

IHS Markit England and Wales Regional PMI[®]

Business activity growth slows across England and Wales in March

Key findings:

- All English regions see slower rises in business activity except the South West
- Output growth in Wales eases to seven-month low
- Broad-based increase in employment by region; but rates of job creation moderate

Data collected March 12-27

Business activity grew at a slower rate across England and Wales in March as unusually bad weather during the month caused widespread disruption, according to latest PMI data from IHS Markit.

Output growth in England eased to a 20-month low in March. This marked the worst performance for the private sector since July 2016, when activity dipped in the aftermath of the EU referendum. However, the only region to see an overall contraction was the North East, where the PMI Business Activity Index dropped below the crucial 50.0 mark to 48.5.

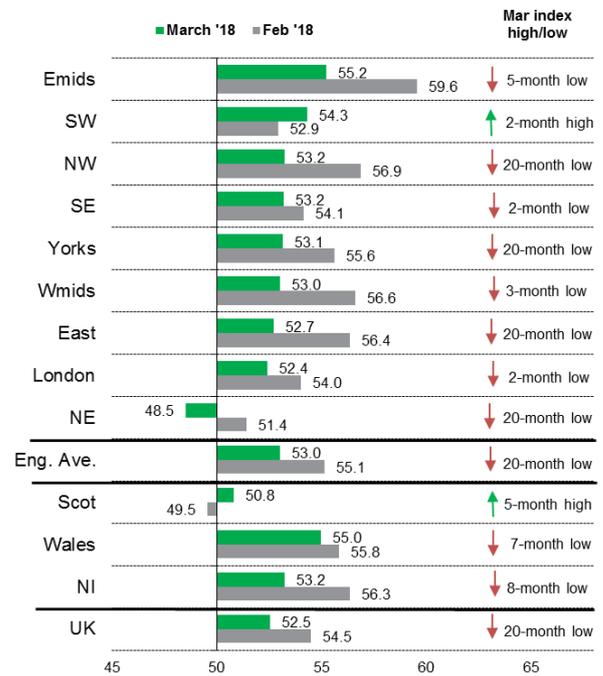
A PMI reading above 50.0 indicates expansion in business activity, and the further above the 50.0 level the faster the rate of expansion signalled.

The East Midlands led business activity growth for the third straight month in March; although a PMI reading of 55.2 was its lowest since last October. The South West (54.3) was the second-best performing English region during the month, and the only one to see a faster increase in business activity than in February.

Wales meanwhile saw its slowest rise in private sector output since August 2017. With a PMI reading of 55.0, the home nation nevertheless recorded stronger growth than the English regional average for the seventh month in a row.

On the job front, March's survey data showed a broad-based increase in employment by region, led by the East and West Midlands. That said, rates of

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.

job creation across England generally slowed from the month before. In Wales, the rate of workforce growth was unchanged from the moderate pace seen in February, but below the average for 2017.

Inflationary pressures meanwhile remained elevated at the end of the opening quarter. The driving factor behind this was sustained strong growth in firms' input costs – linked to higher raw material costs, supply chain disruption and rising staff pay – which resulted in another marked monthly increase in average prices charged for goods and services.

Finally, latest data showed a general decrease in business confidence across England and Wales in regard to the outlook for activity over the next 12

months. The highest degree of optimism was recorded in Yorkshire & Humber, which was one of only three regions where business sentiment improved, while firms in the North East showed the lowest level of confidence.

Comment:

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

“The regional picture in March was one of generally slower growth in both business activity and employment, which the survey evidence suggested was at least partly due to the month’s unusually bad weather.

“Looking at the opening quarter as a whole, the East Midlands was the top-performing region throughout, leading the rankings for both business activity growth and job creation. Wales too saw sustained strong expansion in output, whilst also recording a steady, albeit unspectacular rise in employment.

“Past experience with severe weather events suggests that business activity is likely to rebound in April due to pent-up demand. However, uncertainty towards the medium-term outlook for the economy has dampened business confidence, and at the same time firms up and down the country remain beleaguered by persistently high cost pressures.”

-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 March 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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*If you would like to receive information on the Bank of Scotland monthly Scottish Purchasing Managers' Index[®] (PMI[®]) please contact Claire McKenzie on 07584 607295 or clairehobson@bankofscotland.co.uk

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