

NatWest UK Regional PMI®

PMI data show Yorkshire & Humber leading regional business activity growth in May

Key Findings

Firms in Yorkshire & Humber report strongest rises in output and new orders, as well as highest expectations for next 12 months

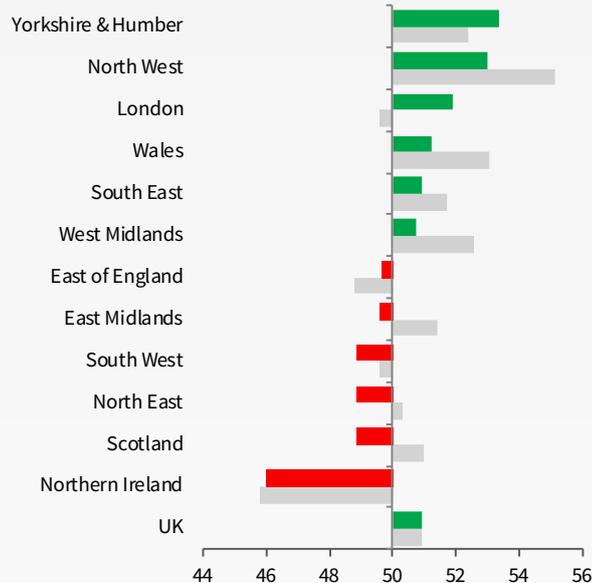
London returns to growth after difficult start to 2019

Northern Ireland continues to see most challenging business environment

UK Regional PMI Overview

Output Index by region

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



The latest NatWest UK Regional PMI® survey revealed that Yorkshire & Humber was the fastest-growing area for business activity growth in May, while also showing Northern Ireland stuck firmly in contraction.

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.

Yorkshire & Humber moved to the top of the rankings for growth of output of goods and services in May, as the region's Business Activity Index climbed to an eight-month high of 53.4. Last month's leader, the North West (53.0), was in second place, recording a further solid, but slower increase in output. London (51.9) saw the biggest upswing in performance, as output in the capital rose for the first time five months and to the greatest extent since last September. Wales (51.2), the South East (51.0) and West Midlands (50.7) all saw rates of business activity growth ease from April levels.

At the other end of the scale, Northern Ireland (46.0) recorded another marked drop in activity to sit at the foot of the table for a second straight month. Five other areas saw a fall in business activity, including Scotland, the North East, South West (all 48.9) and the East of England (49.7). Notably, the East Midlands (49.6) recorded a contraction for the first time since 2012.

Demand

Yorkshire & Humber was the strongest performing region by far in terms of new order growth. Notably, firms in London saw new business rise for the first time in 2019 so far. Wales was the only remaining area where order books increased, with the steepest decline once again seen in Northern Ireland.

Capacity

A lack of pressure on business capacity remained a feature of the survey data in May, with only firms in London reporting a rise in backlogs. Nevertheless, nine of the 12 monitored areas saw employment increase, led by a solid rate of job creation in the West Midlands. Workforce numbers continued to fall fastest in Northern Ireland and the North East.

Prices

Firms in the majority of areas reported faster increases in prices charged for goods and services in May. The East Midlands saw the strongest overall rate of inflation, and Northern Ireland the weakest. On the cost front, firms in Scotland faced the steepest rise in operating expenses, followed by those in the East Midlands. The weakest cost pressures were in the North East.

Outlook

For the second month in a row, business confidence towards future output improved in most regions. Optimism in May was highest overall in Yorkshire & Humber, followed by the East Midlands. Firms in Northern Ireland reported positive expectations for the first time in four months.

Demand and Outlook

New Business Index

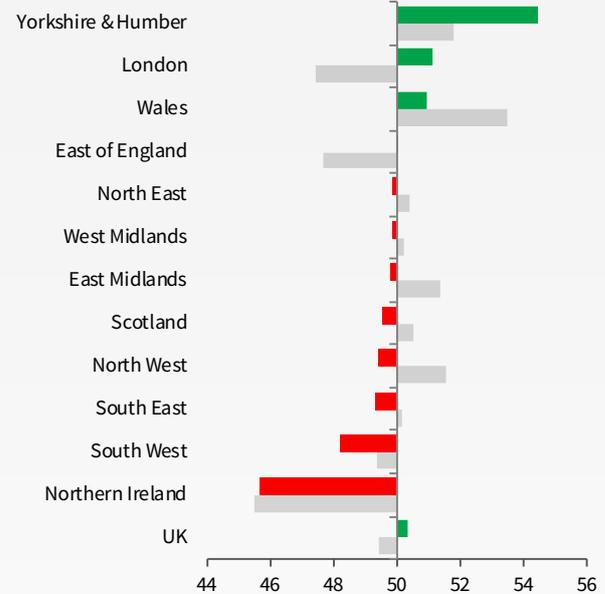
Yorkshire & Humber was the top performing region for new order growth in May, up from second place in April. Next was London, the biggest climber in the rankings, where new business rose for the first time in 2019 so far. Wales, the leader in April, slipped to third overall as it recorded a slowdown in new order growth to a four-month low. The East of England saw no change in order books, while there was a decline in all remaining areas.

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



New Business Index by region

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



Future Output Index

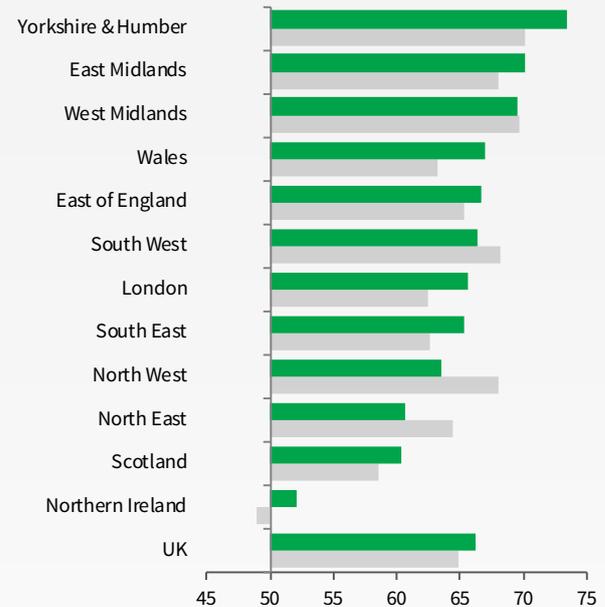
Firms in Yorkshire & Humber were the most confident towards future activity for the second month running in May, with the degree of optimism at a seven-month high. Ranked second for output expectations was the East Midlands, where sentiment was also the strongest since October last year. The biggest upswing in confidence was in Wales. At the other end of the scale, firms in Northern Ireland and Scotland were the least positive.

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



Future Output Index by region

>50 = growth expected over next 12 months, May-19 ■ (Apr-19 ■)



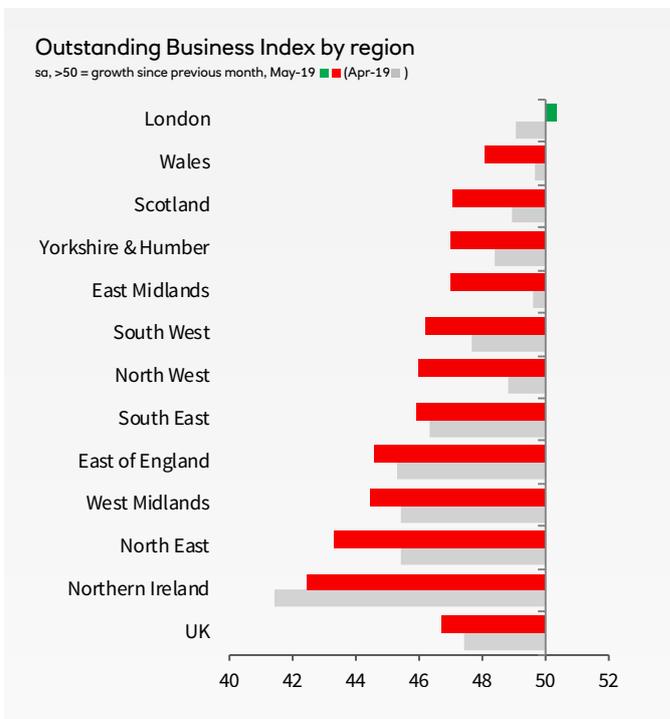
Capacity

Outstanding Business Index

Of the 12 monitored UK areas, only London recorded a rise in outstanding business in May, its first in eight months. The steepest reduction was again in Northern Ireland, where the rate of decline eased slightly since April but was still the second-fastest in almost six-and-a-half years. There were also marked decreases in backlogs in the North East and the West Midlands – the most marked for three and 35 months respectively.

Outstanding Business Index

sa, >50 = growth since previous month

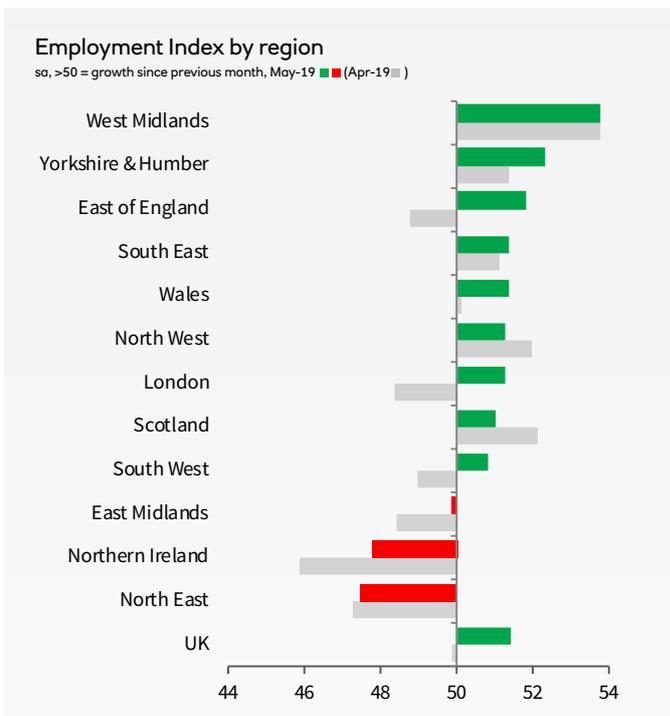
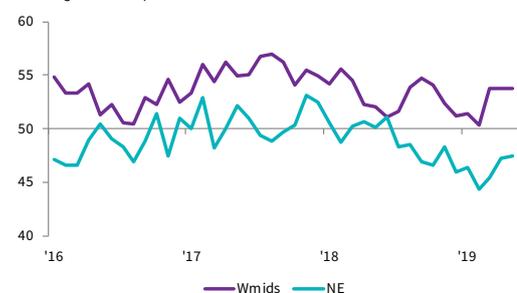


Employment Index

Regional job creation continued to be led by the West Midlands in May, ahead of Yorkshire & Humber and the East of England. The latter was the biggest climber in the rankings, followed by London. The steepest fall in employment was recorded in the North East, followed by Northern Ireland. Workforce numbers also dipped across the East Midlands, albeit falling only fractionally overall.

Employment Index

sa, >50 = growth since previous month



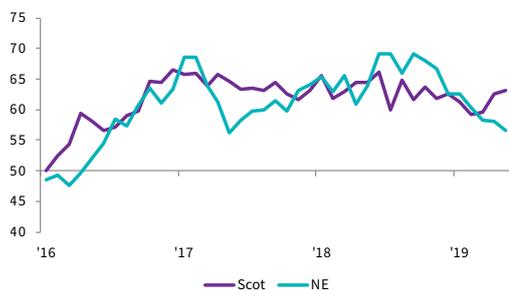
Prices

Input Prices Index

Input costs rose fastest in Scotland, which was one of only three areas where the rate of inflation accelerated, up to a seven-month high. The other two were the East Midlands and London, ranked second and fourth respectively. Sandwiched between them was Northern Ireland, which saw the biggest gap between rates of cost and charge inflation. The North East again saw the slowest rise in selling prices.

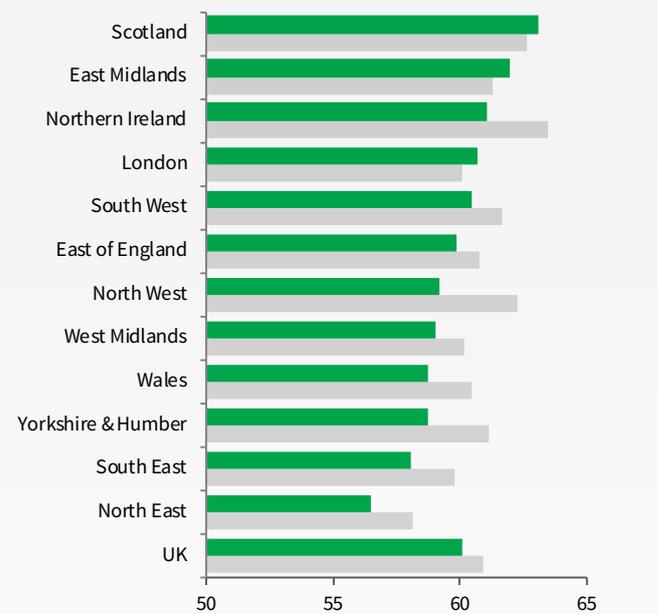
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, May-19 ■ (Apr-19 ■)

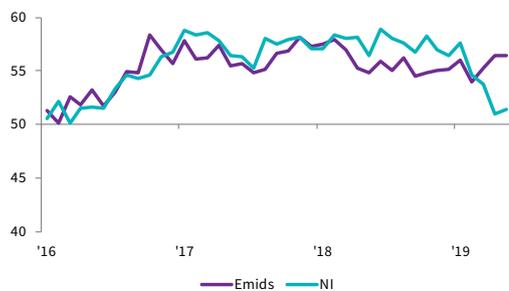


Prices Charged Index

For the third consecutive month, firms in the East Midlands recorded the steepest rise in prices charged for goods and services, with the pace of inflation edging up to 14-month high. The East of England saw the second-steepest increase in selling prices, ahead of the South West. Northern Ireland replaced London at the bottom of the ranking, with the latter having seen the slowest rise in charges in the previous 13 months.

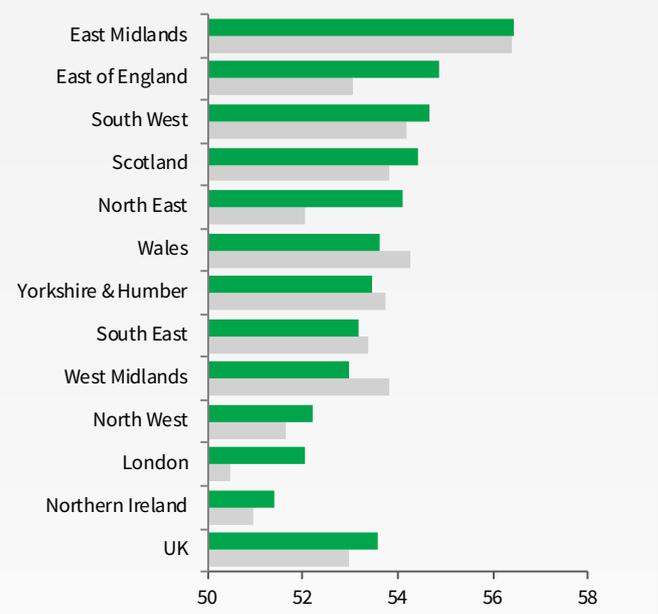
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, May-19 ■ (Apr-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.

About IHS Markit

IHS Markit (Nasdaq: 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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