



NatWest UK Regional PMI®

Wales outperforms all other UK regions for business activity growth in third quarter

Key Findings

Quarterly growth performance led by Wales, ahead of East of England

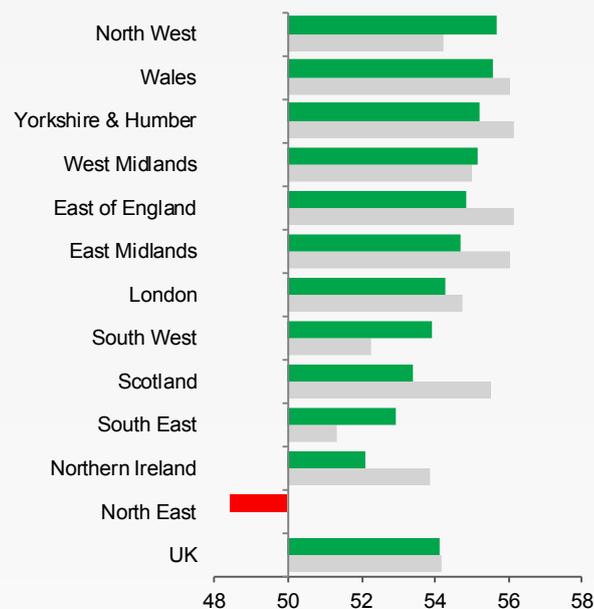
North West and Wales top business activity growth rankings in September

Sustained drop in employment in the North East amid deteriorating business conditions

UK Regional PMI Overview

Output Index by region

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



The North West and Wales jointly led regional business activity growth in September, according to the latest NatWest Regional PMI® report, with the latter enjoying the strongest performance across the third quarter as a whole.

Both regions recorded a Business Activity Index reading of 55.6 in September. 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 the case of the North West, this was the highest reading since February. However, for Wales it signalled a slight slowdown in growth from the seven-month seen high in August.

Last month's top performers, Yorkshire & Humber (55.2) and East of England (54.8), saw rates of business activity growth ease slightly and slipped to third and fifth in the rankings, respectively. Sandwiched between them was West Midlands (55.1), where output rose the most since June.

The South East (52.9) and South West (53.9) were the only other regions where business activity growth accelerated, although both continued to underperform relative to the UK as a whole (54.1).

Slower rates of growth were recorded in the East Midlands (54.7; two-month low), London (54.3; two-month low), Scotland (53.4; five-month low) and Northern Ireland (52.1; 23-month low). The North East (48.4), however, saw the only outright drop in business activity.

Demand

The North West saw the strongest overall growth in demand for goods and services, with the region's firms noting their most marked increase in new orders in 2018 so far. Demand was in fact found to have strengthened in all regions except the North East, where inflows of new work fell for the fourth time in the past five months.

Capacity

Accordingly, the North West recorded the strongest pressure on business capacity in September. The region saw not only the steepest rise in backlogs, but also the fastest rate of employment growth. Job creation was also robust in Yorkshire & Humber and West Midlands.

Prices

Northern Ireland led a broad-based increase in prices charged for goods and services. The weakest rate of output price inflation was recorded in London, followed by the North East. The latter, however, saw the most marked rise in average input costs during the month, pointing to a considerable squeeze on operating margins in the region.

Outlook

The strongest business confidence towards future output was in the North West, where expectations were highest in over one-and-a-half years. Firms in Northern Ireland retained the lowest degree of optimism.

Demand and Outlook

New Business Index

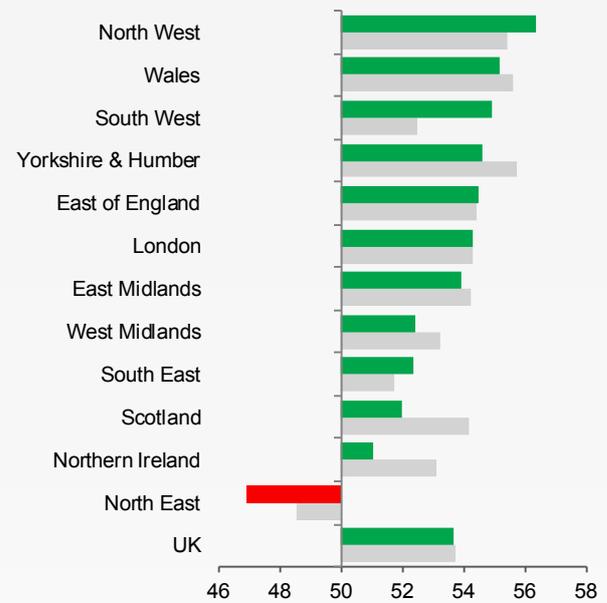
Firms in the North West recorded the steepest monthly rise in inflows of new business in September, followed by those in Wales and the South West, respectively. At the other end of the scale, order book growth eased for the second month running in both Scotland and Northern Ireland, and was only modest overall. The North East saw the only outright fall in new work – the steepest in the region since July 2016.

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



New Business Index by region

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

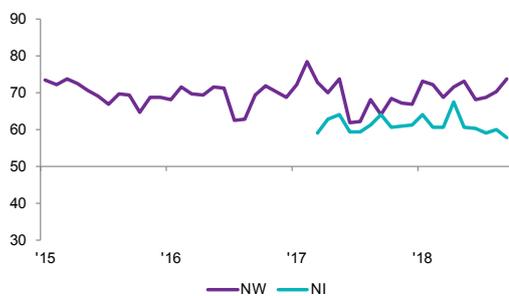


Future Output Index

The strongest optimism towards the outlook for output in the year ahead was in the North West, where confidence picked up to the highest since February 2017. In fact, sentiment improved in nine of the 12 areas monitored. The most notable exception was Northern Ireland, which recorded its lowest degree of business confidence in the short series history since March 2017.

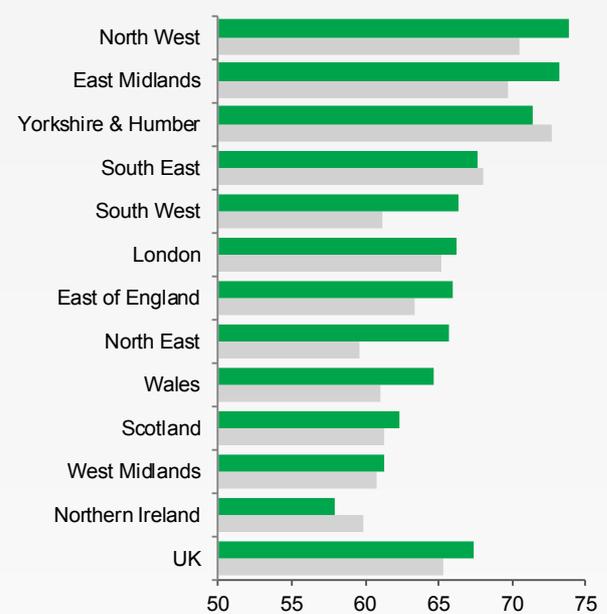
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

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



Capacity

Outstanding Business Index

Outstanding business rose in eight of the 12 regions monitored by the survey, led by strong growth in the North West. Companies operating in the East Midlands and South West also recorded solid rises in backlogs of work. The most marked drop in outstanding business was seen in the North East, where a decline has been recorded in every month since April 2015, followed by Northern Ireland.

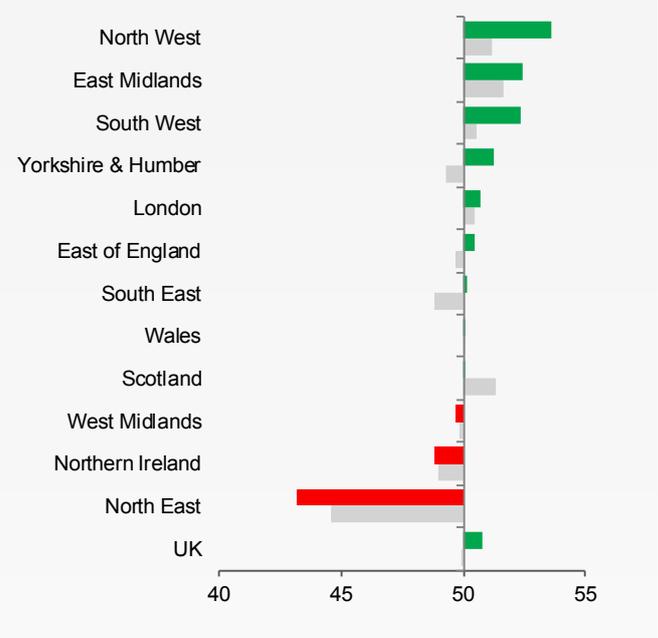
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

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

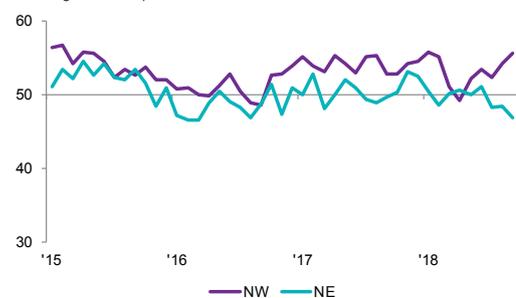


Employment Index

Employment increased in all monitored regions in September except the North East, where staffing numbers fell for the third month running and at the quickest rate in over two years. The North West led job creation ahead of Yorkshire & Humber and the West Midlands, respectively. The South East continued to underperform on the jobs front, seeing employment rise only marginally and for the first time since June.

Employment Index

sa, >50 = growth since previous month



Employment Index by region

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

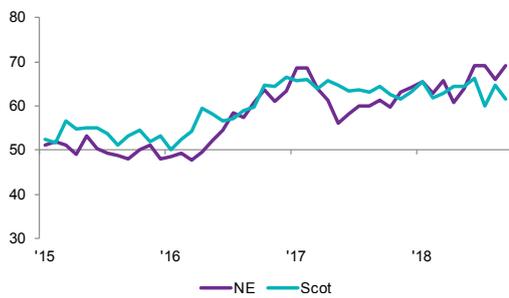


Prices

Input Prices Index

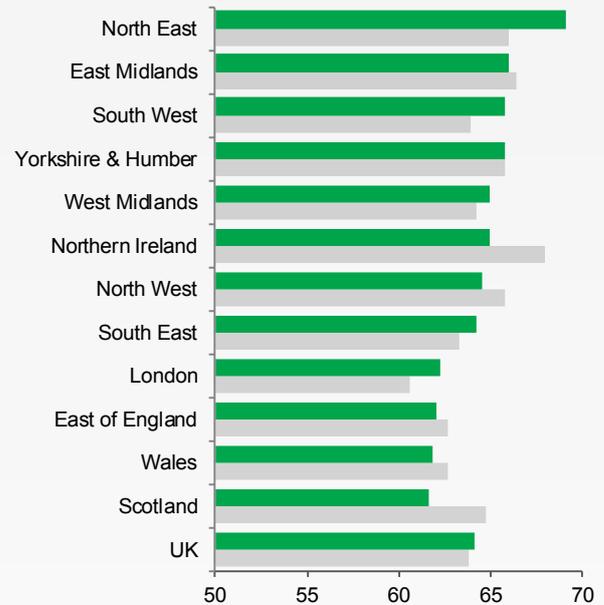
Firms in the North East faced the steepest monthly rise in average costs in September, with the rate of input price inflation being among the highest seen in the region over the past seven-and-a-half years. Northern Ireland had topped the rankings in August, but saw its rate of cost inflation ease for the third month running to the lowest in over a year. Scotland's rise input prices was the least marked of the 12 regions, albeit still sharp.

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



Input Prices Index by region

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



Prices Charged Index

Northern Ireland recorded the steepest increase in average prices charged for goods and services in September, as has been the case throughout most of 2018. The rate inflation here was at a four-month low, but still notably quicker than in the region ranked second, Yorkshire & Humber. London again saw the weakest rate of output charge inflation, in line with trend observed in every month since April.

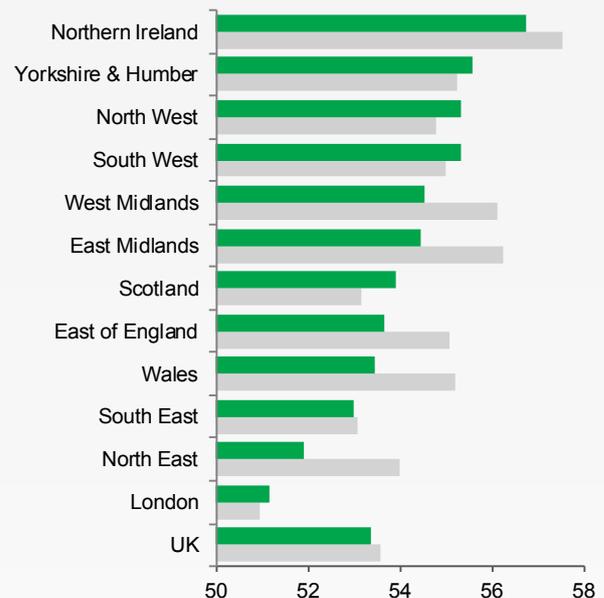
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

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

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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