

### Key Findings

North West tops regional output growth rankings for second month running

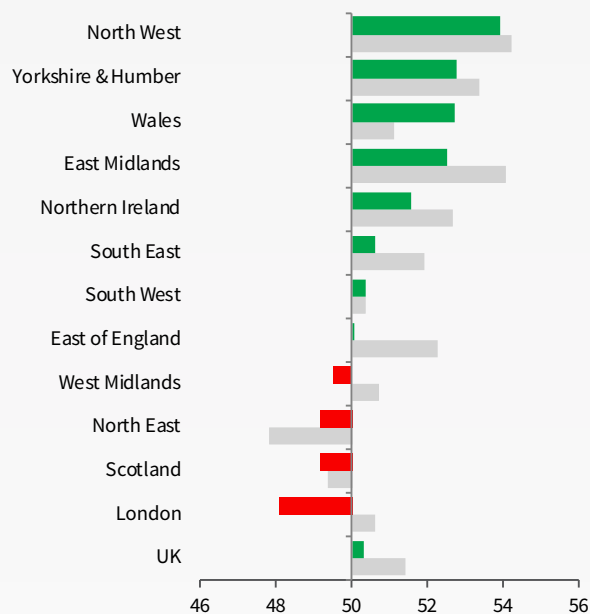
Job creation jointly-led by North West and Yorkshire & Humber

London sees renewed contraction in business activity amid downturn in new work

### UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Jan-19 (Dec-18)



The North West and Yorkshire & Humber were the two main contributors to UK output growth in January, whilst also recording the joint-strongest rates of job creation, according to the latest Royal Bank of Scotland Regional PMI®.

The North West led business activity growth for the second month in a row in January. The region's Business Activity Index – which measures changes in the combined output of the region's manufacturing and service sectors – read 53.9. This compared with a UK-wide average of 50.3 – the lowest since July 2016.

Yorkshire & Humber (52.8) also saw a relatively solid increase in output, despite its rate of expansion easing to a three-month low. The only notable improvement in growth was seen in Wales (52.7), which showed a slight recovery from a 29-month low in December.

The East Midlands (52.5), Northern Ireland (51.6) and the South East (50.6) each saw a slowdown in the rate of output growth, while business activity in the South West (50.4) was up only marginally.

Four areas saw a decrease in business activity in January. With the exception of the shock to activity in the immediate aftermath of the referendum, this was the highest number in any one month for over six years. London (48.0) saw the most marked decline, with output in the capital falling to the greatest extent for two-and-a-half years. Scotland (49.2), the North East (49.2) and the West Midlands (49.5) all recorded only marginal contractions. In the case of the latter, it was the first decrease in private sector output since July 2016.

#### Demand

London was the principal driver of a decrease in new orders across the UK as a whole in January. Demand also weakened considerably in the North East, where order books were down for the sixth month running. Firms in Yorkshire & Humber recorded the steepest rise in new business.

#### Capacity

A broad-based decrease in backlogs of work pointed to at least some degree of spare capacity across all regions in January. Accordingly, employment fell across the UK as a whole during the month. Only five areas continued to see growth in staffing numbers: Yorkshire & Humber, North West, West Midlands, Scotland and South West.

#### Prices

Firms in Northern Ireland faced the steepest rise in input costs in January, closely followed by those in the North West. As such, the same two areas also recorded the most marked increases in output charges. London saw by far the weakest rise in selling prices, partly reflecting the recent soft patch in demand in the capital.

#### Outlook

The strongest optimism towards future output was in the South West, where business confidence strengthened to a seven-month high. Firms in the North East were the least upbeat about the outlook.

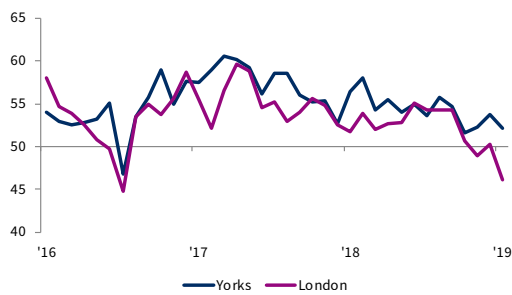
# Demand and Outlook

## New Business Index

Only five areas of the UK saw a rise in new orders in January, led by Yorkshire & Humber. In each case, growth either slowed or remained only marginal. The steepest falls in new work were recorded in London and the North East, where the respective rates of decline were the quickest since July 2016. The South East, West Midlands and North West all saw a fall in new orders for the first time in two-and-a-half years.

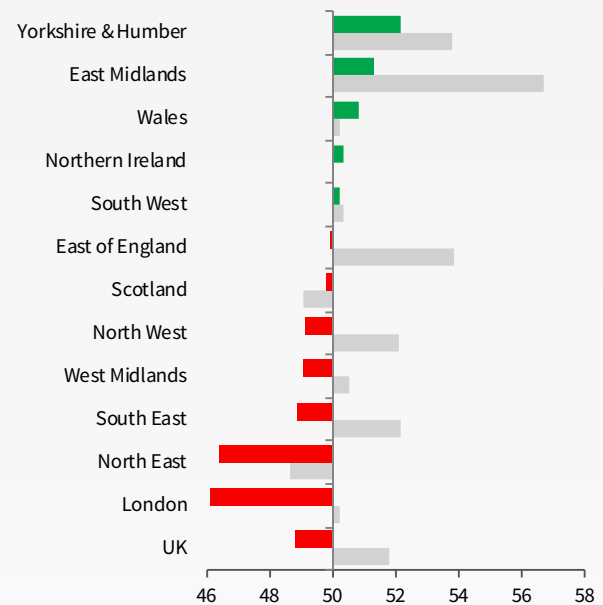
New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Jan-19 (Dec-18)



## Future Output Index

The strongest optimism towards future activity was in the South West, where it reached the highest for seven months, followed by the North West. Other areas where confidence improved since December included the South East, London and Northern Ireland, with the latter climbing off the foot of the rankings for the first time since last August. Firms in the North East held the lowest expectations for output in the year ahead.

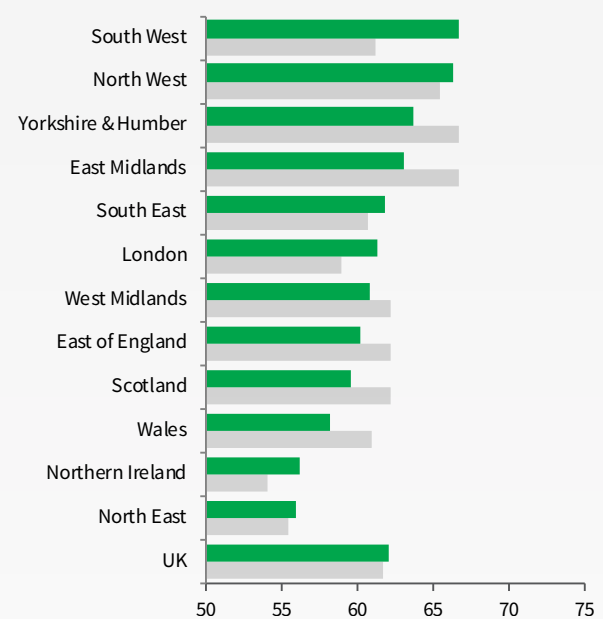
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Jan-19 (Dec-18)



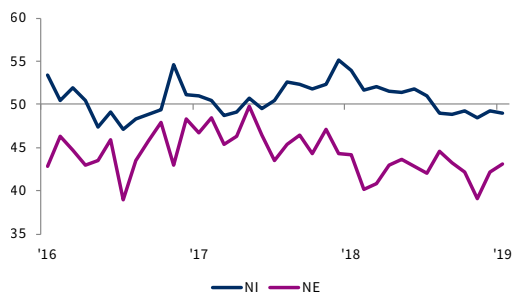
# Capacity

## Outstanding Business Index

A decrease in outstanding business was recorded across all areas of the UK in January. The fastest declines were across the English regions, with Northern Ireland, Wales and Scotland all seeing only modest reductions. The North East saw the steepest overall decrease in backlogs for the twentieth month in a row, despite the rate of depletion in the region being the slowest since last September.

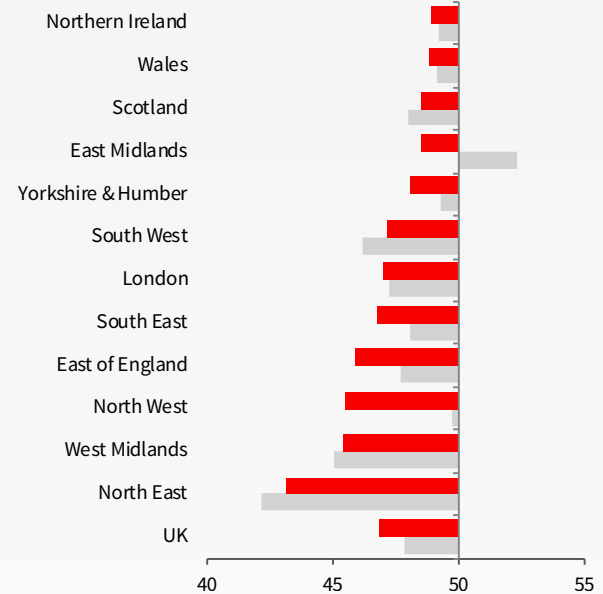
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Jan-19 (Dec-18)

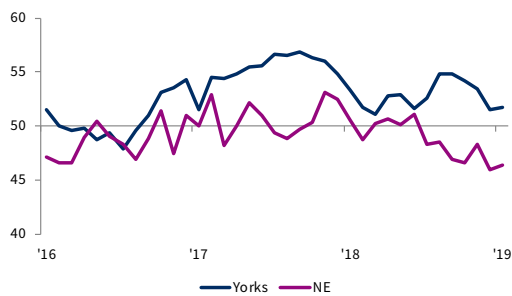


## Employment Index

Yorkshire & Humber and the North West jointly-led the regional rankings for employment growth in January, albeit at a rate that was only modest overall. A fall in employment was recorded in seven of the 12 monitored regions, the highest number since November 2012. The steepest decrease was seen in the North East, where a decline has been recorded in each of the past seven months.

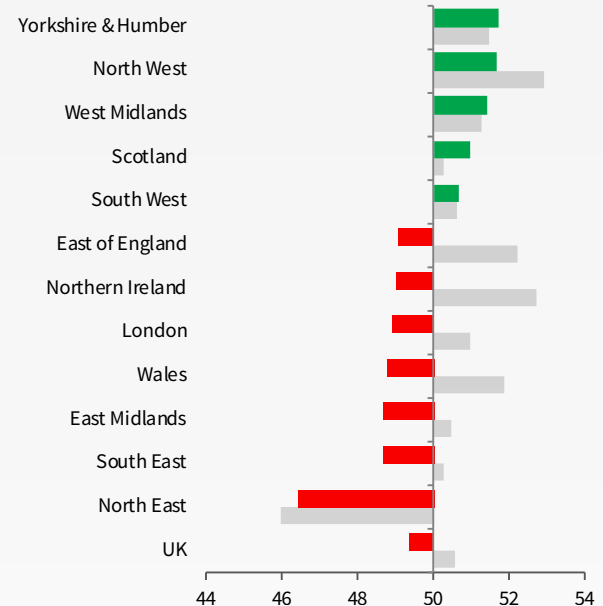
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Jan-19 (Dec-18)



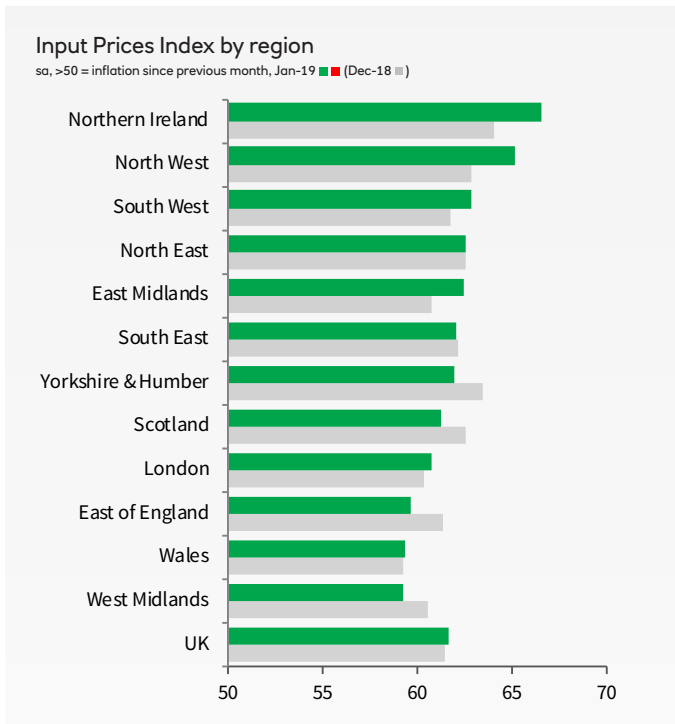
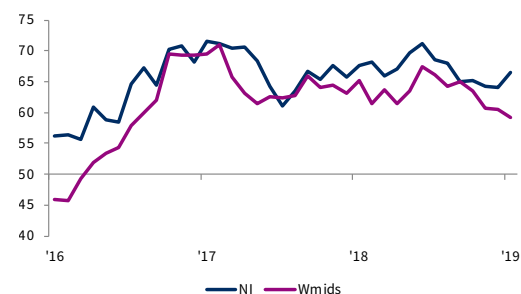
# Prices

## Input Prices Index

Northern Ireland saw the steepest rise in input costs, with the rate of inflation reaccelerating to a five-month high. It was a similar situation for the North West, which ranked second overall. At the bottom of the table was the West Midlands, where input prices continue rise at a strong rate by historical standards, but one that was the weakest since July 2016. In Wales, the rate of cost inflation stayed close to last November's 28-month low.

Input Prices Index

sa, >50 = inflation since previous month

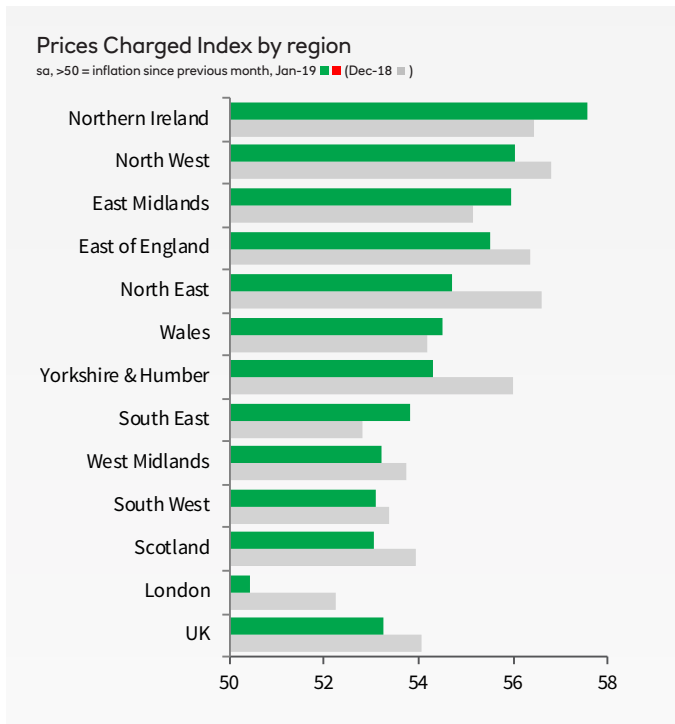


## Prices Charged Index

Reflecting the trends in underlying cost pressures, firms in Northern Ireland recorded the steepest rise in average output prices in January, followed by those in the North West. Rates of inflation slowed in eight of the 12 monitored areas, including London. The capital saw a marginal rise in average prices charged that was the weakest in eight months. Scotland saw the second-slowest increase, but one that was still solid overall.

Prices Charged Index

sa, >50 = inflation since previous month



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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](mailto: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](http://ihsmarkit.com/products/pmi.html).

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

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