



NatWest UK Regional PMI[®]

Business activity increases across all nations and regions in May

UK Regional PMI



Key findings

Broad-based growth recorded for first time since April 2023

Employment increases in just over half of areas

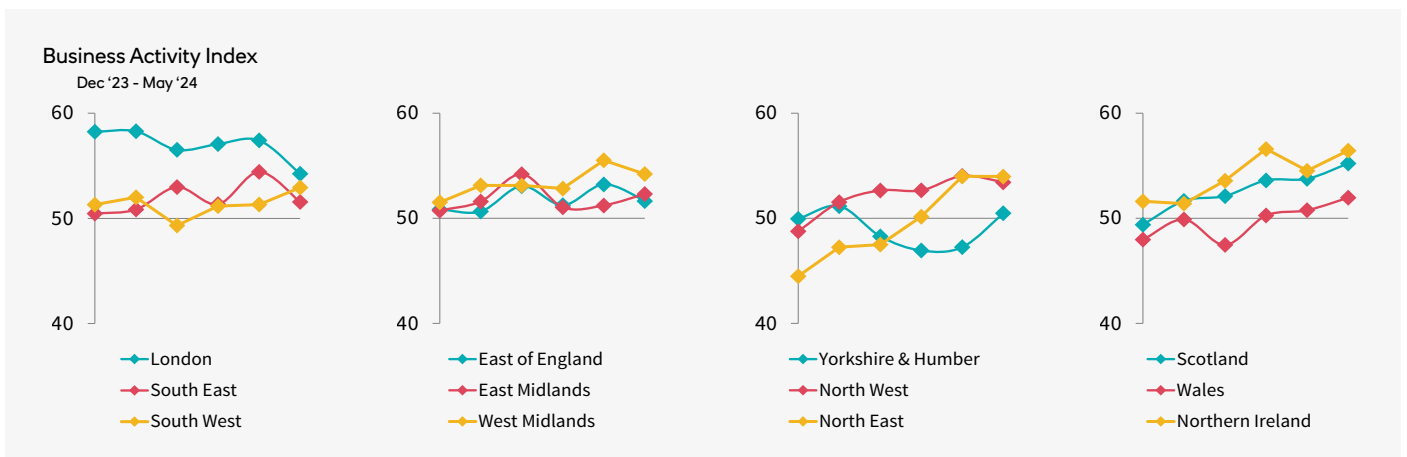
Cost inflation eases universally after April's National Minimum Wage rise

Latest Regional PMI[®] survey data from NatWest showed a broad-based increase in business activity across the UK in May, with growth being recorded simultaneously in all 12 nations and regions monitored for the first time in more than a year. At the same, there was a universal easing of cost inflation, which had spiked in April following the changes to the National Minimum Wage. Business expectations were generally positive, but trends in employment remained more mixed.

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.

Growth of business activity in May was strongest in Northern Ireland*, where output expanded at a sharp and accelerated rate (index at 56.4), followed by Scotland (55.2). At the other end of the scale, Yorkshire & Humber (50.5) saw activity increase for the first time since January, albeit marginally.

* 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).

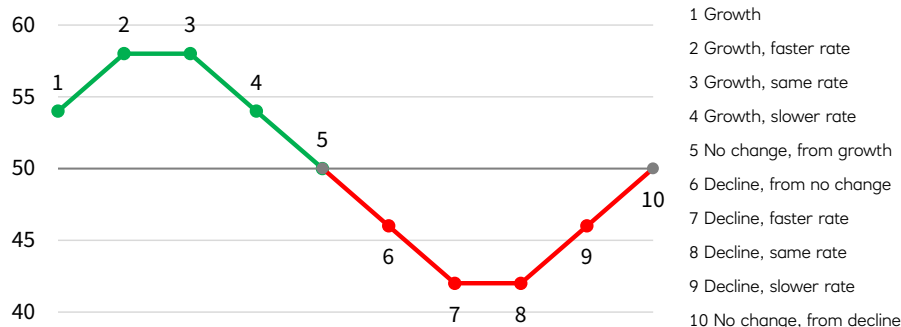
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Although growth slowed at the UK level in May, this masked a more balanced performance geographically as business activity rose in all nations and regions for the first time in over a year.

"The month's standout performers were Northern Ireland and Scotland, where rates of expansion went against the trend and accelerated. London has been leading the recovery up to now, but growth in the capital lost some momentum in May and was more aligned with the overall UK rate.

"Cost inflation receded across the UK in May, after the changes to the national minimum wage had caused it to spike in April. Nevertheless, with these higher wages already baked in and cost of living pressures continuing to drive up salary demands more generally, we're seeing some reticence among businesses when it comes to hiring.

"The lack of employment growth in some areas doesn't appear to be a confidence issue, with May's survey highlighting optimism towards growth prospects across all of the UK's nations and regions. Business activity is generally expected to rise

over the next 12 months, helped not least by a potential tailwind from lower interest rates."

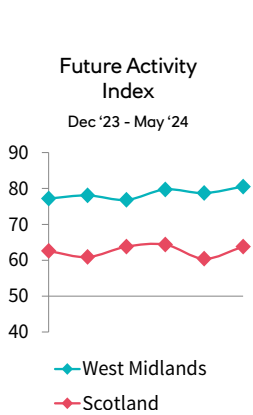
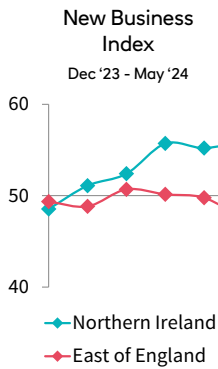
Demand and outlook

Northern Ireland sees particularly steep rise in demand

Demand conditions improved almost across the board in May. Northern Ireland recorded the most marked increase in new business by far, registering its strongest growth since February 2022. A renewed – albeit marginal – expansion in Yorkshire & Humber meant that the East of England was the only area to see a further decline in new work.

Expectations remain positive in all areas

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.



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



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



Business capacity

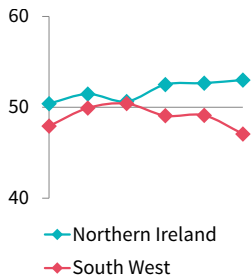
Employment trends remain mixed

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

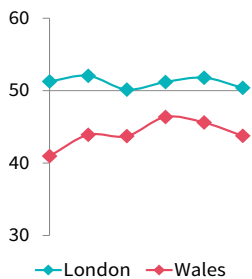
Capacity pressures generally remain subdued

Only two areas recorded a rise in backlogs of work in May, signalling a general lack of pressure on business capacity. Furthermore, the increases seen in London and Scotland were only marginal. The steepest drop in outstanding businesses was recorded in Wales, where the rate of depletion was the quickest since February.

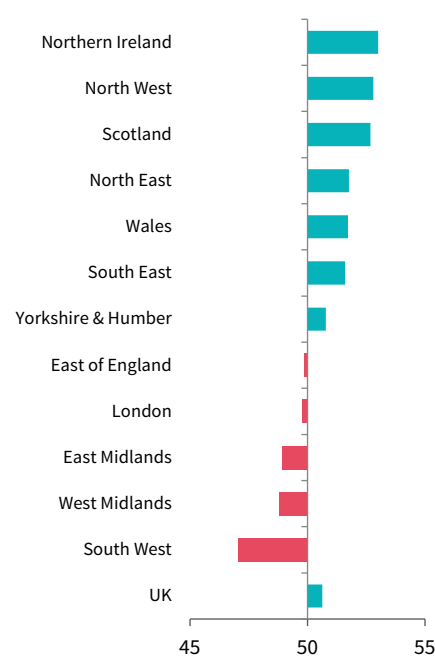
Employment Index
Dec '23 - May '24



Outstanding Business Index
Dec '23 - May '24



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



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



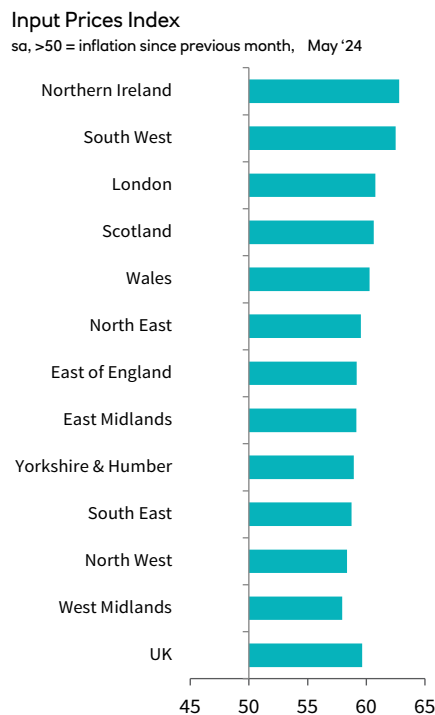
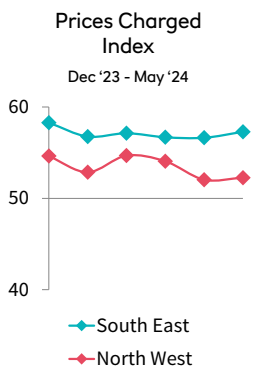
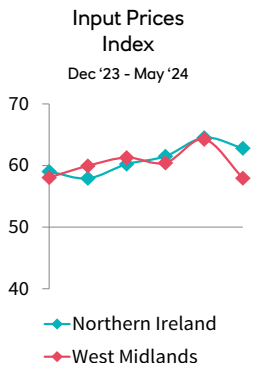
Prices

Cost pressures ease universally

Business costs rose more slowly in every nation and region in May, following a spike in inputs prices in April linked to the change in the National Minimum Wage. Firms in Northern Ireland recorded the largest overall rise in operating expenses, while those in the West Midlands recorded the smallest (albeit one that was still notable).

Rates of output price inflation soften in most places

There was a tendency for average prices charged for goods and services to rise at a slower rate in May. The South East recorded the strongest output price inflation, but it was one of just three areas where the rate ticked up from the month before. The other two were Northern Ireland and the North West, although the latter nevertheless posted the slowest rise.



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	54.2	52.9	73.1	49.8	50.4	60.8	55.8
South East	51.6	50.3	78.2	51.6	48.6	58.8	57.3
South West	52.9	53.5	68.0	47.1	47.6	62.5	54.4
East of England	51.6	47.4	73.3	49.9	45.1	59.2	54.6
East Midlands	52.3	50.4	69.1	48.9	45.2	59.2	53.2
West Midlands	54.2	52.6	80.5	48.8	47.8	58.0	54.5
Yorkshire & Humber	50.5	50.2	72.3	50.8	46.2	58.9	52.8
North West	53.4	53.5	76.2	52.8	45.7	58.4	52.3
North East	54.0	52.8	66.9	51.8	46.6	59.5	55.8
Scotland	55.2	51.7	63.8	52.7	50.4	60.6	54.1
Wales	52.0	51.0	74.1	51.7	43.8	60.3	55.3
Northern Ireland	56.4	56.0	66.0	53.0	48.5	62.8	55.4

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