



Royal Bank of Scotland UK Regional PMI[®]

UK growth revival encompassing almost all nations and regions

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Mar '24



Key findings

11 out of 12 nations and regions record higher output in March

Upturn in activity generally supported by improved inflows of new work

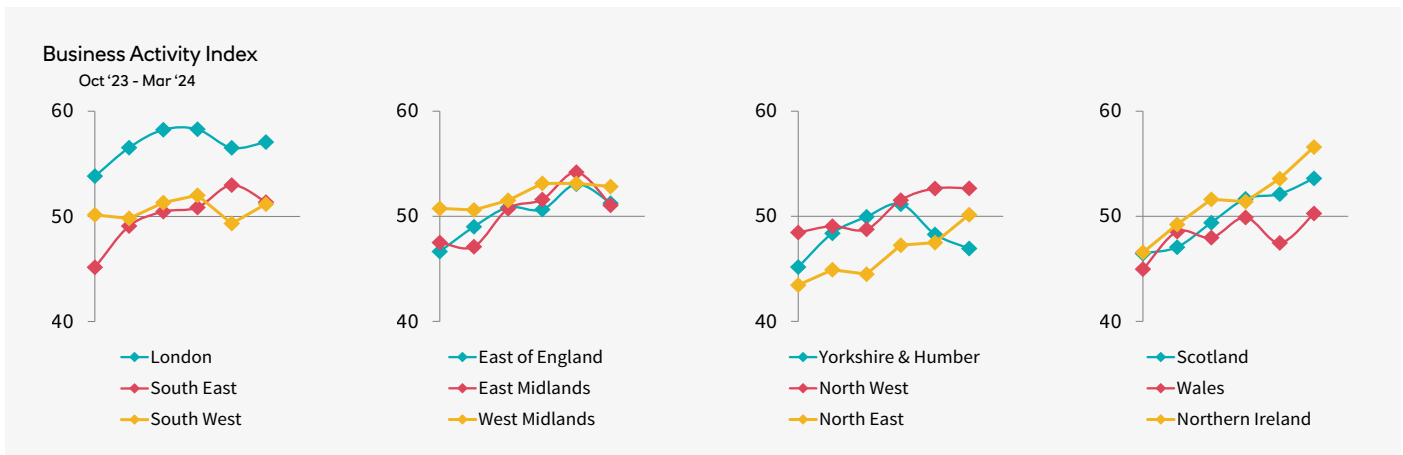
Business cost pressures ease slightly but remain strong

Latest Royal Bank of Scotland Regional PMI[®] survey data showed business activity rising almost universally across the UK in March, supported by a general upturn in demand. Trends in employment remained more mixed, with just over half of areas seeing growth in job numbers amid still-strong cost pressures. Positively, rates of input price inflation generally eased, and firms remained optimistic about the outlook for the year ahead.

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.

Business activity growth was recorded in 11 of the 12 monitored nations and regions, led by London (index at 57.1). Close behind was Northern Ireland*, which gathered considerable momentum to post its steepest rise in output for over two years (56.6). There were renewed expansions in the South West (51.2), Wales (50.3) and North East (50.2). Only Yorkshire & Humber (46.9) went against the trend, recording a second straight monthly contraction.

* 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).

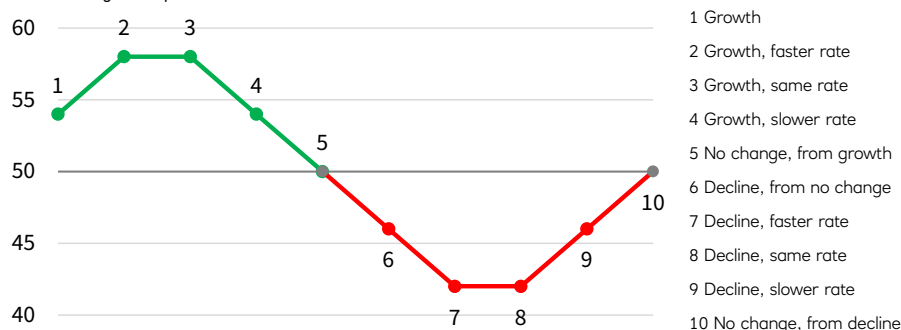
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"The picture for the UK economy has brightened since the end of last year, and the same goes for most regions and nations with business activity rising almost universally in March.

"London continues to lead the way in terms of business activity growth, but Northern Ireland is now close behind having gained considerable momentum so far this year. A number of other areas have returned to growth in a sign that the upturn is broadening out.

"Encouragingly, new orders are now rising across most regions and nations, signalling that demand has turned a corner since last year, although for the most part businesses are still seeing only modest growth in sales.

"The picture for the labour market is less clear-cut, with employment increasing in March in a little over half of the 12 monitored regions and nations. Whilst businesses generally expect activity to rise in the coming year, with confidence levels looking solid across the board, falling backlogs of work in most areas point to low pressure on business capacity,

thereby giving firms more room to manoeuvre when it comes to hiring policies.

"Another factor is that, even after three years of steep cost increases, businesses' input prices are still rising at a relatively fast rate due in large part to wage demands. Cost pressures did at least soften slightly almost everywhere in March, which goes some way to easing concerns over sticky inflation."

Demand and outlook

Northern Ireland leads general upturn in new orders

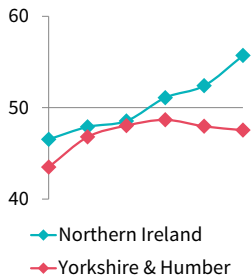
Inflows of new work rose across most regions and nations in March, the only exceptions being Yorkshire & Humber and the North East where data showed modest and marginal decreases respectively. Leading the way was Northern Ireland, which recorded its steepest rise in new business for just over two years. It was followed by London, with Wales in third position but some way behind.

Widespread optimism seen across the UK

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

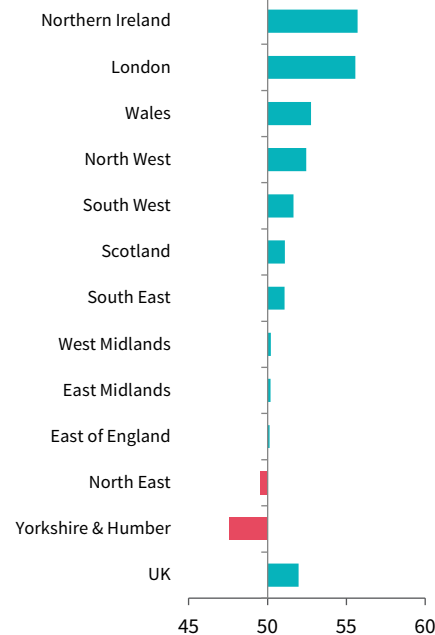
New Business Index

Oct '23 - Mar '24



New Business Index

sa, >50 = growth since previous month, Mar '24



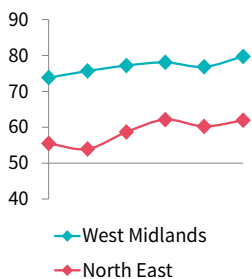
Future Activity Index

>50 = growth expected over next 12 months, Mar '24



Future Activity Index

Oct '23 - Mar '24



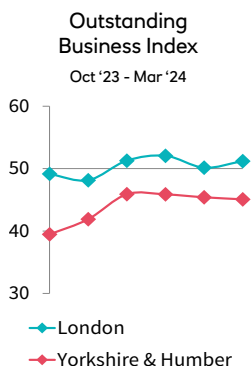
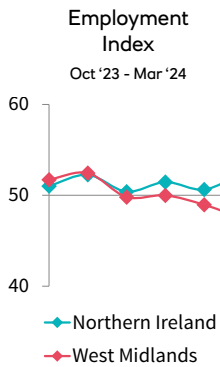
Business capacity

Employment continues to show mixed trends

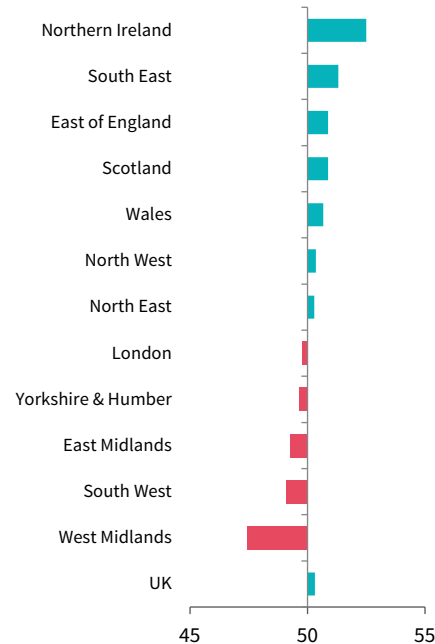
The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Outstanding business continues to fall almost everywhere

As has been the case in each of the past four months, London was the only area of the UK to record a rise in backlogs of work. Work-in-hand fell in all other regions and nations (albeit only fractionally in Scotland), in a sign of a general lack of pressure on business capacity. Yorkshire & Humber recorded the most marked fall in work-in-hand, followed closely by the East of England.



Employment Index
sa, >50 = growth since previous month, Mar '24



Outstanding Business Index
sa, >50 = growth since previous month, Mar '24



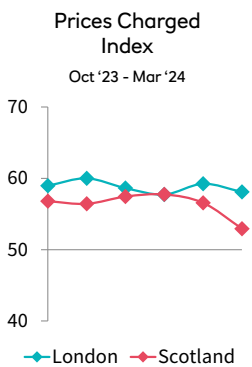
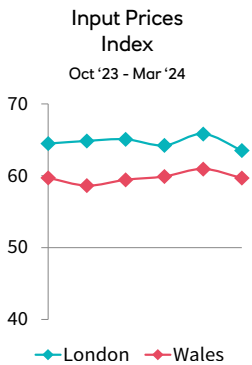
Prices

Cost inflation eases almost across the board

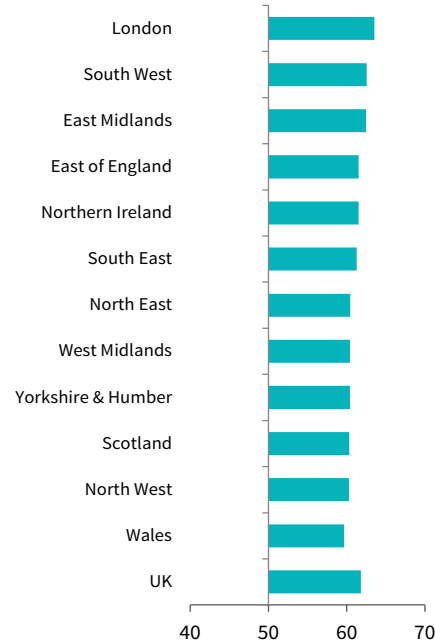
Input price inflation eased almost everywhere in March, with only Northern Ireland seeing a faster rise in costs – its steepest for ten months. Nevertheless, rates of increase remained above their respective historical averages in most cases, including in London which topped the rankings for the thirteenth time in the past 14 months. Firms in Wales reported the slowest overall rise in costs.

Prices charged for goods and services rise fastest in London

Average prices charged for goods and services continued to rise fastest in London, in line with the trend seen in six of the past seven months. Wales was close behind. Rates of inflation generally eased, however. Only Northern Ireland recorded a meaningful acceleration in output price inflation, the rate there reaching a ten-month high.



Input Prices Index
sa, >50 = inflation since previous month, Mar '24



Prices Charged Index
sa, >50 = inflation since previous month, Mar '24



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Mar '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	57.1	55.6	74.0	49.8	51.2	63.5	58.1
South East	51.4	51.1	78.1	51.3	46.5	61.3	56.7
South West	51.2	51.7	71.4	49.1	48.3	62.5	55.5
East of England	51.3	50.1	77.5	50.9	45.2	61.5	55.4
East Midlands	51.0	50.2	70.3	49.3	46.9	62.4	56.4
West Midlands	52.8	50.2	79.7	47.4	47.5	60.4	56.2
Yorkshire & Humber	46.9	47.5	74.0	49.6	45.1	60.4	55.1
North West	52.7	52.5	74.3	50.4	46.3	60.3	54.1
North East	50.2	49.5	61.9	50.3	46.4	60.5	56.8
Scotland	53.6	51.1	64.4	50.9	49.8	60.3	52.9
Wales	50.3	52.8	68.5	50.7	46.4	59.7	57.1
Northern Ireland	56.6	55.7	67.0	52.5	48.4	61.5	56.3

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About Royal Bank of Scotland

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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.

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