

13 August 2024

# Royal Bank of Scotland UK Regional Growth Tracker

Ten out of 12 UK nations and regions  
record business activity growth in July, up  
from nine in June



Royal Bank of Scotland

PMI<sup>®</sup>

by **S&P Global**

13 August 2024

# Royal Bank of Scotland UK Regional Growth Tracker

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# Key findings

July 2024

**Northern Ireland leads growth of both output and employment**

**Business activity falls in the East Midlands and Wales**

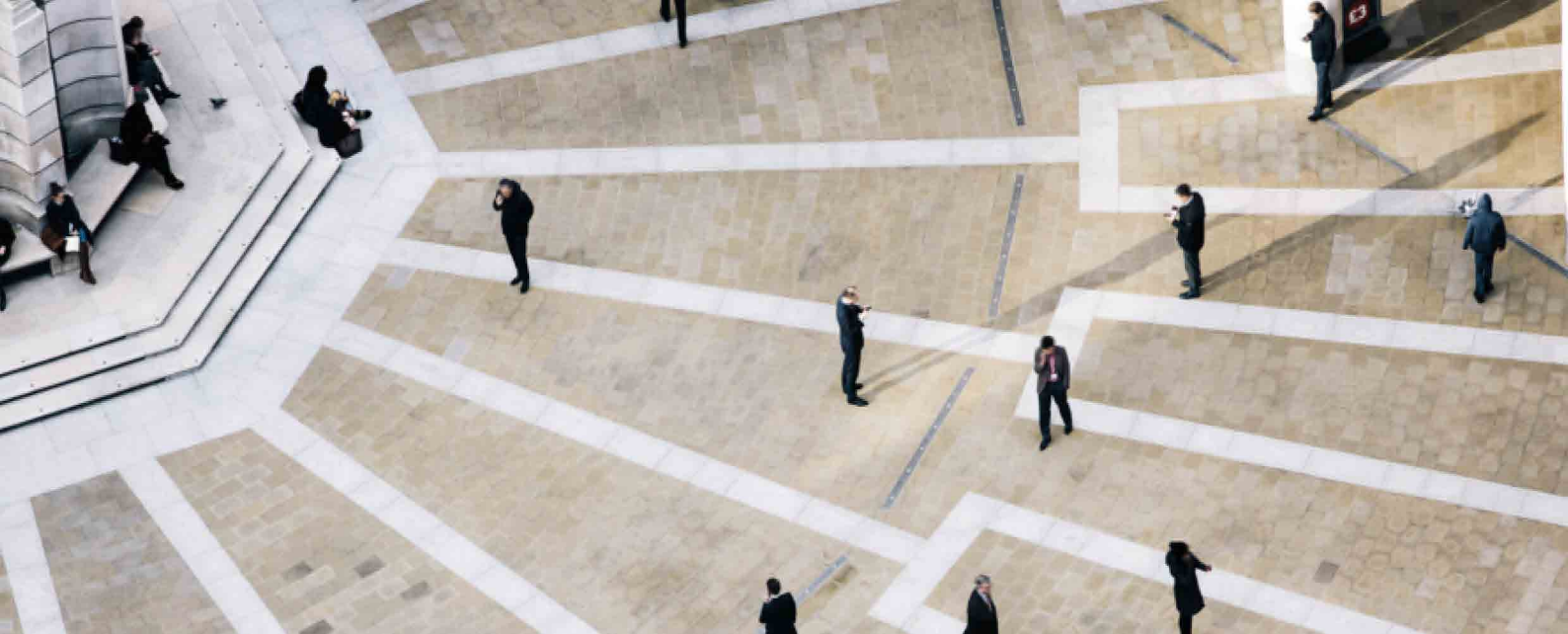
**South East firms most optimistic about future growth prospects**

The Royal Bank of Scotland UK Regional Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit [www.natwest.com/business/insights/economics](http://www.natwest.com/business/insights/economics)





# Comment

## Sebastian Burnside, Royal Bank of Scotland Chief Economist, commented:

"July's Growth Tracker report showed a rise in the number of UK nations and regions reporting higher business activity, marking an encouraging start to the second half of the year. Looking past the headline numbers, there were further signs of improvement.

"A notable increase in the number of nations and regions reporting greater inflows of new work in July was a sure sign of a pick-up in underlying demand, and it coincided with greater optimism towards the outlook almost across the board. Only Northern Ireland bucked the trend and saw a softening of growth expectations, although this could reflect the fact it had such a strong month in July.

"Northern Ireland not only recorded the fastest increase in business activity across the UK at the start of the third quarter, but also the most marked rise in employment.

"July also saw the highest number of nations and regions reporting increases in employment for over a year, with all but two of the 12 areas monitored seeing positive labour market performances.

"Price pressures are generally still above the long-run trend in most areas – and it will be interesting to see how this develops in the coming months following the first rate cut by the Bank of England in more than four years at the beginning of August."



Sources: Royal Bank of Scotland, S&P Global PMI.  
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The Business Activity and Employment indices are diffusion indices calculated from companies' responses to questions on monthly changes in the volume of business activity and employment, respectively. The indices vary between 0 and 100 and are the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The indices are seasonally adjusted.

Data compiled 11-29 July

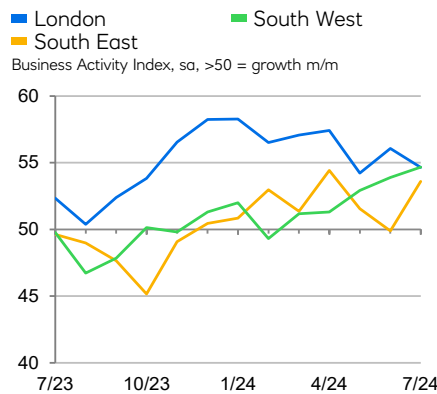


# Business activity

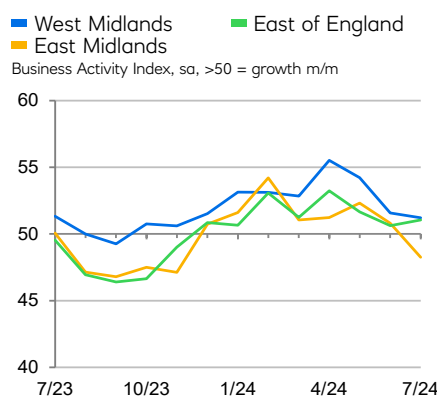
The latest NatWest UK Growth Tracker showed a rise in private sector output in ten out of the 12 nations and regions monitored. This was up slightly from nine in June.

The 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.

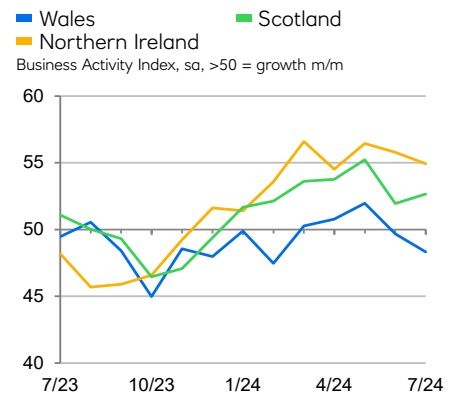
Business activity growth was led by Northern Ireland for the second time in the past three months in July. Just behind it was the South West, which continued to gain momentum and recorded its steepest rise in output for more than two years. At the other end of the scale, Wales and the East Midlands both recorded modest reductions in business activity.



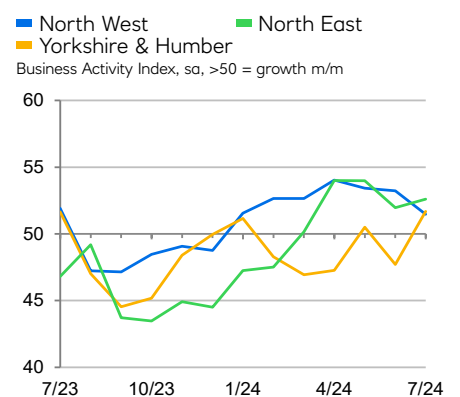
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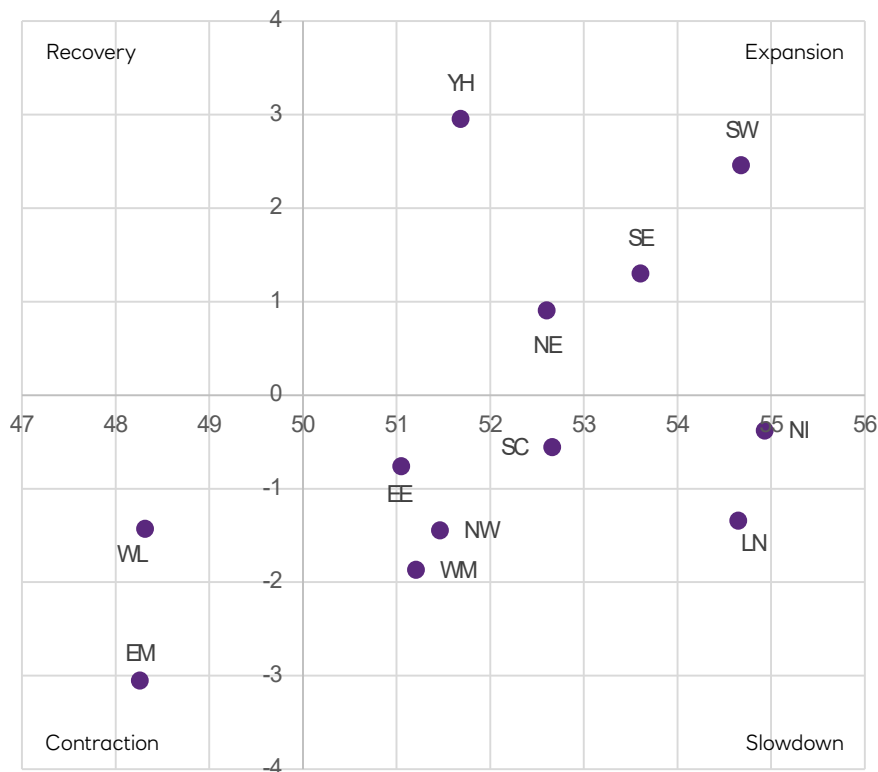
Sources: Royal Bank of Scotland, S&P Global PMI.  
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# Business cycle by region

## Business Activity

X axis = Business Activity Index, sa, >50 = growth m/m Jul '24 Y axis = Change in Index compared with six-month average



In a typical business cycle, regions will move in a clockwise direction through the four quadrants in the chart to the left.

### Expansion

Regions are **expanding**, and at a **faster rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the highest regions are seeing the greatest acceleration in growth over the past six months.

### Slowdown

Regions are **expanding**, but at a **slower rate** than the trend over the past six months. Regions furthest right are expanding at the strongest rate in the latest period, and the lowest regions are seeing the greatest deceleration in growth over the past six months.

### Contraction

Regions are **contracting**, and at a **faster rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the lowest regions are seeing the greatest acceleration in the rate of contraction over the past six months.

### Recovery

Regions are **contracting**, but at a **slower rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the highest regions are seeing the greatest deceleration in the rate of contraction over the past six months.

Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

LN London  
SE South East  
SW South West

EE East of England  
EM East Midlands  
WM West Midlands

NW North West  
NE North East  
YH Yorkshire & Humber

SC Scotland  
WL Wales  
NI Northern Ireland



# Demand and outlook

## New orders increase almost universally

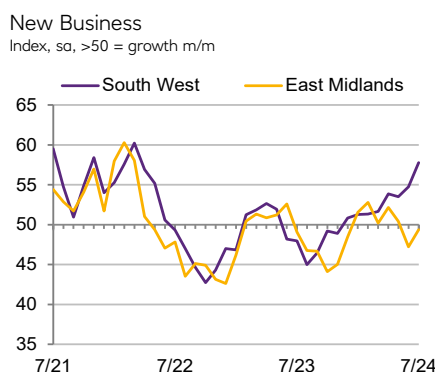
Latest data showed a rise in the number of nations and regions reporting higher inflows of new business, up from six in June to 11 in July. This reflected renewed upturns in the East of England, Scotland, South East, Wales and Yorkshire & Humber. The most marked increase in new work was recorded in the South West, where the rate of growth accelerated sharply to the highest since March 2022.

## Widespread improvement in business confidence

Growth expectations generally improved across the UK in July. The only exception was Northern Ireland, which saw business confidence slip to a six-month low. Firms in the South East were the most upbeat about the outlook, as has been the case in three of the past four months, followed by those in South West. The biggest upswing in optimism was recorded in Yorkshire & Humber.



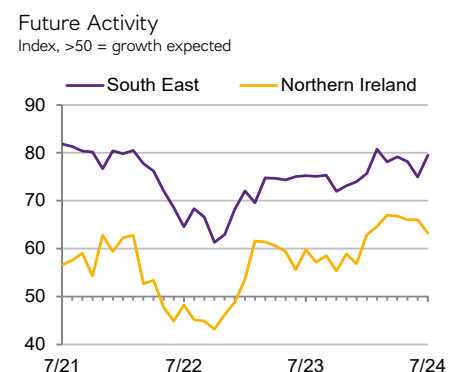
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"A notable increase in the number of nations and regions reporting greater inflows of new work in July was a sure sign of a pick-up in underlying demand, and it coincided with greater optimism towards the outlook almost across the board"

Sebastian Burnside,  
NatWest Chief Economist



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# Employment and capacity

## Employment rises in ten out of 12 nations and regions

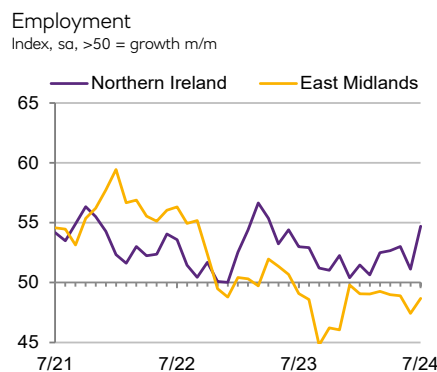
Northern Ireland topped the rankings for employment growth at the start of the third quarter, recording its fastest rate of job creation since April 2023. The North East posted the next-steepest rise in employment, followed by Wales. As was the case for business activity, the East Midlands was one of just two areas to see a decrease in employment, this time alongside the West Midlands.

## Northern Ireland records the only increase in backlogs of work

Not only did Northern Ireland once again record the only increase in backlogs of work of the 12 monitored nations and regions, but the rate of accumulation there accelerated sharply to the strongest in over two years. Firms in Wales recorded the most marked decrease in outstanding business, followed by those in Scotland.



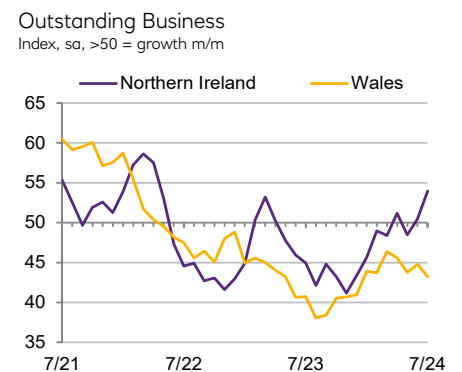
Sources: Royal Bank of Scotland, S&P Global PMI.  
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"July saw the highest number of nations and regions reporting increases in employment for over a year, with all but two of the 12 areas monitored seeing positive labour market performances"

Sebastian Burnside,  
NatWest Chief Economist



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# Inflation

## South West sees steepest rise in business costs...

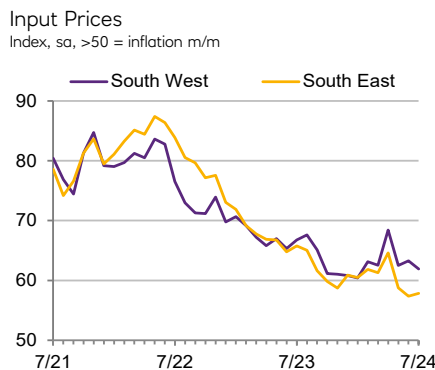
Most areas of the UK saw business costs increase at rates just above their respective long-run averages in July. This included the South West, which recorded the steepest overall rise input prices, albeit one that was the slowest for six months. As was the case in June, the softest rate of cost inflation was recorded by firms in the South East.

## ...as well as the fastest rate of output price inflation

Relatively strong cost pressures, combined with improved underlying demand, led to a marked rise in average prices charged for goods and services in the South West – the fastest recorded across the UK in July. The North West posted the next-quickest rate of output price inflation. Northern Ireland registered the slowest increase and was one of seven nations and regions where the rate of inflation eased since June.



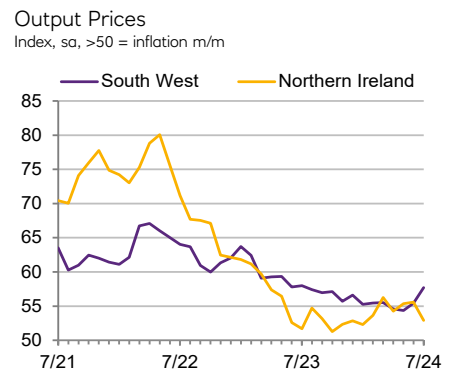
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



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Sebastian Burnside,  
NatWest Chief Economist



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# Methodology

The Royal Bank of Scotland UK Regional Growth Tracker 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 Scotland, Wales, Northern Ireland and nine English regions\*.

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.

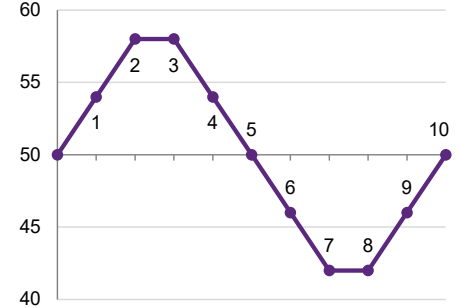
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index is comparable to the UK Composite Output Index.

For further information on the survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

\*International Territorial Level 1 definitions.

Index interpretation

Index, sa, >50 = growth m/m



Sources: Royal Bank of Scotland, S&P Global PMI.

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Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

# Data

## Manufacturing and services

Index, sa, 50 = no change over previous month. \*50 = no change over next 12 months. Jul '24

	Business Activity	New Business	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
London	54.6	56.9	71.3	53.1	49.5	59.6	55.5
South East	53.6	53.3	79.5	53.1	49.2	57.8	55.2
South West	54.7	57.8	78.9	52.6	48.4	61.9	57.7
East of England	51.0	52.1	76.3	51.1	46.9	60.6	54.6
East Midlands	48.3	49.4	72.3	48.7	46.9	61.9	54.1
West Midlands	51.2	51.5	77.9	49.8	46.9	58.3	55.1
Yorkshire & Humber	51.7	54.5	76.7	51.9	48.9	59.8	54.2
North West	51.5	54.9	76.9	52.1	45.8	60.5	56.6
North East	52.6	55.1	70.7	53.2	48.7	60.1	55.9
Scotland	52.7	51.9	63.4	51.8	44.6	60.8	53.1
Wales	48.3	50.5	76.7	53.1	43.2	60.7	54.2
Northern Ireland	54.9	55.8	63.2	54.7	54.0	61.1	52.9



# Further information

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

[www.natwest.com/business/insights/economics](http://www.natwest.com/business/insights/economics)

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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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