

NatWest UK Regional PMI®

Wales bucks broader economic downturn to lead regional output growth in June

Key Findings

Wales tops regional rankings with modest output growth, ahead of North West

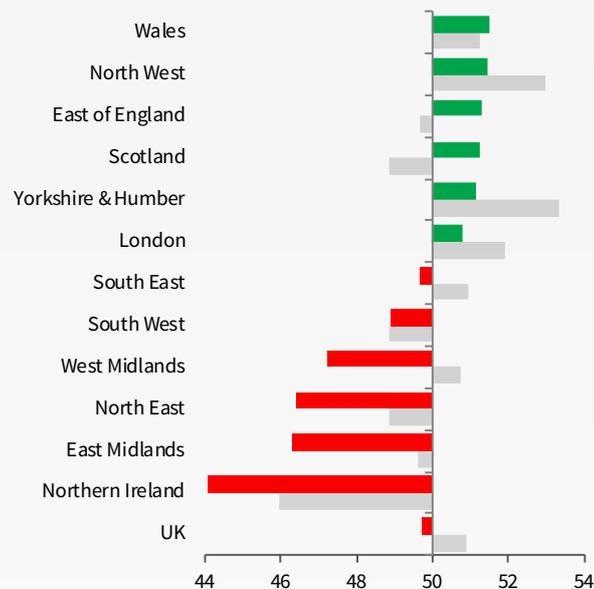
Yorkshire & Humber leads a broad upturn in job creation

Northern Ireland slips further into contraction at end of second quarter

UK Regional PMI Overview

Output Index by region

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



Wales was the top-performing area for business activity growth in June, according to the latest NatWest UK Regional PMI® survey, bucking a broader deterioration in economic performance across the UK as a whole. Yorkshire & Humber was meanwhile the main bright spot for jobs, partly reflecting relatively strong business confidence in the region.

The Wales Business Activity Index read 51.5 in June. This was up slightly from 51.2 in May but still indicated only a modest rate of growth overall. The North West, the region with the strongest average growth in 2019 so far, was ranked second with a reading of 51.4.

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 and Scotland were ranked joint-third (both 51.3). Growth was also recorded in Yorkshire & Humber (51.2) and London (50.8), but rates of expansion eased in both cases.

There were decreases in business activity in all six remaining areas monitored by the survey, though the falls in the South East and South West were marginal (49.7) and modest (48.9) respectively. The steepest drop in output was again seen in Northern Ireland (44.1), followed by the East Midlands (46.3) and North East (46.4). The West Midlands saw the biggest index drop during the month, down from 50.7 to 47.2.

Demand

Firms in Scotland reported the strongest rise in demand for goods and services in June. Only four other regions saw an increase and growth was generally subdued. As with output, the largest drop in new orders was in Northern Ireland – its most marked in seven years.

Capacity

There was better news on the employment front in June, as rates of job creation picked up in the majority of regions, led by strong workforce growth in Yorkshire & Humber. As had been the case in May, the only areas where employment fell were Northern Ireland, the North East and East Midlands. Growth in backlogs was meanwhile confined to London.

Prices

Output price inflation was quickest in the East of England in June, followed by the East Midlands. Firms in Northern Ireland experienced the strongest underlying cost pressures, but were ranked only sixth (out of 12) for selling price increases.

Outlook

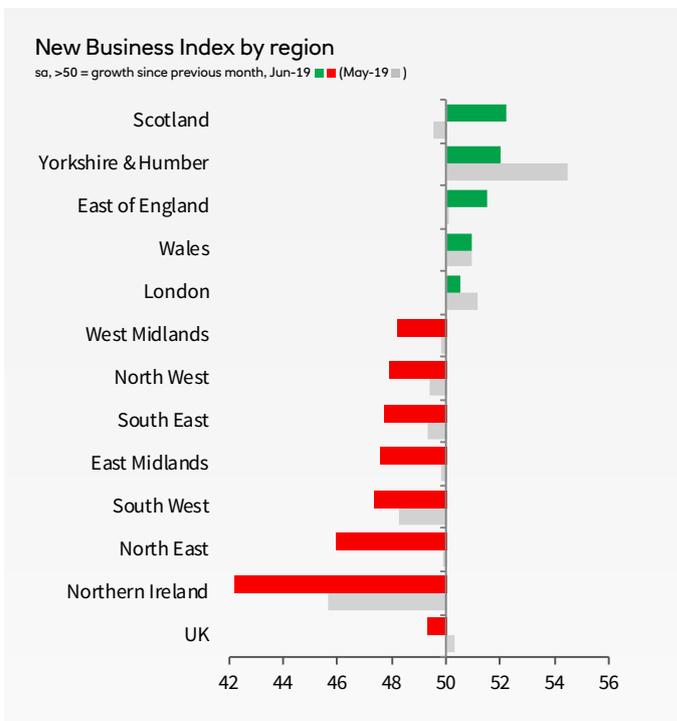
Firms in Yorkshire & Humber were the most upbeat about the outlook, ahead of those in the South East and London. Sentiment weakened in all remaining areas, and was lowest overall in Northern Ireland.

Demand and Outlook

New Business Index

Scotland recorded only its second increase in new business in the past seven months in June, but nonetheless led growth ahead of May's top-performer, Yorkshire & Humber. The only other regions where order books increased were the East of England, Wales and London. In all remaining areas, there were sustained downturns in order books. Northern Ireland saw the steepest fall – its most marked in seven years.

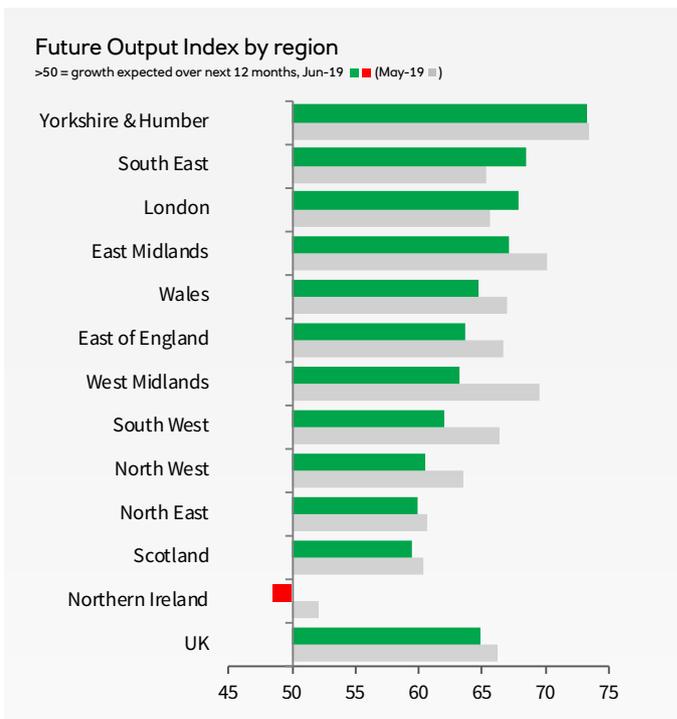
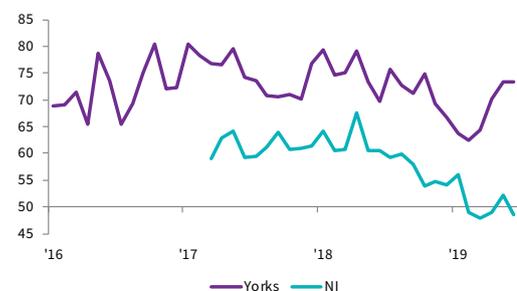
New Business Index
sa, >50 = growth since previous month



Future Output Index

As has been the case in each of the past three months, the strongest optimism towards future output was among firms in Yorkshire & Humber, where the degree of confidence stayed close to May's seven-month high. Ranked second and third respectively were the South East and London, the only regions where expectations improved from the previous survey period. Only firms in Northern Ireland were downbeat about the outlook.

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



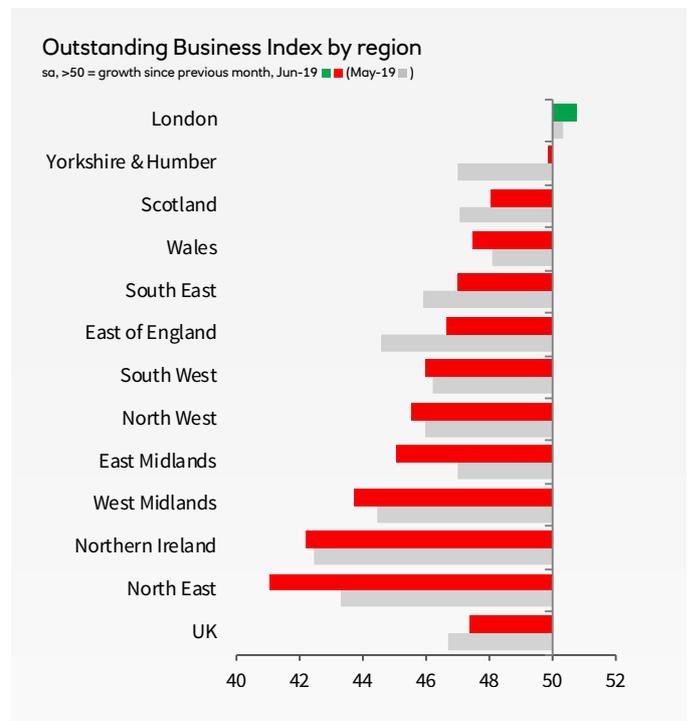
Capacity

Outstanding Business Index

For the second month running, London was the only region where backlogs rose, albeit with June's increase again being only modest. The decrease in outstanding seen in Yorkshire & Humber was negligible, but in all remaining areas the rates of decline were moderate to marked. The steepest overall reduction in work-in-hand was recorded in the North East, followed by Northern Ireland.

Outstanding Business Index

sa, >50 = growth since previous month

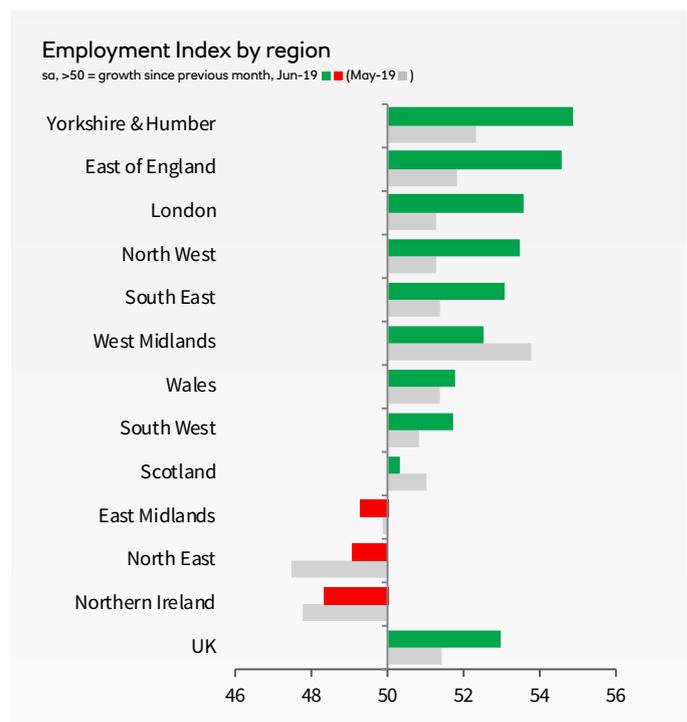


Employment Index

Employment rose in nine of the 12 UK areas in June. The fastest rate of job creation was recorded in Yorkshire & Humber, where workforce numbers posted the largest increase for ten months. There was also solid and accelerated growth in payroll numbers in the East of England, London and the North West. Employment meanwhile fell in Northern Ireland, the North East and East Midlands, albeit only modestly.

Employment Index

sa, >50 = growth since previous month

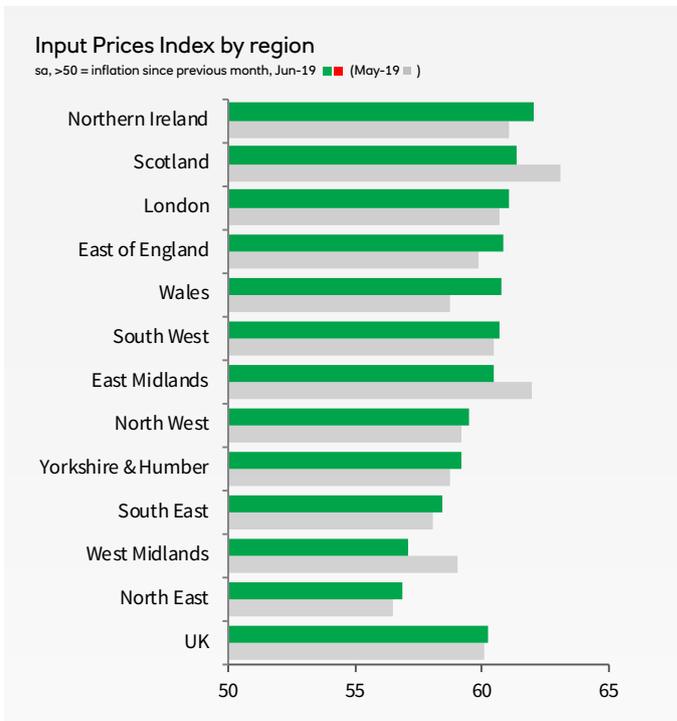


Prices

Input Prices Index

Businesses in Northern Ireland faced the steepest overall cost pressures during June, as has been the case in three of the past four months. Scotland, which topped the rankings for input price inflation in May, slipped to second position, ahead of London. At the other end of the scale, the smallest rise in average input prices was seen in the North East, while the West Midlands recorded the sharpest slowdown in cost inflation.

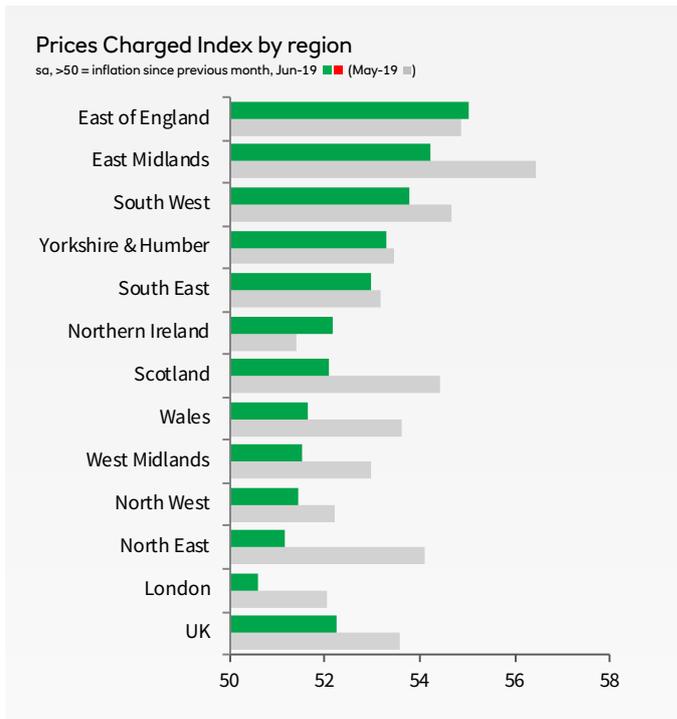
Input Prices Index
sa, >50 = inflation since previous month



Prices Charged Index

The East of England saw the steepest rise in prices charged, and was one of only two UK areas (together with Northern Ireland) where the rate of inflation ticked up in June. The East Midlands was ranked second overall despite seeing a much slower increase than in May. London saw the smallest overall rise in charges, followed by the North East, with the latter posting the most marked slowdown in inflation.

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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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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