

NatWest UK Regional PMI[®]

Embargoed until 0101 UK (0001 UTC) 9 July 2018

Regional business activity growth continues to be led by the Midlands

Key Findings

- Business activity rises in all regions except the North East
- Scotland leads employment growth as pace of job creation north of the border accelerates to near four-and-a-half year high
- Businesses in Northern Ireland continue to face strongest cost pressures

The Midlands remained the UK economy's growth hotspot in June, according to the latest NatWest Regional PMI[®] report.

Business activity rose sharply across both the East and West Midlands at the end of the second quarter, with the two regions recording similarly marked rates of growth.

The West Midlands Business Activity Index rose to a ten-month high of 58.0 in June, from 56.3 in May. 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. The pace of growth also accelerated in neighbouring East Midlands (57.9), where it was back up to the highest since February.

Output levels in fact rose everywhere except the North East (48.3), the region seeing a drop in business activity for the first time in three months. At the other end of the scale, London (56.2) and Northern Ireland (56.0) were ranked third and fourth respectively in terms of private sector output growth in June.

The biggest upswing in momentum was recorded in the North West (55.1), where expansion recovered from a 22-month low in May to the highest since February. Wales (52.0), in contrast, saw a substantial loss of growth momentum, recording only a modest rise in business activity that was the weakest in almost two years.

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Of the remaining regions, only the East of England (55.7) saw faster output growth than the UK-wide average (55.2), with the South East (54.6), Scotland (54.5), Yorkshire & Humber (53.1) and the South West (52.5) all underperforming to some degree.

The West Midlands was also the region in which new orders rose the fastest in June. Businesses operating in the East Midlands and South East also reported marked increases in demand for their goods and services, while their counterparts in the North East recorded the only decline.

June saw employment levels rise everywhere except Wales, where businesses reported a drop in staffing capacity for the first time since February 2016. Scotland meanwhile saw the strongest overall rate of job creation, with employment growth north of the border accelerating to the fastest for more than four years.

Businesses in all areas of the UK faced an increase in cost pressures in June. Northern Ireland continued to see the strongest overall rate of input price inflation, and consequently recorded the steepest rise in average prices charged for goods and services. London ranked lowest on both fronts.

The strongest expectations towards future activity were among East Midlands firms, with those in Yorkshire & Humber also highly optimistic about the outlook.

Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“The Midlands has cemented its position as the UK’s current top-performing region, with firms across both halves – East and West – enjoying steep and accelerated rises in output and new orders in June.

“Conditions remained toughest in the North East, where firms reported falling demand for goods and services. The local jobs market, however, received a boost as employment levels rose for the fourth month in a row and at the quickest pace in 2018 so far.

“The main highlight on the jobs front was a further pick-up in the rate of job creation in Scotland to a near four-and-a-half year high, with the private sector economy north of the border having shown a real upswing in momentum over the first half of 2018.

“Businesses up and down the UK will be feeling the pinch as cost pressures continued to push higher during June. Thankfully the current level of demand is such that businesses are able to offset things like increasing wages, rising fuel prices and

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higher raw materials costs by continuing to hike prices charged for goods and services.”

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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.



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Notes to editors

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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