



# NatWest UK Regional PMI®

## Wales, East Midlands and North West the main bright spots in an otherwise subdued picture

### Key Findings

Wales and East Midlands lead minor uptick in UK growth in February

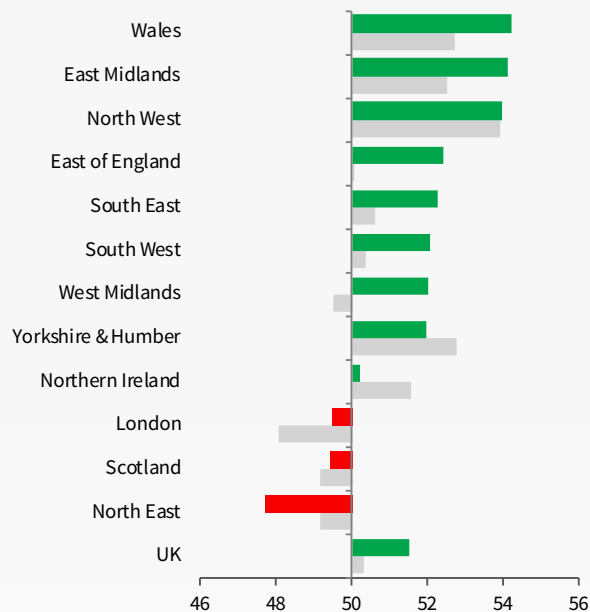
Employment falls in nine out of 12 monitored regions – the most since September 2012

Business confidence remains low, with Northern Ireland firms turning pessimistic about the outlook

### UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Feb-19 (Jan-19)



Business activity rose across most areas of the UK in February, although growth was only modest in the majority of cases, according to the latest NatWest Regional PMI® survey. The report meanwhile showed the broadest fall in employment since late-2012, reflecting low business confidence and signs of spare capacity.

Wales led growth in February. It saw its Business Activity Index rise since January to 54.2 – the highest since last September and in line with the average in 2018.

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.

Faster growth was also seen in the East Midlands (54.1), North West (54.0), South East (52.3) and South West (52.1), while the East of England (52.4) and West Midlands (52.0) moved back into expansion territory. However, the indices were all below their 2018 averages.

Rates of growth in Yorkshire & Humber (52.0) and Northern Ireland (50.2) meanwhile eased to the weakest since 2016.

The survey also showed sustained decreases in business activity across the North East (47.7), Scotland (49.4) and London (49.4). Only the former, however, saw the rate of decline gather pace since January.

### Demand

As with output, growth in new orders in February was led by Wales and the East Midlands. Demand meanwhile slowed in the North East, London, Scotland and Northern Ireland, with the latter seeing a fall in new business for the first time in almost two-and-a-half years.

### Capacity

Capacity pressures eased across most UK areas. The only exceptions were Wales and the East Midlands, where modest rises in backlogs of work were recorded. As such, the latest data showed a fall in employment in nine of the 12 monitored regions – the highest number for almost six-and-a-half years. The North East saw the fastest rate of job shedding, followed by London. The North West recorded the most marked rise in employment, though even here the increase was modest.

### Prices

Welsh businesses reported the steepest rise in prices charged for goods and services in February. Wales was also one of only two areas where firms' input prices rose more quickly than in January. The other was the South West, which saw the strongest overall cost pressures.

### Outlook

Business confidence towards the year-ahead outlook for output remained subdued by historical standards in all areas of the UK in February. Notably, expectations turned negative in Northern Ireland for first time since the series began two years ago. Firms in the East Midlands were the most optimistic, followed by those in the South East.

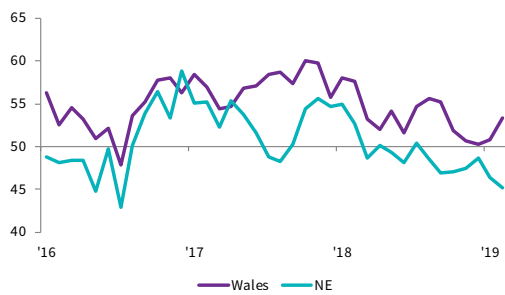
## Demand and Outlook

### New Business Index

Wales led new business growth in February ahead of the East Midlands, with both areas seeing a faster rate of increase. Inflows of new work returned to growth in the East of England, North West and South East, albeit rising only marginally. London and North East remained the two worst performers, with the latter slipping back to the foot of the rankings as it saw order books fall to the greatest extent since July 2016.

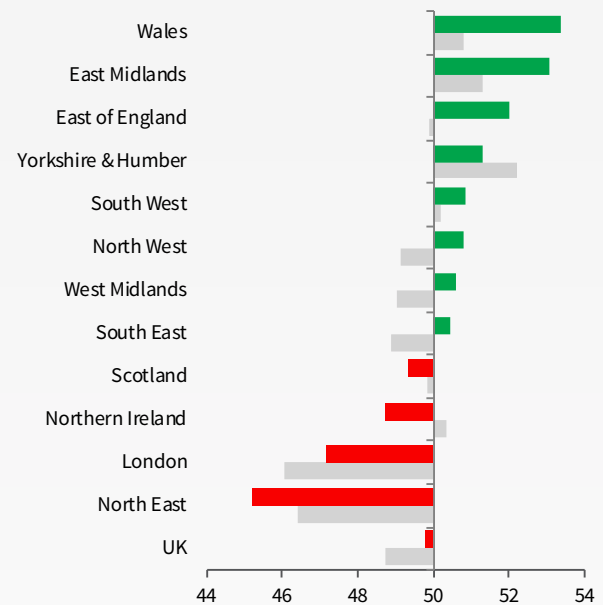
#### New Business Index

sa, >50 = growth since previous month



#### New Business Index by region

sa, >50 = growth since previous month, Feb-19 (Jan-19 ■)

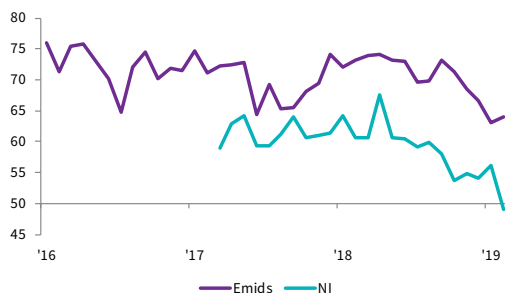


### Future Output Index

Firms in the East Midlands were the most optimistic about the one-year outlook for output in February, closely followed by their counterparts in the South East and South West. Even here, however, the levels of confidence were below their respective long-run averages. The weakest business sentiment was in Northern Ireland, where latest data showed overall pessimism for the first time in over two years.

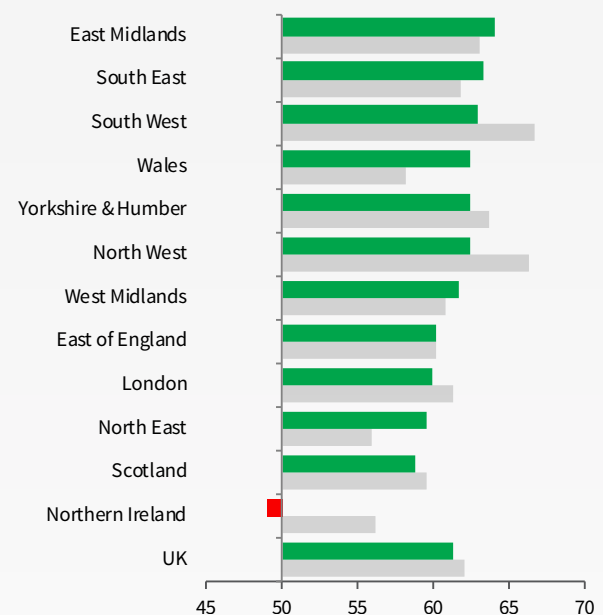
#### Future Output Index

>50 = growth expected over next 12 months



#### Future Output Index by region

>50 = growth expected over next 12 months, Feb-19 (Jan-19 ■)



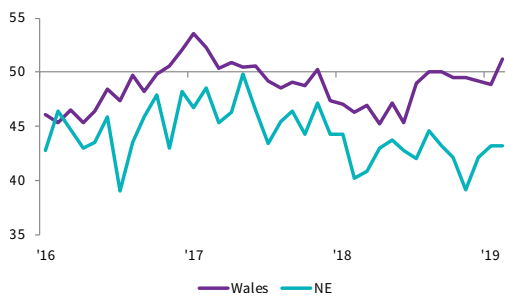
# Capacity

## Outstanding Business Index

Two areas of the UK saw a rise in outstanding business in February, up from none in January. These were Wales and the East Midlands – the month's top performers for new orders. Yorkshire & Humber, Northern Ireland and Scotland bucked the general trend, recording faster rates of backlogs depletion. The most marked decrease was again seen in the North East, which was at the foot of the rankings for the twenty-first month in a row.

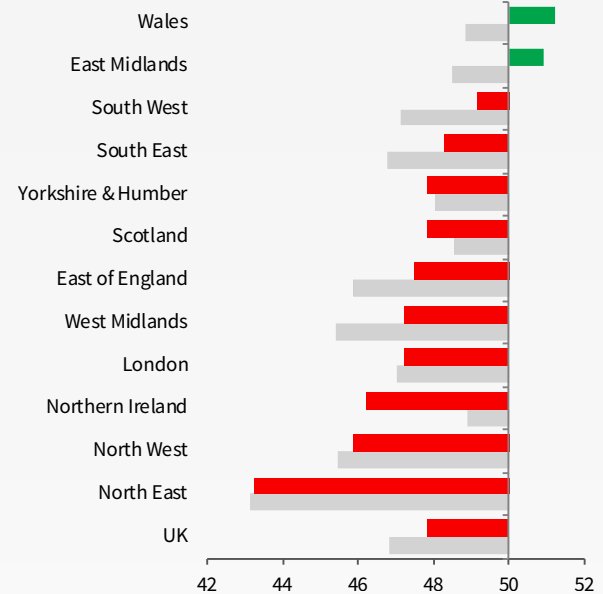
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Feb-19 (Jan-19)

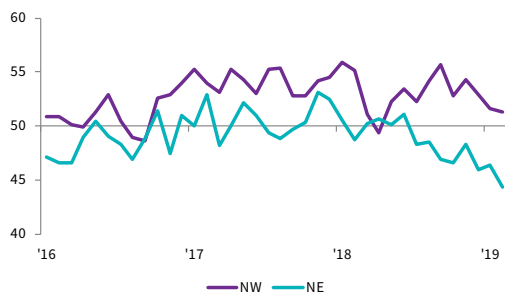


## Employment Index

A rise in employment was recorded in only three out of the 12 monitored areas of the UK in February – the lowest number since September 2012. These were the North West, West Midlands and Scotland, though in each case the rate of job creation eased since January. The South West and Yorkshire & Humber saw renewed declines in staffing numbers, while the North East recorded the steepest overall rate of job losses.

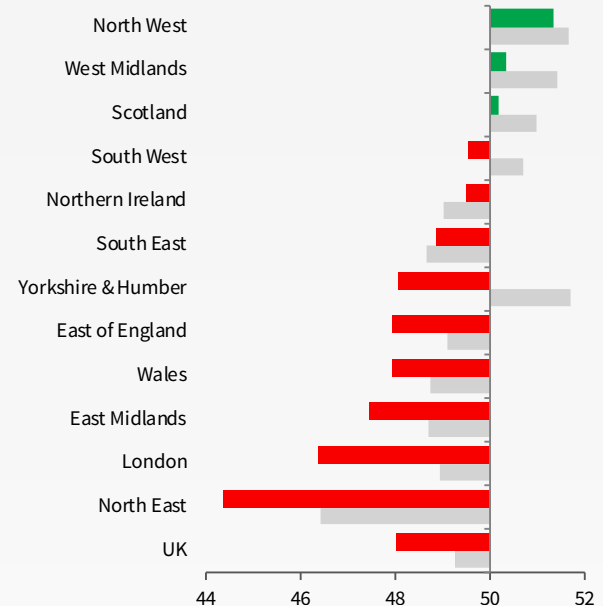
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Feb-19 (Jan-19)



# Prices

## Input Prices Index

Input price inflation slowed in most areas in February. The two exceptions were the South West and neighbouring Wales, with the former seeing the steepest overall monthly rise in costs. Northern Ireland, which topped the rankings in January, saw its rate of input price inflation slow sharply to a 19-month low. Firms in the West Midlands recorded the weakest rise in operating expenses – the least marked since June 2016.

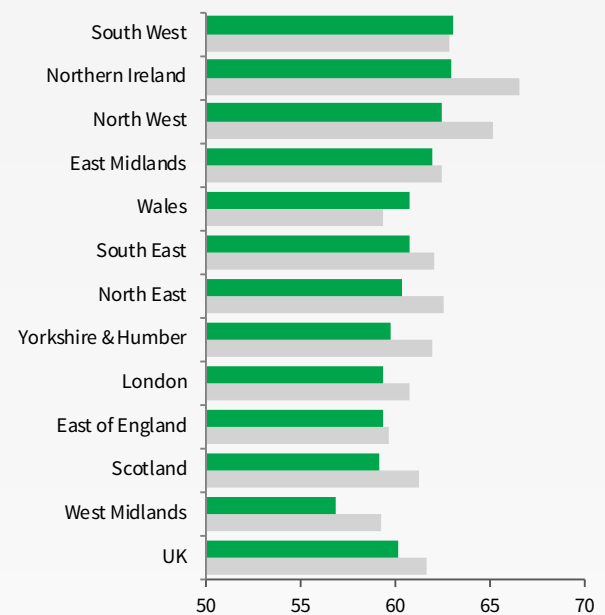
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Feb-19 (Jan-19)



## Prices Charged Index

Wales saw the steepest rise in prices charged for goods and services in February, followed by Northern Ireland, where the rate of inflation remained strong but eased to its weakest since October 2016. Rates of increase also slowed sharply in the North West, East Midlands, East of England and North East. London remained at the foot at the rankings for the eleventh straight month, recording only a marginal rise in output prices.

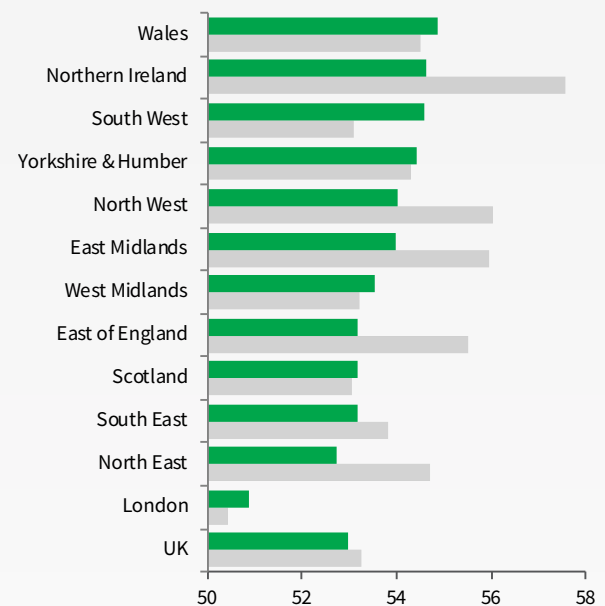
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Feb-19 (Jan-19)



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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](mailto: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](http://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.

### About IHS Markit

IHS Markit (Nasdaq: 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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