

NatWest UK Regional PMI[®]

Most regional economies now in contraction territory

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Aug '23



Key findings

Just two out of 12 regions and nations record growth in activity in August

Employment holding up in most places, but hiring easing

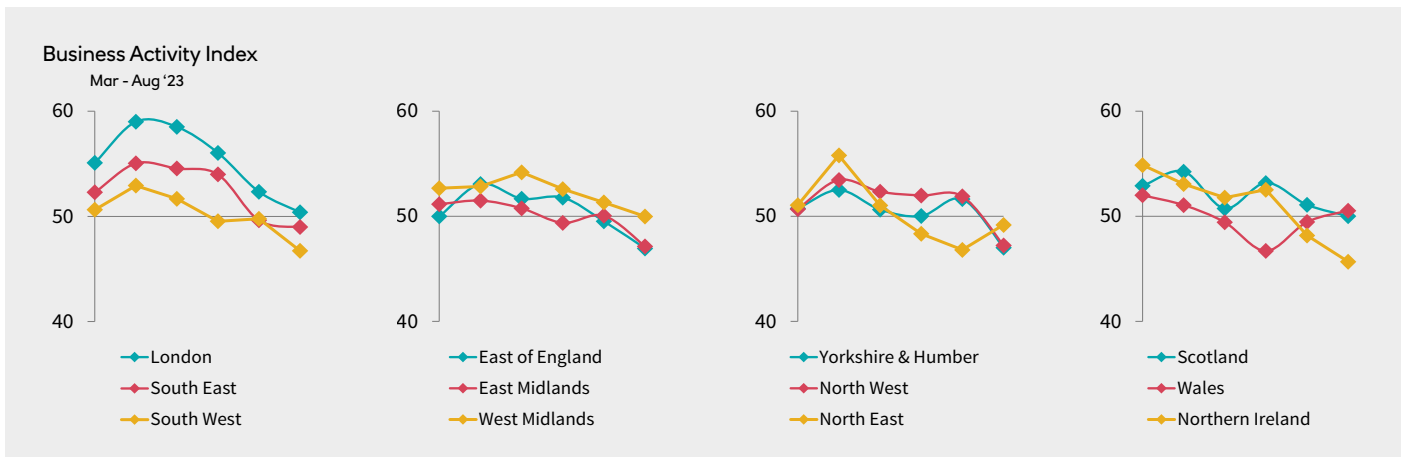
Rates of output price inflation generally slow

The latest NatWest Regional PMI[®] survey revealed a broadening decline in business activity across the UK in August, amid growing weakness in demand for goods and services. Whilst only a minority of regions saw employment fall, rates of job creation eased in most cases. Businesses' cost pressures generally remained high, linked in large part to rising wages, but the rate at which they increased prices charged for goods and services slowed in nearly all regions.

The PMI Business Activity Index is the first fact-based indicator of regional economic health published each month, tracking the monthly change in the output of goods and services across the private sector. A reading above 50 signals growth, and the further above the 50 level the faster the expansion signalled.

Of the 12 monitored regions and nations, only Wales (index at 50.5) and London (50.4) recorded growth in business activity in August. Even here, however, the rates of expansion were marginal. Output was unchanged in Scotland and the West Midlands, while all remaining areas recorded contractions. The steepest decline in activity was seen in Northern Ireland* (45.7), followed by the South West (46.7).

* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



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About the UK Regional PMI® report

The NatWest UK Regional PMI® data are compiled by S&P Global from responses to questionnaires sent to companies that participate in S&P Global's UK PMI surveys. S&P Global compiles data for nine English regions, Scotland, Wales and Northern Ireland (NUTS 1 definitions).

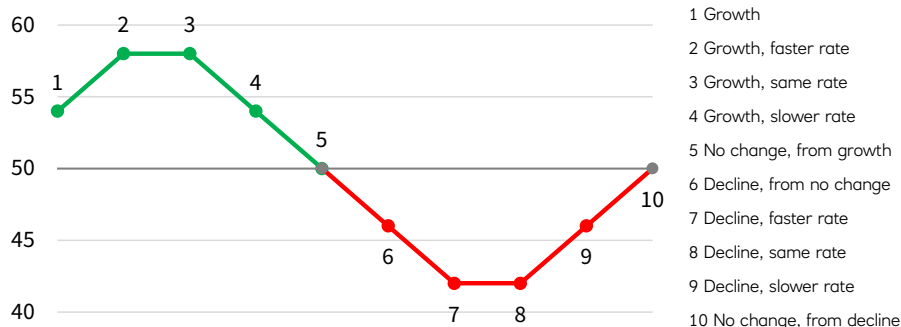
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.

Index interpretation

50.0 = no change since previous month



Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"Economic malaise is beginning to set in across a growing number of UK regions, with the majority reporting a decrease in business activity in August amid a near-universal drop in demand. Only a couple of areas have managed to keep their heads above water and record marginal growth, namely Wales and London, while activity levels across the West Midlands and Scotland stagnated."

"Employment has held up in most areas so far despite the downturns in business activity, with only the East Midlands, West Midlands, Wales

and North East recording decreases in employment. That said, there are clear signs of a drop-off in hiring activity, with rates of job creation easing in most of the areas where employment is still rising."

"Businesses' cost continue to rise at a steep rate by historical standards, and nowhere is this more evident than in London, where the economy is dominated by the service sector and thereby more likely to feel the effects of growing wages."

"Still, it's encouraging from the point of view of households and monetary policymakers alike that rates of inflation in average prices charged

for goods and services continued to ease across most parts of the UK in August."

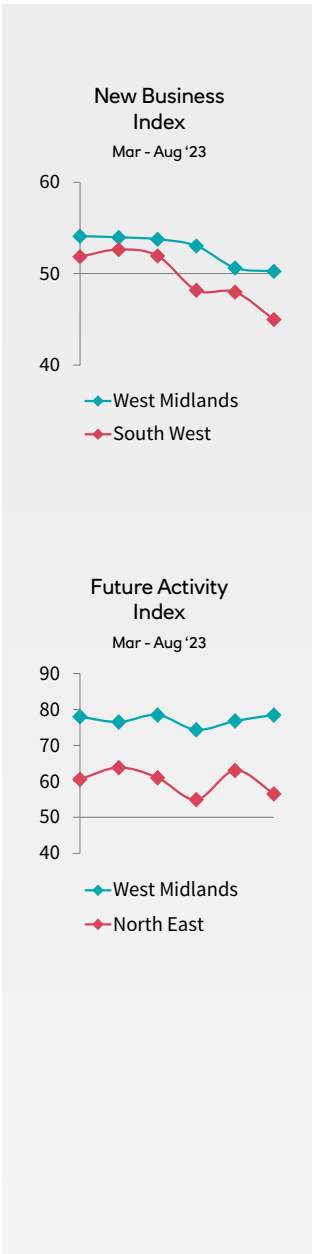
Demand and outlook

Nearly all areas record a fall in new business

Nearly all monitored areas recorded a reduction in new business in August, in a sign of broad-based weakness in demand. The only exception was the West Midlands, which posted only a marginal rise in new orders that was the weakest for seven months. The greatest decline in demand was in the South West, where the rate of contraction accelerated to the quickest since November last year.

Firms in West Midlands remain the most upbeat

There were varying trends in business expectations, with confidence towards future activity rising in just under half of cases in August. The West Midlands topped the rankings for a second month running and saw sentiment improve to the joint-highest since January 2022. By contrast, the North East recorded the greatest loss of confidence as well as the lowest overall degree of optimism.



New Business Index
sa, >50 = growth since previous month, Aug '23



Future Activity Index
>50 = growth expected over next 12 months, Aug '23



Business capacity

Northern Ireland posts fastest rate of job creation

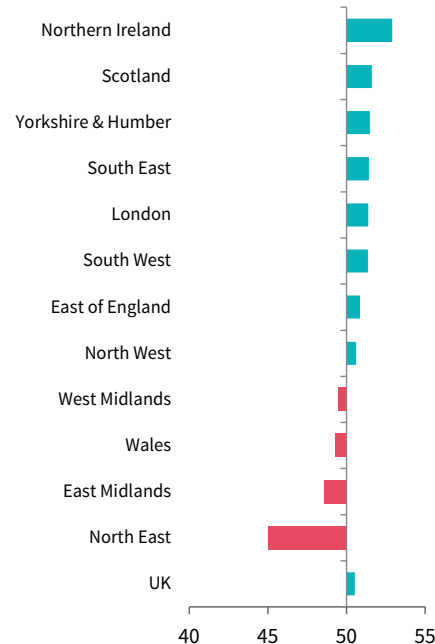
The majority of areas recorded a rise in employment in August, although rates of job creation often slowed. Northern Ireland recorded the most marked rise in workforce numbers despite the pace of hiring there slowing to a seven-month low. The North East saw a notable drop in staffing levels, while there were more modest declines in the East Midlands, Wales and West Midlands.

Outstanding business declines universally

As was the case in July, all 12 monitored regions and nations registered a drop in outstanding business in August. Moreover, declines deepened across the board. Wales recorded the fastest overall rate of depletion, its quickest for more than three years, followed by the North West. At the other end of the scale, Scotland posted the smallest drop in backlogs, but its largest for three months, nevertheless.



Employment Index
sa, >50 = growth since previous month, Aug '23



Outstanding Business Index
sa, >50 = growth since previous month, Aug '23



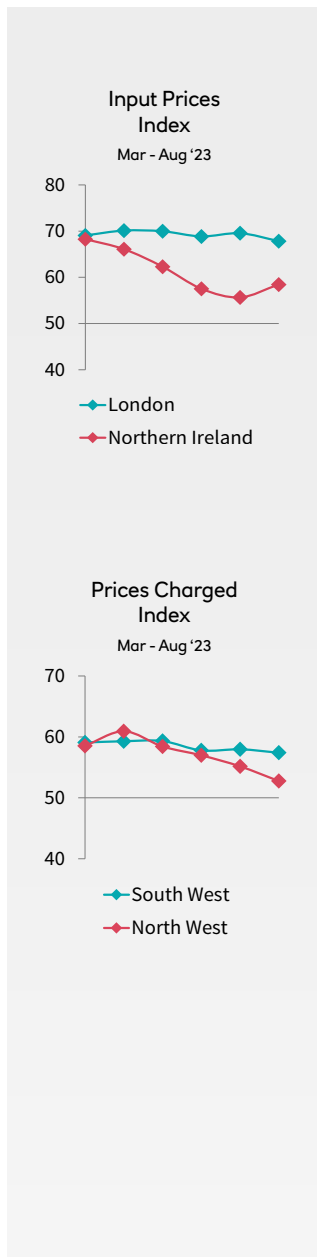
Prices

Rates of input cost inflation generally remain elevated

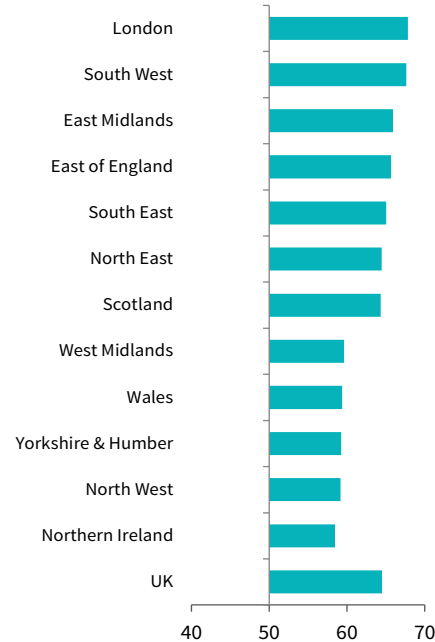
In most cases, rates of input price inflation remained above their respective historical series averages in August. London once again saw the steepest rise in business costs, despite the rate of increase there easing to a 26-month low. Northern Ireland remained at the bottom of the rankings for input price inflation, with the rate there picking up from July's recent low but still firmly below its long-run trend.

Prices charged rise more slowly in most areas

Rates of output price inflation slowed in ten of the 12 monitored regions and nations in August, the only exceptions being Northern Ireland and Wales. The former saw the second-slowest rise in prices charged, ahead of the North West. Firms in the South West exhibited the greatest pricing power, although the rate at which they increased charges was the least marked for almost two-and-a-half years.



Input Prices Index
sa, >50 = inflation since previous month, Aug '23



Prices Charged Index
sa, >50 = inflation since previous month, Aug '23



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Aug '23

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	50.4	49.3	68.5	51.4	45.6	67.8	57.0
South East	49.0	47.0	75.1	51.4	43.0	65.0	57.3
South West	46.7	45.0	69.7	51.4	42.3	67.6	57.4
East of England	46.9	46.9	67.5	50.9	43.1	65.7	55.2
East Midlands	47.1	46.8	69.6	48.6	42.8	65.9	55.0
West Midlands	50.0	50.3	78.5	49.4	43.0	59.6	54.9
Yorkshire & Humber	47.0	45.2	70.8	51.5	42.3	59.2	54.8
North West	47.2	45.8	68.7	50.6	41.9	59.2	52.8
North East	49.2	46.5	56.6	45.0	42.3	64.5	56.7
Scotland	50.0	47.5	57.8	51.6	48.1	64.3	55.7
Wales	50.5	49.3	66.7	49.3	38.1	59.4	55.0
Northern Ireland	45.7	47.0	57.2	52.9	42.1	58.4	54.7

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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.

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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.

ihsmarkit.com/products/pmi.html

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