

NatWest UK Regional PMI®

COVID-19 leads to sharp drop in business activity across all UK regions

Key Findings

Northern Ireland, Scotland and London are the worst-hit areas, with each recording record contractions in output

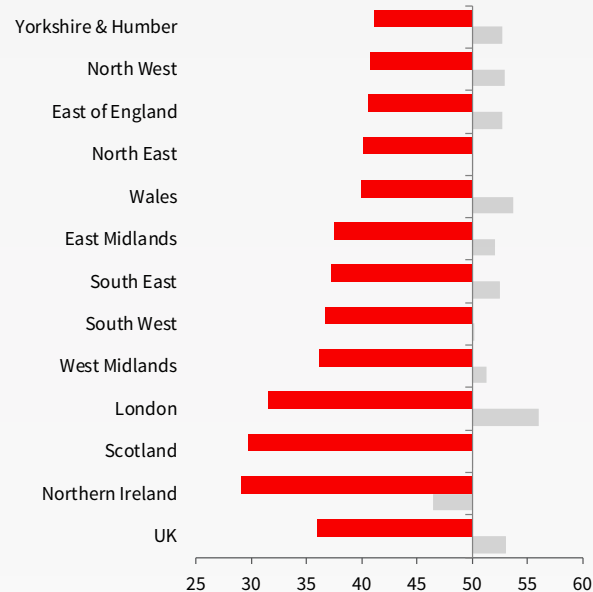
Employment falls across all regions for first time in over a decade

Crisis undermines firms' pricing power and leads to collapse in business confidence

UK Regional PMI Overview

Output Index by region

sa, >50 = growth since previous month, Mar-20  (Feb-20 )



The outbreak of coronavirus disease 2019 (COVID-19) and associated public health measures to contain the disease severely disrupted business activity across all areas of the UK in March, latest NatWest Regional PMI® data showed. There were widespread job losses as firms scaled back operations amid efforts to realign capacity with demand and reduce costs.

The steepest decline in output in March was recorded in Northern Ireland*, where the Business Activity Index slumped to a record-low of 29.1. 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 below 50 signals contraction, and the further below the 50 level the faster the decline signalled.

Scotland (29.7) and London (31.5) also saw record decreases in output in March, with the capital registering the largest ever month-on-month drop in the Business Activity Index.

The shallowest declines were registered in Yorkshire & Humber (41.2), the North West (40.7) and East of England (40.7), though even here the rates of contraction were the fastest since at least February 2009.

Demand

Containment measures, lower market confidence and business closures all contributed to a broad-based drop in demand for goods and services in March. As was the case with output, firms in Northern Ireland recorded the steepest decline in new business, followed by their counterparts in Scotland. The slowest rate of contraction was in the North East, where demand has been in continuous decline throughout most of the past year.

Capacity

All 12 regions monitored by the survey recorded a decrease in employment in March as firms scaled back staffing capacity in line with lower workplace activity and a drop in outstanding business. Scotland and the West Midlands saw the deepest cuts to payroll numbers, while the North West, North East and East of England saw relatively modest job losses during the month.

Prices

The majority of UK areas saw a decrease in average charges for goods and services in March. Elsewhere, output prices either rose at a much slower rate or were unchanged. Underlying cost pressures meanwhile eased in all regions.

Outlook

Confidence towards future business activity dropped sharply in all regions. Expectations hit a record low in all cases except Wales, which saw the smallest drop in sentiment and the highest optimism.

* Coverage in Northern Ireland includes construction and retail.

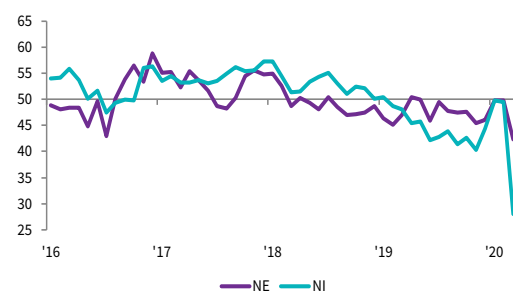
Demand and Outlook

New Business Index

All 12 monitored areas recorded a decrease in new business in March, led by a sharp drop in Northern Ireland – its steepest in over 17-and-a-half years of data collection. The slowest decline was in the North East, where new orders have now fallen in each of the past 20 months, though even here the rate of contraction was the fastest for 11 years.

New Business Index

sa, >50 = growth since previous month



New Business Index by region

sa, >50 = growth since previous month, Mar-20 (Feb-20 ■)

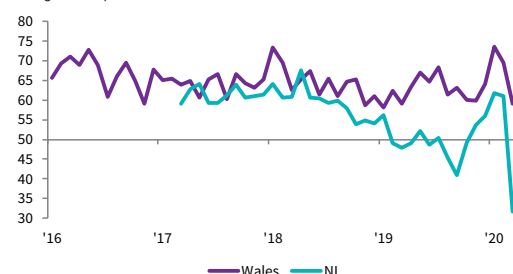


Future Output Index

March saw a broad-based reduction in business confidence. In seven of the 12 monitored regions, sentiment remained positive overall. This included Wales, which saw the smallest drop in expectations and the highest overall optimism (albeit a 14-month low). Expectations turned negative in Northern Ireland, London, Scotland, the North East and North West, dropping to a record low in each case.

Future Output Index

>50 = growth expected over next 12 months



Future Output Index by region

>50 = growth expected over next 12 months, Mar-20 (Feb-20 ■)



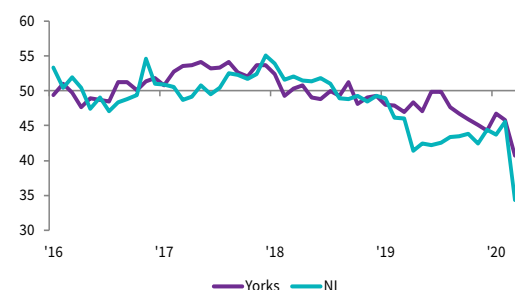
Capacity

Outstanding Business Index

Having recorded the steepest decreases in new business, Northern, Scotland and the West Midlands also saw the most marked declines in backlogs of work in March. At the other end of the scale, firms in Yorkshire & Humber registered the slowest decrease in work-in-hand, though even here the rate of depletion was the quickest for more than seven-and-a-half years.

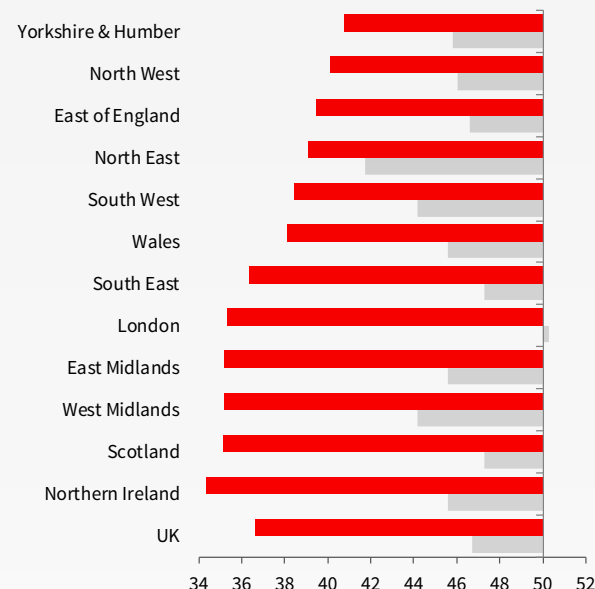
Outstanding Business Index

sa, >50 = growth since previous month



Outstanding Business Index by region

sa, >50 = growth since previous month, Mar-20 (Feb-20)

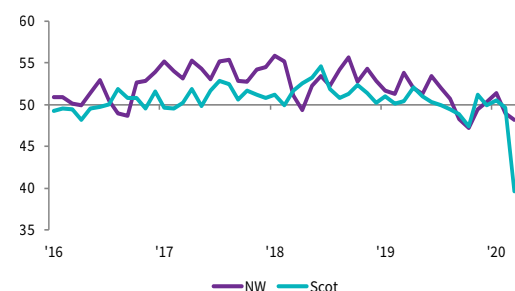


Employment Index

A lack of incoming new work left firms in all regions with excess staffing capacity, leading to a widespread drop in employment in March. The declines were led by deep cuts to workforce numbers in Scotland, the West Midlands, Northern Ireland and London. The North West, North East and East of England saw relatively moderate job losses by comparison, with the respective rates of job shedding notably slower than the national average.

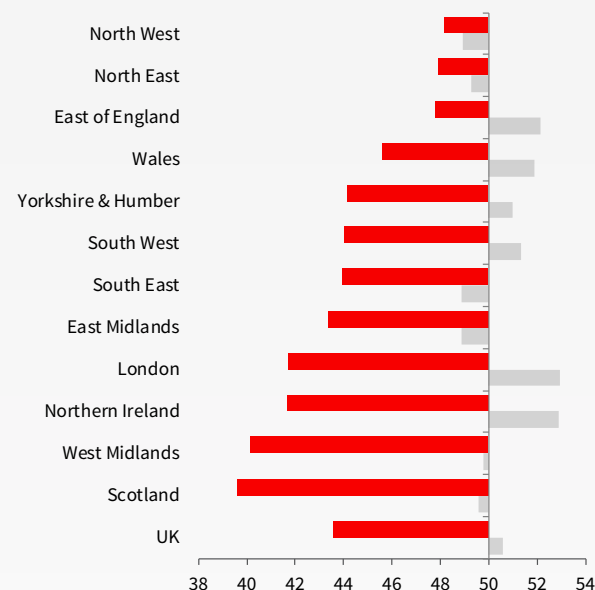
Employment Index

sa, >50 = growth since previous month



Employment Index by region

sa, >50 = growth since previous month, Mar-20 (Feb-20)



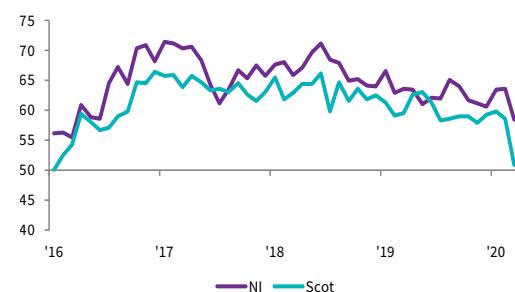
Prices

Input Prices Index

Northern Ireland topped the rankings for input price inflation in March, as has been the case in seven of the past eight months. However, here and in all other areas, costs rose at a slower rate than in the previous survey period, linked to generally lower commodity prices (including oil). Firms in Scotland and Yorkshire & Humber recorded the slowest increases in operating expenses, the weakest for at least four years.

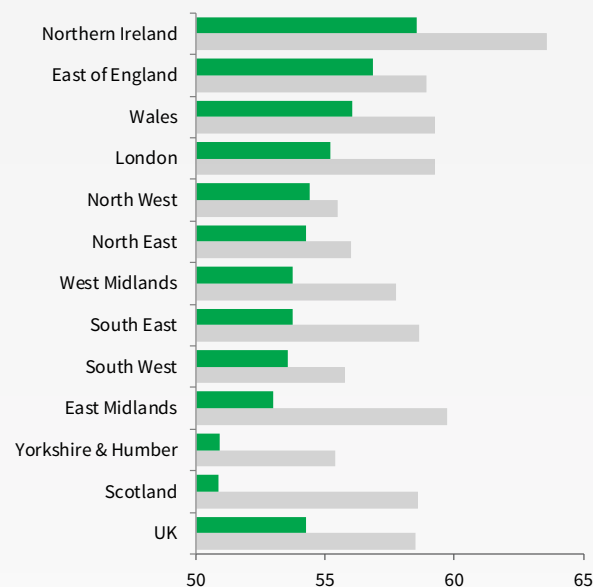
Input Prices Index

sa, >50 = inflation since previous month



Input Prices Index by region

sa, >50 = inflation since previous month, Mar-20 (Feb-20 ■)

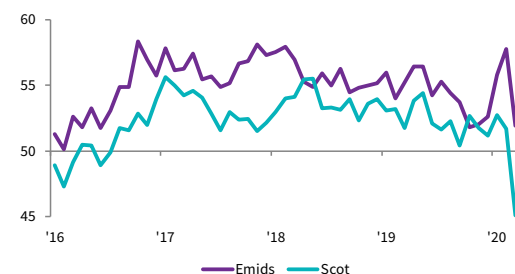


Prices Charged Index

There was a decrease in output charges in seven of the 12 monitored regions, which was the most since October 2015. The steepest decline was seen in Scotland, where prices were discounted to the greatest extent in the series history (since 1999). The East Midlands, East of England, North West and Yorkshire & Humber saw further, albeit much slower increases, while in Wales charges were unchanged.

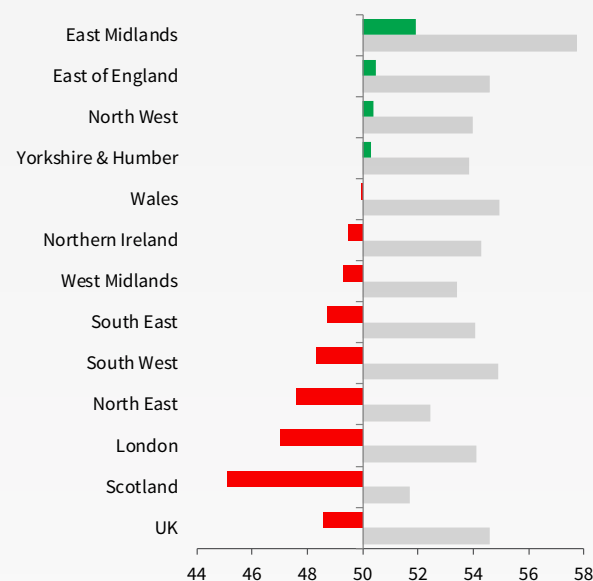
Prices Charged Index

sa, >50 = inflation since previous month



Prices Charged Index by region

sa, >50 = inflation since previous month, Mar-20 (Feb-20 ■)



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Methodology

The NatWest 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.

ihsmarkit.com/products/pmi.html

About NatWest

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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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