



NatWest UK Regional PMI®

Broad deterioration in regional performances as employment falls in all areas

Key Findings

Only East of England sees any notable output growth in September

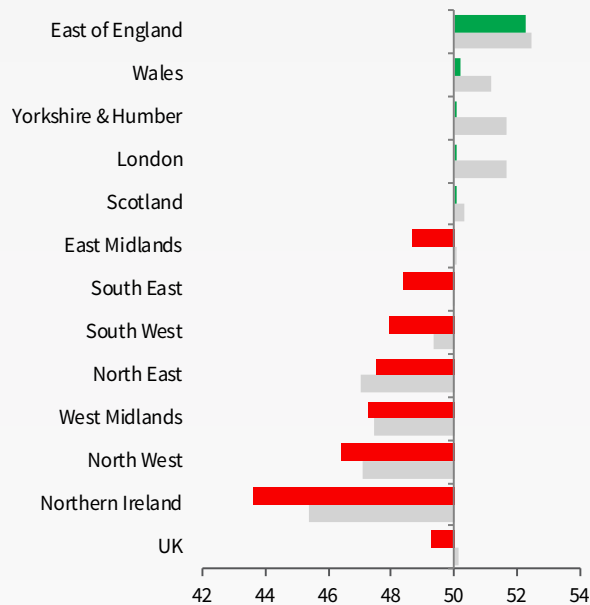
Seven out of 12 regions record falls in business activity

Employment decreases across all areas for first time since financial crisis

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Sep-19 (Aug-19)



There was a general worsening of economic performance across the UK regions in September, according to the latest NatWest PMI® data, with employment falling in all areas.

The East of England topped for the rankings for business activity growth for the second straight month in September. However, it was the only region to see any notable increase in output. At 52.3, down from 52.4 in August, its Business Activity Index indicated a moderate rate of expansion.

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.

Wales (50.2), Yorkshire & Humber and London (both 50.1) each saw output growth slow to negligible rates, while Scotland stagnated (50.0).

The remaining seven monitored areas all recorded contractions in business activity, the most since the aftermath of the EU referendum in July 2016. There were renewed declines in the East Midlands (48.7) and South East (48.4), while rates of contraction accelerated in all other cases except the North East (47.5 from 47.0). For the South West (48.0), West Midlands (47.3), North West (46.4) and Northern Ireland (43.6), the latest decreases were the steepest for 83, three, 86 and 82 months respectively.

Demand

Firms in London recorded the only perceptible increase in demand in September. New orders were little-changed in both the East of England and East Midlands, and fell in all remaining areas, dropping particularly sharply in Northern Ireland and the North West.

Capacity

Capacity pressures were generally low, as highlighted by a broad-based decrease in the volume of outstanding orders. As such, latest data showed a decrease in employment in all 12 monitored regions, the first time this has been the case since the financial crisis. The steepest declines were in the East Midlands and Wales, while Yorkshire & Humber saw only a marginal fall.

Prices

Firms in Northern Ireland again faced the strongest rise in input prices in September, and those in the West Midlands the weakest. Higher costs led businesses in most regions to raise charges for goods in services; however, data showed prices being discounted across both the North East and London.

Outlook

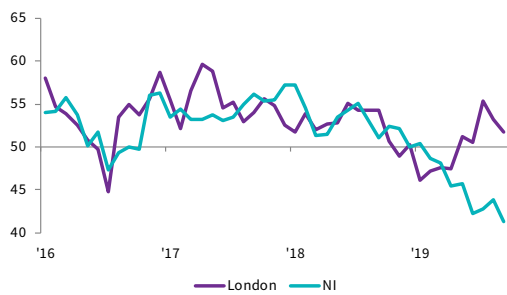
The strongest sentiment towards future output was recorded in the East Midlands, followed by Yorkshire & Humber. Only firms in Northern Ireland expected output to fall over the next 12 months.

Demand and Outlook

New Business Index

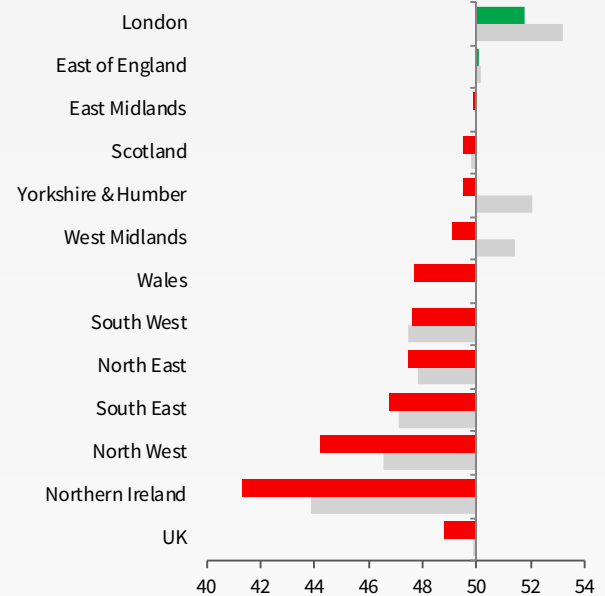
London was the top-performing region for new business for the third month in a row in September, despite seeing growth ease to a three-month low. Inflows of new work broadly stagnated in both the East of England and East Midlands. A fall was recorded in all remaining areas, however. This included in Northern Ireland and the North West, where rates of decline were the quickest since May 2012 and February 2009 respectively.

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



New Business Index by region

sa, >50 = growth since previous month, Sep-19 (Aug-19)

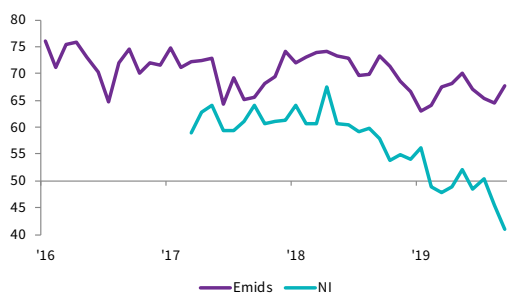


Future Output Index

The East Midlands replaced Yorkshire & Humber at the top of the rankings for future output expectations in September, with the former seeing business confidence tick up to a four-month high, and the latter seeing it drop to the lowest since March. Northern Ireland saw the steepest month-on-month fall in sentiment, and also recorded the lowest (and only negative) overall expectations.

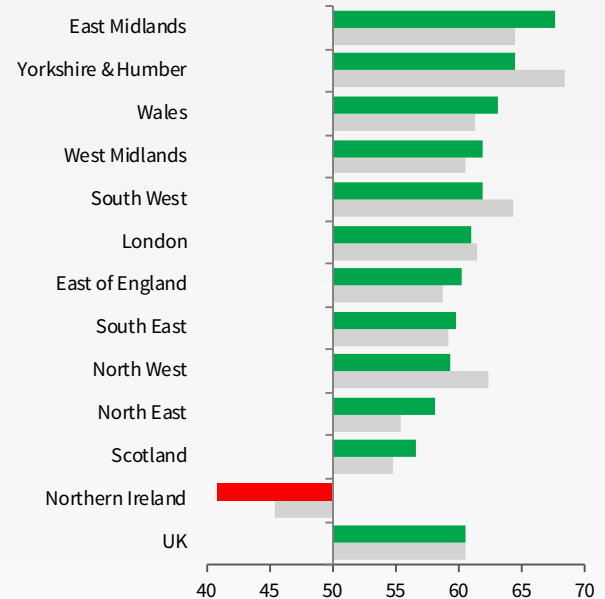
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Sep-19 (Aug-19)



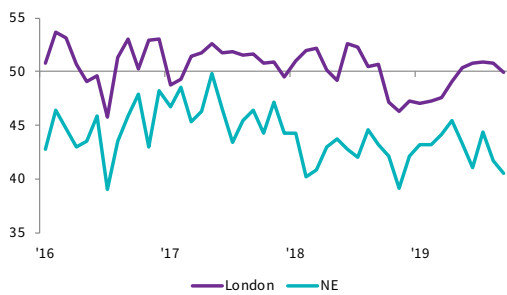
Capacity

Outstanding Business Index

Latest data showed a broad-based decline in backlogs of work in September, albeit with the decrease in London being only fractional. For the third time in the past four months, the steepest reduction in outstanding business was recorded in the North East. Here, the rate of depletion accelerated to the quickest since November last year. Sharp declines were also seen in Northern Ireland and the North West.

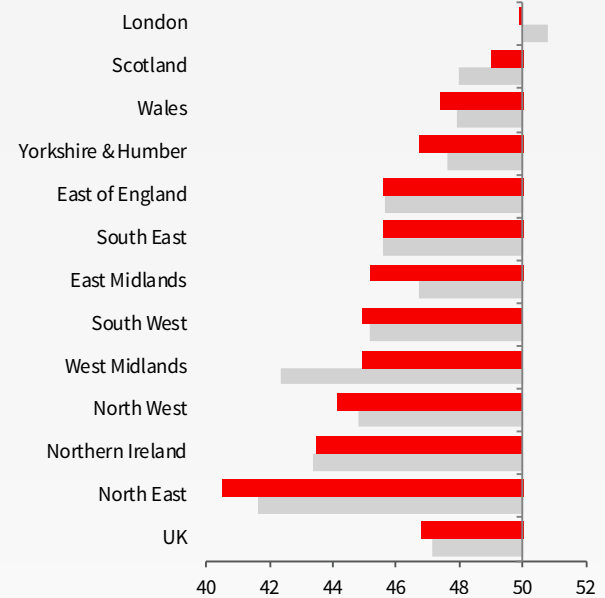
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Sep-19 (Aug-19)

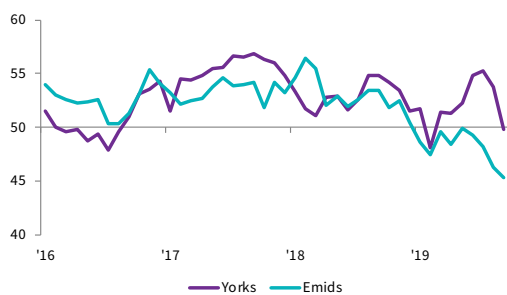


Employment Index

A decrease in employment was recorded across all 12 monitored regions in September. The East Midlands and Wales registered the joint-fastest rates of decline, followed by the North East and Northern Ireland respectively. At the other end of the spectrum, only a marginal decrease in workforce numbers was seen in Yorkshire & Humber; though, this did contrast with the strong job creation seen in the region in August.

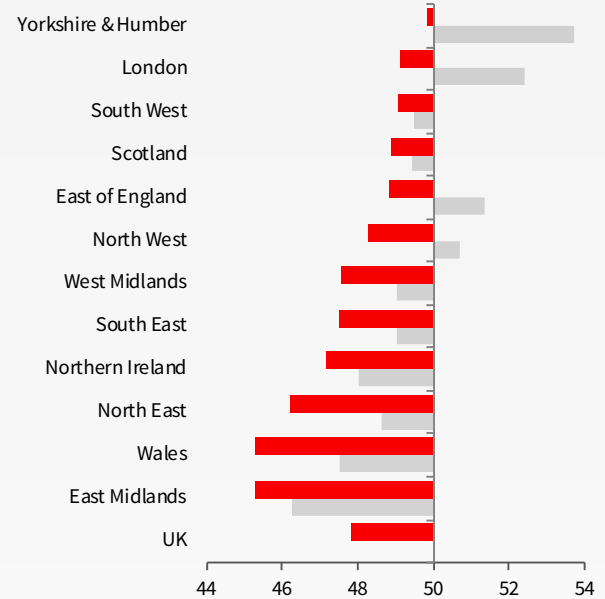
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Sep-19 (Aug-19)



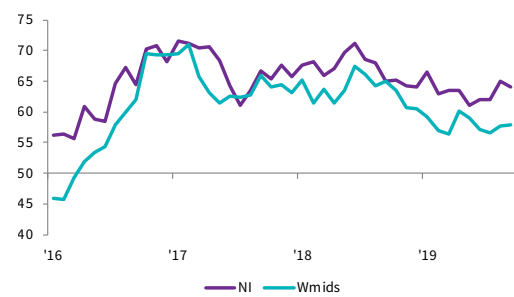
Prices

Input Prices Index

Cost pressures for businesses remained strongest overall in Northern Ireland, despite the rate of input price inflation here ticking down slightly since August. The East Midlands and London remained second and third in the rankings respectively. For the second month in a row, the slowest rise in operating costs was recorded in the West Midlands.

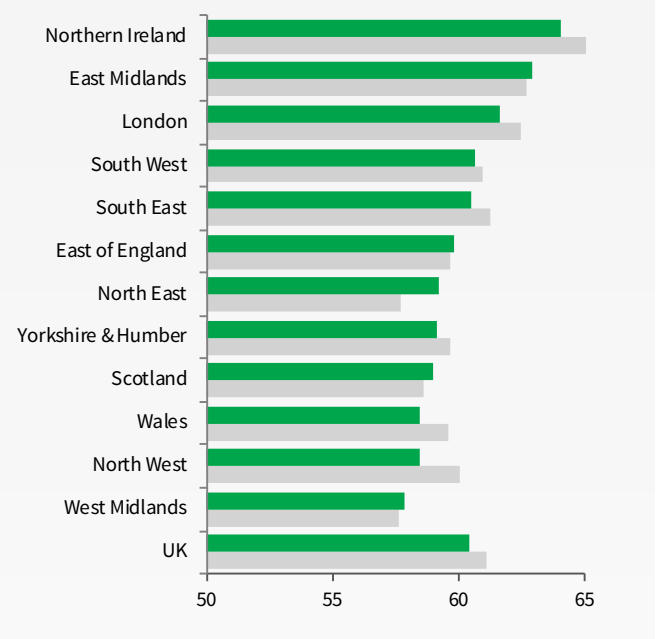
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Sep-19 (Aug-19)

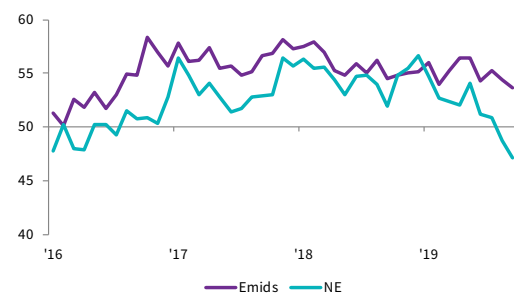


Prices Charged Index

The East Midlands and South West saw the joint-steepest increases in output prices in September. They were followed closely by Northern Ireland and Wales. Only marginal increases were seen in both Scotland and the North West, while there were outright reductions in charges in London and the North East. In the case of the former, it was the first decrease in over three years.

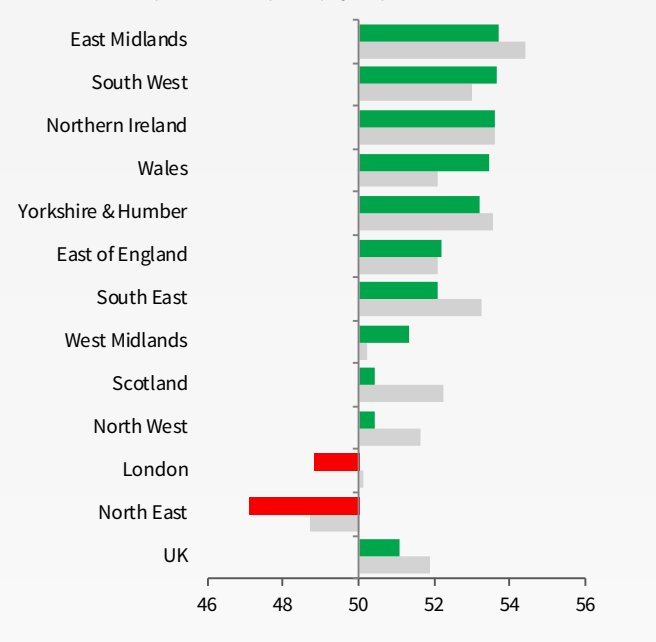
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Sep-19 (Aug-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.

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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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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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