

NatWest UK Regional PMI®

Fewer bright spots in August as more regions show signs of economic difficulty

Key Findings

East of England leads business activity growth, ahead of Yorkshire & Humber and London

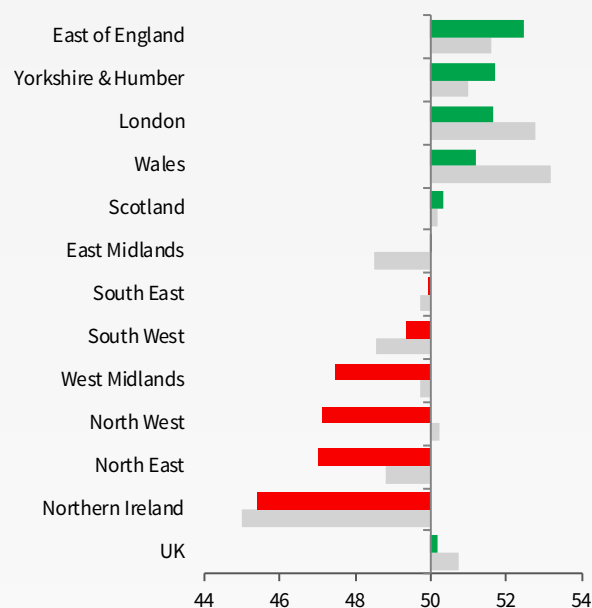
Employment increases in just four out of 12 regions

Cost pressures increase across all areas, rising sharpest in Northern Ireland

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Aug-19 ■ (Jul-19 ■)



August saw a drop in the number of UK regions recording growth in business activity, the latest NatWest UK Regional PMI® survey showed, with the number of areas seeing net job creation also declining. The survey also pointed to a UK-wide increase in cost pressures faced by businesses.

Down from six out of 12 in July to just five in August, the number of regions where output increased was the joint-lowest in over three years. The East of England topped the rankings, recording its joint-fastest expansion in 11 months. Nonetheless, its Business Activity Index reading of 52.4 indicated only a moderate rate of growth overall.

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 growth signalled.

Yorkshire & Humber (51.7) was joint-second in the rankings (with London) and also saw a slightly faster increase in output. Wales (51.2) and London – July’s top performers – both lost growth momentum, while Scotland (50.3) again saw only a fractional expansion.

Output was unchanged across both the South East and East Midlands (both 50.0), and fell in all remaining areas, decreasing most sharply in Northern Ireland (45.4) and the North East (47.0). The North West (47.1) and West Midlands (47.5) saw the biggest downswings in performance compared with July. Completing the picture was a slight fall in output in the South West (49.3).

Demand

Just four regions saw increases in new work in August, led again by London. Demand for goods and services remained weakest in Northern Ireland, with a notably negative trend also observed in the North West.

Capacity

Similarly, only a third of the areas monitored by the survey saw a rise in employment. Yorkshire & Humber led job creation ahead of London, while the East Midlands again saw the steepest decrease. The capital was the only region with any perceptible pressure on capacity, recording a marginal increase in backlogs.

Prices

Data showed a broad-based acceleration in input price inflation. Northern Ireland recorded the steepest rise in costs, and the West Midlands the weakest. By contrast, seven regions saw slower rises in selling prices, with an outright reduction recorded in the North East.

Outlook

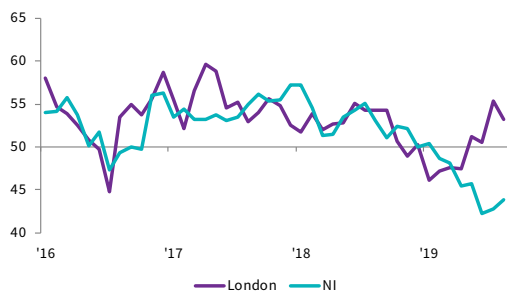
Expectations for future output deteriorated in all regions except the South West in August. Firms in Yorkshire & Humber remained the most optimistic, while sentiment in Northern Ireland returned to negative territory.

Demand and Outlook

New Business Index

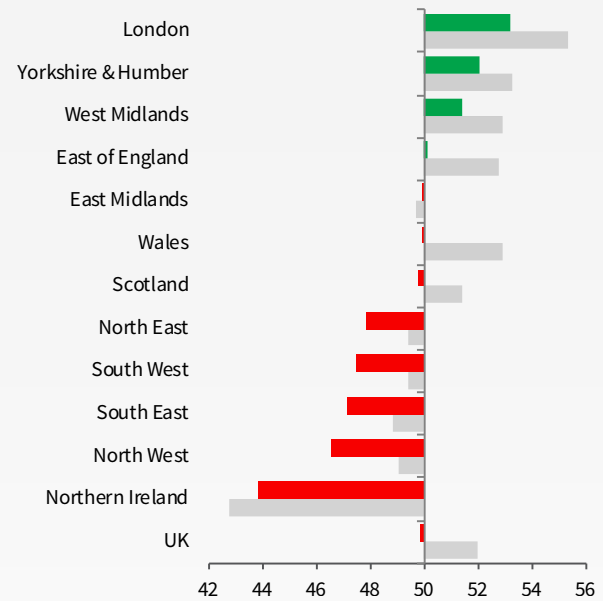
London led new order growth for the second month running in August. However, here and in the three other regions where order books rose – Yorkshire & Humber, West Midlands and East of England – the rate of increase slowed. There were negligible falls across the East Midlands, Wales and Scotland. Rates of decline accelerated in all remaining areas except Northern Ireland, which was nonetheless the worst performer.

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



New Business Index by region

sa, >50 = growth since previous month, Aug-19 (Jul-19)

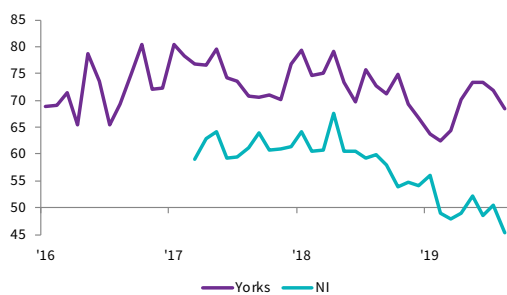


Future Output Index

Yorkshire & Humber topped the rankings for business confidence in August, despite expectations in the region moderating to a five-month low. Sentiment in fact weakened in all monitored areas bar the South West, and fell the most in the West Midlands and Wales. Notably, the number of Northern Irish firms expecting output to fall over the next 12 months exceeded those predicting a rise, bringing business confidence down to a record low.

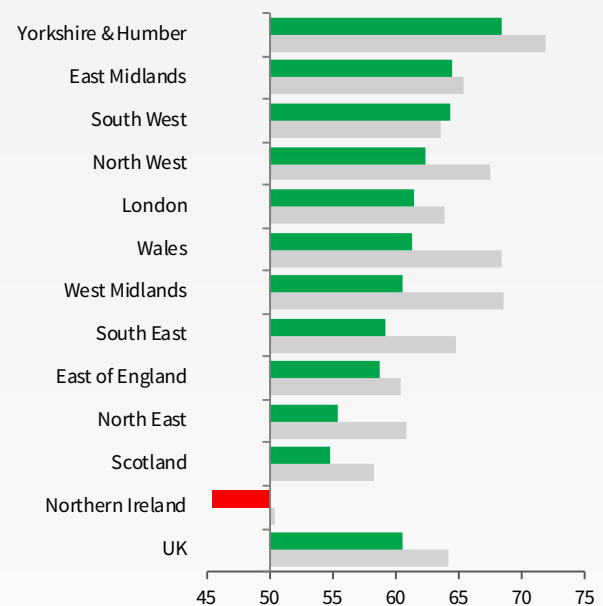
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Aug-19 (Jul-19)



Capacity

Outstanding Business Index

London was the only region to record a rise in outstanding business in August, as has been the case in three of the past four months. At the other end of the scale, the North East saw the steepest fall in backlogs. Next was the West Midlands, where the rate of decline was the quickest for nearly ten years.

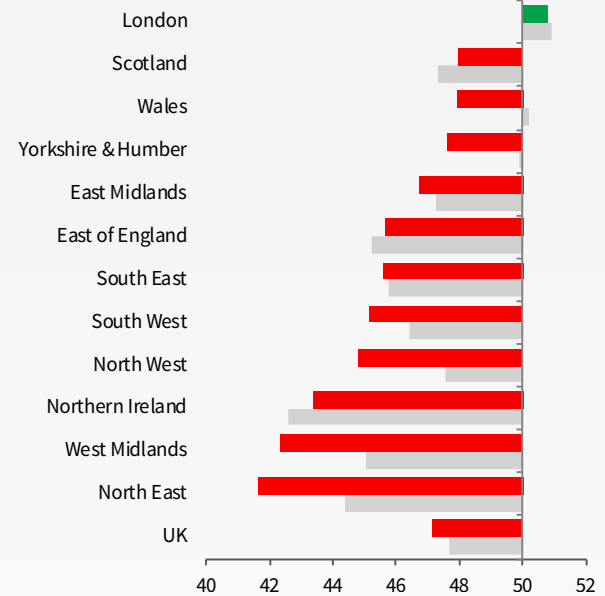
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Aug-19 (Jul-19)

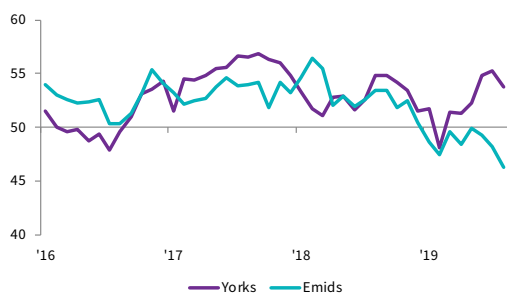


Employment Index

Employment growth was led by Yorkshire & Humber for the third month in a row in August. London remained second in the rankings, the East of England third and the North West fourth, though job creation slowed in each case. Eight out of the 12 areas saw workforce numbers fall, the highest number since February. The East Midlands recorded the sharpest decrease for the second month running, followed by Wales.

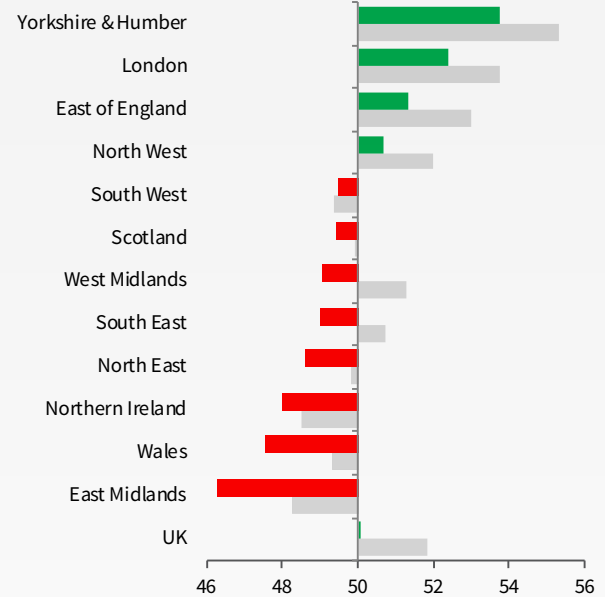
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Aug-19 (Jul-19)



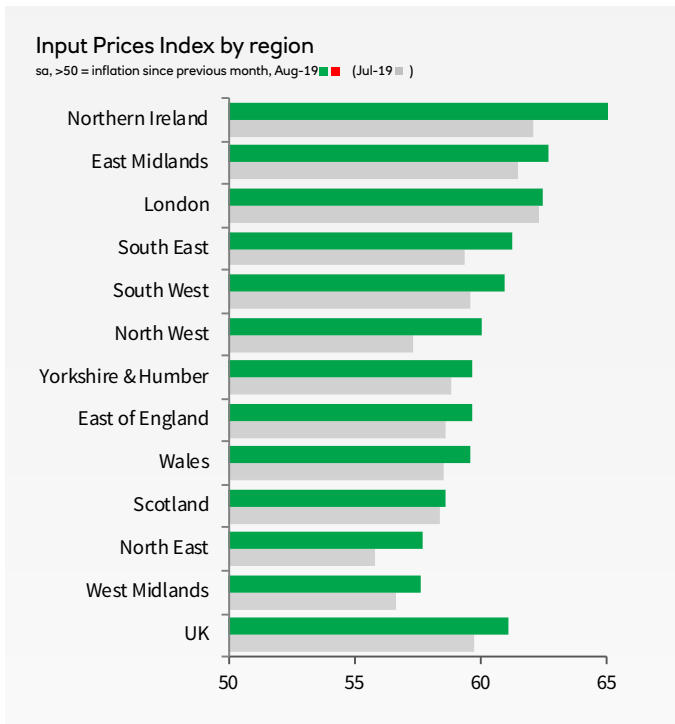
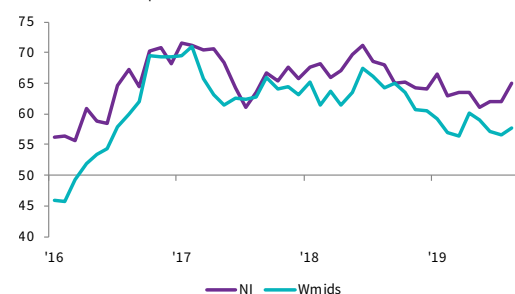
Prices

Input Prices Index

Rates of input price inflation quickened across all 12 monitored areas in August. Northern Ireland saw the steepest overall rise in costs as well as the most marked acceleration in the rate of inflation. The East Midlands was ranked second for overall cost pressures, ahead of London and the South East. Firms in the West Midlands recorded the slowest rise in operating expenses, albeit with the rate of increase at a three-month high.

Input Prices Index

sa, >50 = inflation since previous month

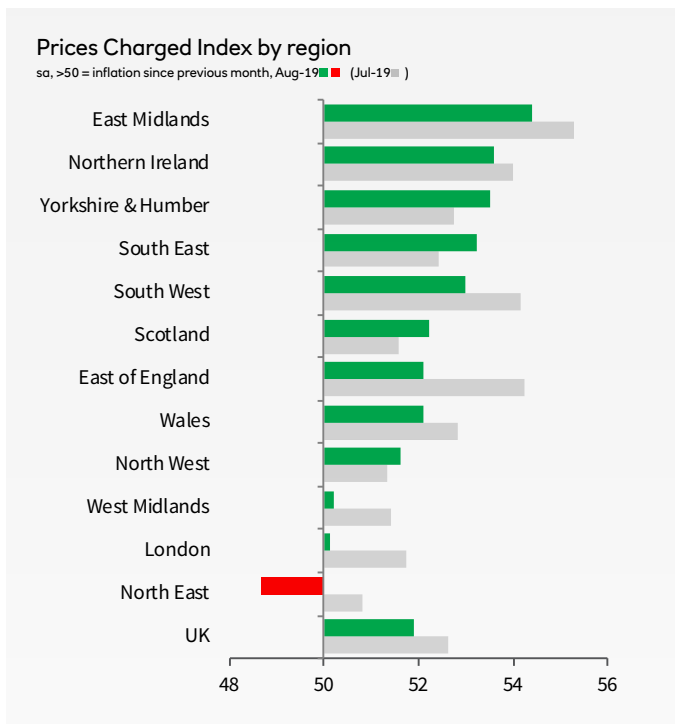
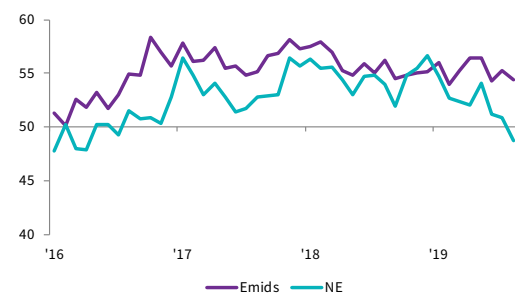


Prices Charged Index

In contrast to the trends in input costs, August saw prices charged rise at a slower rate in seven out of the 12 monitored areas, with the North East recording an outright decrease – its first for over three years. Firms in the East Midlands remained the most aggressive in their price setting, registering the steepest rise in charges for the fifth time in the past six months. Northern Ireland was ranked second.

Prices Charged Index

sa, >50 = inflation since previous month



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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.

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 NatWest

NatWest serves customers in England, Wales and Western Europe, supporting them with their personal, private, and business banking needs. NatWest helps customers 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.

NatWest has been running MoneySense, an impartial financial education programme for 5–18 year-olds, for more than 21 years. By the end of 2018, NatWest will help another 1 million young people to understand and take control of their finances.

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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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