

NatWest UK Regional PMI®

North West remains at top of rankings for business activity growth in April

Key Findings

Number of areas recording growth in output rises from five (out of 12) in March to eight

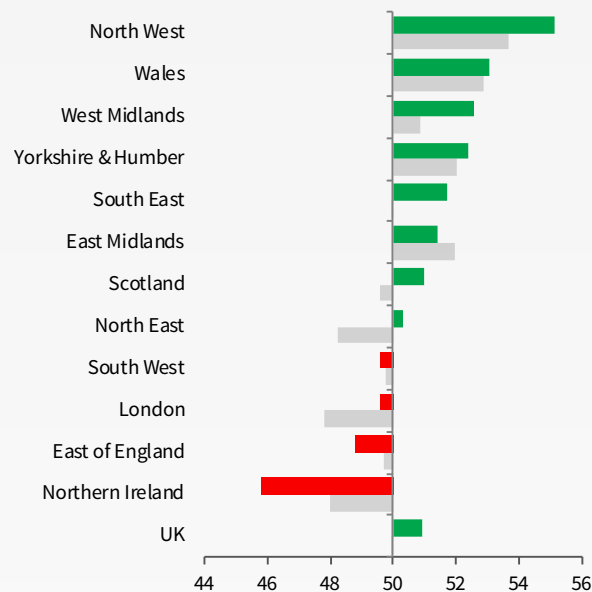
Northern Ireland and East of England see steepest falls in business activity

Employment rises in only half of UK areas, despite general pick-up in business confidence

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Apr-19 ■ (Mar-19 ■)



The UK remained divided into areas of growth and areas of contraction at the start of the second quarter, according to the latest NatWest UK Regional PMI® survey. The North West saw the fastest rise in business activity in April, while Northern Ireland recorded the most marked decline. The latter was also the worst performer on the jobs front.

The North West registered a Business Activity Index reading of 55.2 in April. This was up from 53.7 in March and a seven-month high. It compared with a UK-wide average of 50.9. 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.

Other areas that grew faster than the national rate were Wales (53.0), the West Midlands (52.6), Yorkshire & Humber (52.4), the South East (51.7), the East Midlands (51.4) and Scotland (51.0). Business activity rose in the North East (50.3) for the first time in eight months, albeit marginally.

The South West (49.6), London (49.6) and the East of England (48.8) each saw further, albeit only slight contractions in output in April. In Northern Ireland (45.8), the rate of decline was more substantial, having accelerated to the quickest in over six years.

Demand

Growth in underlying demand for goods and services was led by Wales, ahead of Yorkshire & Humber and the North West. Northern Ireland saw the steepest decline in new orders, while there were also notable decreases in London and the East of England.

Capacity

Six of the 12 areas of the UK saw a rise in employment in April – the same six that had recorded increases in March. Rates of job creation slowed in most cases, however. The only exceptions were the West Midlands, which saw a rate of increase that was identical to March and the quickest overall, and Scotland where growth hit a six-month high. Meanwhile, latest data showed a broad-based reduction in outstanding business, led by a steep drop in Northern Ireland.

Prices

The East Midlands saw the most marked rise in prices charged for goods and services in April, as had been the case in March. Wales and the South West were ranked second and third respectively for output price inflation. The slowest increase was in London, where charges rose marginally after stagnating in March. Cost pressures were meanwhile strongest in Northern Ireland, and weakest in the North East.

Outlook

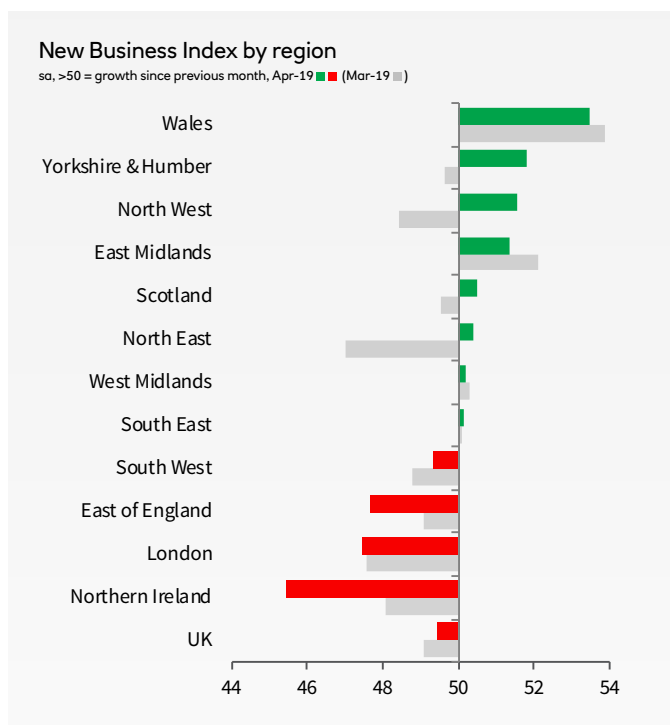
Business confidence towards the outlook for output over the next 12 months improved in most areas in April. This included both Yorkshire & Humber and the West Midlands, where optimism was the highest overall. Only firms in Northern Ireland were pessimistic.

Demand and Outlook

New Business Index

For the third month in a row, firms in Wales recorded the strongest growth in new business. Yorkshire & Humber and the North West were ranked second and third overall, with both having seen inflows of new work rebound following declines in March. At the other end of the scale, Northern Ireland saw the most marked fall in new orders, followed by London and the East of England.

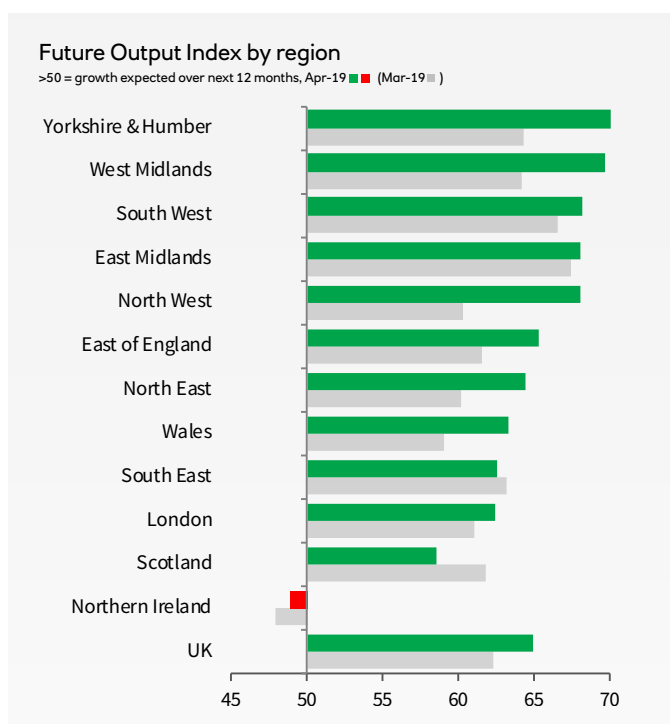
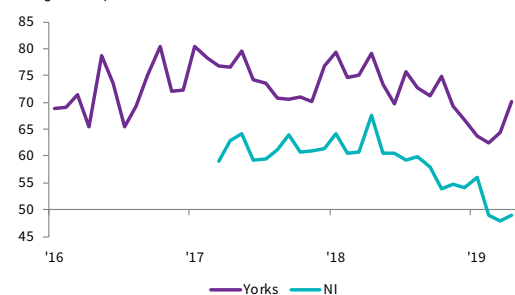
New Business Index
sa, >50 = growth since previous month



Future Output Index

Expectations towards future output were highest in Yorkshire & Humber, where businesses showed the strongest optimism since October last year. Sentiment also improved sharply in the West Midlands, which was ranked second overall. Only firms in Northern Ireland were downbeat about the outlook, although the degree of pessimism eased slightly since March.

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



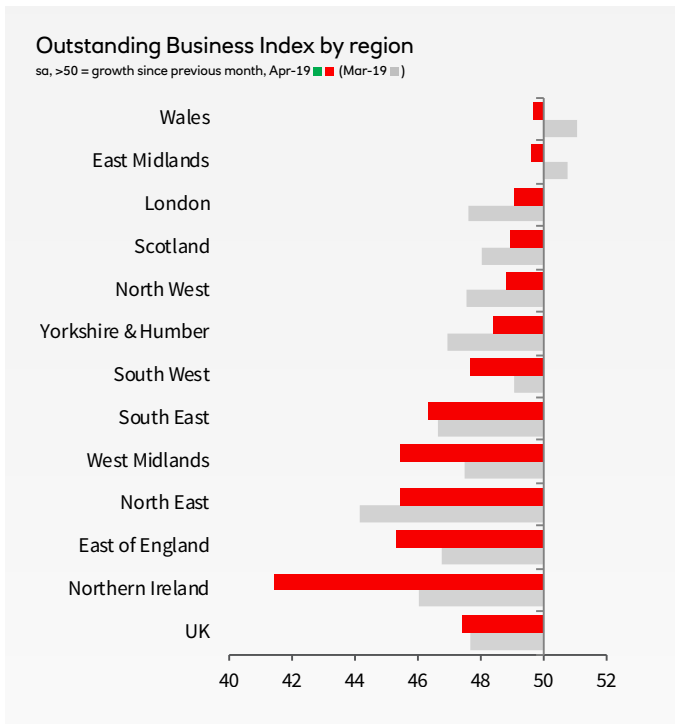
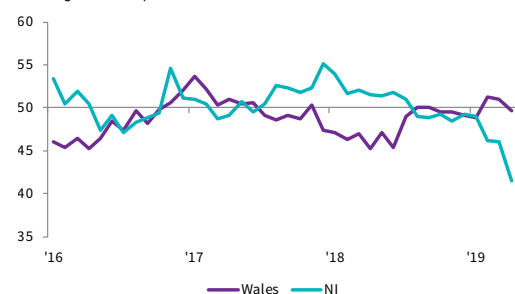
Capacity

Outstanding Business Index

All 12 areas of the UK saw a fall in outstanding business in April. The most marked decrease was in Northern Ireland, where the rate of decline accelerated to the quickest since December 2012. The next-fastest decreases were in the East of England and North East. Wales and the East Midlands – which had been the only two areas to see rises in backlogs in March – recorded the softest rates of decline.

Outstanding Business Index

sa, >50 = growth since previous month

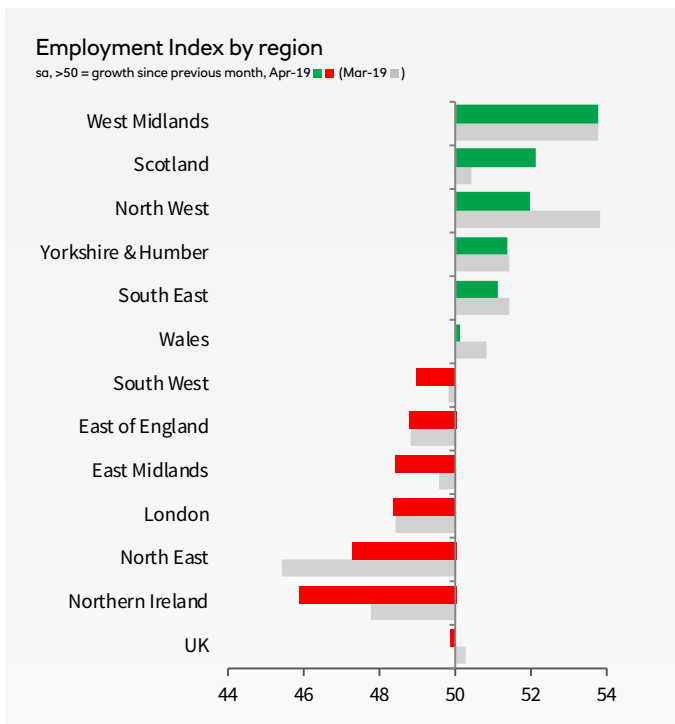
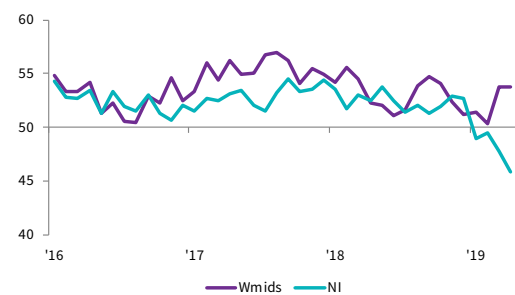


Employment Index

The West Midlands topped the rankings for job creation in April, ahead of Scotland. The North West, Yorkshire & Humber and the South East meanwhile saw only modest increases in employment, and Wales broadly no change. Workforce numbers fell in all remaining areas, with Northern Ireland recording the steepest decline – its sharpest in six-and-a-half years.

Employment Index

sa, >50 = growth since previous month



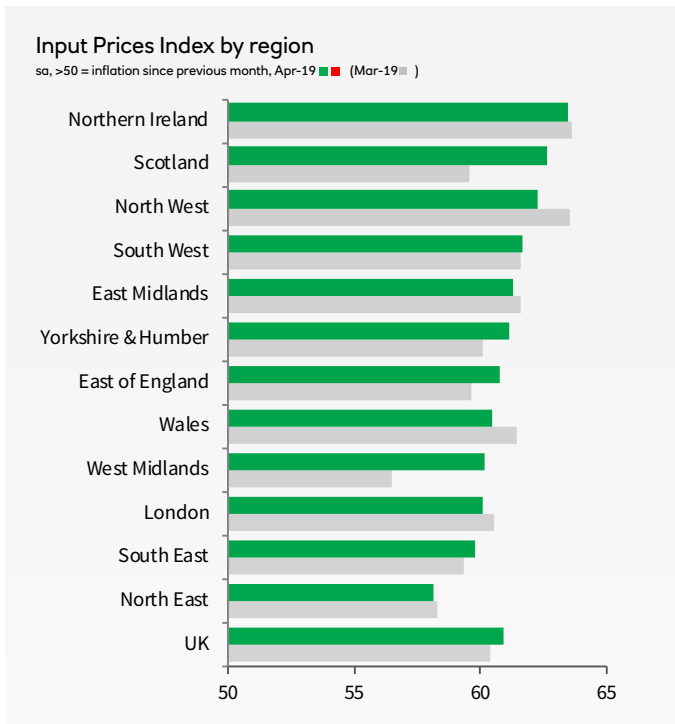
Prices

Input Prices Index

Northern Ireland saw the steepest increase in input prices in April, followed by Scotland and then the North West. The latter had recorded the joint-strongest cost pressures in March (with Northern Ireland) but saw the rate of increase ease to an 11-month low. Neighbouring North East was ranked bottom in terms of input price inflation, its rate having slowed to the weakest in almost two years.

Input Prices Index

sa, >50 = inflation since previous month

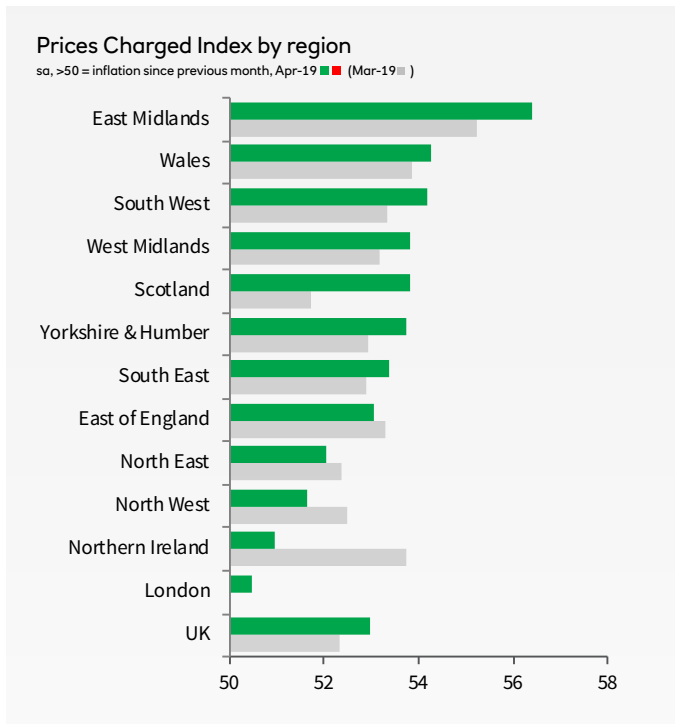


Prices Charged Index

Firms in the East Midlands continued to be the most confident in their price-setting in April, reporting the steepest rise in average charges in over a year. There were also faster rates of output price inflation in Wales, the South West, West Midlands, Scotland, Yorkshire & Humber and the South East, whilst London – ranked bottom overall – saw a renewed (albeit only marginal) increase following no change in March.

Prices Charged Index

sa, >50 = inflation since previous month



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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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