

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit England and Wales Regional PMI®

East Midlands leads regional business activity growth in January

Key findings:

- East Midlands sees steepest rise in output for nearly three-and-a-half years
- London acts as considerable drag on overall growth performance
- Employment up in all areas despite sustained strong cost pressures

Data collected January 12-29

The East Midlands overtook the North West to top the English regions for growth in business activity in the first month of 2018, according to latest Regional PMI data from IHS Markit. London was meanwhile the most underperforming area and a major cause of an overall slowdown in growth in January.

Business activity in the East Midlands showed the greatest rise for almost three-and-a-half years in January. The region's PMI Business Activity Index climbed to 58.8, contrasting with a deterioration in the all-England figure from 55.5 in December to 54.0 – the lowest for 16 months.

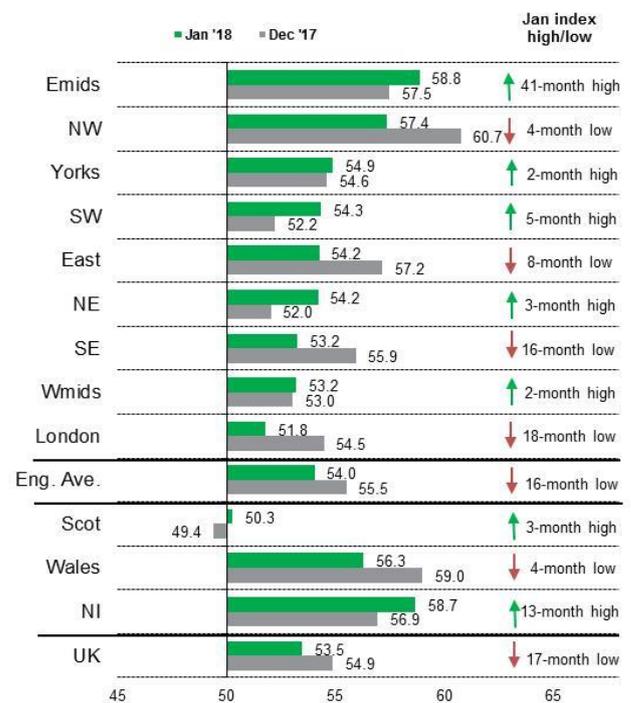
A PMI reading above 50.0 signals expansion in business activity, and the further above the 50.0 level the faster the rate of expansion signalled.

In Wales, business activity continued to grow strongly and above the national rate (53.5). That was despite the country's PMI dropping from an 11-month high of 59.0 in December to 56.3.

Yorkshire & Humber and the South West completed the top-five positions in January, with rates of output expansion accelerating to two- and five-month highs respectively.

It was a contrasting situation for the bottom-ranked region, London, where the PMI eased for the second month running to its lowest level seen since the aftermath of the EU referendum in July 2016, at 51.8. The South East also lost momentum, with its PMI falling to a 16-month low of 53.2.

PMI Business Activity (Output) Index



Numbers relate to monthly seasonally adjusted diffusion indexes. An index reading above 50 signals an increase on the previous month. A reading below 50 signals a decline. The greater the divergence from 50, the greater the rate of change indicated.

All regions saw a rise in private sector employment in January, led by strong rates of job creation in the East of England and North West. The North East was the laggard in terms of labour market performance, recording only a marginal increase in workforce numbers compared with December.

The latest regional survey data meanwhile revealed broad-based inflationary pressures, driven by sustained strong growth in firms' input costs. Wales continued to see the steepest increases in average prices charged for goods and services, closely followed by the North West.

Comment:

Commenting on the UK Regional PMI[®] survey data, **Phil Smith**, Principal Economist at IHS Markit and author of the report, said:

“While the UK PMI surveys showed a disappointing start to the year for the economy as a whole, it was encouraging to see some regions continuing to shine brightly.

“The star performer in January was the East Midlands where business activity rose to the greatest extent in over three years, belying an overall slowdown in growth. The North West and Wales also performed well above average, continuing the trends seen towards the end of 2017.

“The regional survey data found that the weaker performance of the UK economy in January was largely centred on London and the South East. Although not the only areas making a slow start to the year, the two combined represent more than 35% of the economy, meaning a slowdown in either one of them – in this case both – has significant consequences.”

-Ends-

For further information, please contact:

IHS Markit

Phil Smith, Principal Economist
Telephone +44-1491-461-009
Email phil.smith@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207-260-2234
Email joanna.vickers@ihsmarkit.com

Notes to Editors:

This report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 1200 private manufacturing and services companies. The panel is carefully selected to accurately replicate the true structure of the private sector economy.

England's Regional PMI[®] surveys are based on data compiled in January 2018. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. The headline index for the English regions was first compiled in January 2001.

The Wales PMI[®] features original survey data collected from a representative panel of companies based in Wales and operating in both manufacturing and service sectors. The headline index for Wales was first compiled in January 2001.

The Bank of Scotland PMI[®] features original survey data collected from a panel of around 500 companies based in Scotland and operating in both manufacturing and service sectors. The panel has been carefully selected in order to accurately reflect the true structure of the

Scottish economy and therefore provide an accurate picture of business conditions in the region. The Scotland survey forms part of a series of regional surveys and is derived from the highly regarded national PMI survey produced by IHS Markit.

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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