

NatWest UK Regional PMI®

North West sees strongest growth in March amid a broadening slowdown

Key Findings

Six out of twelve areas record a fall in output, up from three in February

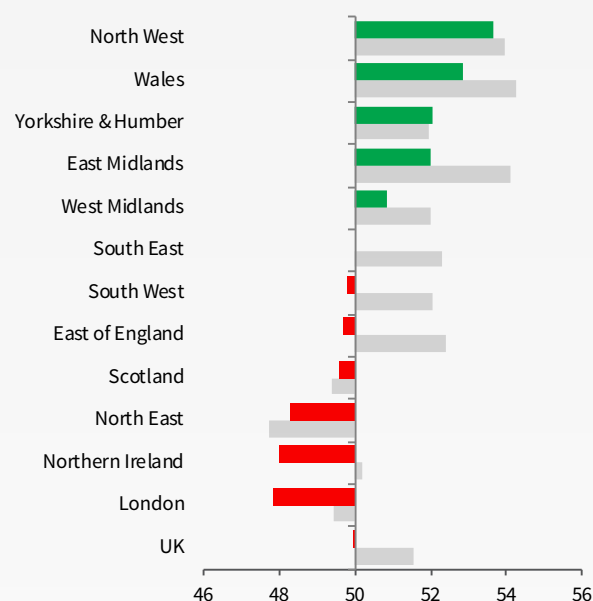
North West sees strongest business activity growth as well as joint-steepest rise in jobs with West Midlands

London, Northern Ireland and North East at bottom of rankings for output and employment

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Mar-19 (Feb-19)



The latest NatWest Regional PMI® survey showed that nearly all areas of the UK recorded either slower growth or a fall in business activity in March. More positively, employment increased in six of the 12 monitored regions, twice the number seen in February.

The North West remained the UK's main bright spot in March. At 53.7, its Business Activity Index was down slightly from 54.0 in February, but still indicative of a solid rate of growth overall.

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.

Wales's 52.9 was the second-highest reading, followed by 52.0 in both the East Midlands and Yorkshire & Humber – the latter being the only region where the pace of growth was unchanged since February. Output rose only marginally in the West Midlands (50.9), while it stagnated across the South East (50.0).

The South West (49.8), East of England (49.7) and Northern Ireland (48.0) each saw business activity fall into contraction, while sustained downturns were recorded across Scotland (49.6), the North East (48.3) and London (47.8).

Demand

Firms in Wales experienced the strongest rise in demand for goods and services in March. The only other notable increase in new orders was seen in the East Midlands, with firms in the West Midlands and South East reporting negligible growth. Order books decreased elsewhere, with the North East and London leading the decline.

Capacity

Half of the 12 monitored areas saw a rise in employment in March. The North West and West Midlands jointly led job creation, ahead of the South East and Yorkshire & Humber. The North East again saw the steepest fall in jobs, while there were also notable declines in Northern Ireland and London. Capacity pressures were generally subdued, with only Wales and the East Midlands recording a rise in backlogs.

Prices

Output charge inflation slowed in nine out of 12 areas. Furthermore, firms in London kept selling prices unchanged. The survey meanwhile gave a more mixed picture for costs. In seven cases, input prices rose at a quicker rate, increasing most markedly in Northern Ireland and the North West. The weakest cost pressures were in the West Midlands, where firms' operating expenses rose the least since June 2016.

Outlook

Sentiment towards future output was positive in all areas except Northern Ireland, where the degree of pessimism worsened since February. The East Midlands and South West were the most upbeat regions, and also saw the greatest jumps in confidence since February.

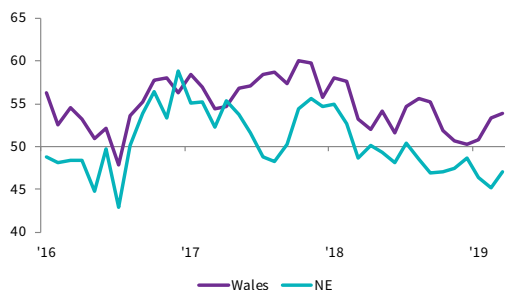
Demand and Outlook

New Business Index

Firms in Wales recorded the strongest growth in new business for the second month in a row in March, with East Midlands remaining second in the rankings. There were fractional increases in new orders in the West Midlands and South East, but all remaining areas recorded a decline. As was the case in February, the steepest decreases were recorded in the North East and London, respectively.

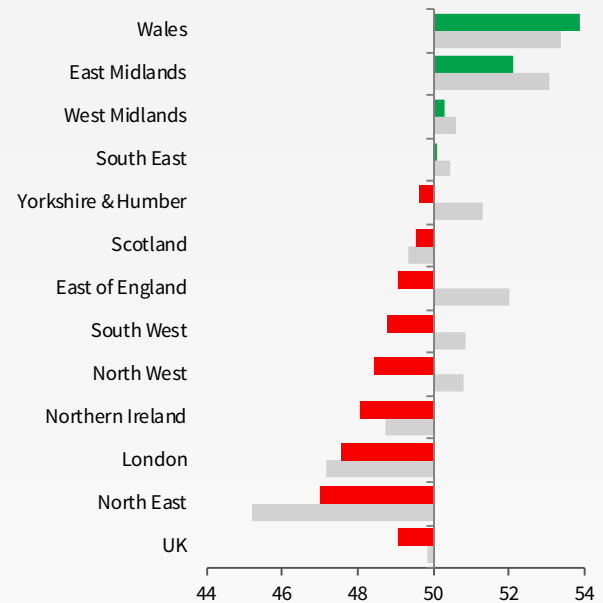
New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Mar-19 (Feb-19)

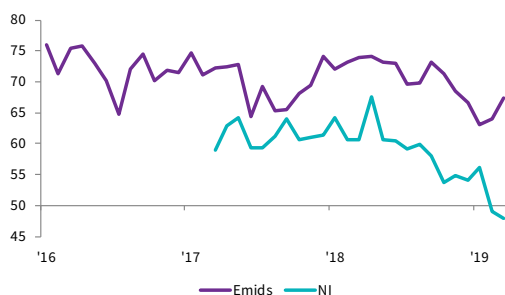


Future Output Index

The strongest optimism towards future output was in the East Midlands, where expectations were the highest since November last year. Improved confidence was also seen in the South West, Yorkshire & Humber and the West Midlands – ranked second, third and fourth respectively. Firms in Wales recorded the sharpest deterioration in optimism, while those in Northern Ireland reported overall pessimism for the second straight month.

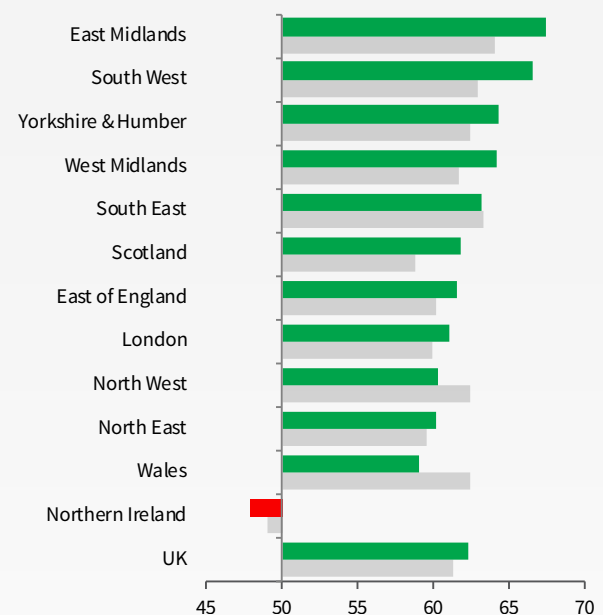
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Mar-19 (Feb-19)



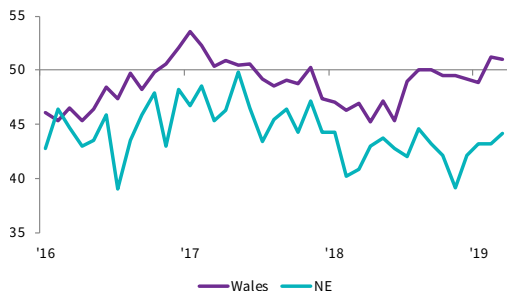
Capacity

Outstanding Business Index

Reflective of the trends in new business, Wales and the East Midlands were the only areas to record an increase in backlogs in March, as was the case in the previous survey. The North East saw the steepest overall decline, albeit one that was slower than in February. In Northern Ireland and the South East, rates of backlog depletion were the quickest for 49 and 32 months, respectively.

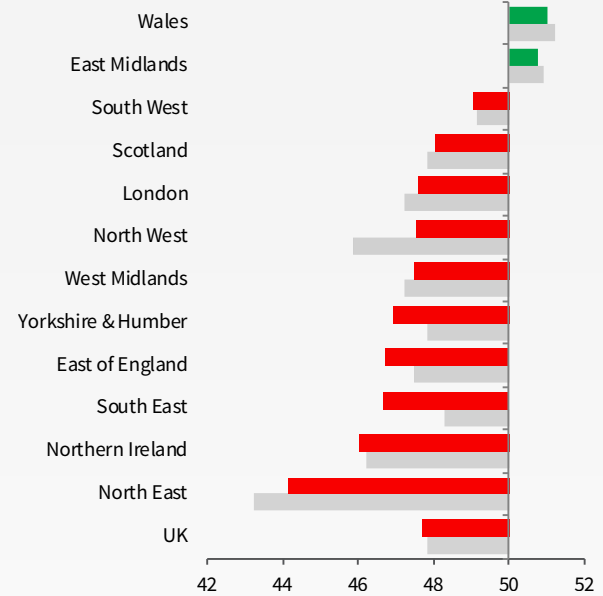
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Mar-19 (Feb-19)

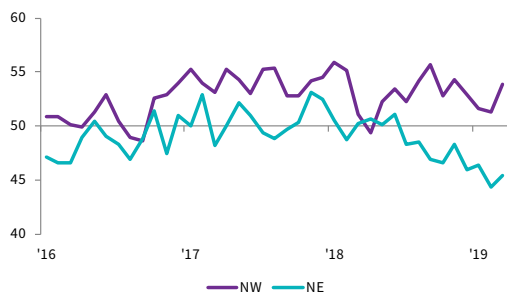


Employment Index

Employment growth in March was jointly led by the North West and West Midlands, ahead of Yorkshire & Humber and the South East. Of the remaining areas, only Wales and Scotland record a rise in workforce numbers during the month. London, the East of England, East Midlands, South West, Northern Ireland and North East all saw reductions in employment, with the latter seeing a decline for the ninth month in a row.

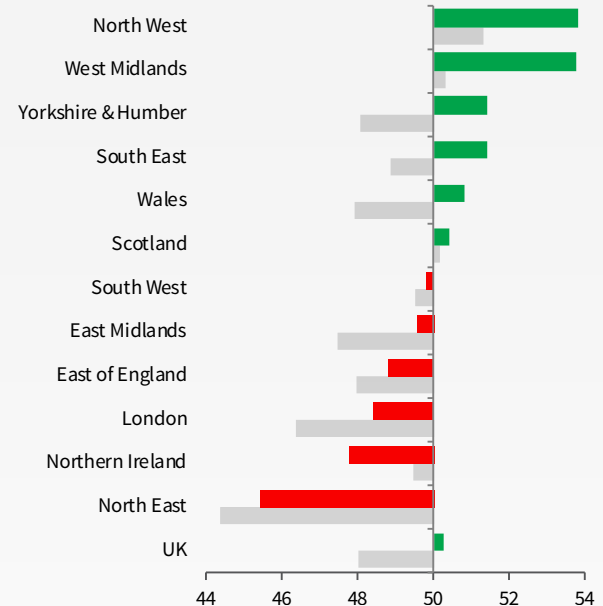
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Mar-19 (Feb-19)



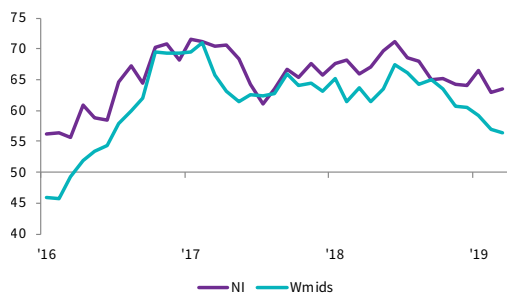
Prices

Input Prices Index

Cost pressures were strongest overall in Northern Ireland and the North West, with both recording identical rates of inflation that were slightly quicker than those seen in February. At the other end of the scale, the West Midlands, North East and South East each recorded slower increases in input prices. In the case of the former, the rate of inflation was the weakest seen since June 2016.

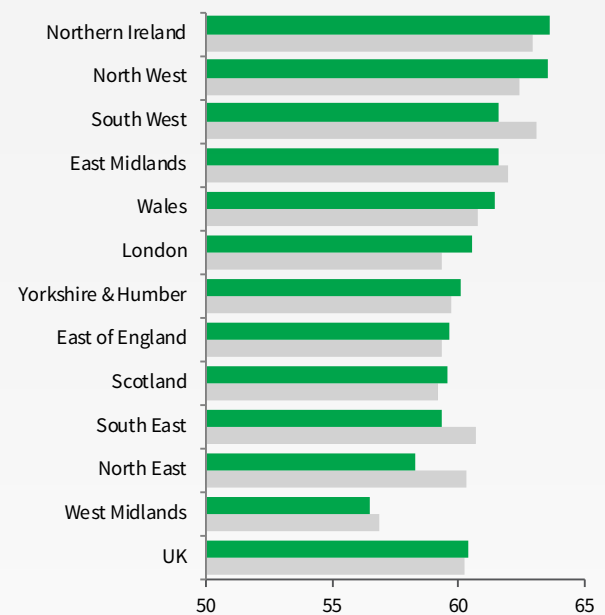
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Mar-19 (Feb-19)



Prices Charged Index

The East Midlands saw the steepest rise in output prices in March, and was one of only two regions where the rate of inflation ticked up since February. The other was the East of England, though even here the rate of inflation was close to the lowest in over two-and-a-half years. Notably, London saw no change in average selling prices, following an increase in each of the previous 27 months.

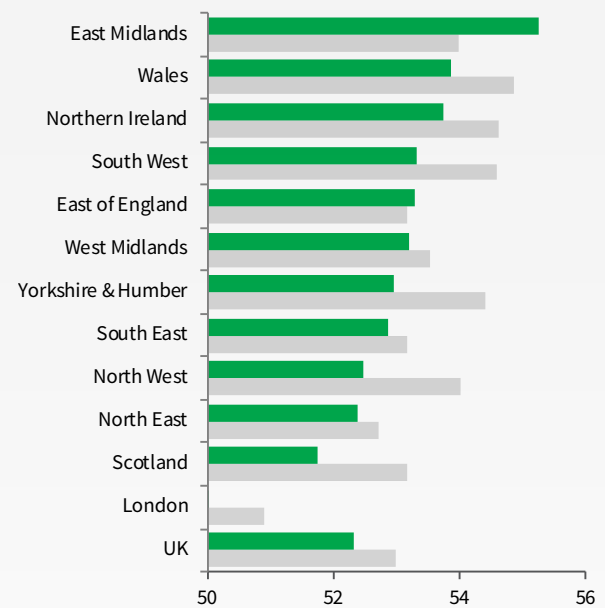
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Mar-19 (Feb-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

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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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