



# NatWest UK Regional PMI®

## London remains top of regional growth rankings in December

### Key Findings

London records only increase in output and continues to lead job creation

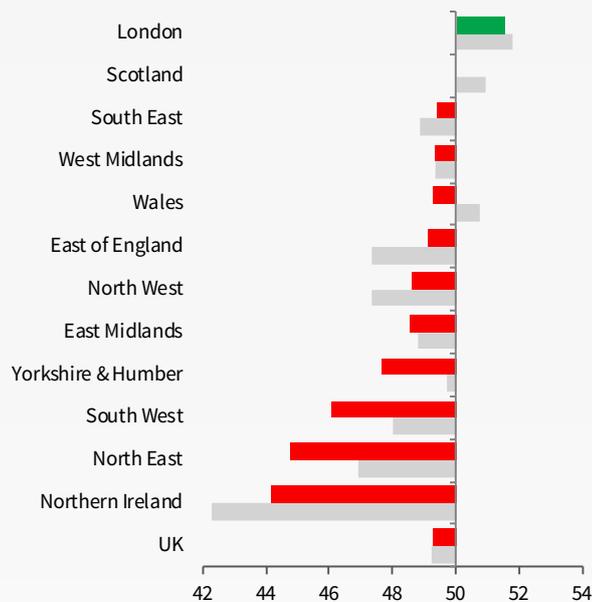
Downturn in Northern Ireland shows signs of easing

Business confidence improves in ten out of 12 regions

### UK Regional PMI Overview

#### Output Index by region

sa, >50 = growth since previous month, Dec-19 ■ (Nov-19 ■)



London continued its recent outperformance of the UK economy in December, topping the regional rankings for output growth and job creation, according to the latest NatWest Regional PMI®. Business conditions remained challenging in most areas, though ten out of the 12 monitored regions saw improved business confidence.

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.

Of the 12 regions monitored by the survey, only London saw a rise in output in December. Its Business Activity Index registered 51.6, which was consistent with a modest rate of growth.

Output was unchanged in Scotland (50.0) following a brief increase in November. All remaining areas, however, saw a contraction. The sharpest of these was in Northern Ireland (44.2), albeit with the rate of decline easing from the previous month. By contrast, output fell more quickly in the North East (44.8), South West (46.0), Yorkshire & Humber (47.6) and East Midlands (48.5). The North West (48.7), East of England (49.1), Wales (49.3), West Midlands (49.3) and South East (49.4) all saw modest drops in business activity in December.

### Demand

London topped the regional rankings for growth of new business for the fifth time in the past six months. Firms in the South East and West Midlands also saw demand improve, albeit only modestly. New orders neared stabilisation in Wales and the East of England, but fell in all remaining areas. Northern Ireland saw the steepest decrease, despite the rate of decline easing to the weakest for seven months.

### Capacity

Pressure on business capacity generally remained subdued at the end of the year, with only firms in London reporting a build-up of outstanding work. Nevertheless, there were signs of an upturn in hiring, with employment increasing in five of the 12 monitored regions – the most since last July. London saw the fastest rate of job creation followed by the South West, while the North East recorded the steepest drop.

### Prices

Most areas saw a modest rise in prices charged for goods and services. The main exceptions were the North East, where output prices fell the most since June 2009, and Northern Ireland, which saw charges reduced for the first time in over four years. Input costs meanwhile ticked up in all areas, rising fastest overall in Wales and Northern Ireland.

### Outlook

There was an improvement in optimism towards future output in ten of the 12 monitored regions. The East Midlands saw the biggest upswing and recorded the highest overall confidence.

# Demand and Outlook

## New Business Index

London saw a solid and accelerated rise in new work in December to top the regional rankings for the fifth time in the past six months. New orders also increased in the South East and West Midlands, albeit modestly. Demand broadly stagnated in Wales and the East of England, and fell in all remaining areas. Northern Ireland remained bottom of the rankings but saw the rate of decline in new business ease to the weakest since last May.

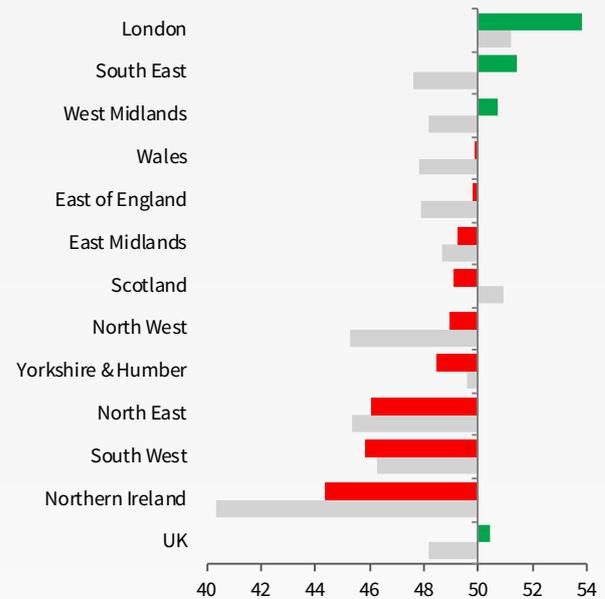
New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Dec-19 (Nov-19)

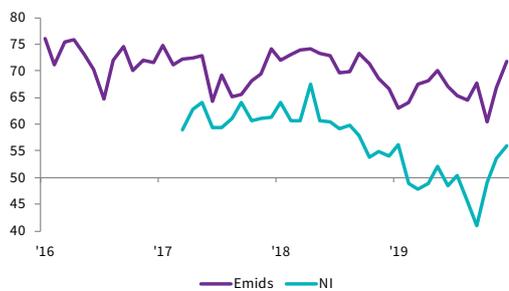


## Future Output Index

Ten of the 12 monitored regions recorded an improvement in output expectations in December, the most since April last year. The East Midlands registered the strongest overall level of optimism, having also seen the biggest upswing in sentiment from November. The South West was second in the rankings, closely followed by the West Midlands. Business confidence was weakest in Northern Ireland, but at an 11-month high nonetheless.

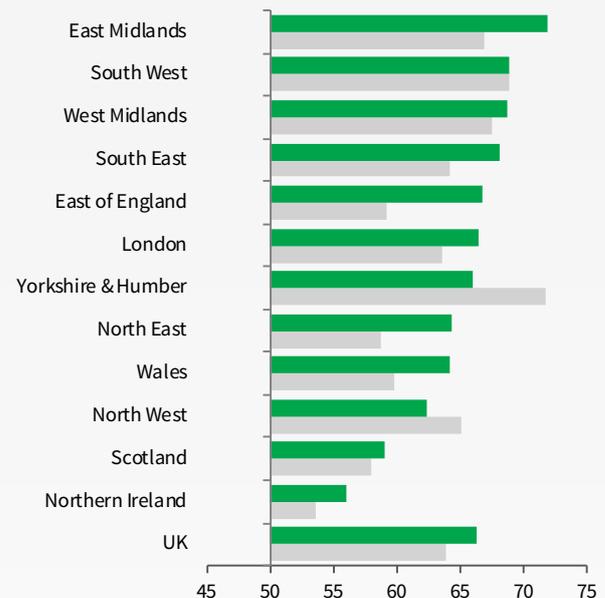
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Dec-19 (Nov-19)



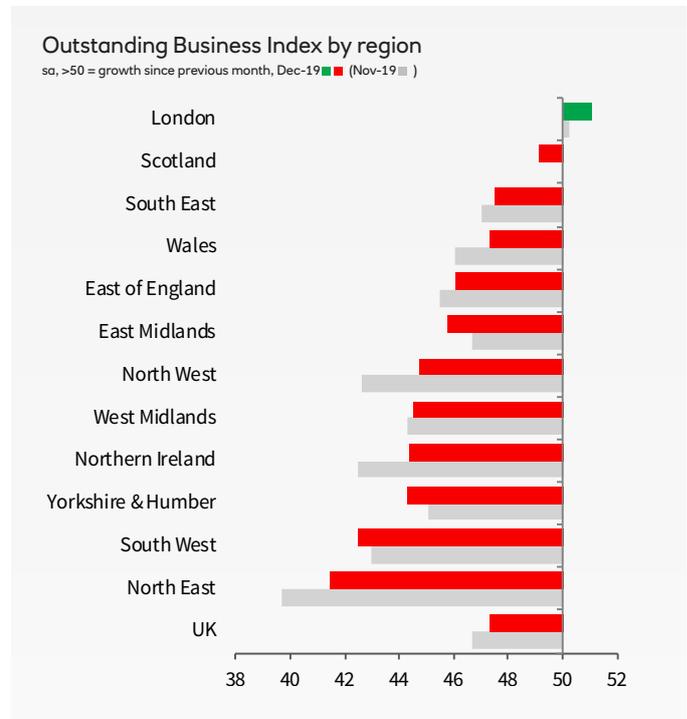
# Capacity

## Outstanding Business Index

As has been the case in six of the past eight months, London recorded the only rise in backlogs. Though remaining modest, the rate of accumulation picked up to the quickest since July 2018. There was a renewed decline in Scotland following no change in November. The North East recorded the steepest drop in outstanding business for the fifth month running, with the South West also seeing a sharp reduction.

Outstanding Business Index

sa, >50 = growth since previous month

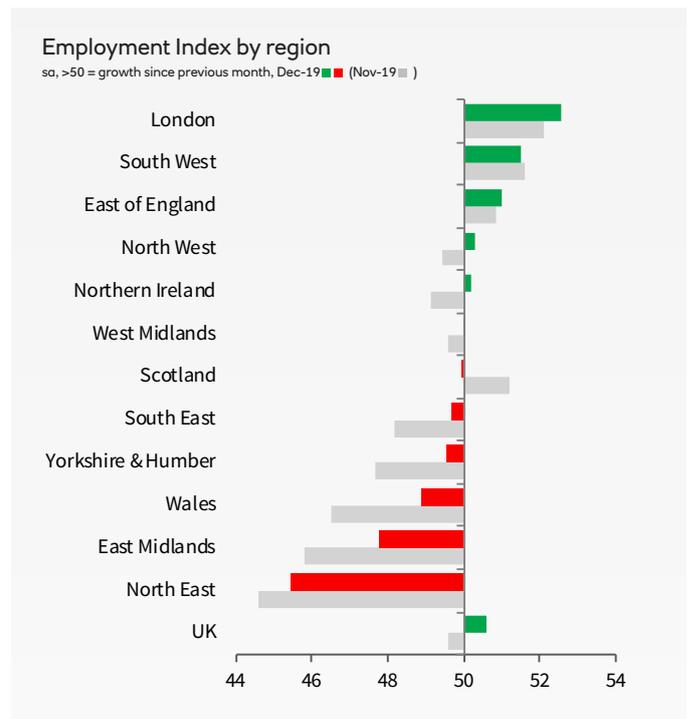


## Employment Index

London led employment growth for the second month running in December, posting its strongest increase in headcounts since last July. There were further modest rises in workforce numbers in the South West and East of England, while both the North West and Northern Ireland saw employment return to growth. Scotland and the West Midlands each saw no change in staffing levels, while the North East registered the steepest fall.

Employment Index

sa, >50 = growth since previous month



# Prices

## Input Prices Index

Input price inflation in December was joint-fastest in Wales and Northern Ireland. However, whereas the former saw costs rise the most for six months, for the latter the increase was the weakest for three-and-a-half years. Scotland was ranked third and was one of the six remaining areas that saw cost pressures intensify from November. Firms in the North East faced the slowest rise in operating expenses for the second month running.

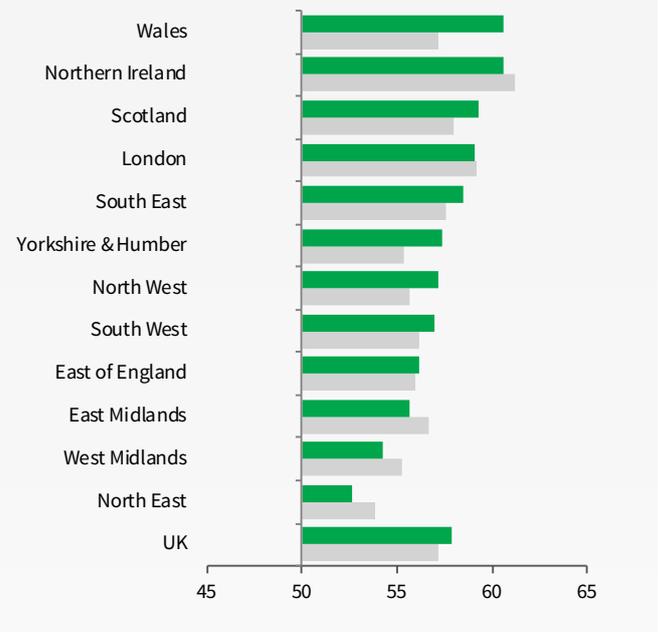
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Dec-19 (Nov-19 )

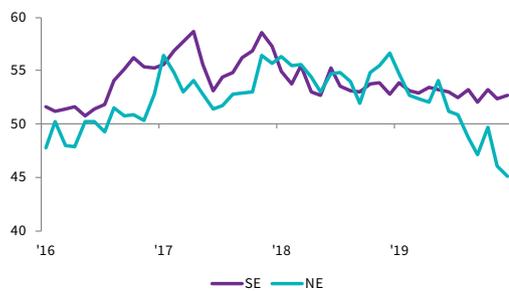


## Prices Charged Index

Prices charges for goods and services rose in ten of the 12 monitored regions in December. The South East recorded the fastest rate of inflation, albeit one that was only modest, followed by the East Midlands and East of England. At the other end of the scale, the North East saw output prices fall for the fifth month running and at the fastest rate since June 2009. Northern Ireland also recorded a decline for the first time in over four years.

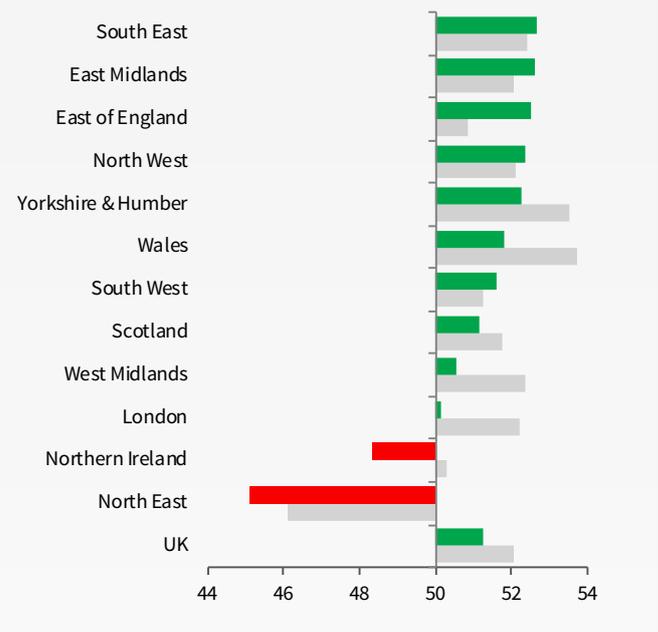
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Dec-19 (Nov-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 (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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