



NatWest UK Regional PMI®

Majority of UK regions see growth of output and employment in January

Key Findings

Nine regions record higher business activity in January, up from just one in December

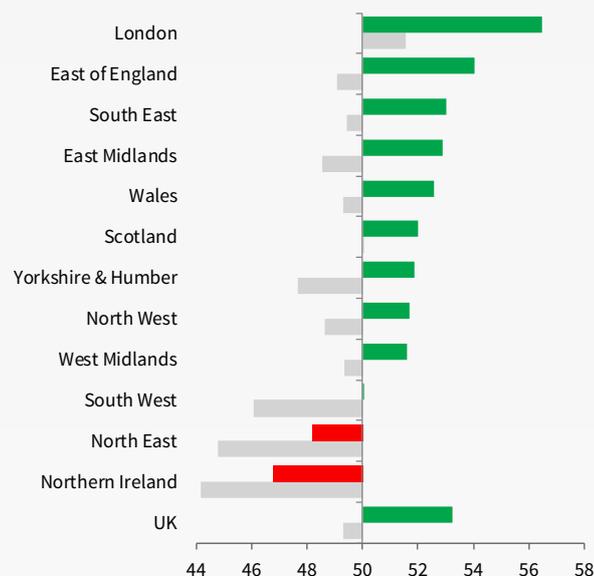
London leads general upturn in employment, with the North East seeing the only fall

Northern Ireland and North East remain the weakest-performing areas, but both move closer to stabilisation

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Jan-20 ■ (Dec-19 ■)



Growth of business activity broadened into more areas of the UK in January, according to the latest NatWest Regional PMI® report. Nine out of the 12 regions monitored by the survey saw a rise in output at the start of the year, with all but one also recording increased employment.

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 strongest output growth in January was seen in London, where the Business Activity Index rose to a near three-year high of 56.5. The East of England (54.1) was ranked second overall and was one of eight UK areas to see a renewed increase in activity, alongside the South East (53.0), East Midlands (52.9), Wales (52.6), Scotland (52.0), Yorkshire & Humber (51.9), the North West (51.7) and West Midlands (51.6).

Output stabilised in the South West (50.0) following ten months of contraction, while rates of decline eased in both the North East (48.2) and Northern Ireland (46.8) to the weakest for six and ten months respectively.

Demand

There was a general improvement in demand for goods and services across the UK regions in January. Growth of new business was particularly strong in London, though firms in the East of England and the North West also recorded marked increases in order book volumes. The North East and Northern Ireland were the weakest-performing areas for new business, though in both cases the rates of decline eased sharply since December and were only marginal.

Capacity

While the majority of UK areas saw a rise in employment in January, in most cases rates of job creation were only modest. The main exception to this was London, which saw workforce numbers rise at a marked pace that was the quickest for almost two years. The only decrease in employment was in the North East, though the rate of decline was the weakest for five months. Greater staffing capacity helped firms alleviate backlogs of work, which fell in all regions except London.

Prices

Average charges for goods and services rose in 11 of the 12 monitored regions in January, with East Midlands recording the fastest rate of inflation followed by the South East. Selling prices fell in the North East, albeit only marginally and at the slowest rate for three months. The majority of regions meanwhile saw an increase in cost pressures.

Outlook

January saw a broad-based improvement in business confidence across the UK regions. Firms in Yorkshire & Humber were the most optimistic about future output, while those in Scotland were the least upbeat.

Demand and Outlook

New Business Index

Ten of the 12 monitored regions saw increased demand for goods and services in January. London led growth in new business, recording the steepest rise for more than two-and-a-half years, ahead of the East and England and the North West. Demand was weakest in Northern Ireland and the North East, though in both cases inflows of new business neared stabilisation.

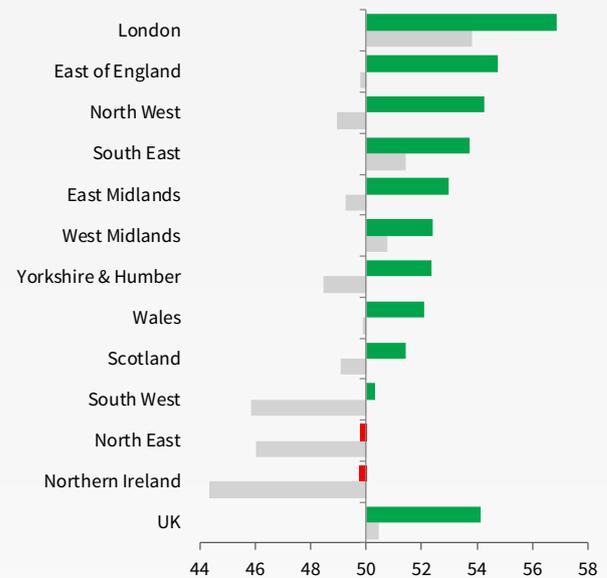
New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Jan-20 (Dec-19)

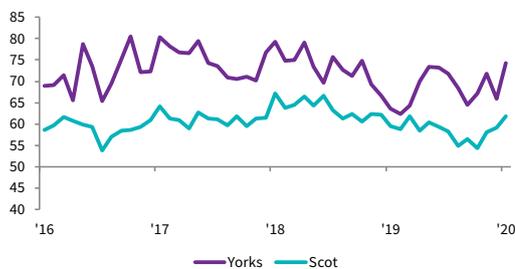


Future Output Index

January saw a broad-based improvement in business confidence. Firms in Yorkshire & Humber were the most optimistic about future output, followed by those in the West Midlands and Wales respectively. The biggest upswing in expectations was recorded in the North West. Despite seeing optimism strengthen to a ten-month high, Scotland sank to the bottom of the rankings behind Northern Ireland.

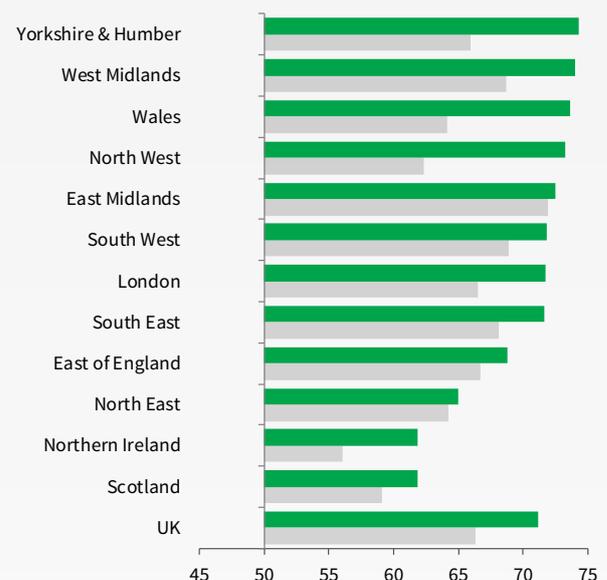
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Jan-20 (Dec-19)



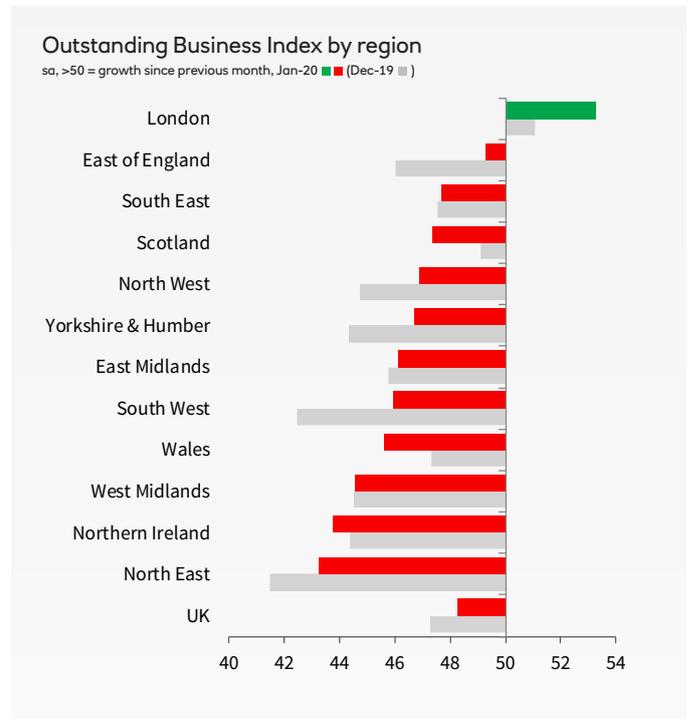
Capacity

Outstanding Business Index

Continuing the trend of recent months, London recorded the only increase in outstanding business in January. Rates of backlog depletion slowed in eight of the remaining 11 regions, with the East of England registering the softest overall decline. At the other end of the scale, firms in the North East made the greatest inroads into their work-in-hand, followed by those in Northern Ireland.

Outstanding Business Index

sa, >50 = growth since previous month

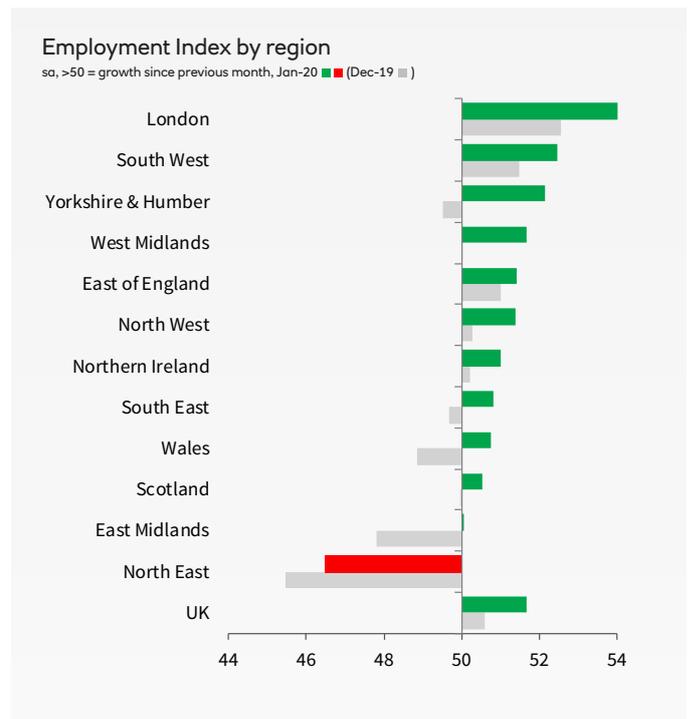


Employment Index

London topped the rankings for employment growth in January, with the capital recording its steepest rise in workforce numbers since February 2018. There were net job gains in all but one of the remaining regions, albeit with the increase in the East Midlands being only fractional. The North East saw the only decrease in employment, though even here the rate of staff cuts eased for the third month in a row.

Employment Index

sa, >50 = growth since previous month



Prices

Input Prices Index

Firms in Northern Ireland noted the sharpest increase in input prices in January, with the area also seeing one of the most marked accelerations in cost inflation from the month before (behind the East of England). Eight of the remaining regions recorded faster rises in input prices. Among these were the North East and West Midlands which, while the two bottom-ranked regions for cost pressures, saw the sharpest increases for three and four months respectively.

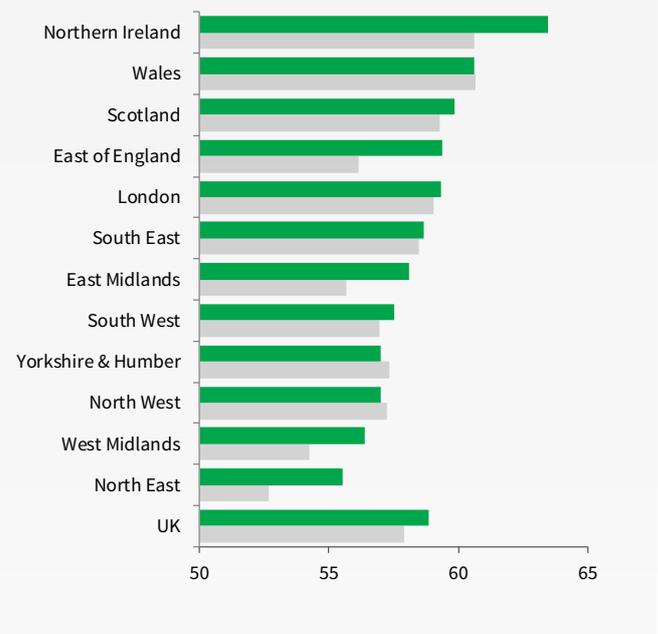
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Jan-20 (Dec-19)



Prices Charged Index

January saw a general increase in price pressures, with ten of the 12 monitored areas recording an acceleration in output charge inflation, and Northern Ireland seeing a renewed rise. The East Midlands moved to the top of the rankings, ahead of the South East and Yorkshire & Humber. The North East saw the only decrease in firms' selling prices, though the rate of decline eased sharply since December to the weakest in three months.

Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Jan-20 (Dec-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.

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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.

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