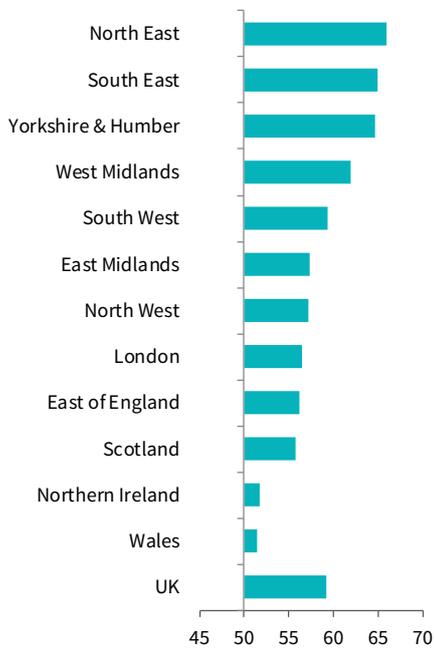


NatWest UK Regional PMI[®]

Broad-based recovery in business activity contrasts with further UK-wide job losses

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Aug '20



Key findings

English regions lead upturn in business activity in August

Scotland returns to growth but is still playing catch-up together with Wales and Northern Ireland

Employment continues to fall across the board

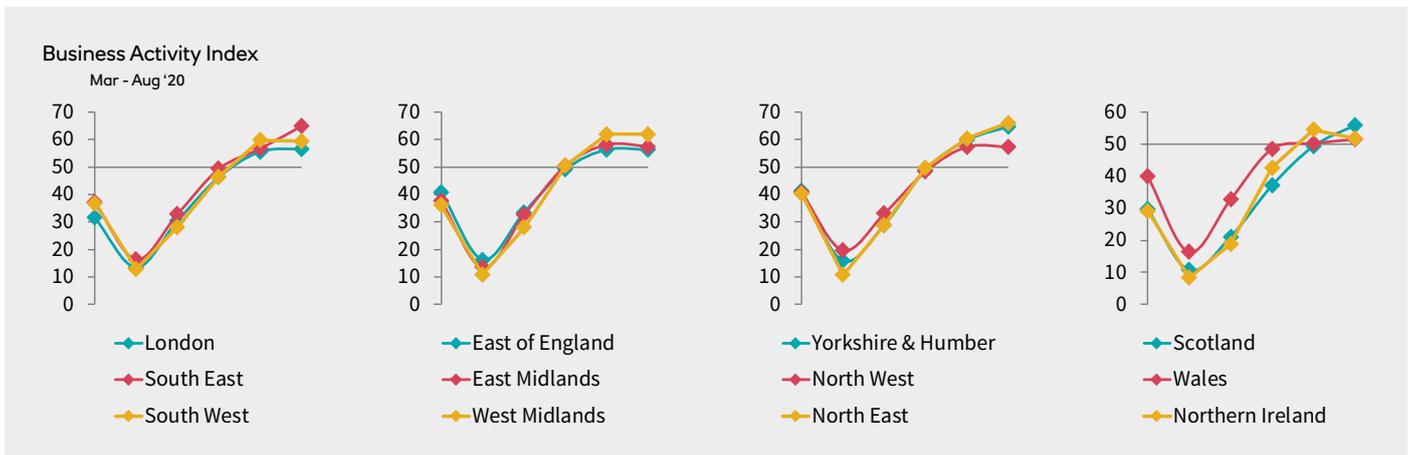
Business activity rose across all areas of the UK during August, albeit at varying speeds, latest Regional PMI[®] data from NatWest showed. By contrast, however, the survey data pointed to another broad-based drop in employment as the coronavirus disease 2019 (COVID-19) pandemic continued to loom over the economy.

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 growth, and the further above the 50 level the faster the expansion signalled.

Growth in August was again led by the English regions, with the North East (66.0), South East (64.9) and Yorkshire & Humber (64.6) enjoying particularly strong – and in each case record – increases in output.

Notably, Scotland's business activity index moved into growth territory at 55.8. This was below the UK average, however, as was the case for Wales (51.5) and Northern Ireland* (51.7), with the latter losing momentum after strong growth in July.

*The sector coverage for Northern Ireland also includes construction and retail.



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About the UK Regional PMI[®] report

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).

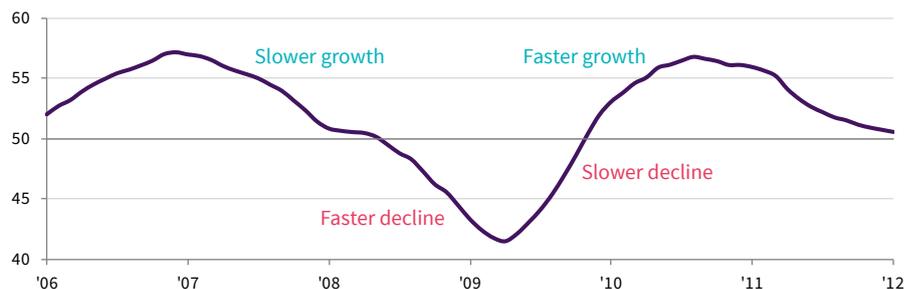
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.

Index interpretation

50.0 = no change since previous month



Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"The regional picture is continuing to improve in terms of rising business activity as more firms get back to work following the lifting of COVID-19 lockdowns. August marks the first time during the crisis that the PMIs are in growth territory across all parts of the UK, although the pace of recovery remains uneven and continues to be led by the English regions.

"The North East, South East and Yorkshire & Humber each saw record increases in business activity, though it wasn't all good news for the English

regions as the East Midlands, East of England, South West and North West all lost a little growth momentum.

"The greatest setback was for Northern Ireland which, while still seeing higher business activity, was dealt a fresh blow from a renewed decline in inflows of new work.

"While recoveries in output and demand are underway, this is yet to translate into any real improvement on the employment front. Even with the government furlough scheme taking some of the pressure of businesses, we're still seeing round after round of job cuts all across the UK. The worry is what will happen

once that support is withdrawn over the coming months."

"More regions are starting to see prices charged for goods and services rising again after the slump caused the sudden collapse in demand during lockdown. However, there is a distinct lack of inflationary pressures across the capital in particular, where easing wage costs have meant firms have been able to continue offering discounts."

Demand and outlook

Growth of new business remains strongest in England

Growth in new orders continued to be led by the English regions during August. The North East replaced the West Midlands at the top of the rankings, with the former seeing its steepest ever rise. Wales and Scotland both saw new orders return to growth for the first time since February and, in the process, overtook Northern Ireland, which registered the only setback to new business following an upturn in July.

Firms stay positive towards future activity

Firms across the UK generally remained hopeful of an increase in business activity over the next 12 months. Confidence was strongest in Yorkshire & Humber, followed closely by the North West. Alongside London, these were the only regions where expectations improved since July, however. Northern Ireland remained the only area where firms were pessimistic about the outlook (and more so than July).



New Business Index
sa, >50 = growth since previous month, Aug '20



Future Activity Index
>50 = growth expected over next 12 months, Aug '20



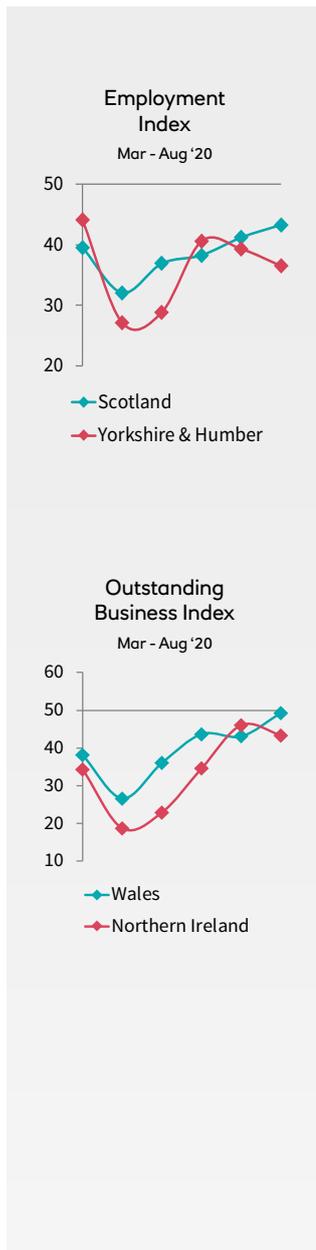
Business capacity

Yorkshire & Humber leads UK-wide fall in employment

Latest data showed another broad-based decrease in employment. Furthermore, the rate of staff cuts accelerated in eight areas. One example was Yorkshire & Humber, which was the worst-performing region on the jobs front, having seen employment fall sharply and to the greatest extent for three months. The slowest reduction was in Scotland, with the rate of decline here easing to the weakest since February.

Backlogs continue to decrease across the board

As was the case in each of the previous five months, all 12 regions saw a decline in backlogs of work in August. Rates of depletion eased in half of cases and were close to stabilisation in Wales and Yorkshire & Humber. At the other end of the scale, firms in Northern Ireland posted a steep and accelerated fall in work-in-hand, although the decline was slower than those seen during the second quarter.



Employment Index
sa, >50 = growth since previous month, Aug '20



Outstanding Business Index
sa, >50 = growth since previous month, Aug '20



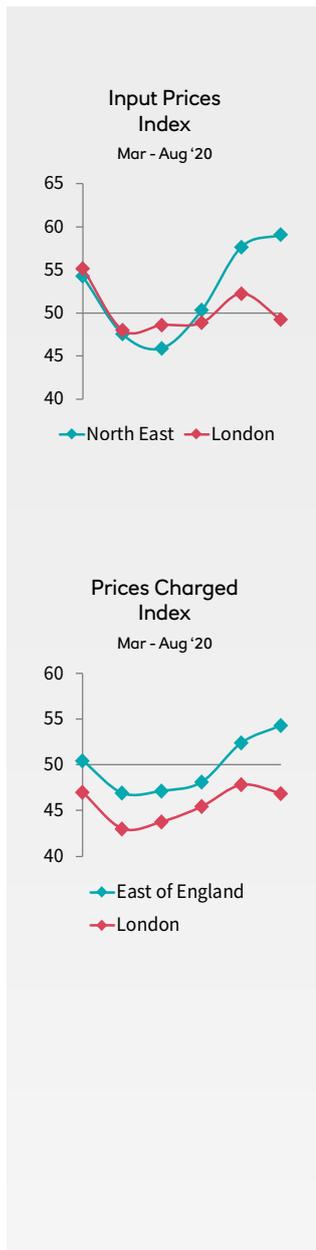
Prices

Input costs rise in all regions except London

Firms in almost all regions recorded a rise in average costs during August. The steepest rate of input price inflation was seen in the North East, where it reached the quickest for almost a year, followed by Northern Ireland. The only region to register lower overall operating expenses was London, where anecdotal evidence pointed to the influence of reduced wages.

Trends in output prices vary across the UK

The picture for output prices remained varied in August. Solid rates of inflation were recorded in the East of England and Wales, while six other regions saw more modest increases. Charges were little-changed in the North East after five months of decline, while London, Northern Ireland and Scotland each saw further reductions, the steepest of which was again in the capital.



Input Prices Index
sa, >50 = inflation since previous month, Aug '20



Prices Charged Index
sa, >50 = inflation since previous month, Aug '20



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Aug '20

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	56.4	56.7	67.2	37.4	47.4	49.2	46.9
South East	64.9	60.6	68.5	39.8	46.6	54.8	51.3
South West	59.3	56.7	69.1	41.1	46.0	56.3	51.3
East of England	56.2	59.6	71.5	41.5	48.2	57.4	54.3
East Midlands	57.4	58.8	66.3	42.3	46.9	52.6	50.5
West Midlands	61.9	61.6	65.5	38.4	48.5	56.3	52.2
Yorkshire & Humber	64.6	56.8	75.9	36.5	49.0	57.8	52.1
North West	57.2	54.9	75.2	40.4	46.7	55.0	51.2
North East	66.0	66.1	59.8	42.5	47.6	59.1	49.9
Scotland	55.8	53.4	64.4	43.3	45.6	54.1	49.2
Wales	51.5	54.0	64.5	37.5	49.3	57.9	53.5
Northern Ireland	51.7	45.1	42.2	42.3	43.3	58.2	48.6

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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.

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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.

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