

NatWest UK Regional PMI[®]

UK remains evenly divided into areas of growth and contraction in July

Key Findings

Six out of 12 areas record business activity growth, led by Wales

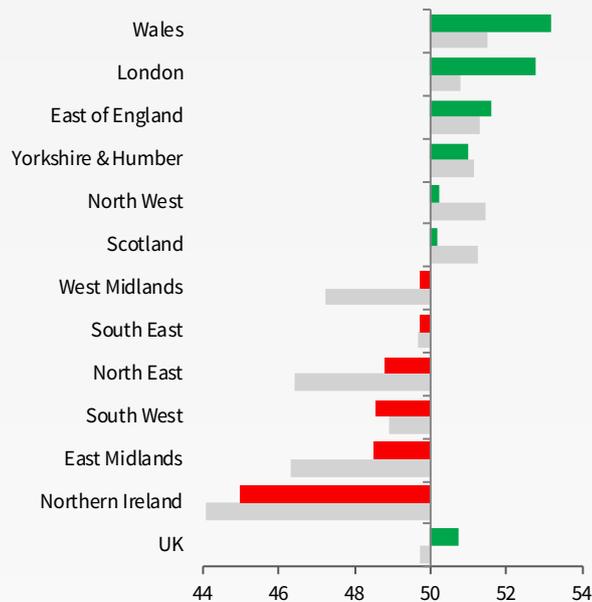
Pent up demand drives solid new order growth in London

Business conditions in Northern Ireland remain particularly challenging

UK Regional PMI Overview

Output Index by region

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



Just half of UK regions saw an increase in business activity again in July, according to the latest NatWest UK Regional PMI[®] survey, with the same picture also observed for employment and inflows of new business.

Wales and London were the two fastest-growing areas for business activity during the month. The Wales Business Activity Index climbed to a five-month high of 53.2, while London recorded a reading of 52.8 – its best since September last year. Despite these improvements, however, the figures remained lower than their respective long-run averages.

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.

The East of England (51.6) and Yorkshire & Humber (51.0) both saw further modest increases in private sector output in July, while there was negligible growth in the North West and Scotland (both 50.2).

The six UK areas that saw a decrease in business activity in June all remained in contraction in July. The worst performer was again Northern Ireland (45.0). However, here, as well as in the East Midlands (48.5), North East (48.8) and West Midlands (49.7), the rate of decline slowed. Output again fell marginally in the South East (49.7), with only the South West (48.6) slipping deeper into contraction.

Demand

Pent up demand in London was a feature of the survey in July, with inflows of new work in the capital rising the most since October 2017. New business also rose in Yorkshire & Humber, Wales, West Midlands, East of England and Scotland. Firms in Northern Ireland meanwhile continued to face the most challenging demand conditions.

Capacity

Employment rose in six of out the 12 monitored regions in July, down from nine in June. Yorkshire & Humber led job creation ahead of London, with these the only two regions to see faster rates of workforce growth. Firms in the East Midlands noted the sharpest decline. The only increases in backlogs of work were in the capital and Wales, though even here the rates of accumulation were fractional.

Prices

The East Midlands recorded the strongest rate of inflation in prices charged for goods and services in July. The slowest rise was in the North East, which also saw the weakest upward pressure on firms' costs. Operating expenses rose sharpest in London.

Outlook

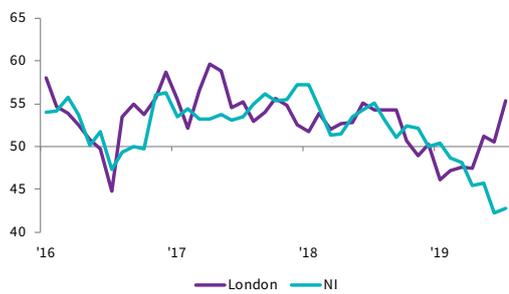
Yorkshire & Humber remained the region with the highest business confidence towards future output in July. Expectations were lowest in Northern Ireland, as has been the case in each of the past six months.

Demand and Outlook

New Business Index

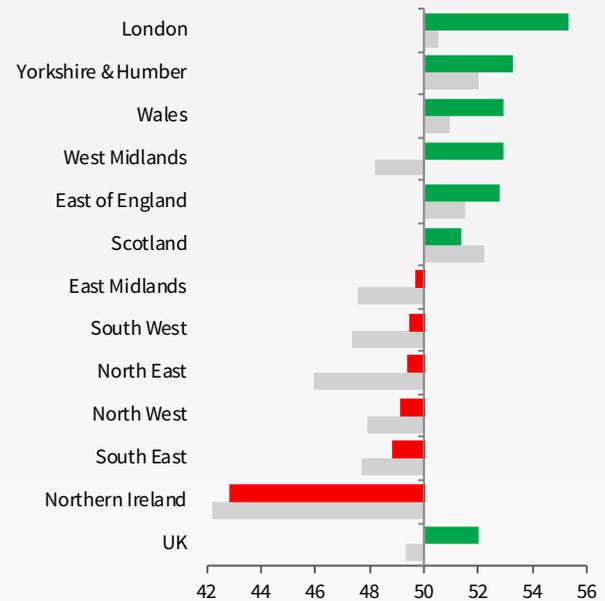
London topped the regional rankings for new business growth in July, with firms in the capital seeing a notable upswing in demand. Yorkshire & Humber and Wales were ranked second and third having also seen faster increases in new orders. By far the steepest drop in new work was in Northern Ireland, while more modest decreases were recorded in the South East, North West, North East, South West and East Midlands.

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



New Business Index by region

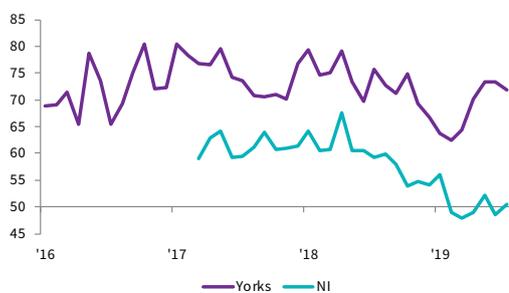
sa, >50 = growth since previous month, Jul-19 ■ (Jun-19 ■)



Future Output Index

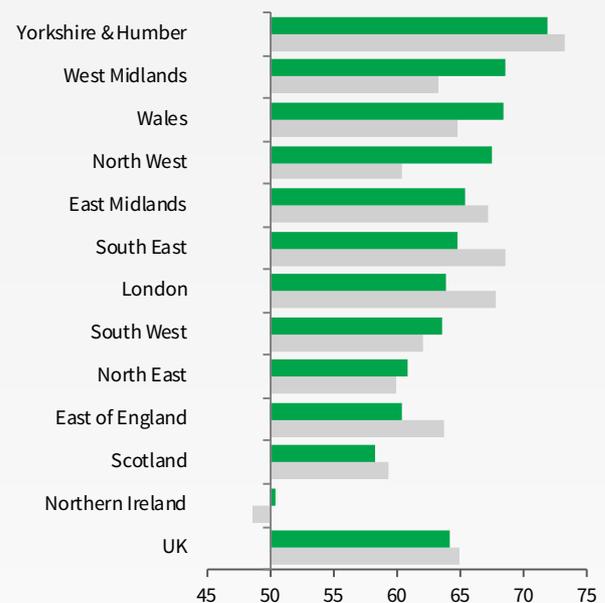
Firms in Yorkshire & Humber were the most optimistic about future output for the fourth month in a row in July, despite confidence in the region easing to the weakest since April. Making up the top four were the West Midlands, Wales and North West, which all saw notable improvements in sentiment. Expectations were lowest in Northern Ireland, where the number of firms expecting output to rise was broadly equal to those predicting a fall.

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



Future Output Index by region

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



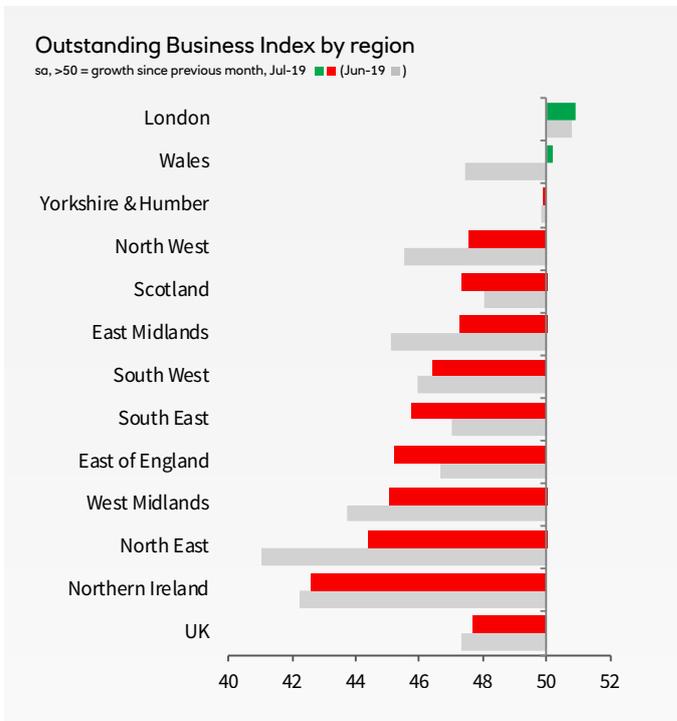
Capacity

Outstanding Business Index

Capacity pressures remained strongest in London, where outstanding business rose for the third straight month, albeit only marginally. Wales was the only other area to record an increase in backlogs. At the other end of the scale, firms in Northern Ireland saw the steepest decrease in work-in-hand for the third time in four months, with the rate of decline remaining among the quickest over the past six-and-a-half years.

Outstanding Business Index

sa, >50 = growth since previous month

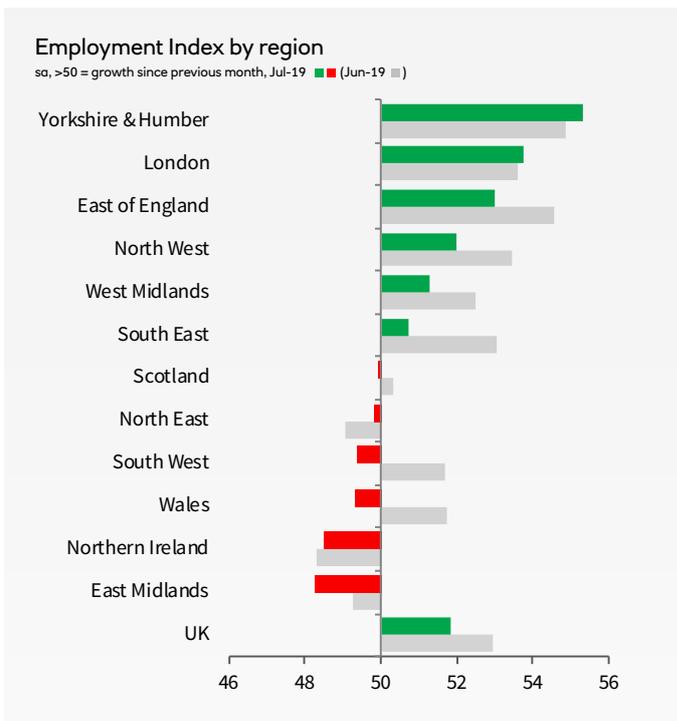
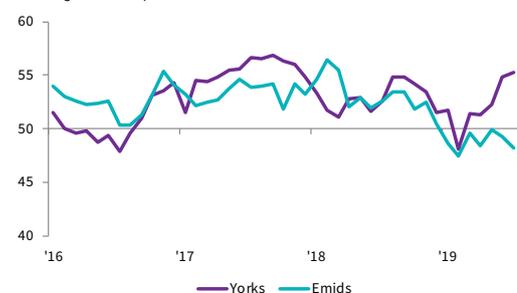


Employment Index

Yorkshire & Humber led job creation for the second month running in July, ahead of London. These were the only two regions where employment rose at a faster rate, with slower growth seen in the East of England, North West, West Midlands and South East. The steepest falls in staff numbers were recorded in the East Midlands and Northern Ireland respectively, while there were also modest job cuts in Wales and the South West.

Employment Index

sa, >50 = growth since previous month



Prices

Input Prices Index

In a complete reversal of the situation one year ago, the steepest rise in input prices in July was recorded by firms in London, and the weakest by those in the North East. For the former, the rate of cost inflation accelerated to the quickest for almost two years, while in the case of the latter it was at a 37-month low. Cost pressures also remained elevated in Northern Ireland, where firms commented on increased wages and the weak pound.

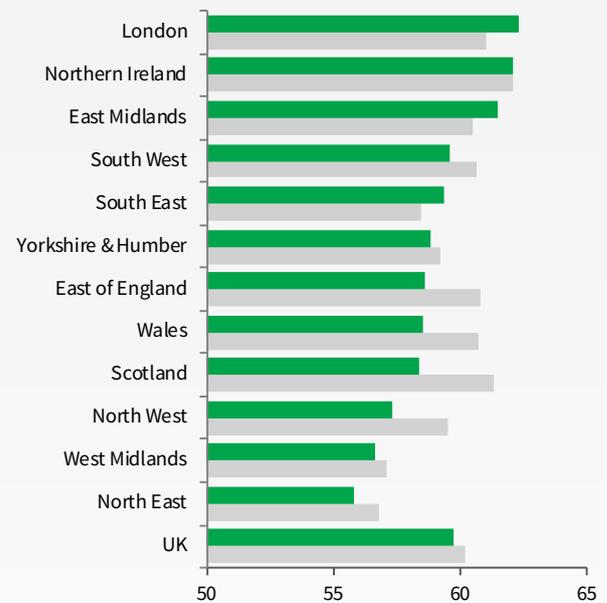
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Jul-19 (Jun-19)

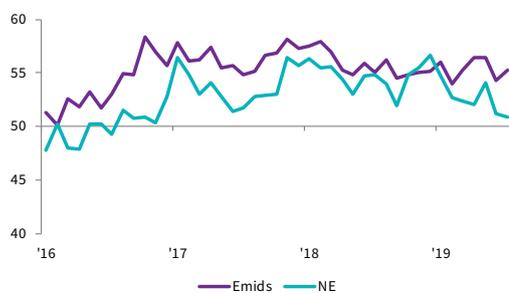


Prices Charged Index

The East Midlands regained the top position in the rankings for output price inflation in July, pushing the East of England back down to second. The South West, Northern Ireland and Wales occupied the next three places, and all saw faster increases in charges for goods and services. Slower rates of inflation were recorded in all remaining areas (bar London), the weakest being in the North East (a 32-month low).

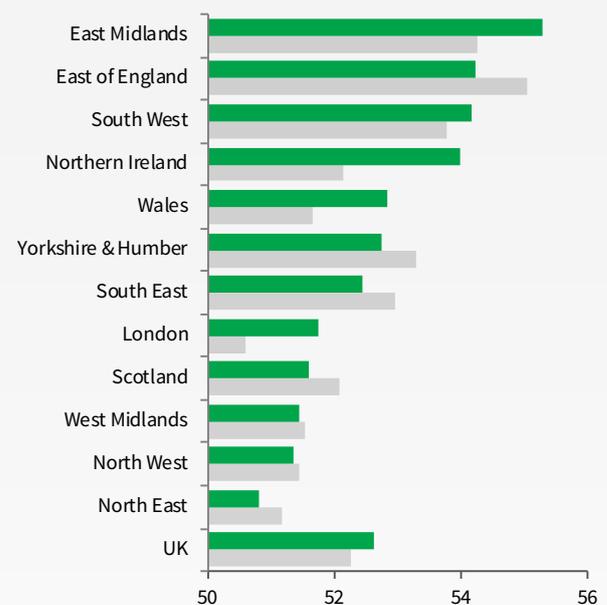
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Jul-19 (Jun-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.

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

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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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