9 July 2018

NatWest

NatWest UK Regional PMI®

Regional business activity growth continues to be led by the Midlands

Key Findings

Business activity rises in all regions except the North East

Scotland leads employment growth as pace of job creation north of the border accelerates

Businesses in Northern Ireland continue to face strongest cost pressures

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Jun-18 (May-18)

The Midlands remained the UK economy's growth hotspot in June, according the latest NatWest Regional PMI® report.

Business activity rose sharply across both the East and West Midlands at the end of the second quarter, with the two regions recording similarly marked rates of growth.

The West Midlands Business Activity Index rose to a ten-month high of 58.0 in June, from 56.3 in May. The Index measures changes in the combined output of the region's manufacturing and service sectors, and any reading above 50.0 signifies growth from the previous month. The higher above the neutral 50.0 threshold, the faster the rate of expansion signalled. The pace of growth also accelerated in neighbouring East Midlands (57.9), where it was back up to the highest since February.

Output levels in fact rose everywhere except the North East (48.3), the region seeing a drop in business activity for the first time in three months. At the other end of the scale, London (56.2) and Northern Ireland (56.0) were ranked third and fourth respectively in terms of private sector output growth in June.

The biggest upswing in momentum was recorded in the North West (55.1), where expansion recovered from a 22-month low in May to the highest since February. Wales (52.0), in contrast, saw a substantial loss of growth momentum, recording only a modest rise in business activity that was the weakest in almost two years.

Demand

The West Midlands was also the region in which new orders rose the fastest in June. Businesses operating in the East Midlands and South East also reported marked increases in demand for their goods and services, while their counterparts in the North East recorded the only decline.

Capacity

June saw employment levels rise everywhere except Wales, where businesses reported a drop in staffing capacity for the first time since February 2016. Scotland meanwhile saw the strongest overall rate of job creation, with employment growth north of the border accelerating to the fastest for more than four years.

Prices

Businesses in all areas of the UK faced an increase in cost pressures in June. Northern Ireland continued to see the strongest overall rate of input price inflation, and consequently recorded the steepest rise in average prices charged for goods and services. London ranked lowest on both fronts.

Outlook

The strongest expectations towards future activity were among East Midlands firms, with those in Yorkshire & Humber also highly optimistic.

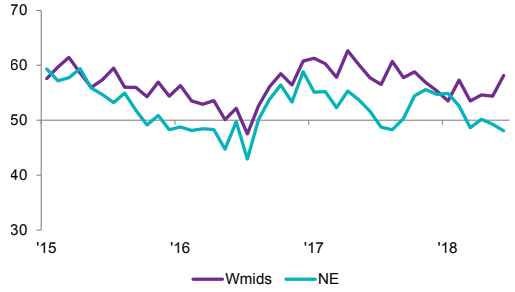
PMI® By IHS Markit

Demand and Outlook

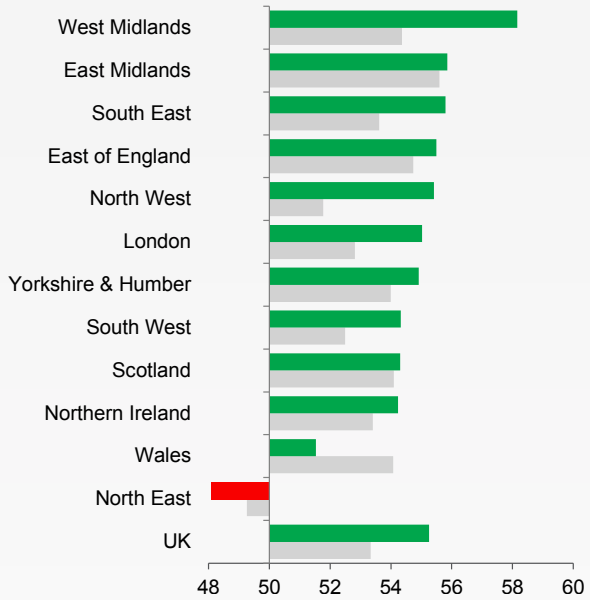
New Business Index

The West Midlands topped the regional rankings for new order growth in June, recording the fastest rise in new business since October last year. Other regions where demand for goods and services increased strongly included the East Midlands and the South East. The North East recorded the only decrease in order books, its third in the past four months.

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



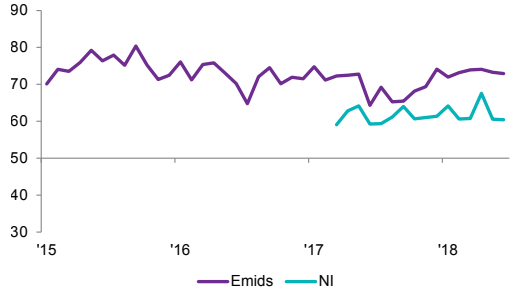
New Business Index by region
sa, >50 = growth since previous month, Jun-18 (May-18)



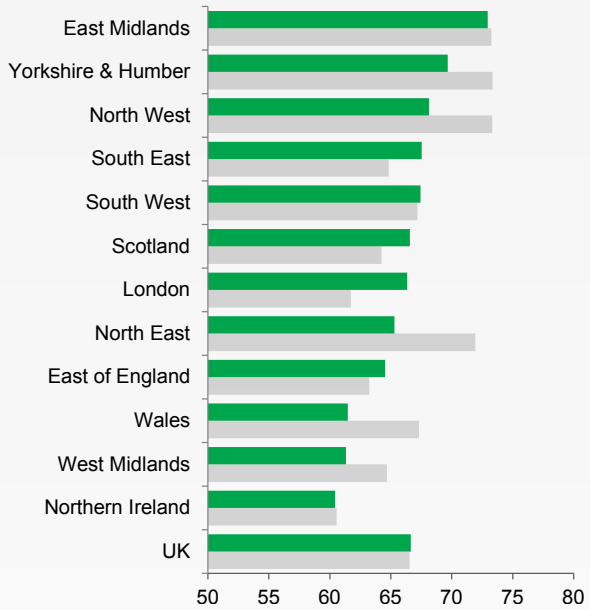
Future Output Index

The strongest optimism towards future activity was in the East Midlands. Business confidence was also particularly high in Yorkshire & Humber and the North West, although in both cases expectations eased from the previous month. As has been the case in five of the past six months, firms in Northern Ireland possessed the lowest degree of overall optimism.

Future Output Index
>50 = growth expected over next 12 months



Future Output Index by region
>50 = growth expected over next 12 months, Jun-18 (May-18)



Capacity

Outstanding Business Index

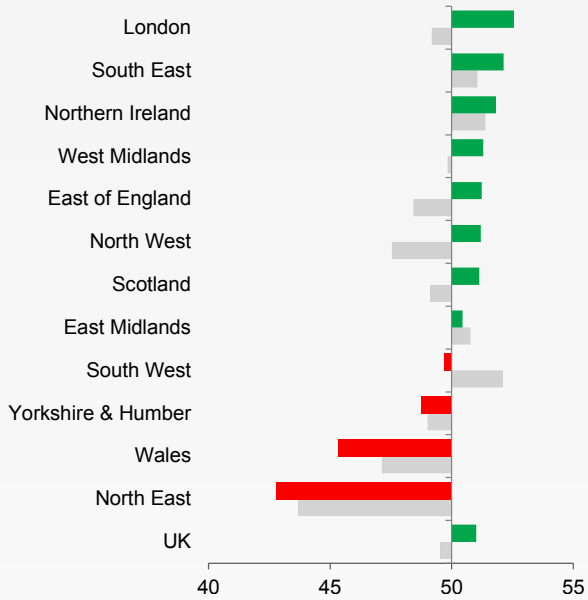
The steepest rise in backlogs of work in June was in London, where the rate growth was the highest for over a year. Neighbouring South East recorded the second-sharpest rise in outstanding business, ahead of Northern Ireland and the West Midlands respectively. Of the four areas that recorded decreases in levels of work-in-hand, the North East saw the most marked decline followed by Wales.

Outstanding Business Index

sa, >50 = growth since previous month

Outstanding Business Index by region

sa, >50 = growth since previous month, Jun-18 (May-18)

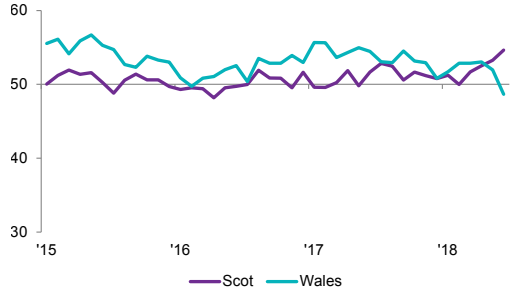


Employment Index

Scotland was the best performer in terms of employment growth, with the rate of job creation north of the border reaching its highest for over four years in June. Other areas where rates of hiring picked up included the North West (ranked second overall) and London (ranked third). Wales saw the only decrease in staffing levels, the first in the country since February 2016.

Employment Index

sa, >50 = growth since previous month



Employment Index by region

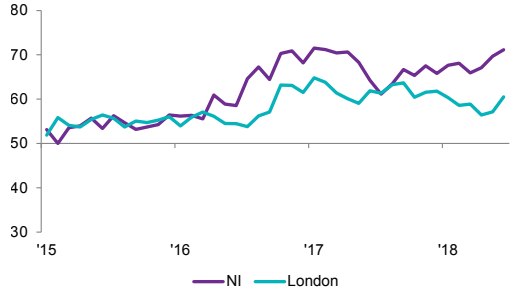
sa, >50 = growth since previous month, Jun-18 (May-18)

Prices

Input Prices Index

All regions monitored by the survey recorded an acceleration in input price inflation in June. For the third month in a row, Northern Ireland saw the steepest rise in operating expenses. Notably, the rate of input price inflation in the North East (ranked second overall) was at its highest for more than seven years. Firms in London continued to face the weakest cost pressures.

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



Input Prices Index by region
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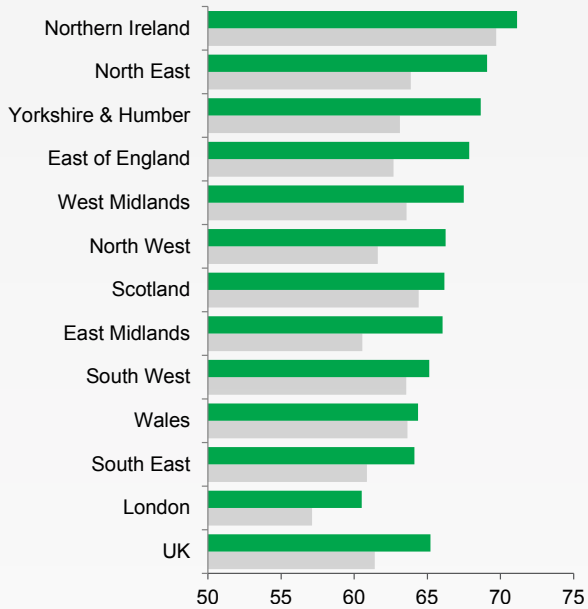
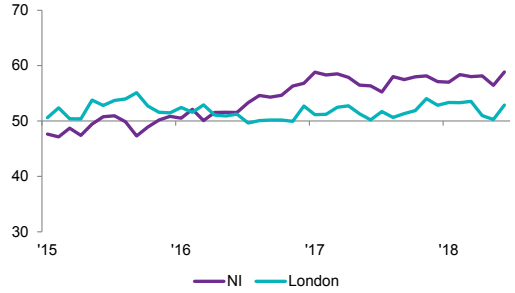


Prices Charged Index

Reflective of the trends recorded for input costs, Northern Ireland and London were at the top and bottom of the regional rankings for output price inflation in June. Both, however, saw rates of increase in prices charged for goods and services accelerate sharply since May. In the case of the former, the rate of inflation hit the highest for almost ten years. Scotland, in contrast, saw the weakest rise since January.

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



Prices Charged Index by region
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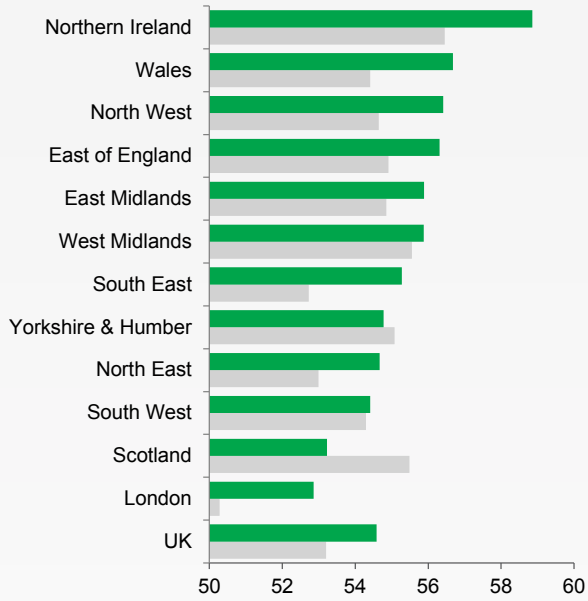

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Methodology

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.

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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