



NatWest UK Regional PMI®

East Midlands tops UK regions for business activity growth in May

Key Findings

All 12 UK regions see a rise in business activity in May

Job creation strongest in Northern Ireland, while employment falls in the South West

Businesses in London record weakest inflationary pressures

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, May-18 (Apr-18)



The East and West Midlands led a broad-based increase in UK regional business activity in May, according to the latest NatWest Regional PMI report.

The survey data also showed a rise in employment in all areas except the South West, where the private sector workforce contracted for the first time in almost two years.

The East Midlands Business Activity Index climbed to a three-month high of 57.5 in May, up from 54.3 in April. The Index measures changes in the combined output in the region's manufacturing and service sectors, and any reading above 50.0 signifies growth from the previous month. The higher above the neutral 50.0 threshold, the faster the rate of expansion signalled.

Second in the regional business activity growth rankings was neighbouring West Midlands (56.3), where the pace of expansion likewise picked up to the fastest since February. The East of England (55.8), Wales (55.3) and Northern Ireland (55.1) each gained momentum in May and overtook April's strongest performer, Yorkshire & Humber (55.0). The latter was the one region where the rate of business activity growth in May was unchanged from the previous month.

The private sector economies of London (54.7) and the South East (54.6) saw similarly solid rates of growth, and ones that were slightly quicker than in April. Scotland, too, moved up a gear in May, its business activity index rising to a ten-month high of 53.7.

The South West (51.1), North East (51.8) and North West (52.3) occupied the bottom three positions in the rankings, each recording relatively modest increases in business activity.

Demand

Demand for goods and services rose in almost all regions in May. The only exception was the North East, where businesses recorded a fall in inflows of new work for the second time in three months.

Capacity

With the exception of the South West, all areas of the UK saw an increase in employment in May. The fastest rates of job creation were recorded in Northern Ireland and Scotland respectively.

Prices

On the price front, rates of inflation varied greatly by region. Average prices charged rose marginally on a monthly basis in London, while in Northern Ireland the corresponding rate of inflation was at an elevated level by historical standards. Firms in Northern Ireland also faced the steepest increase in input costs.

Outlook

Business optimism with regards to the year-ahead outlook for activity was strongest in Yorkshire & Humber, followed by the North West.

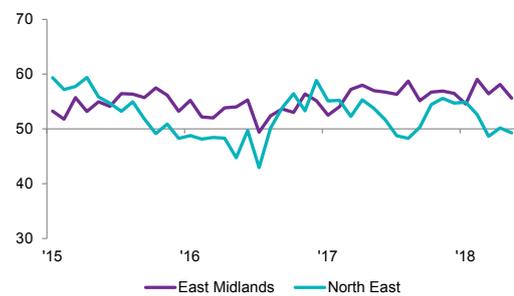
Demand and Outlook

New Business Index

As well as leading growth in business activity, the East Midlands also saw the steepest monthly increase in new business in May. The East of England ranked second overall, having seen order book growth accelerate sharply from the previous month. The only region to see a drop in inflows of new business was the North East, which recorded a decrease for the second time in the past three months.

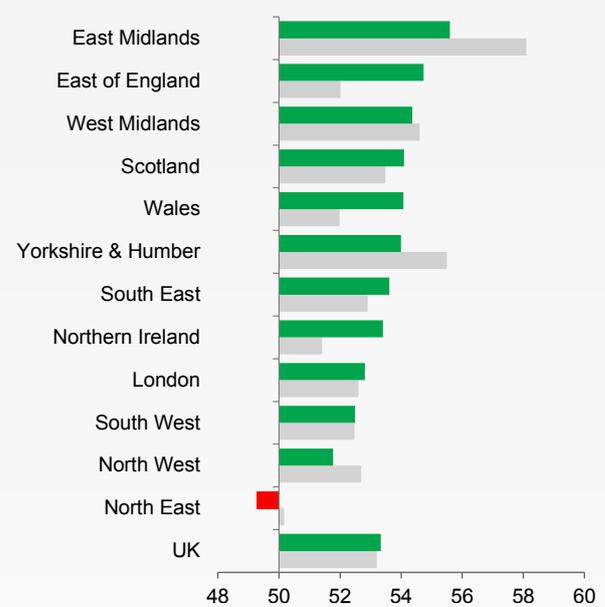
New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, May-18 ■ (Apr-18 ■)

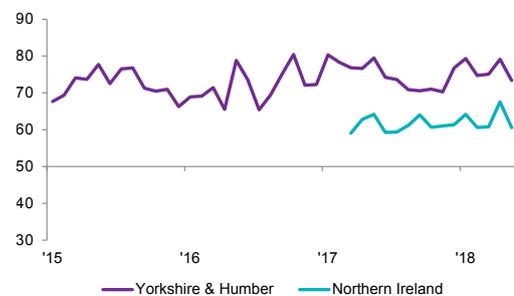


Future Output Index

Firms operating in Yorkshire & Humber showed the strongest optimism towards the year-ahead outlook, closely followed by those in the North West. Business confidence was lowest in Northern Ireland and London respectively, the two regions where sentiment deteriorated the most from the previous survey period.

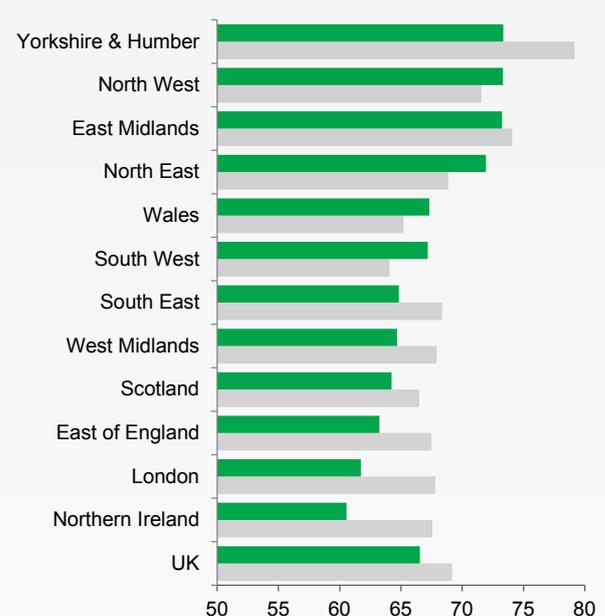
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, May-18 ■ (Apr-18 ■)



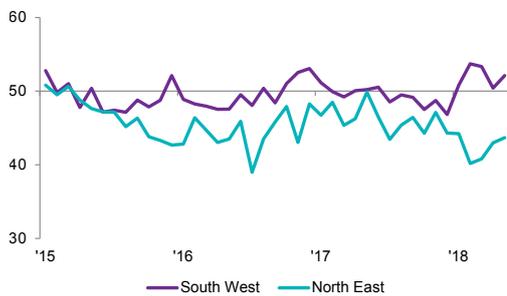
Capacity

Outstanding Business Index

Only four of the 12 monitored regions recorded an increase in outstanding business, the lowest count since July 2016 in the immediate aftermath of the EU referendum. The steepest increase was recorded in the South West, where higher backlogs have now been recorded for five months in a row. The most marked decrease in work-in-hand was in the North East.

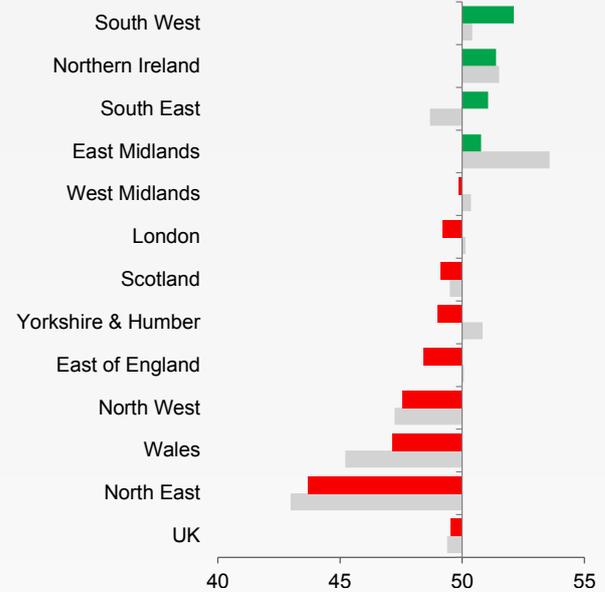
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, May-18 (Apr-18)

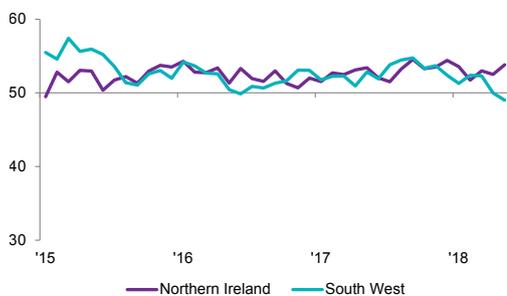


Employment Index

The South West was the only area of the UK to see a fall in employment in May, despite signs of ongoing pressure on capacity at businesses in the region. The steepest rises in workforce numbers were recorded in Northern Ireland and Scotland respectively, with the former recording the strongest rate of job creation for five months.

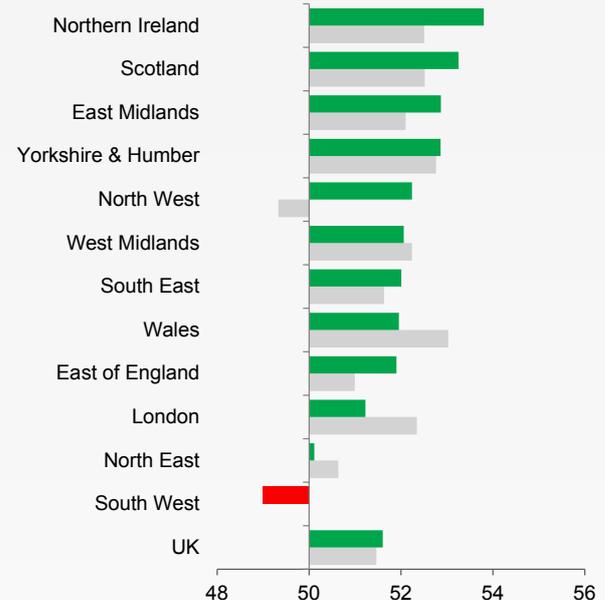
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, May-18 (Apr-18)



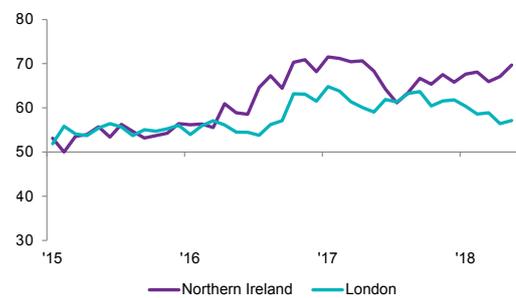
Prices

Input Prices Index

Firms in Northern Ireland faced the strongest cost pressures for the second straight month in May, with the rate of input price inflation in the region reaching a 13-month high. The slowest rise in cost burdens was recorded in London, where despite picking up slightly since April, the rate of increase was still the second-lowest in the past 20 months (albeit broadly in line with the historical series average).

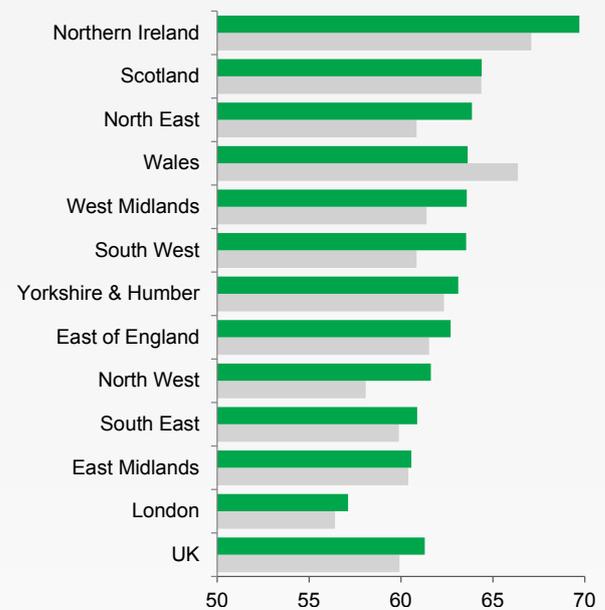
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, May-18 ■ (Apr-18 □)



Prices Charged Index

Northern Ireland recorded the steepest increase in average prices charged for goods and services in May, consistent with the trends in firms' input costs. However, as was the case in almost all regions (the sole exception being Scotland), the rate of increase eased from the month before. In London, selling prices rose only marginally and at the slowest rate for 11 months.

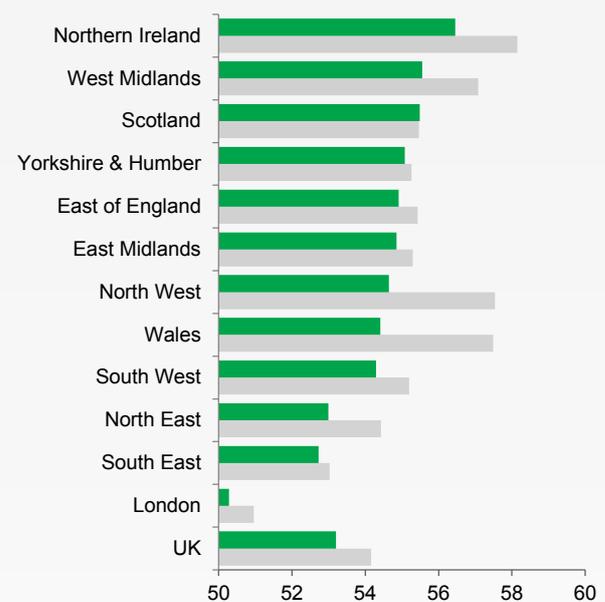
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, May-18 ■ (Apr-18 □)



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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 (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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