

NatWest UK Regional PMI[®]

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Wales, East Midlands and North West the main bright spots in an otherwise subdued picture

Key Findings

- Wales and East Midlands lead minor uptick in UK growth in February
- North West tops rankings for job creation, but employment falls in nine out of the 12 areas of the UK – the most since September 2012
- Business confidence remains low, with Northern Ireland firms turning pessimistic about the outlook

Business activity rose across most areas of the UK in February, although growth was only modest in the majority of cases, according to the latest NatWest Regional PMI[®] survey. The report meanwhile showed the broadest fall in employment since late-2012, reflecting low business confidence and signs of spare capacity.

Wales led growth in February. It saw its Business Activity Index rise since January to 54.2 – the highest since last September and in line with its average in 2018.

The NatWest 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.

Faster growth was also seen in the East Midlands (54.1), North West (54.0), South East (52.3) and South West (52.1), while the East of England (52.4) and West Midlands (52.0) moved back into expansion territory. However, the indices were all below their 2018 averages.

Rates of growth in Yorkshire & Humber (52.0) and Northern Ireland (50.2) meanwhile eased to the weakest since 2016.

The survey also showed sustained decreases in business activity across the North East (47.7), Scotland (49.4) and London (49.4). Only the former, however, saw the rate of decline gather pace since January.

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Demand

Wales led new business growth in February ahead of the East Midlands, with both areas seeing a faster rate of increase. Inflows of new work returned to growth in the East of England, North West and South East, albeit rising only marginally. London and North East remained the two worst performers, with the latter slipping back to the foot of the rankings as it saw order books fall to the greatest extent since July 2016.

Capacity

Capacity pressures eased across most UK areas. The only exceptions were Wales and the East Midlands, where modest rises in backlogs of work were recorded. As such, the latest data showed a fall in employment in nine of the 12 monitored regions – the highest number for almost six-and-a-half years. The North East saw the fastest rate of job shedding, followed by London. The North West recorded the most marked rise in employment, though even here the increase was modest.

Prices

Wales saw the steepest rise in prices charged for goods and services in February, followed by Northern Ireland, where the rate of inflation remained strong but eased to its weakest since October 2016. Rates of increase also slowed sharply in the North West, East Midlands, East of England and North East. London remained at the foot at the rankings for the eleventh straight month, recording only a marginal rise in output prices.

Input price inflation meanwhile slowed in most areas of the UK in February. The two exceptions were the South West and neighbouring Wales, with the former seeing the steepest overall monthly rise in costs. Northern Ireland, which topped the rankings in January, saw its rate of input price inflation slow sharply to a 19-month low. Firms in the West Midlands recorded the weakest rise in operating expenses – the least marked since June 2016.

Outlook

Business confidence towards the year-ahead outlook for output remained subdued by historical standards in all areas of the UK in February. Notably, expectations turned negative in Northern Ireland for first time since the series began two years ago. Firms in the East Midlands were the most optimistic, followed by those in the South East.

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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Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“Business performance remained subdued across most areas of the UK in February. There were some pockets of more solid growth – for example, in Wales, the East Midlands and the North West – though even here the data show that firms are struggling to maintain the levels of performance seen in 2018.

“The uncertainty among businesses is having an increasing impact on local labour markets up and down the country. The number of regions recording a fall in private sector employment has risen from just one in December to nine in February – the most since late-2012.”

-ENDS-

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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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