



NatWest UK Regional PMI®

Yorkshire & Humber is top performer in August, while North East remains laggard

Key Findings

Yorkshire & Humber jointly leads business activity growth with East of England...

...and also tops regional rankings for job creation and business confidence

North East close to stagnation amid renewed decline in new orders

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Aug-18 (Jul-18)



Business activity increased across all areas of the UK in August, though growth performances by region remained uneven, according to the latest NatWest Regional PMI® report. Most regions enjoyed solid rates of expansion that were quicker than in July. The most notable exception was the North East, where output was close to stagnation amid an ongoing soft patch in demand.

Yorkshire & Humber and East Midlands jointly led business activity growth in August, with both regions recording a Business Activity Index reading of 56.1. The Index measures changes in the combined output of 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.

In comparison, the North East's reading of 50.1 signalled almost no change in the level of output compared with the month before.

The top-eight ranked regions all saw business activity growth accelerate from the previous month. Among these were the East Midlands and Wales (both 56.0), with the latter seeing its steepest rise in business activity since January. Scotland's (55.5) increase in output was meanwhile the most marked since July 2014.

In the West Midlands (55.0), London (54.8) and North West (54.2), business activity growth accelerated but failed to fully recover to the rates seen in June.

July's top-performer, Northern Ireland (53.9), saw a loss momentum and recorded its weakest rise in output since April. The South East (51.3) also saw a slowdown in growth, but in this case to the weakest for over two years. The South West (52.2) performed slightly better than in July but still to recorded only a modest rate of expansion overall.

Demand

The top-performing region for order book growth in August was Yorkshire & Humber, closely followed by Wales. Firms operating in the North East registered the only decrease in demand during the month.

Capacity

Only half of the 12 regions registered an increase in order backlogs, a sign of increasing pressure on business capacity. Nevertheless, most saw employment rise during the month, and at a quicker pace than in July. The steepest rise in payroll numbers was in Yorkshire & Humber, while the only net job losses were seen in the North East.

Prices

Inflationary pressures were strongest overall in Northern Ireland, in terms of both input costs and prices charged, and weakest in London.

Outlook

Firms in Yorkshire & Humber maintained the strongest degree of optimism towards the outlook of output over the next 12 months. Expectations were also especially high among those in the North West and East Midlands.

Demand and Outlook

New Business Index

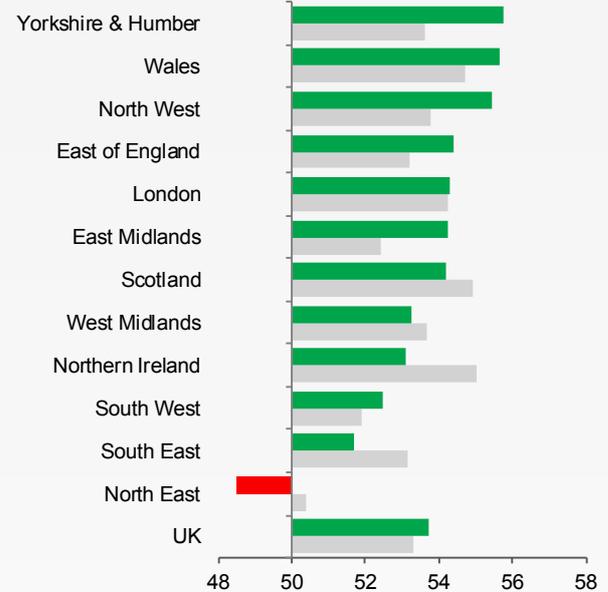
The steepest rise in demand for goods and services was seen by firms operating in Yorkshire & Humber, closely followed by those in Wales. Both areas saw rates of new order growth improve since July, as was the case for five other regions: North West, East of England, London, East Midlands and South West. The North East was the weakest performer, seeing a fall in order books for the third time in four months.

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



New Business Index by region

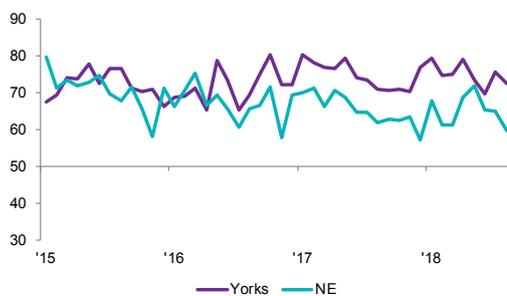
sa, >50 = growth since previous month, Aug-18 ■ (Jul-18 ■■)



Future Output Index

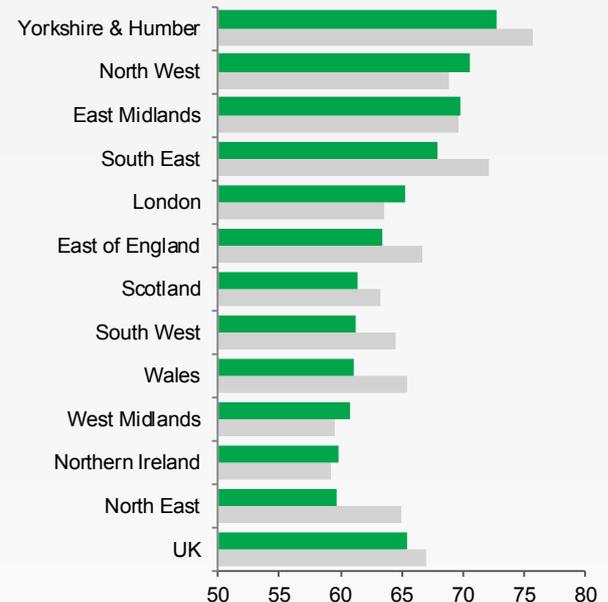
As well as leading growth in both output and new orders, Yorkshire & Humber also registered the highest degree of business optimism towards future activity. Other areas where future expectations were particularly high included the North West and East Midlands. The weakest sentiment was found to be among firms in the North East, where business confidence retreated to the lowest in 2018 so far.

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



Future Output Index by region

>50 = growth expected over next 12 months, Aug-18 ■ (Jul-18 ■■)



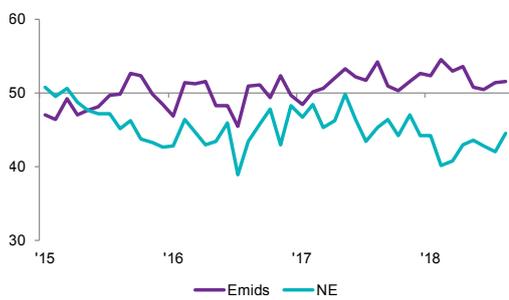
Capacity

Outstanding Business Index

Half of the surveyed regions recorded increases in outstanding business in August, though in the case of Wales the rise was negligible. The East Midlands recorded the strongest rate of backlog accumulation ahead of Scotland. The region with the lowest pressure on business capacity remained the North East, which saw a further steep (albeit slower) decline in work-in-hand.

Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Aug-18 (Jul-18 ■)



Employment Index

Employment rose in ten of the 12 UK regions during August, led by a robust rate of job creation in Yorkshire & Humber. The North West ranked second overall, ahead of the West Midlands and East Midlands respectively. The only decrease in employment was recorded in the North East, while staffing numbers in the South East remained unchanged from the month before.

Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Aug-18 (Jul-18 ■)

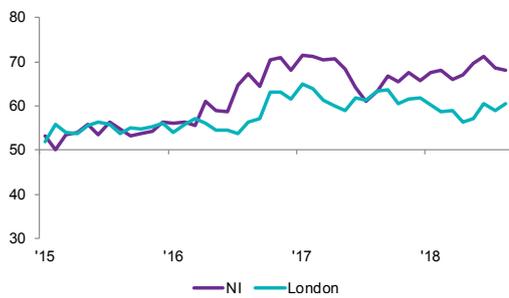


Prices

Input Prices Index

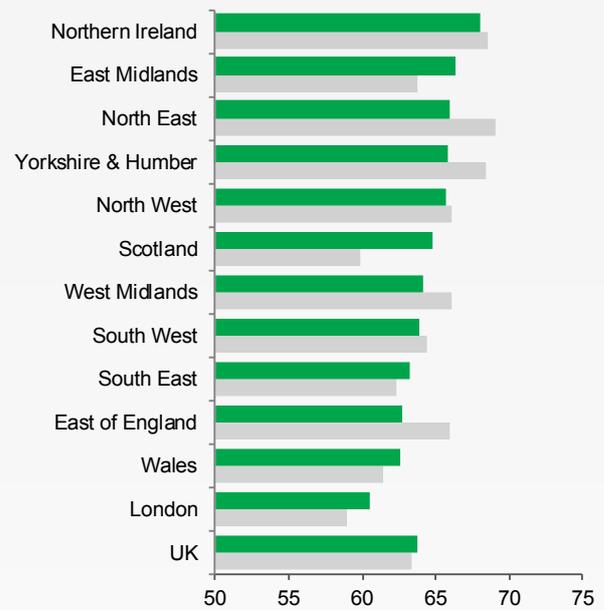
Cost pressures remained strong throughout the UK in August, with firms in Northern Ireland recording the sharpest rate of input price inflation for the fourth time in the past five months. London saw the slowest rise in business costs, despite the rate of inflation in the capital having accelerated to the quickest since last December. Notably, input cost inflation in Scotland rebounded sharply from a 22-month low in July.

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



Input Prices Index by region

sa, >50 = inflation since previous month, Aug-18 (Jul-18)



Prices Charged Index

Reflective of the trends in input costs, businesses operating in Northern Ireland noted the most marked rise in average prices charges in August, while those in London recorded the smallest increase. Rates of output price inflation eased in most regions, the only exceptions being the East Midlands and North West. In the case of the former, the latest increase in selling prices was the most marked since March.

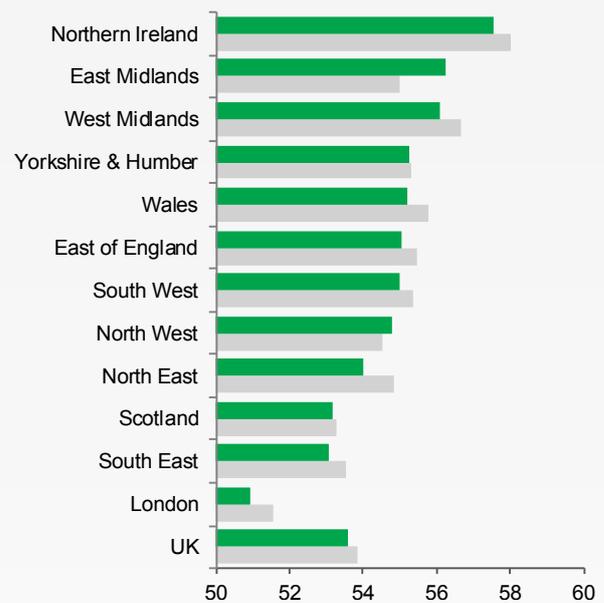
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Aug-18 (Jul-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.

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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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