority of areas in October. Still, firms generally remain positive about growth prospects in the coming year.”

-ENDS-
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.

---

**Business Activity Index, Oct ’21**

sa, >50 = growth since previous month

<table>
<thead>
<tr>
<th>Region</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wales</td>
<td>61.5</td>
</tr>
<tr>
<td>London</td>
<td>60.5</td>
</tr>
<tr>
<td>Yorkshire &amp; Humber</td>
<td>59.4</td>
</tr>
<tr>
<td>East of England</td>
<td>58.3</td>
</tr>
<tr>
<td>South East</td>
<td>57.2</td>
</tr>
<tr>
<td>West Midlands</td>
<td>56.9</td>
</tr>
<tr>
<td>Scotland</td>
<td>56.3</td>
</tr>
<tr>
<td>North West</td>
<td>55.3</td>
</tr>
<tr>
<td>South West</td>
<td>55.1</td>
</tr>
<tr>
<td>East Midlands</td>
<td>52.6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>52.2</td>
</tr>
<tr>
<td>North East</td>
<td>51.2</td>
</tr>
</tbody>
</table>

Source: NatWest, IHS Markit
Contact

NatWest
Kate Visser
Regional Campaign Manager
+44 (0) 7970 947694
kate.visser@natwest.co.uk

IHS Markit
Phil Smith
Economics Associate Director
+44 1491 461 009
phil.smith@ihsmarkit.com

Joanna Vickers
Corporate Communications
+44 207 260 2234
joanna.vickers@ihsmarkit.com

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.
Notes to editors

Methodology

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.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

The survey data for October were collected 12 – 27 October 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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. To learn more go to ihsmarkit.com/products/PMI.html.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners ©2021 IHS Markit Ltd. All rights reserved.

Disclaimer

The intellectual property rights to the NatWest UK Regional PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. NatWest uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.