

NatWest UK Regional PMI®

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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

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.

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Demand

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.

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

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.

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.

Outlook

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.

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Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“Across the UK only the East of England saw any significant growth in September, though even here the foundations are starting to look shaky as firms in the region reported a broad stagnation in incoming new work for a second consecutive month. The rest of the areas of the UK are either treading water or contracting, which is reflected in a broad-based deterioration in labour market conditions. We have to go right back to the depths of the financial crisis of 2008/9 to see such a widespread decrease in employment.

“Conditions are still particularly difficult in Northern Ireland, where the economy now looks to be firmly in recession. A number of other regions appear to be at risk too, including the North East and South West.”

-ENDS-

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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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Contact

NatWest

Jonathan Rennie

Regional PR Manager

07769 932 102

jonathan.ennie@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

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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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