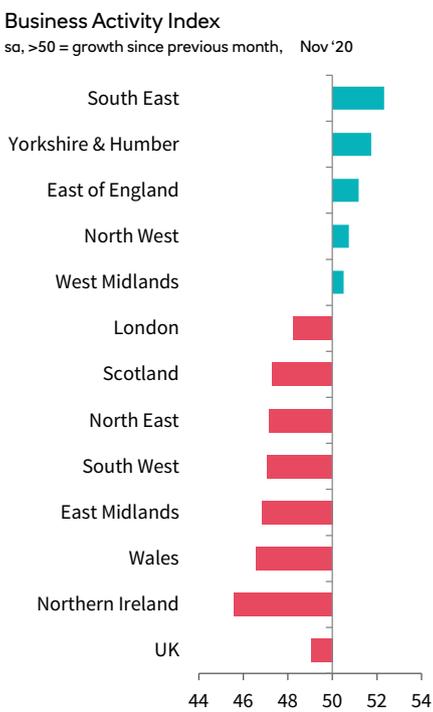


NatWest UK Regional PMI[®]

COVID-19 restrictions lead to lower output in most regions in November, but vaccine hopes brighten outlook

UK Regional PMI



Key findings

Business activity falls in seven out of 12 areas, the most since June

South East shows the greatest resilience, while Northern Ireland leads the decline

News of COVID-19 vaccines lifts expectations across all regions

Latest Regional PMI[®] data from NatWest pointed to more challenging business conditions across most parts of the UK in November, amid restrictions on activity imposed to limit the spread of coronavirus disease 2019 (COVID-19) infections. However, recent news on the development of vaccines drove a broad-based improvement in firms' expectations for business activity over the coming year.

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.

Just five of the 12 monitored UK regions recorded higher business activity in November, the lowest number since June. The strongest-performing area was the South East (index at 52.3), though even here growth slowed sharply to the weakest for five months. At the other end of the scale, Northern Ireland* (45.6) saw the steepest drop in business activity, followed by Wales (46.6). The latter, like Scotland (47.3), did however register a slower rate of contraction than in October.

*Northern Ireland coverage includes construction and retail. For all other areas, coverage is confined to manufacturing and services.



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About the UK Regional PMI[®] report

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).

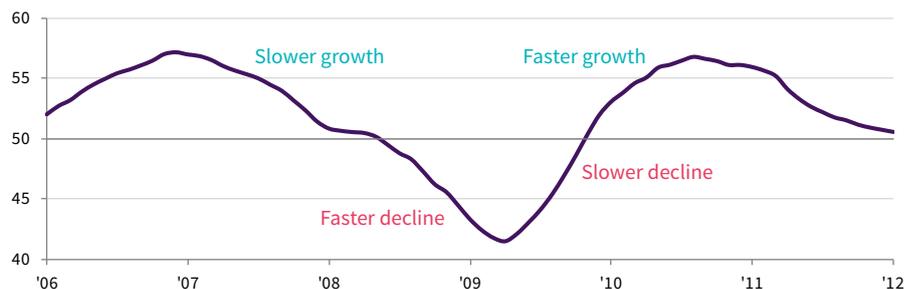
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

Index interpretation

50.0 = no change since previous month



Comment

Sebastian Burnside, NatWest Chief Economist, commented:

"November's regional PMI data highlight the impact of coronavirus containment measures on activity and demand, with economic recoveries being hampered across the board, albeit in some places more than others."

"The good news is that, even in those areas worst hit by second waves of coronavirus infections and tighter restrictions on activity, the downturns have been less severe than those witnessed in the spring."

"The light at the end of the tunnel is starting to get brighter with the development of COVID vaccines, the roll out of which has begun in earnest. This news has lifted the spirits of firms in all regions, with business activity generally expected to grow in 2021."

"However, there's still a long way to go before all restrictions on activity can be lifted and demand is fully restored, and the latest employment trends, which showed payroll numbers down again across all regions, underline this."

Demand and outlook

Majority of regions record slower inflows of new work

New business fell in seven of the 12 monitored UK regions in November, with one other (East of England) recording stagnation. Scotland and Northern Ireland recorded the joint-steepest reduction, with the South West, West Midlands and North East also seeing notable declines. At the other end of the rankings, Yorkshire & Humber recorded the strongest growth (albeit a five-month low) ahead of the North West.

New Business Index
sa, >50 = growth since previous month, Nov '20



Outlook improves across all areas amid vaccine hopes

There was a general improvement in firms' expectations for activity over the next 12 months in November. Those in Yorkshire & Humber were once again the most optimistic, recording their highest level of confidence for almost four years. Notably, sentiment in Northern Ireland turned positive for the first time since February, albeit with expectations remaining muted by historical standards and still the lowest of all UK areas.

Future Activity Index
>50 = growth expected over next 12 months, Nov '20



Business capacity

Job losses continue across all regions

November saw another broad-based drop in private sector employment across the UK. The West Midlands, London and North East recorded the fastest overall rates of job losses respectively, with workforce numbers falling more quickly than in October in all three cases. The East of England and East Midlands registered the joint-slowest rates of job shedding, though the declines were still considerable by historical standards.

Employment Index
sa, >50 = growth since previous month, Nov '20



Falling backlogs point to lack of capacity pressures

Latest data showed a drop in outstanding business across the majority of regions in November, thereby underlining a continued lack of pressure of businesses' operating capacity. The North East recorded the most marked decline, its steepest for six months, followed by Scotland and Wales respectively. Where backlogs did increase, in the South East and East Midlands, the rates of accumulation were only slight.

Outstanding Business Index
sa, >50 = growth since previous month, Nov '20



Prices

London continues to defy general upturn in input costs

November saw input costs rise in almost all areas, with rates of inflation accelerating in most cases as well. The steepest increase was observed in Northern Ireland, where cost pressures picked up sharply to the highest since August 2019, partly linked to transport and staff expenses. London continue to buck the wider trend, with firms in the capital recording lower input costs for the seventh time in the past eight months.

Output price inflation picks up across some areas

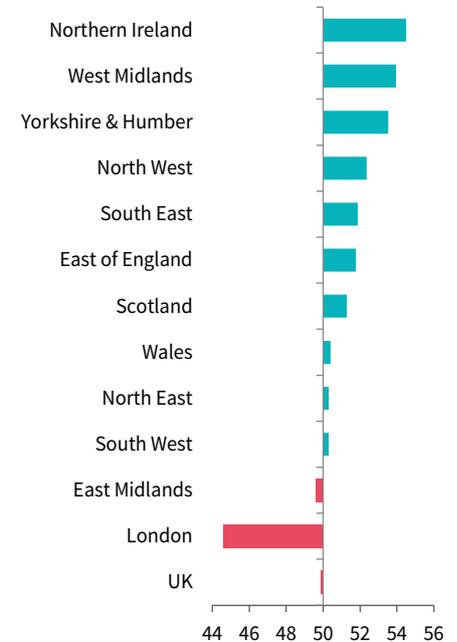
The steepest rises in prices charged for goods and services in November were seen in Northern Ireland (21-month high), the West Midlands (26-month high) and Yorkshire & Humber (nine-month high), respectively. Lower output prices were confined to just London and the East Midlands, albeit with the latter seeing only a marginal decline. The capital, however, recorded a marked and accelerated fall.



Input Prices Index
sa, >50 = inflation since previous month, Nov '20



Prices Charged Index
sa, >50 = inflation since previous month, Nov '20



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Nov '20

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	48.2	49.0	75.2	40.1	48.5	47.3	44.6
South East	52.3	50.7	78.1	45.6	50.6	53.5	51.9
South West	47.1	47.3	77.4	42.0	45.9	58.9	50.3
East of England	51.2	49.9	69.3	46.3	48.4	56.5	51.8
East Midlands	46.8	50.3	75.6	46.3	50.4	55.4	49.6
West Midlands	50.5	47.5	70.3	39.4	48.5	58.3	54.0
Yorkshire & Humber	51.7	52.8	80.2	46.0	49.8	57.8	53.5
North West	50.7	51.6	69.8	42.5	48.6	57.3	52.4
North East	47.2	47.7	66.0	41.5	41.0	60.5	50.3
Scotland	47.3	45.8	64.0	45.2	43.0	56.8	51.3
Wales	46.6	49.4	72.9	43.5	45.5	59.2	50.4
Northern Ireland	45.6	45.8	51.9	44.3	45.8	64.6	54.5

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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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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.

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