

NatWest UK Regional PMI[®]

Embargoed until 0101 UK (0001 UTC) 10 September 2018

Yorkshire & Humber is top performer in August, while North East remains laggard

Key Findings

- Yorkshire & Humber jointly leads business activity growth with East of England...
- ...and also tops regional rankings for job creation and business confidence
- North East output broadly flat amid renewed decline in new orders

Business activity increased across all areas of the UK in August, though growth performances by region remained uneven, according to the latest NatWest Regional PMI[®] report. Most regions enjoyed solid rates of expansion that were quicker than in July. The most notable exception was the North East, where output was broadly flat amid an ongoing soft patch in demand.

Yorkshire & Humber and East of England jointly led business activity growth in August, with both regions recording a Business Activity Index reading of 56.1. The seasonally adjusted 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.

In comparison, the North East's reading of 50.1 signalled almost no change in the level of output in the region compared with the month before.

The top-eight ranked regions all saw business activity growth accelerate from the previous month. Among these were the East Midlands and Wales (both 56.0), with the latter seeing its steepest rise in business activity since January. Scotland's (55.5) increase in output was meanwhile the most marked since July 2014.

In the West Midlands (55.0), London (54.8) and North West (54.2), business activity growth accelerated but failed to fully recover to the rates seen in June.

July's top-performer, Northern Ireland (53.9), saw a loss momentum and recorded its weakest rise in output since April. The South East (51.3) also saw a slowdown in

News release



growth, but in this case to the weakest for over two years. The South West (52.2) performed slightly better than in July but still recorded only a modest rate of expansion overall.

Demand

The steepest rise in demand for goods and services was seen by firms operating in Yorkshire & Humber, closely followed by those in Wales. Both areas saw rates of new order growth improve since July, as was the case for five other regions: North West, East of England, London, East Midlands and South West. The North East was the weakest performer, seeing a fall in order books for the third time in four months.

Capacity

Only half of the 12 regions registered an increase in order backlogs, a sign of increasing pressure on business capacity. Nevertheless, most saw employment rise during the month, and at a quicker pace than in July. The steepest rise in payroll numbers was in Yorkshire & Humber, while the only net job losses were seen in the North East.

Prices

Cost pressures remained strong throughout the UK in August, with firms in Northern Ireland recording the sharpest rate of input price inflation for the fourth time in the past five months. London saw the slowest rise in business costs, despite the rate of inflation in the capital having accelerated to the quickest since last December. Notably, input cost inflation in Scotland rebounded sharply from a 22-month low in July.

Reflective of the trends in input costs, businesses operating in Northern Ireland noted the most marked rise in average prices charges in August, while those in London recorded the smallest increase. Rates of output price inflation eased in most regions, the only exceptions being the East Midlands and North West. In the case of the former, the latest increase in selling prices was the most marked since March.

Outlook

As well as leading growth in both output and new orders, Yorkshire & Humber also registered the highest degree of business optimism towards future activity. Other areas where future expectations were particularly high included the North West and East Midlands. Sentiment was generally weaker than in July, however. The lowest business confidence was found to be among firms in the North East, where the degree of optimism retreated to the lowest in 2018 so far.

Continued...

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.



News release



Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“Yorkshire & Humber was the standout performer in August, recording not only the joint-fastest output growth but also seeing the steepest rise in employment and strongest business optimism.

“While most regions enjoyed a revival in growth compared to the rates seen in July, the levels of performance remained unbalanced. The North East, in particular, remained stuck in the slow lane, lagging behind on a number of key indicators.

“The one area where the data were generally more downbeat was in regard to business confidence, with firms often commenting on increased uncertainty towards the outlook over the next 12 months.”

-ENDS-

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.



News release



Contact

NatWest

Jonathan Rennie

Regional PR Manager

07769 932 102

jonathan.rennie@rbs.co.uk

IHS Markit

Phil Smith

Principal Economist

+44 1491 461 009

phil.smith@ihsmarkit.com

Joanna Vickers

Corporate Communications

+44 207 260 2234

joanna.vickers@ihsmarkit.com

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.



News release



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.

About IHS Markit

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

Disclaimer

The intellectual property rights to the NatWest UK Regional PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. NatWest uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

