



# NatWest UK Regional PMI®

## Record decreases in business activity seen across all UK regions in April

### Key Findings

Northern Ireland, North East and Scotland see steepest falls in business activity amid COVID-19 crisis

All regions record unprecedented monthly job losses

First broad-based drop in output prices for almost 11 years

### UK Regional PMI Overview

#### Output Index by region

sa, >50 = growth since previous month, Apr-20 (Mar-20)



Latest NatWest Regional PMI® data showed a nationwide collapse in business activity in April as a result of the coronavirus disease 2019 (COVID-19) pandemic and subsequent lockdown, with the survey revealing record contractions in output and employment across all areas of the UK.

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 below 50 signals contraction, and the further below the 50 level the faster the decline signalled.

As was the case in March, the decline in output of goods and services in April was the steepest in Northern Ireland\*, where the Business Activity Index slumped to a new record-low of 8.3, down sharply from 29.1.

The North East and Scotland (both 10.7) saw the next-steepest decreases in output, followed closely by the West Midlands (10.9). At the other end of the scale, the slowest fall in business activity was registered in the North West (19.7), albeit with the rate of decline here still considerably faster than even at the depths of the global financial crisis.

#### Demand

Mirroring the trend in business activity, all 12 monitored regions saw survey-record declines in incoming new work in April amid reports of client closures and a collapse in both domestic and international demand. Given the outcome for headline business activity, firms in Northern Ireland unsurprisingly recorded the steepest drop in new business.

#### Capacity

As a consequence of both forced business closures and reduced workloads, firms across all regions drastically cut their staffing capacity in April. Record decreases in employment were seen across the board, with the fastest rates of decline in the North East and South West.

#### Prices

For the first time since the aftermath of the global financial crisis, a decrease in average prices charged for goods and services was seen in all 12 UK regions in April. The greatest amount of discounting by businesses was in Scotland and the South West. This partly reflected trends in underlying costs, with the same two areas also seeing the steepest decreases in average input prices.

#### Outlook

The highest confidence towards future output was in Wales. Here and in seven other regions, more firms expected a rise in business activity over the next 12 months than a fall (albeit with optimism generally subdued by historical standards). The exceptions were Northern Ireland, the North East, London and Scotland.

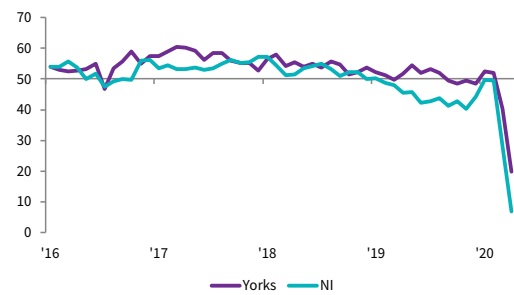
\* Coverage in Northern Ireland includes construction and retail.

# Demand and Outlook

## New Business Index

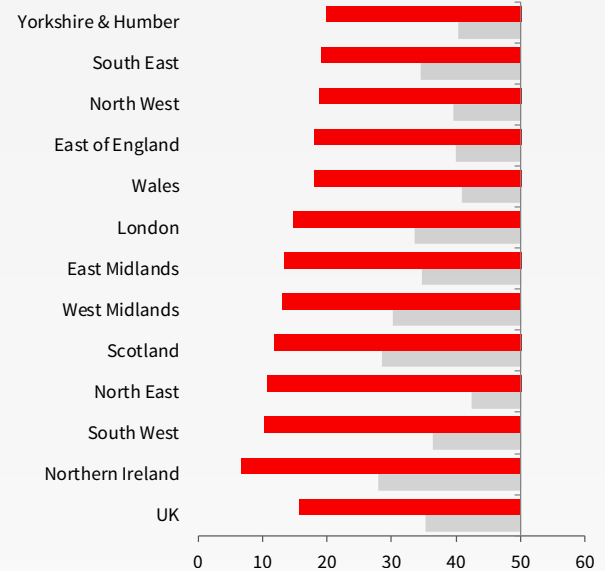
With demand evaporating amid the COVID-19 lockdown measures, April data indicated a sharp decrease in new business at firms across all 12 regions monitored by the survey. In every case, the rate of decline was the steepest on record. Firms in Northern Ireland saw the steepest decrease, followed by those in the South West and North East. At the other end of the scale, Yorkshire & Humber recorded the shallowest decline.

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



**New Business Index by region**

sa, >50 = growth since previous month, Apr-20 (Mar-20)

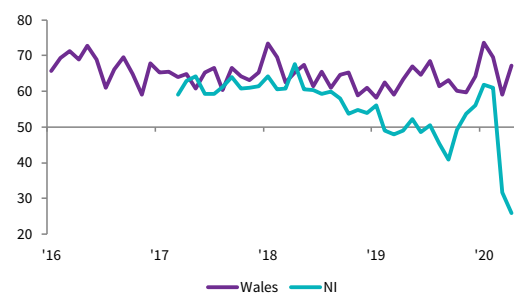


## Future Output Index

Business confidence towards future output varied greatly by region in April. Sentiment was positive in eight of the 12 areas, with optimism even improving in the five highest ranked regions, namely Wales, East of England, West Midlands, South West and South East. Expectations were negative in Scotland, London, North East and Northern Ireland, falling to new record lows in the case of the latter two.

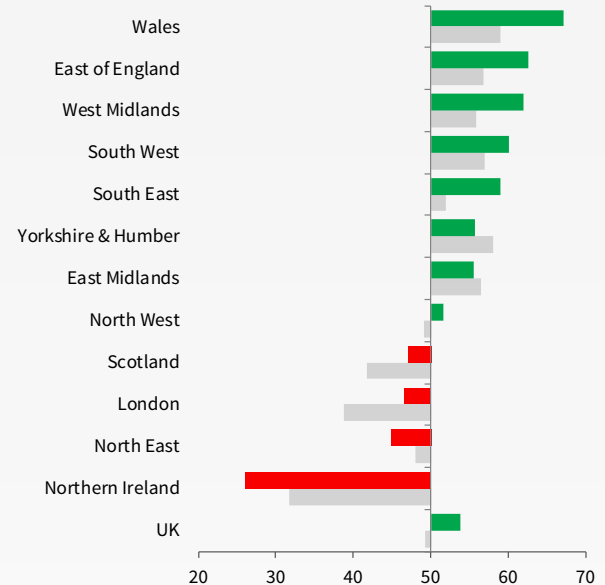
**Future Output Index**

>50 = growth expected over next 12 months



**Future Output Index by region**

>50 = growth expected over next 12 months, Apr-20 (Mar-20)



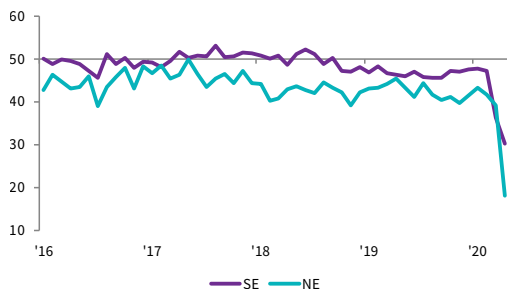
# Capacity

## Outstanding Business Index

Reflecting a general collapse in incoming new business, all 12 regions saw backlogs of work fall at a rate unsurpassed since data were first compiled. The steepest decreases were recorded in the North East, Northern Ireland and South West respectively. The South East saw the slowest rate of backlog depletion, though even here the decline was well beyond even that seen at the depths of the global financial crisis.

Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Apr-20 (Mar-20)

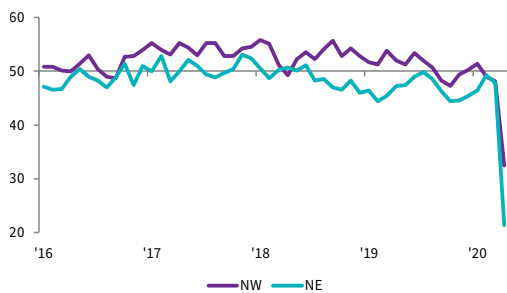


## Employment Index

April data showed unprecedented falls in employment across the board. In many cases this reflected redundancies, though there were also widespread mentions of the use of the government furlough scheme. The fastest rate of decline was in the North East, which fell 11 places in the rankings since March. Neighbouring North West, by contrast, saw the least marked drop in workforce numbers, with employment in Scotland also falling much slower than the national rate.

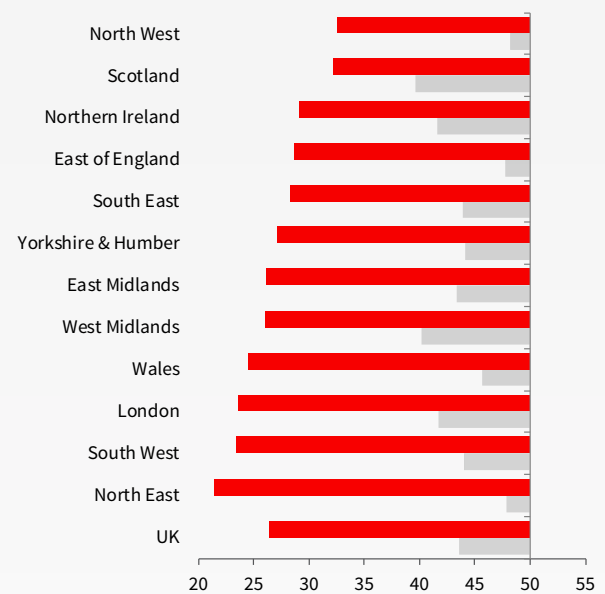
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Apr-20 (Mar-20)



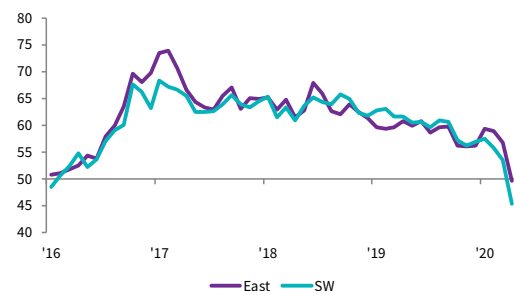
# Prices

## Input Prices Index

For the first time on record, firms across all 12 monitored regions reported a drop in average input prices. Many firms cited a furlough-related drop in payroll costs, while the influence of lower oil prices and supplier discounting were also widely mentioned. The steepest falls were in the South West and Scotland, where rates of decline were the sharpest in over two decades. By contrast, in the East of England, South East and Wales input costs fell only slightly.

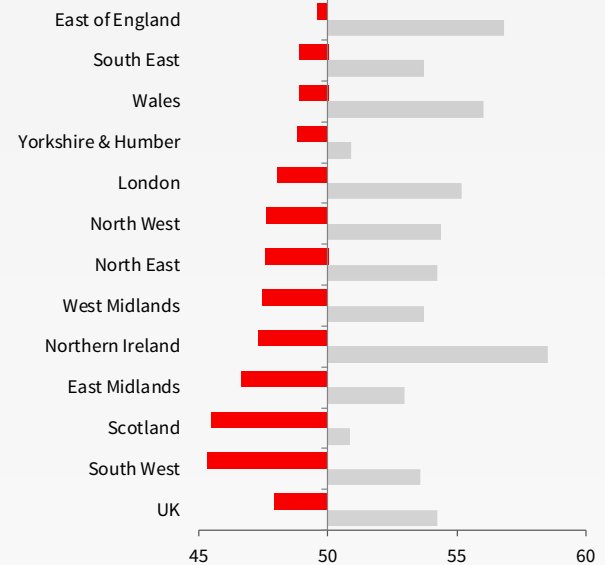
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Apr-20 (Mar-20 ■)

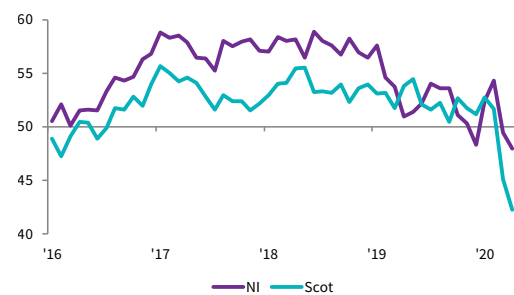


## Prices Charged Index

April data showed a broad-based decrease in average prices charged for goods and services, the first time this has been the case since mid-2009 in the aftermath of the global financial crisis. Reflecting the trends in underlying cost pressures, firms in Scotland and the South West recorded the most marked reductions in charges. The least amount of discounting was in Northern Ireland, followed by the East of England.

Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Apr-20 (Mar-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.

### About IHS Markit

IHS Markit (NYSE: 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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