

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

## Business activity rises across almost all areas in March

### UK Regional PMI

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



### Key findings

London tops growth rankings, while East of England lags behind

Divergent trends in regional employment

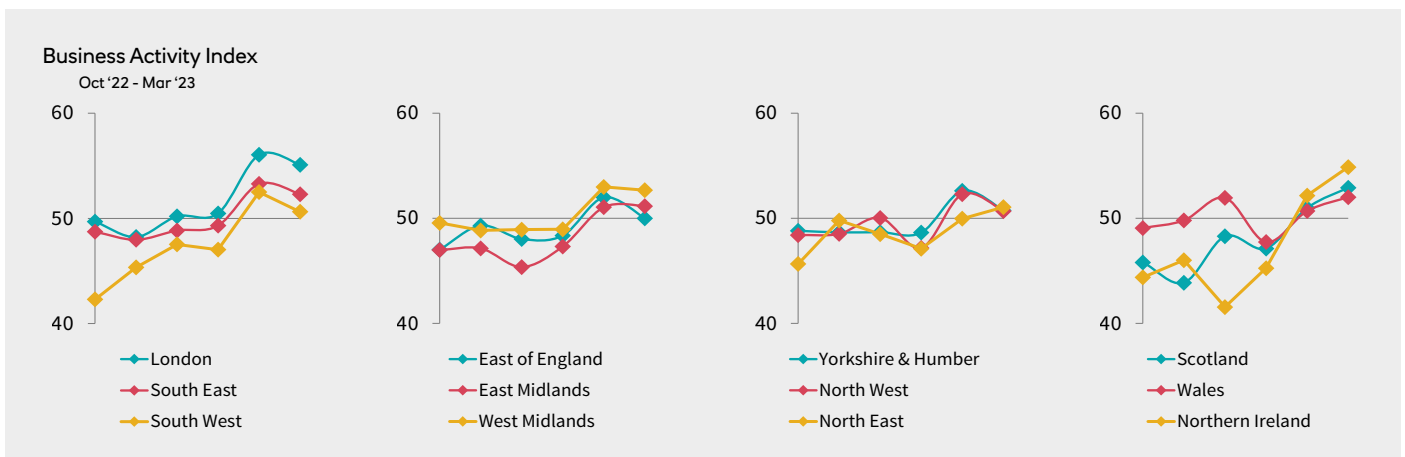
Price pressures, although still high, continue to ease

Regional PMI<sup>®</sup> data from Royal Bank of Scotland indicated a positive end to the first quarter for firms across most areas of the UK, supported by a broad-based uptick in demand. Business expectations were optimistic, with the survey showing a continued softening of cost inflation. However, the picture for employment was mixed.

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.

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged (index at 50.0). Growth did however ease in the majority of cases, including the top-ranked region, London (55.1). The most notable upswing in momentum was in Northern Ireland\* (54.9), where business activity rose at the quickest rate for a year.

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



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## About the UK Regional PMI® report

The Royal Bank of Scotland 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).

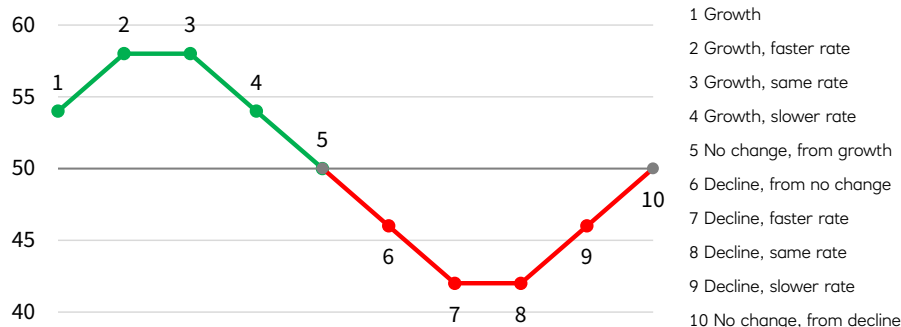
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"March's PMI data rounded off an encouraging first quarter, with trends in activity and new business having improved compared to the second half of last year across all regions and nations.*

*"London remains ahead of the pack when it comes to growth, recording the strongest increases in both business activity and inflows of new work in March.*

*"Price pressures remain elevated across the UK. However, we've seen*

*firms' input costs rise at a slower rate in all areas in March, in the latest sign that headline inflation is likely to start coming down in the months ahead.*

*"Signs of life in demand, together with easing energy and inflation concerns, has contributed to a marked improvement in business confidence in all regions from the lows seen last autumn.*

*"It's more of a mixed bag on the jobs front, however. The stability in employment seen at the UK level in March masked divergent regional trends, with workforce numbers falling in just under half of the areas monitored, and markedly in some*

*cases. With only Northern Ireland and London recording increases in backlogs of work during the latest month, the data hint at capacity pressures having eased in most areas of the UK."*

## Demand and outlook

### New business increases universally

New business rose across all 12 monitored areas in March, albeit at varying rates. The sharpest increase by far was in London, where new business growth was the quickest for a year. The North East placed second in the rankings, marking a turnaround from its underperformance throughout much of 2022. Yorkshire & Humber recorded the slowest rise in new orders, and one that was only marginal.

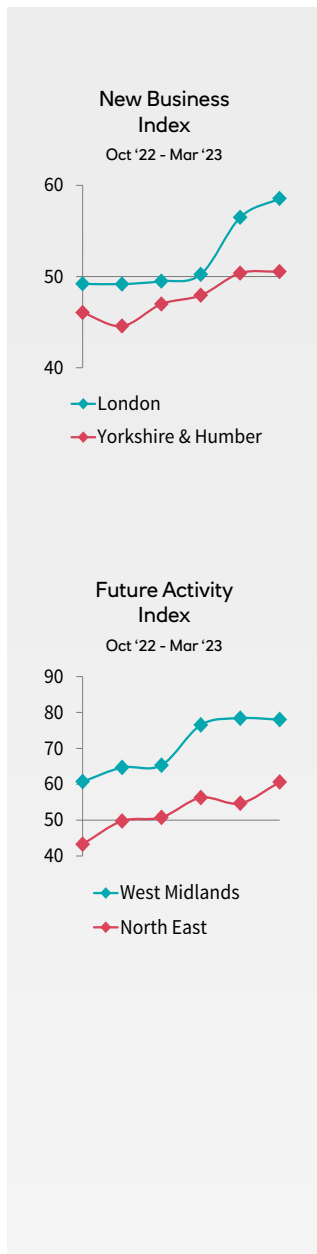
New Business Index  
sa, >50 = growth since previous month, Mar '23



### Firms in West Midlands most optimistic towards outlook

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

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



## Business capacity

### Diverging trends in regional employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

### Backlogs fall everywhere except in London and Northern Ireland

Of the 12 areas monitored, only London and Northern Ireland recorded a rise in outstanding business in March. Furthermore, the increases registered there were marked. Business capacity pressures eased elsewhere, but particularly in Wales, where firms noted a solid and accelerated drop in backlogs, and one that was among the sharpest seen over the past two-and-a-half years.



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



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



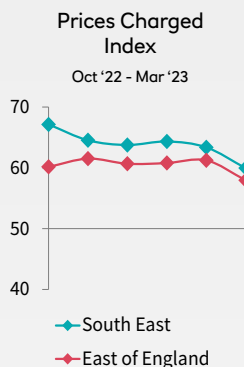
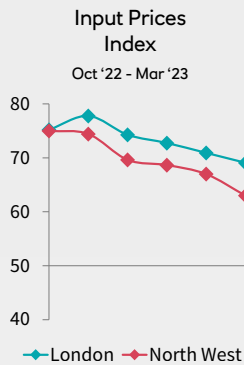
## Prices

### Rates of input cost inflation continue to ease

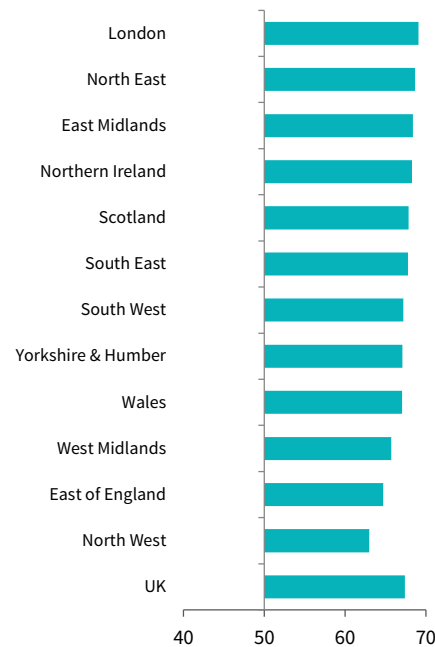
Input cost inflation eased across the board in March. The North West saw the greatest slowdown, leaving it at the foot of the rankings. That said, rates of cost inflation remained stubbornly high in all cases, registering firmly above their respective historical averages. London saw the steepest rise in operating expenses, as had been the case in February.

### Further sharp, albeit generally slower rises in prices charged

High cost pressures faced by businesses once again translated into steep increases in average prices charged for goods and services in March. Firms in the South East recorded the sharpest rise in output prices. Rates of charge inflation generally slowed, however. The one exception was Scotland, although the rate of increase there remained close to February's 22-month low.



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



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





## Index summary

### UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	55.1	58.6	69.6	51.0	53.4	69.1	58.3
South East	52.3	54.5	74.8	49.8	48.0	67.8	60.0
South West	50.6	51.9	71.4	49.3	47.6	67.2	59.1
East of England	50.0	53.3	72.0	50.9	47.4	64.7	58.0
East Midlands	51.2	51.3	71.5	49.7	47.3	68.4	58.1
West Midlands	52.7	54.1	78.0	50.5	49.9	65.7	59.7
Yorkshire & Humber	50.7	50.5	75.6	50.1	49.3	67.1	59.5
North West	50.7	51.1	70.3	50.2	47.6	63.0	58.5
North East	51.1	54.9	60.6	45.2	49.3	68.6	58.7
Scotland	52.9	53.2	64.1	52.5	48.6	67.8	59.0
Wales	52.0	53.7	72.3	45.7	45.0	67.0	59.2
Northern Ireland	54.9	53.1	61.4	56.6	53.2	68.3	59.7

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### 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.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

### 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](https://ihsmarkit.com/products/pmi.html)

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