



NatWest UK Regional PMI[®]

London tops regional rankings with modest output growth as most areas suffer contractions

Key Findings

London is one of only three regions to see a rise in business activity in October

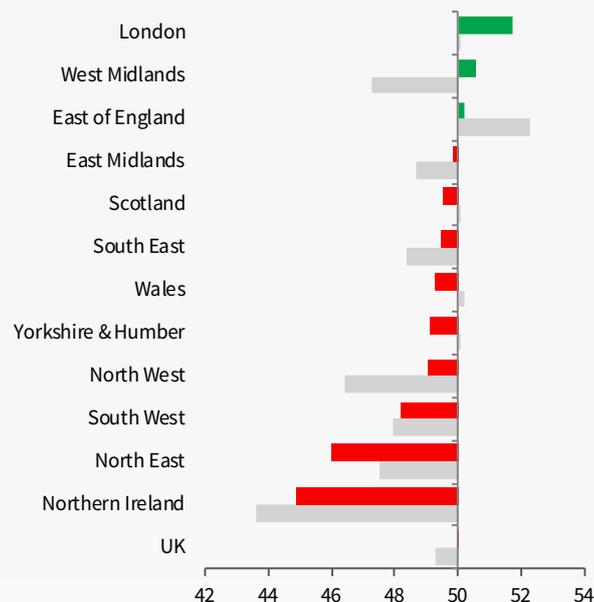
Employment falls in ten out of 12 regions amid easing capacity pressures across the UK

Softer cost pressures offer some respite for businesses

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Oct-19 ■ (Sep-19 ■)



Latest NatWest Regional PMI[®] data revealed challenging business conditions across the UK at the start of the fourth quarter, with output and employment falling in most areas in October.

Just three regions recorded increases in output, the second-lowest number since April 2009 (July 2012 saw only two regions record growth amid a brief downturn following the EU referendum). London was the best performer, though its Business Activity Index figure of 51.7 indicated only modest growth. The West Midlands (50.6) and East of England (50.2) saw only negligible increases in activity, though in the case of the former this was at least an improvement on the declines in output in each of the past four months.

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.

Barring the East Midlands (49.9), which saw virtually no change in output in October, the remaining UK areas all recorded lower activity in October. These ranged from modest declines in Scotland (49.6), the South East (49.5), Wales (49.3), Yorkshire & Humber (49.1), and the North West (49.0), to more solid decreases in the South West (48.2), North East (46.0) and Northern Ireland (44.9).

Demand

Demand remained generally subdued at the start of the fourth quarter, with a marginal increase in new orders in the East Midlands the best overall result. London saw broadly no change in new business inflows, which compared with decreases elsewhere. Notably, order books in Northern Ireland continued to fall at one of the fastest rates since 2012.

Capacity

The only rise in backlogs of work – albeit marginal – was in London. This broad-based lack of pressure on business capacity was reflected in a fall in employment across ten of the 12 monitored regions. The exceptions were the South West and London where modest rises in workforce numbers were recorded. The North East saw the fastest rate of job shedding, followed by Wales.

Prices

A marginal fall in average prices charged for goods and services in the North East contrasted with increases in all other areas in October. That said, rates of inflation were generally subdued. Underlying cost pressures meanwhile softened, with firms' input prices rising more slowly in all areas except Scotland.

Outlook

The South West topped the rankings for business confidence ahead of Yorkshire & Humber. Optimism improved in most areas since September, with pessimism also easing in Northern Ireland.

Demand and Outlook

New Business Index

Demand remained subdued in most areas in October. The only perceptible rise in new orders – albeit marginal – was in the East Midlands. London saw broadly no change, while in all remaining areas inflows of new work fell. By far the steepest decrease was in Northern Ireland, where the rate of decline remained among the worst since 2012. The North East, East of England, North West and Wales all saw similarly moderate falls.

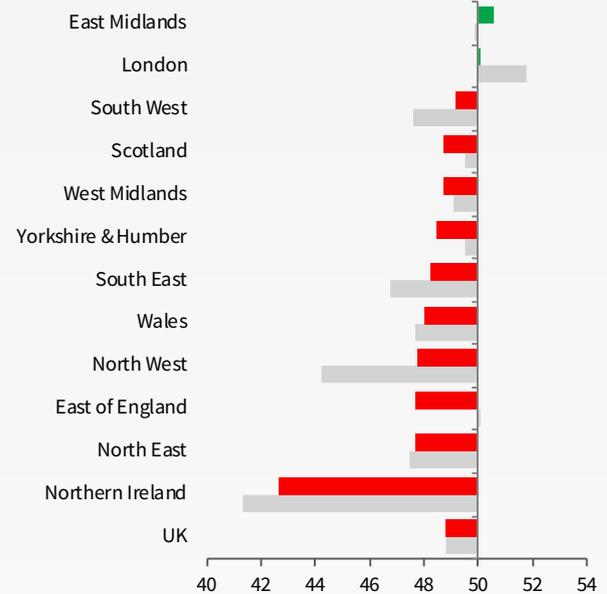
New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Oct-19 (Sep-19)



Future Output Index

Most regions saw an improvement in business confidence towards future output in October. This included the South West, which topped the rankings ahead of Yorkshire & Humber. The three exceptions to the general upswing were the East Midlands, Wales and Scotland. Northern Ireland remained the only area with negative expectations, though the degree of pessimism here eased substantially from September's record low.

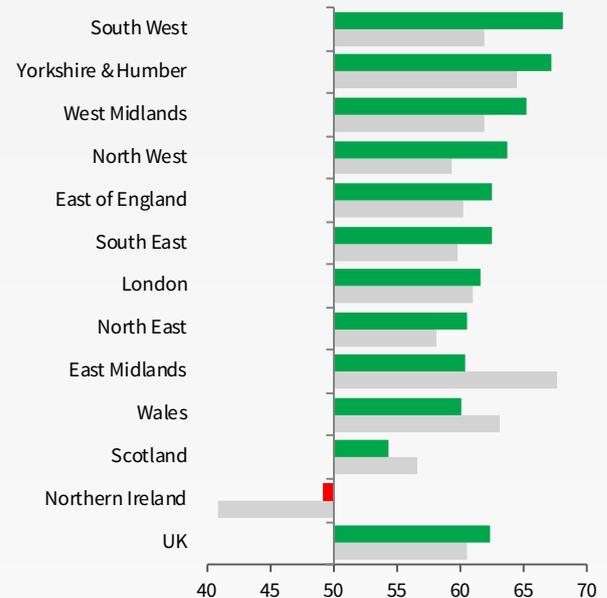
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Oct-19 (Sep-19)



Capacity

Outstanding Business Index

London saw a renewed (albeit marginal) increase in backlogs of work in October, which meant for the fourth time in the past six months it was the only region to record a rise. The steepest decline in outstanding business was again in the North East, as has been the case since August. The slowest rate of depletion was in the South East, though even here the rate of depletion was still solid overall.

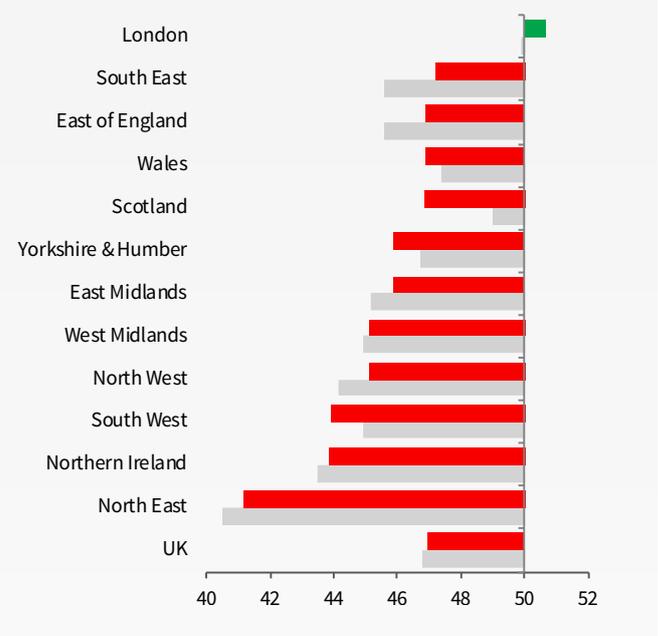
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Oct-19 (Sep-19)

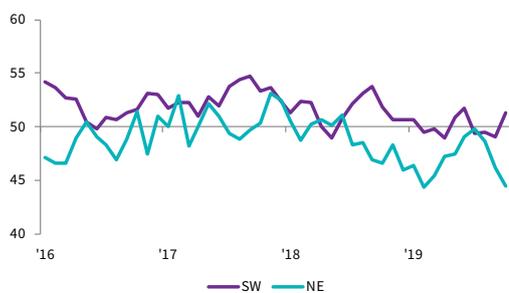


Employment Index

The South West and London saw only modest increases in employment in October, but that was nevertheless enough to place the two regions at the top of the rankings as workforce numbers fell across all remaining areas. The North East recorded the most marked decrease in workforce numbers, its joint-steepest in over ten years, followed by Wales and the East Midlands respectively.

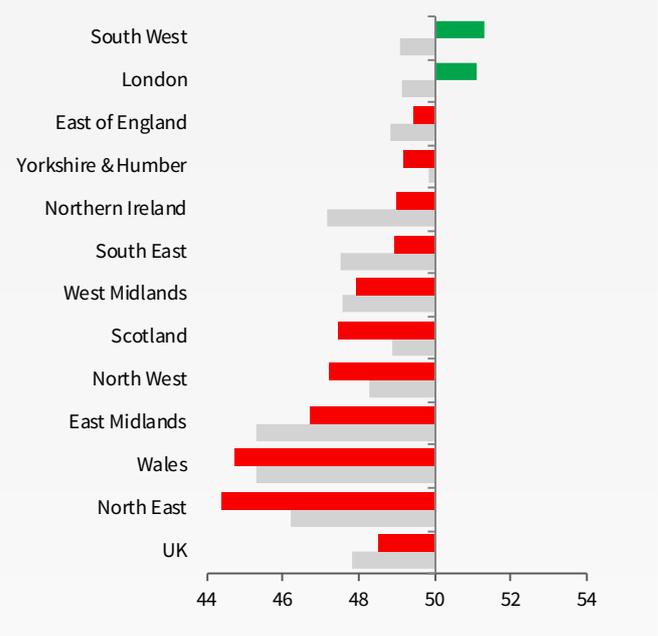
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Oct-19 (Sep-19)



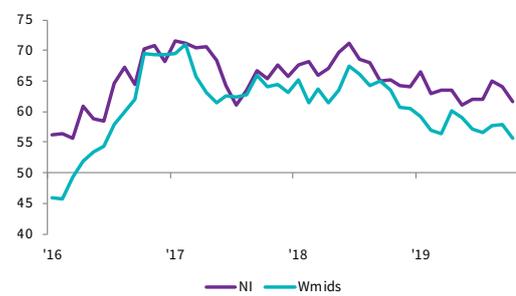
Prices

Input Prices Index

All areas of the UK except Scotland recorded slower rates of input price inflation in October. Northern Ireland remained at the top of the rankings, but saw one of its slowest rises in costs in over three years. Next was London, followed by Scotland. At the other end of the spectrum, the West Midlands remained at the foot of the table having recorded its weakest increase in input prices since June 2016.

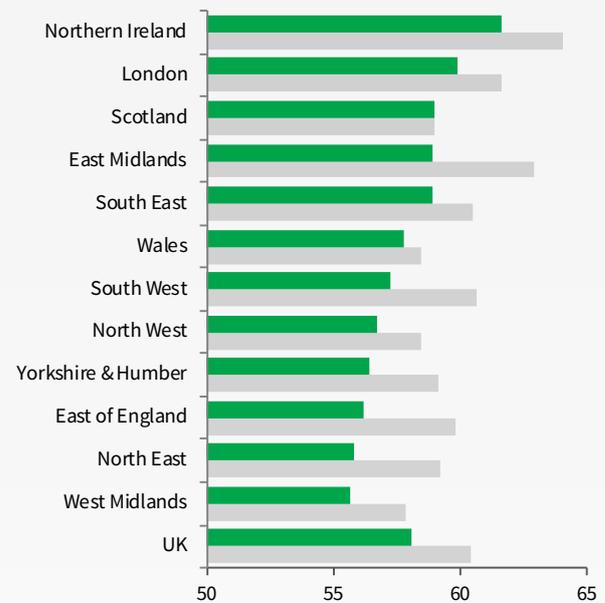
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Oct-19 ■ (Sep-19 ■)



Prices Charged Index

The South East and Scotland jumped six and seven places respectively in October to move into the top two positions in the rankings for output price inflation. Notable decelerations were meanwhile seen in the South West, Wales, East Midlands, Yorkshire & Humber and Northern Ireland. The only decrease in selling prices was in the North East, though the rate of decline here eased since September and was only marginal.

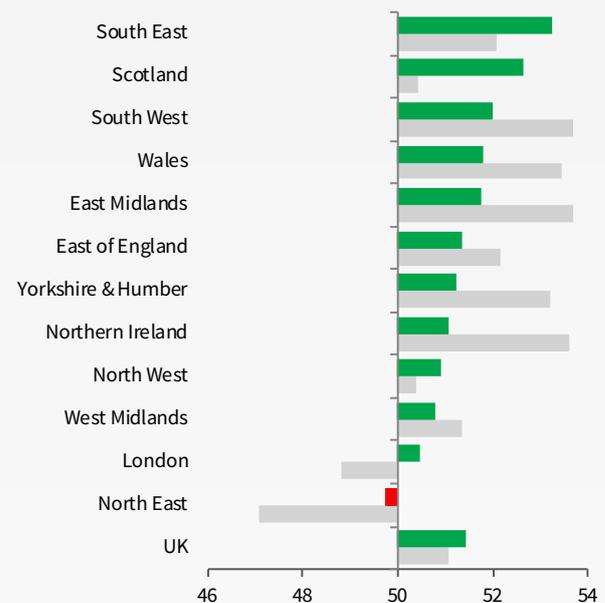
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Oct-19 ■ (Sep-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

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.

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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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