

NatWest UK Regional PMI®

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Broad-based slowdown in output growth across UK regions in October

Key Findings

- Only Northern Ireland registers stronger rise in business activity in October
- East Midlands tops growth rankings for first time since May
- North East suffers fastest drop in business activity since July 2016

The latest NatWest Regional PMI® survey data showed slowing growth across many areas of the UK in October. Eight out of nine English regions and Wales posted weaker increases in private sector output than in September. The East Midlands (54.2) topped the growth rankings, while the North East (47.4) remained the only region to record declining output.

Scotland and Northern Ireland fared relatively better due to slower growth rates across much of England. Having been in ninth and eleventh places in the rankings in September respectively, they rose to third and fourth places in October. Northern Ireland (52.8) was the only UK region to record stronger output growth, while the rate of expansion in Scotland (53.4) was stable. Meanwhile, Wales (53.6) posted the second-strongest overall rate of expansion, despite the slowing in growth since September.

Of the 11 regions recording higher output, London (51.5) and the North West (51.8) posted the most notable slowdowns in October. Both registered the weakest increases in private sector output in the current expansionary sequences following the shock to activity following the EU referendum in July 2016. The South West (52.0) was the other region to record growth that was below the UK average.

The four remaining regions – South East (52.7), Yorkshire & Humber (52.7), West Midlands (52.4) and East of England (52.4) – all posted similarly modest rates of growth in October.

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Demand

The North East remained the only region to record lower new business in October. Meanwhile, growth rates slowed in all eight remaining English regions and also in Wales, with only Scotland and Northern Ireland seeing faster increases. Notably, Scotland registered the strongest growth of all 12 UK regions for the first time since May 2001.

Capacity

Outstanding business rose in only four of the 12 regions monitored by the survey, led by the East Midlands. Companies operating in the South West, East of England and North West also recorded increases in backlogs of work. The most marked drop in outstanding business was again seen in the North East, where a decline has been recorded in every month since April 2015.

Employment increased in all monitored regions in October except the North East, where staffing numbers fell for the fourth month running and at the quickest rate since March 2016. Workforce growth was fastest in the East of England (eight-month high). Scotland and Northern Ireland were the only other regions to record stronger increases in jobs than in September.

Prices

Firms in the North East again faced the steepest monthly rise in average costs of all regions in October, although the rate of input price inflation eased slightly since September. London registered the slowest rise in cost pressures, closely followed by Wales. All 12 UK regions continued to record rates of input price inflation that were stronger than their long-run averages.

Northern Ireland recorded the steepest increase in average prices charged for goods and services in October, as has been the case throughout most of 2018. Moreover, the rate inflation rebounded to a four-month high. The North West and East of England posted the next-strongest increases in charges, while the North East also saw a notable acceleration in the rate of charge inflation.

Outlook

The strongest optimism towards the outlook for output in the year ahead was in Yorkshire & Humber, where confidence picked up to the highest in three months. Elsewhere, sentiment generally weakened, with Wales the only other UK region to see an uptick in its Future Output Index. Business expectations in Northern Ireland remained notably weaker than anywhere else in the UK.

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Comment

Sebastian Burnside, NatWest Chief Economist, commented:

“The October PMI results revealed slowing growth across much of the UK, with England fairing particularly badly. Although the East Midlands was the fastest-growing UK region, the rate of expansion weakened since September as did growth across seven other English regions. The North East recoded the sharpest fall in output since July 2016, while London and the North West saw only modest increases in business activity.

“Growth in Wales also eased but it remained a bright spot overall, recording the second-strongest overall expansion in October having been the fastest-growing UK region over the third quarter.

“Northern Ireland was the only region to record faster growth in October, lifting it to fourth in the rankings from eleventh in September. That said, it did register the weakest business expectations, reflecting uncertainty around cross-border trade with the Republic next year.

“Scotland’s rate of growth was stable in October, elevating it to third place in the UK growth rankings from ninth in September. Moreover, Scotland registered faster growth in new work than all other regions, the first time this has happened since May 2001.”

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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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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

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