



# NatWest UK Regional PMI®

## Output rises in almost all regions in February, led by strong growth in London

### Key Findings

London tops output growth rankings for fifth month running, with Northern Ireland seeing the only fall in business activity

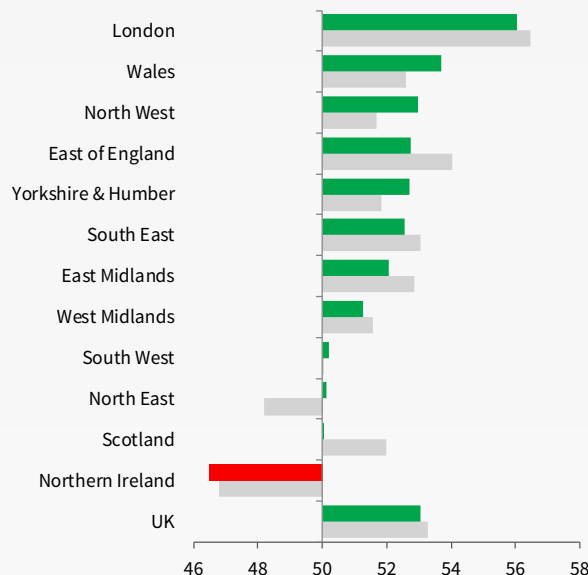
Number of regions recording higher employment drops from 11 in January to six

Business confidence improves in most regions before Europe coronavirus outbreak

### UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Feb-20 ■ (Jan-20 ■)



London continued to lead UK regional growth in February, according to the latest NatWest Regional PMI® report. Almost all regions in fact saw a rise in output, though only half recorded higher employment.

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.

London remained by far the best-performing region for output growth in February, with its Business Activity Index recording 56.0 and staying close to January's 33-month high. Wales (53.7) and the North West (53.0) meanwhile rose to second and third place in the rankings respectively, having each recorded a faster rise in output. Yorkshire & Humber (52.7) too saw a pick-up in momentum.

By contrast, growth slowed in the East of England (52.8), South East (52.6), East Midlands (52.1) and West Midlands (51.2). Business activity rose in the South West (50.2) and North East (50.1) – albeit only fractionally – for the first time in 12 and ten months respectively. Output in Scotland (50.1) broadly stagnated, while Northern Ireland (46.5) saw a further marked contraction.

### Demand

Demand for goods and services rose in nine of the 12 monitored areas in February, albeit with rates of growth slowing in all cases. Firms in the capital saw the steepest rise in new work, followed by those in the North West. Northern Ireland, the North East and South West were the worst-performers on the order book front, though each recorded only marginal decreases.

### Capacity

The number of regions reporting higher employment fell from 11 at the start of the year to just six in February, as the South East, West Midlands, East Midlands, North West and Scotland all recorded renewed declines. Job creation was jointly led by London and Northern Ireland, with the former being the only region to record a rise in backlogs of work.

### Prices

February saw a broad-based increase in average prices charged for goods and services. Inflation picked up in the majority of regions, with the East Midlands recording the fastest rate. In the case of the North East, it was the first rise in charges for seven months. Firms in Northern Ireland meanwhile continued to face the strongest cost pressures.

### Outlook

Confidence towards future activity improved in most regions in February, often reflecting reduced political uncertainty. Output expectations were highest in the East Midlands. Northern Ireland recorded the lowest optimism and was one of four areas to see a drop in sentiment, alongside Wales, the West Midlands and North West.

# Demand and Outlook

## New Business Index

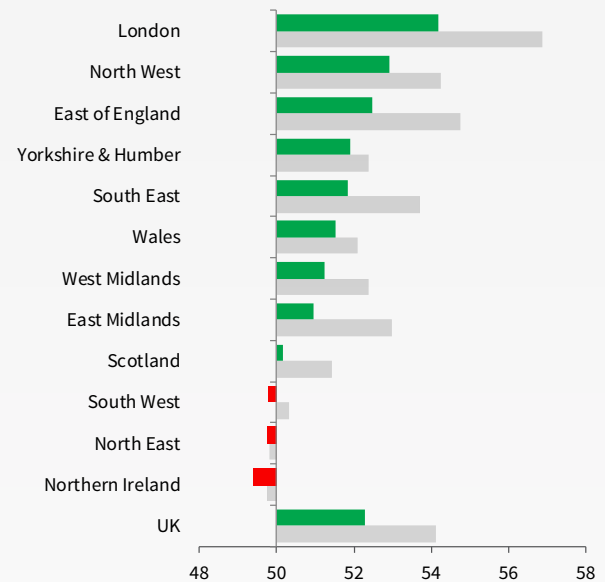
London continued to top the regional rankings for new business growth in February, despite seeing the rate of increase ease sharply from January's 32-month high. In fact, all of the nine regions that recorded a rise in new business saw the rate of expansion weaken. There was a renewed decline in new work across the South West, while both the North East and Northern Ireland saw further marginal decreases.

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



**New Business Index by region**

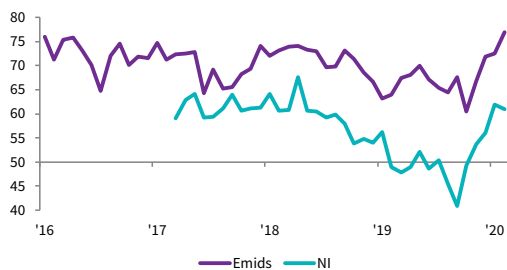
sa, >50 = growth since previous month, Feb-20 (Jan-20 ■)



## Future Output Index

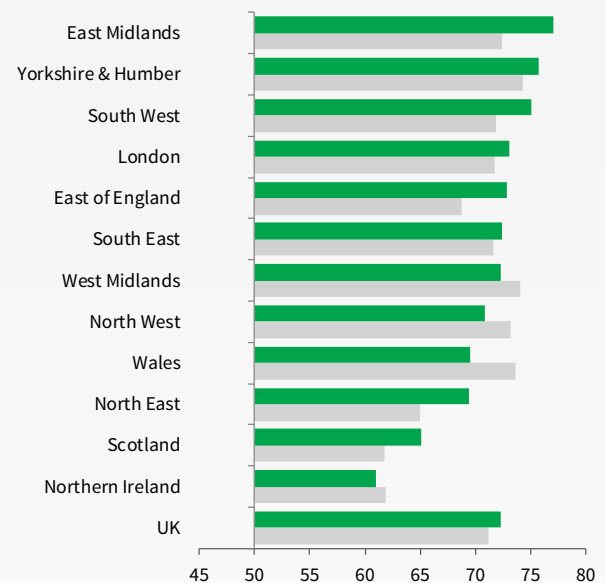
The majority of regions registered an improvement in business confidence towards future output in February. The biggest gain was in the East Midlands, which topped the rankings ahead of Yorkshire & Humber and the South West. Northern Ireland was one of four areas (alongside Wales, the West Midlands and North West) to see a drop in expectations since January, and returned to the foot of the table.

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



**Future Output Index by region**

>50 = growth expected over next 12 months, Feb-20 (Jan-20 ■)



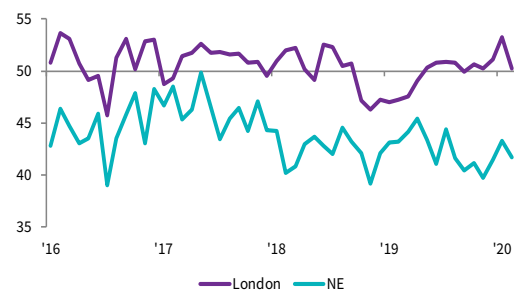
# Capacity

## Outstanding Business Index

A marginal rise in outstanding business in London contrasted with decreases in all other regions in February. Furthermore, in all cases except Northern Ireland and Wales, the rate of backlog depletion accelerated since January. The North East recorded the steepest overall drop in work-in-hand, as has been the case in each of the past seven months. The West Midlands and South West also saw notable declines.

Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Feb-20 (Jan-20)



## Employment Index

London and Northern Ireland jointly led job creation in February. The number of areas recording higher employment fell from 11 in January to just six, as the South East, West Midlands, East Midlands, North West and Scotland all recorded renewed declines in payrolls. The East of England and Wales both saw faster employment growth, while Yorkshire & Humber registered a slower rise. The decline in workforce numbers in the North East eased to the weakest for seven months and was only marginal.

Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Feb-20 (Jan-20)



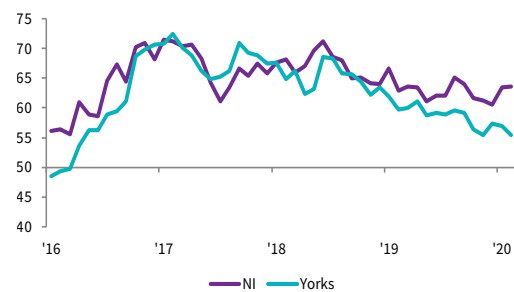
# Prices

## Input Prices Index

The strongest cost pressures continued to be faced by businesses in the Northern Ireland, where the rate of input price inflation accelerated to a five-month high. Just three other regions recorded faster increases, including second-placed East Midlands. At the other end of the scale, cost inflation slowed sharply in Yorkshire & Humber and the North West to the weakest for three and 44 months respectively.

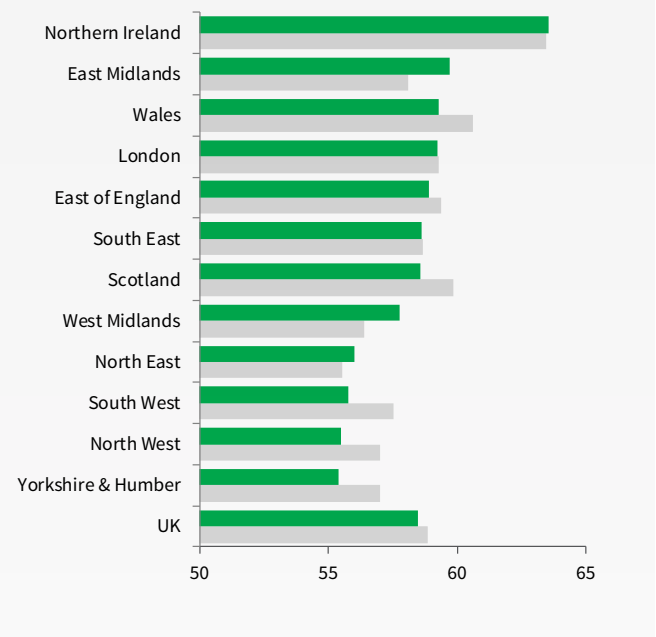
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Feb-20 (Jan-20)

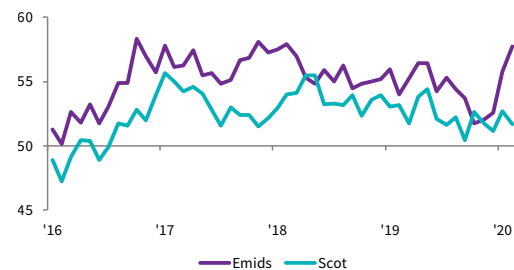


## Prices Charged Index

Firms in the East Midlands recorded by far the steepest rise in average prices charged for goods and services in February. Here, the rate of inflation accelerated sharply and for the fourth month in a row, to the quickest for two years. Wales and the South West also saw notable pick-ups in output price inflation. The slowest rises in selling prices were Scotland and the North East, with the latter seeing an increase for the first time in seven months.

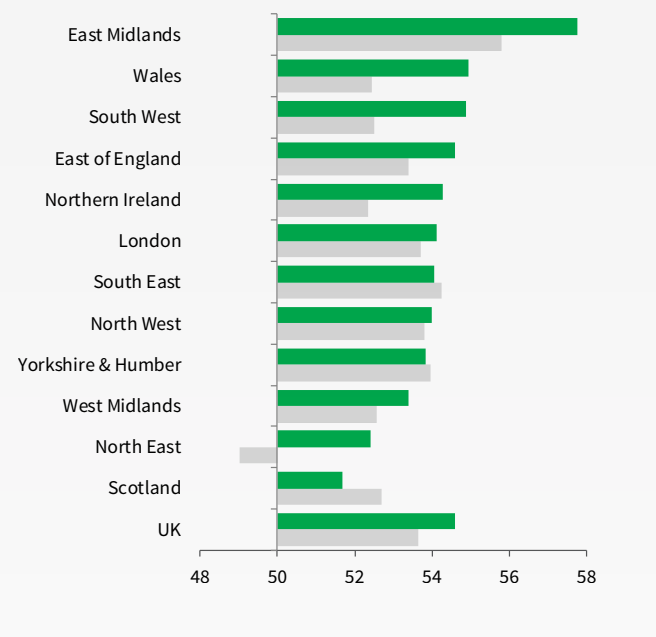
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Feb-20 (Jan-20)



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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](mailto: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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, 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.

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