



Royal Bank of Scotland UK Regional PMI®

Northern Ireland, Scotland and Wales all see faster output growth in July, but England slows

Key Findings

Northern Ireland leads growth of business activity in July

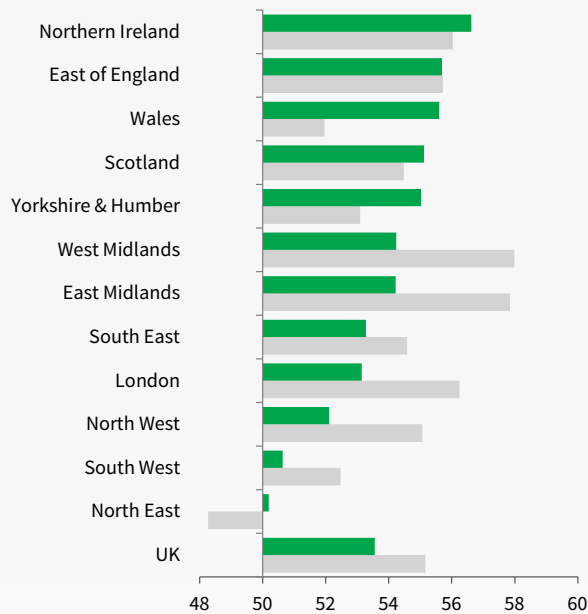
Output increases in all English regions, albeit more slowly in most cases

Employment growth lead by East Midlands and Yorkshire & Humber, but only modest overall

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Jul-18 (■) (Jun-18 (▨))



Businesses across all areas of the UK recorded increases in activity levels in July, according to the latest NatWest Regional PMI® report. However, faster growth in Northern Ireland, Scotland and Wales contrasted with a slowdown in most English regions.

Northern Ireland's Business Activity Index registered at a six-month high of 56.6 in July, showing a sustained rebound in the pace output growth from the weather-related disruption in March. The Index measures changes in the combined output of the region's manufacturing and service sectors, and any reading above 50.0 signifies growth from the previous month. The higher above the neutral 50.0 threshold, the faster the rate of expansion signalled.

Wales (55.6) and Scotland (55.1) also saw rates of business activity growth accelerate at the start of the third quarter. In the case of the latter, it was the strongest performance for four years.

The overall UK (53.6) picture was one of slower growth, however, which reflected weaker expansions in activity in six of the nine English regions monitored by the survey. The West and East Midlands (both 54.2) – June's strongest performers respectively – both saw a considerable loss of growth momentum, as was the case in London (53.1) and the North West (52.1). The South East (53.3) and South West (50.6) also recorded slower increases in business activity than in June.

The East of England (55.7) was one of the exceptions, recording a marked rate of growth that was the unchanged since June and the second strongest overall (behind only Northern Ireland). In Yorkshire & Humber (55.0), output growth rebounded from June's three-month low, while the North East (50.2) saw activity rise marginally following a contraction in June.

Demand

Businesses in all monitored areas saw inflows of new orders increase in July, with those in Northern Ireland, Scotland and Wales recording the strongest rates of growth respectively.

Capacity

Employment growth in July was jointly led by the East Midlands and Yorkshire & Humber, though rates of job creation were subdued in the context of historical trends. The only notable decrease in staffing capacity was recorded in the North East, where net job losses were seen for the first time in five months.

Prices

The steepest rise in average selling prices was recorded in Northern Ireland, which also saw the second-strongest rate of input cost inflation behind the North East. London registered the weakest price pressures.

Outlook

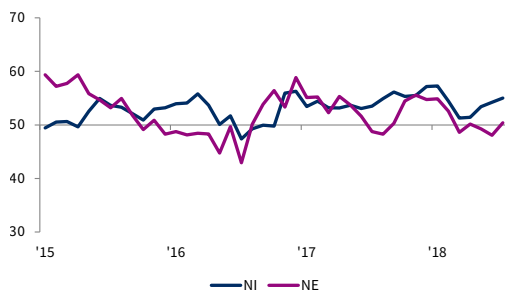
In terms of business confidence towards the outlook for activity over the next year, firms in Yorkshire & Humber showed the greatest degree of optimism, ahead of those in the South East and East Midlands.

Demand and Outlook

New Business Index

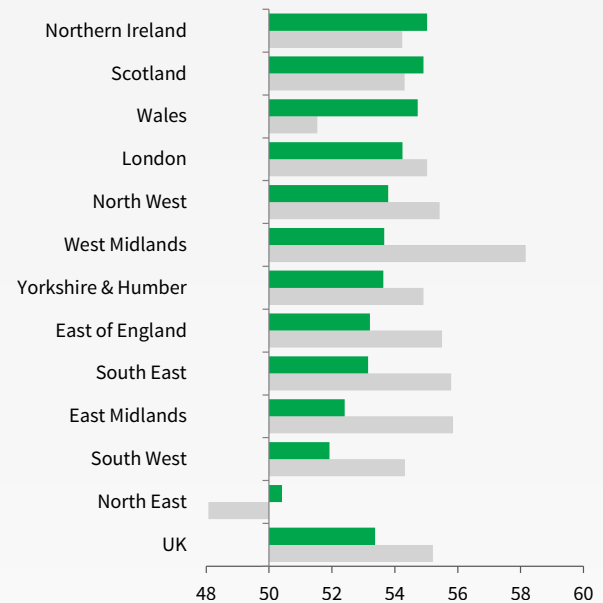
Firms operating in Northern Ireland recorded the steepest rise in new work in July, closely followed by their counterparts in Scotland and Wales respectively. Last month's top performer, the West Midlands, saw new order growth slow sharply to a four-month low. All English regions in fact recorded weaker increases in order books except the North East, where inflows rose for the first time in three months.

New Business Index
sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Jul-18 ■ (Jun-18 ■)

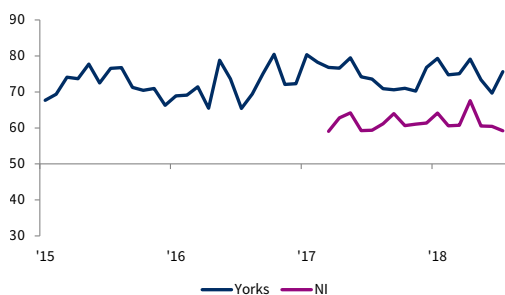


Future Output Index

Yorkshire & Humber was the region with the highest business confidence towards future output in July, as has been the case in seven of the past eight months. The South East likewise saw a notable improvement in business expectations to the highest since February. Firms in Northern Ireland were meanwhile the least optimistic about future output, albeit still forecasting growth in activity in the year ahead.

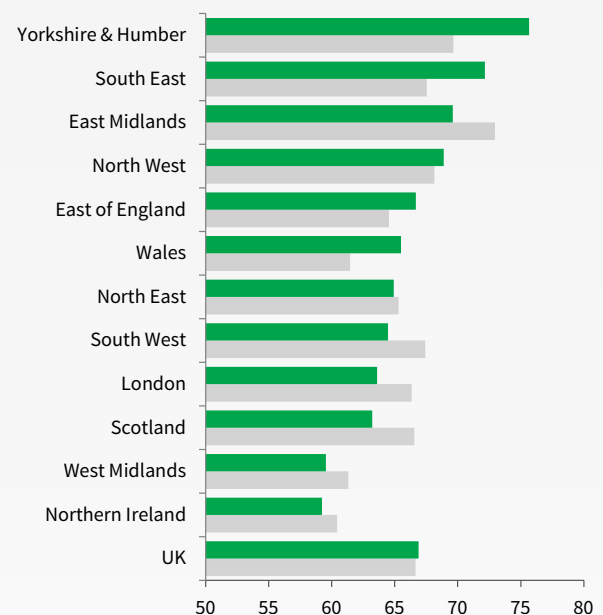
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Jul-18 ■ (Jun-18 ■)



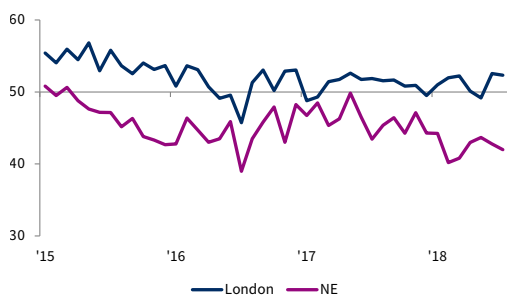
Capacity

Outstanding Business Index

For the second month in a row, firms in London recorded the steepest rise in the volume of outstanding business. In most other regions backlogs of work either increased or decreased only slightly, with the overall UK picture one of marginal growth. The North East was the main exception, recording a sharp and accelerated drop in outstanding business that was the most marked since March.

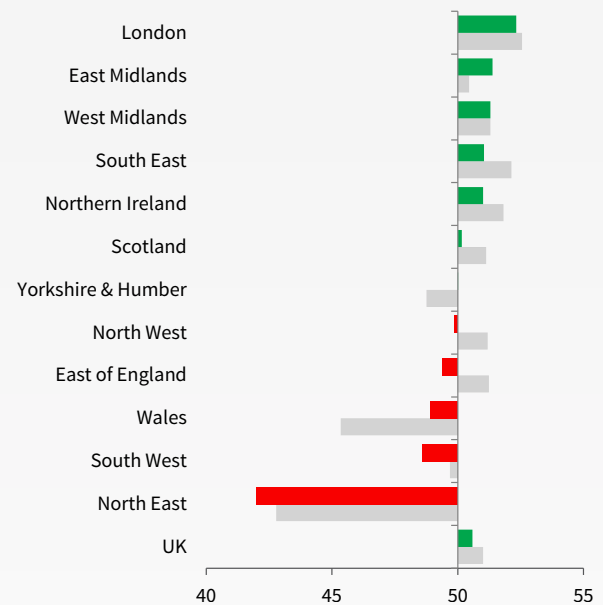
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Jul-18 ■ (Jun-18 ■)

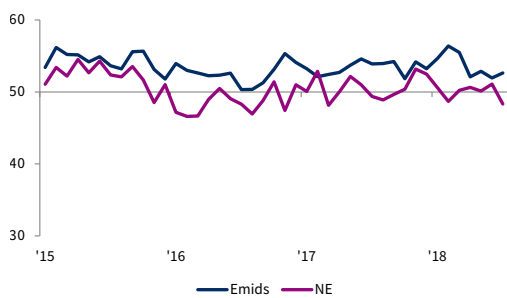


Employment Index

Rates of employment growth were generally subdued in July. The top two performing regions were the East Midlands and Yorkshire & Humber where rates of job creation picked up since June; however, in both cases they remained below their recent peaks. Scotland – the leader in June – saw a sharp slowdown in employment growth, while in the North East staffing levels fell to the greatest extent since March 2017.

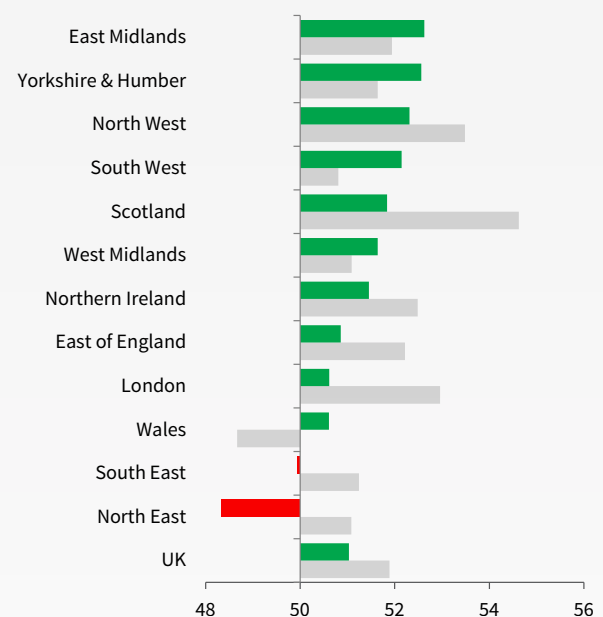
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Jul-18 ■ (Jun-18 ■)



Prices

Input Prices Index

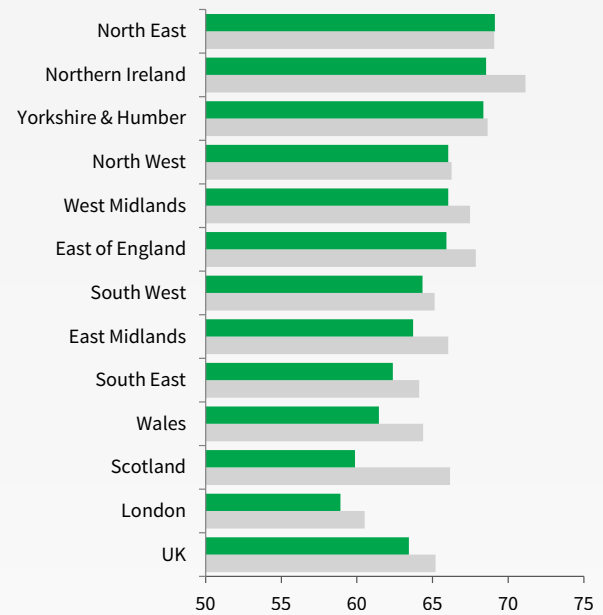
The North East recorded the steepest rise in firms' input prices, and also was the only region not to see a slowdown in the rate of cost inflation since June. Businesses in Northern Ireland and Yorkshire & Humber faced the second- and third-sharpest increases in average input prices respectively, while those in London recorded the smallest rise for the eighth month in a row.

Input Prices Index
sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Jul-18 ■ (Jun-18 ■)



Prices Charged Index

The steepest rise in prices charged for goods and services was again recorded in Northern Ireland, as has been the case in each of the past five months. The North East, which saw the highest cost pressures, was ranked only eighth for output price inflation due to the comparatively subdued level of demand in the region. Firms in London raised their selling prices only marginally on average and by the smallest amount.

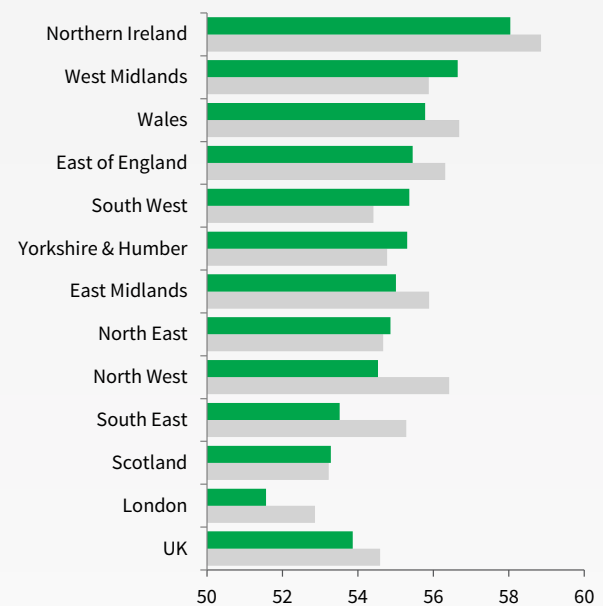
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Jul-18 ■ (Jun-18 ■)



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Methodology

The Royal Bank of Scotland 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.

About Royal Bank of Scotland

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The bank has commitment to retain its close connections with the Scottish communities it serves.

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