

# Royal Bank of Scotland UK Regional PMI<sup>®</sup>

## East Midlands is top performing region in 2018 despite strong finish from the North West

### Key Findings

2018 ends with North West leading growth in both output and employment, while Scotland sees a renewed decline in business activity

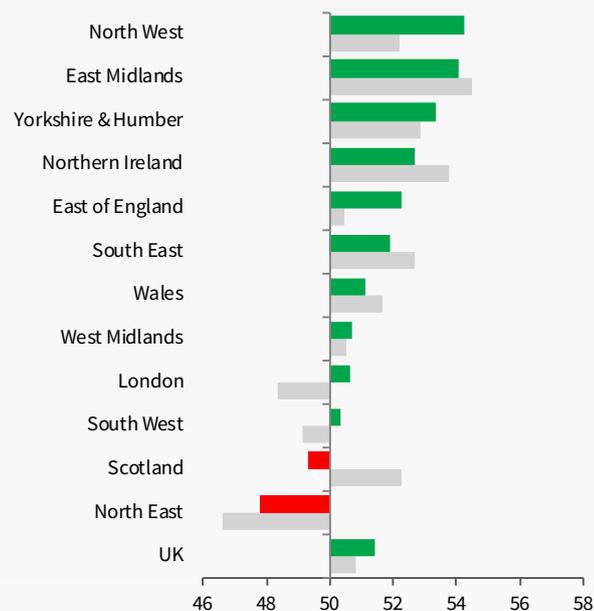
East Midlands posts slightly slower output growth but a marked rise in new orders

North East records steepest drop in employment since 2009

### UK Regional PMI Overview

#### Output Index by region

sa, >50 = growth since previous month, Dec-18 ■ (Nov-18 ■■)



Parts of the UK saw robust growth in December, according to the latest Royal Bank of Scotland Regional PMI<sup>®</sup>, despite signs of uncertainty weighing on job creation and business confidence. A strong finish to the year for the North West saw it top the latest regional rankings for both output and employment growth. However, it was the East Midlands, ranked second overall in December, that saw the best performance in terms of business activity over 2018 as a whole.

December saw the North West Business Activity Index recover to a three-month high of 54.2, rebounding further from the 27-month low seen in October. The Index, which measures changes in the combined output of the region's manufacturing and service sectors, signalled markedly stronger growth than across the UK as a whole (51.4).

Other outperformers in December included the East Midlands (54.1), Yorkshire & Humber (53.3) and Northern Ireland (52.7). The former was the year's overall top performer, followed by the latter.

Growth picked up in the East of England (52.3) in December; however, the South East (51.9) and Wales (51.1) both saw slower increases in output, whilst expansion in the West Midlands (50.7) remained subdued.

London (50.6) and the South West (50.3) both saw only modest recoveries in business activity following the contractions in November. In contrast, Scotland (49.3) slipped back into contraction to end nine months of continuous expansion.

The weakest performer overall was the North East (47.8) which, despite seeing a slower fall in output compared to November, recorded its worst quarterly performance since 2009.

### Demand

Firms in most areas saw a rise in demand in December. The increase in the East Midlands was especially strong, as the region recorded its fastest growth in order books since last April. The exceptions were the North East and Scotland, where new orders fell slightly since November.

### Capacity

All regions bar the East Midlands saw a decrease in backlogs of work in December. This general lack of pressure on capacity was reflected in a broad-based slowdown in job creation. That said, only the North East posted an outright fall in employment, its steepest since August 2009.

### Prices

The most marked rise in prices charged for goods and services was observed in the North West, and the weakest in London. Underlying cost pressures were meanwhile the strongest in Northern Ireland, followed by Yorkshire & Humber.

### Outlook

Despite seeing business confidence soften to a 29-month low, Yorkshire & Humber again topped the regional rankings for output expectations in December. The lowest degree of optimism was in Northern Ireland.

# Demand and Outlook

## New Business Index

The East Midlands was the stand-out performer for new order growth in December, recording a marked rise in new work that was the steepest since last April. Faster increases were also seen in the East of England and Yorkshire & Humber, which were joint-second in the regional rankings. In contrast, demand fell in both the North East and Scotland, with the latter seeing order books decline for the first time in ten months.

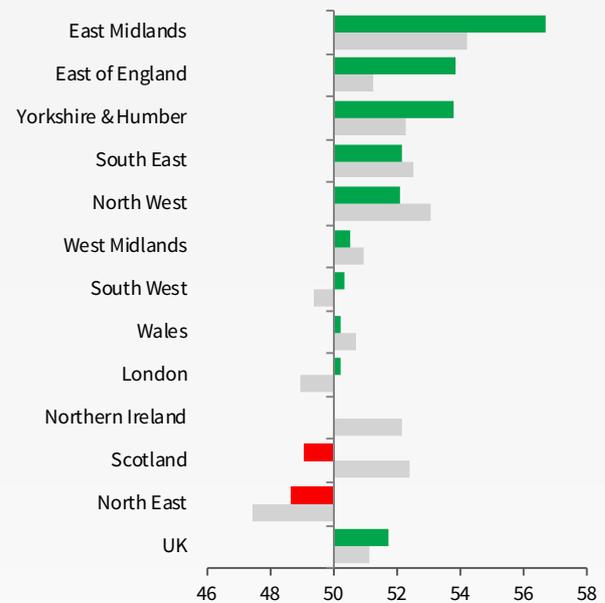
New Business Index

sa, >50 = growth since previous month



New Business Index by region

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

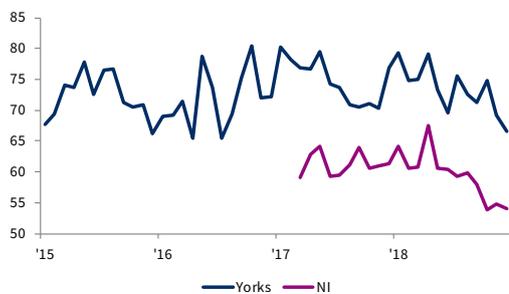


## Future Output Index

Business confidence towards future output remained highest in Yorkshire & Humber, followed by the East Midlands and then the North West, as had been the case in both October and November. However, the former saw optimism weaken to its lowest since the month after the EU referendum – a trend repeated in London and the South East. Firms in Northern Ireland were the least upbeat about the outlook.

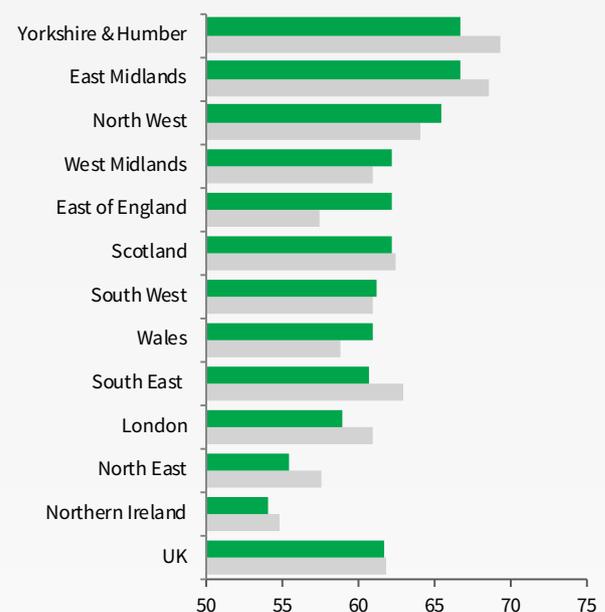
Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

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



# Capacity

## Outstanding Business Index

Having seen by far the strongest growth in new orders in December, the East Midlands was the only monitored region to record a rise in backlogs during the month. The most marked contraction in outstanding orders was in the North East, where a fall has been recorded in every month since April 2015. The West Midlands and South West also saw steep declines, their sharpest for 29 and 69 months respectively.

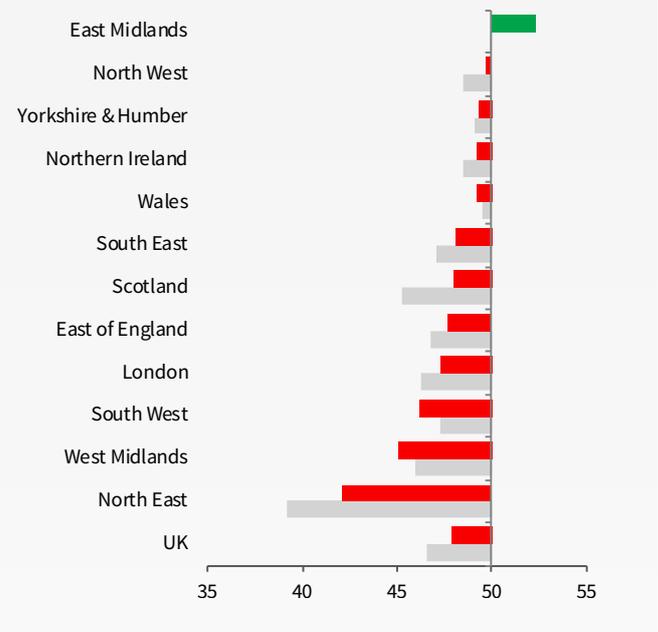
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

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



## Employment Index

Employment rose in 11 of the 12 monitored regions in December; however, the rate of job creation slowed in each case. The North West led workforce growth, ahead of Northern Ireland and the East of England. Though the only drop in private sector staffing numbers was in the North East, where firms reported the sharpest monthly fall since 2009, employment barely rose across Scotland and the South East.

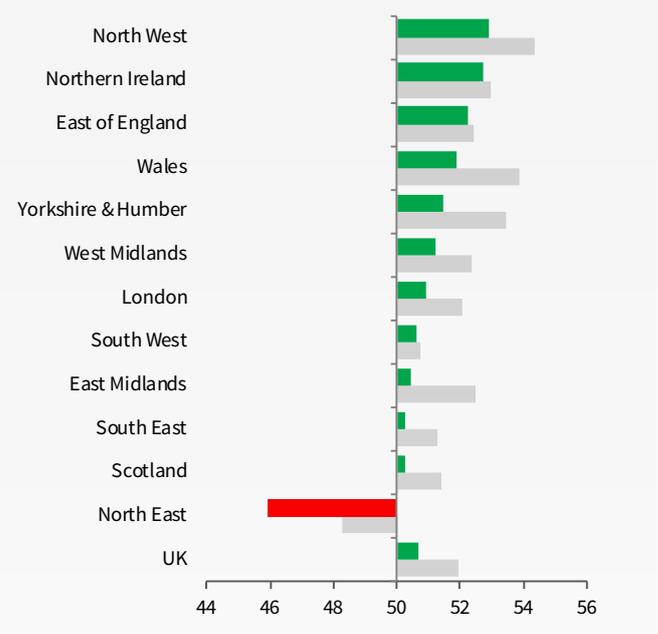
Employment Index

sa, >50 = growth since previous month



Employment Index by region

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



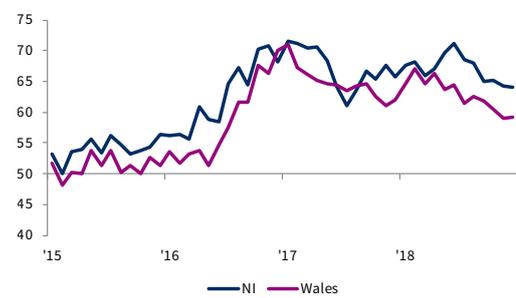
# Prices

## Input Prices Index

Firms in Northern Ireland posted the steepest increase in input costs in December, and also the strongest average rate of inflation across 2018 as a whole. Last month's leader, the North East, slipped to fourth in the rankings as operating expenses in the region showed the slowest rise for eight months. The weakest increase was recorded in Wales, where cost pressures remained close to their lowest for over two years.

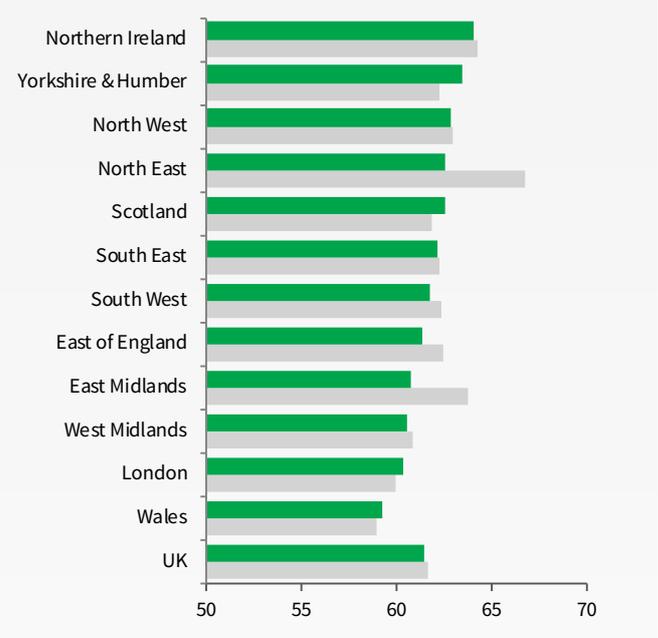
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Dec-18 (Nov-18)



## Prices Charged Index

December saw a UK-wide increase in average prices charged for goods and services. The quickest rates of inflation were recorded in the North West and neighbouring North East. Here, and in seven out of the ten remaining regions, the rate of increase picked up since November. Amongst these was London which, despite still being ranked bottom overall, saw output prices rise the most for six months.

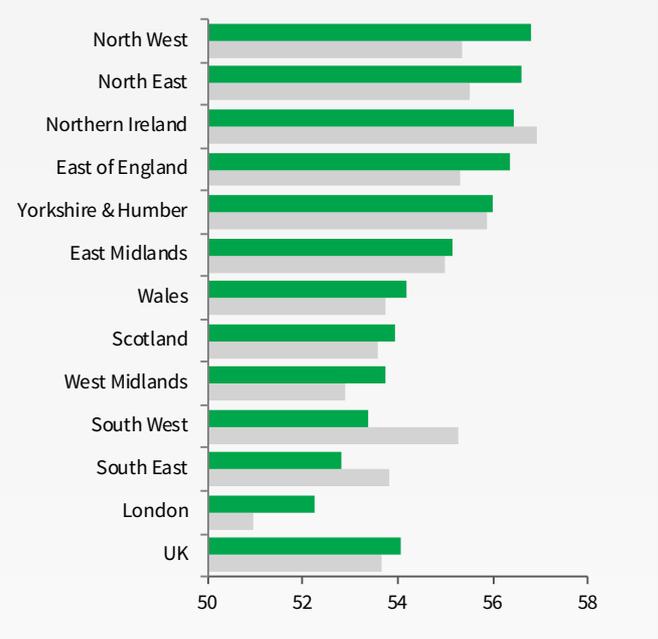
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Dec-18 (Nov-18)



## Contact

### Royal Bank of Scotland

Jonathan Rennie  
Regional PR Manager  
07769 932 102  
jonathan.rennie@rbs.co.uk

### IHS Markit

Phil Smith  
Principal Economist  
+44 1491 461 009  
phil.smith@ihsmarkit.com

Joanna Vickers  
Corporate Communications  
+44 207 260 2234  
joanna.vickers@ihsmarkit.com

### 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).

### About Royal Bank of Scotland

Royal Bank of Scotland has paved the way in banking ever since it was established in 1727. From the world's first overdraft, and the first house purchase loan by a UK bank, to the first fully-fledged internet banking service and mobile banking app the bank has a history of making life easier for its customers.

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

### About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

### Disclaimer

The intellectual property rights to the Royal Bank of Scotland UK Regional PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Royal Bank of Scotland uses the above marks under licence. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.