10 December 2024

Royal Bank of Scotland UK Regional Growth Tracker

London and North East top growth
rankings in November

10 December 2024

Royal Bank of Scotland UK Regional Growth Tracker

Contents

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PMI®
by S&P Global

Key findings

November 2024

Business activity rises strongly in London and North East

Performances waver in most other nations and regions

Cost pressures generally increase

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

Comment

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

"The two brightest spots of the UK economy in November were London and the North East, which both continued to enjoy relatively strong growth in business activity despite signs of a loss of momentum elsewhere. The North East's mini revival follows a period of underperformance throughout much of 2023, while it has become the norm to see London towards the top end of the growth rankings in recent times.

"On balance, firms throughout the UK continued to forecast growth in business activity over the next 12 months, although we're seeing a general pattern of reduced optimism, in part linked to the anticipated rise in employment costs.

"Labour market trends showed further signs of weakening, with just under half of the 12 nations and regions monitored by the survey seeing a rise in employment. In the cases where job numbers did increase, growth was generally only marginal. Business costs rose more swiftly across most areas in November, which contributed to the cautious approach to hiring."

■ Business Activity   ■ Employment
Index, sa, >50 = growth m/m, Nov '24

London
North East
South West
Northern Ireland
Scotland
East Midlands
West Midlands
East of England
South East
Yorkshire & Humber
North West
Wales

45   50   55

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 12-27 November

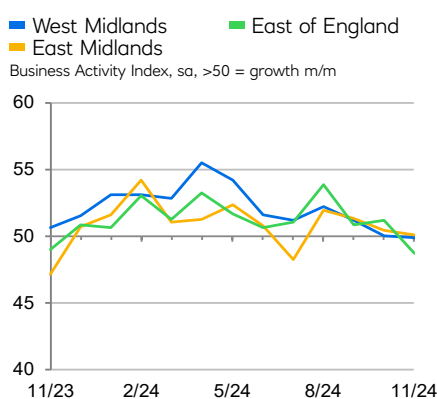**Royal Bank of Scotland**

Business activity

London and the North East were the two standout performers in November, both showing a degree of resilience in the face of slowdowns across other parts of the UK.

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.
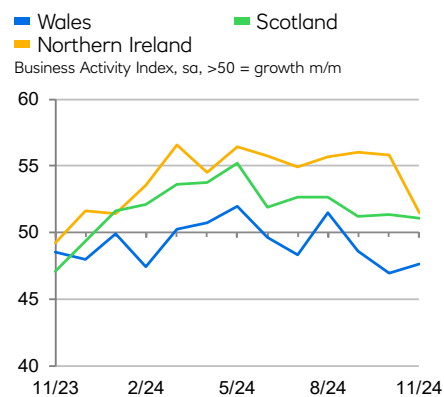
Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.
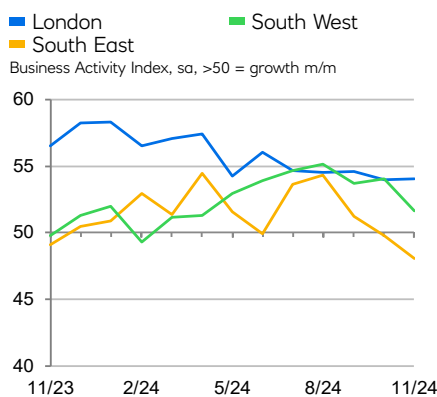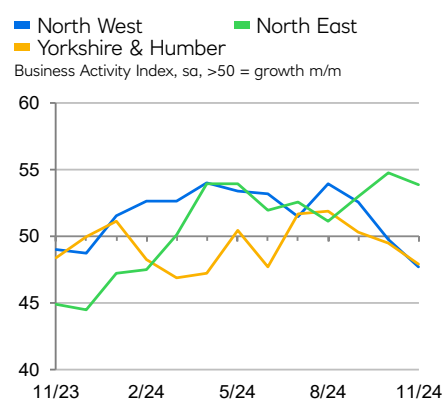
■ London   ■ South West
■ South East
Business Activity Index, sa, >50 = growth m/m

Sources: Royal Bank of Scotland, S&P Global PMI.
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■ Wales   ■ Scotland
■ Northern Ireland
Business Activity Index, sa, >50 = growth m/m

Sources: Royal Bank of Scotland, S&P Global PMI.
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■ West Midlands   ■ East of England
■ East Midlands
Business Activity Index, sa, >50 = growth m/m

Sources: Royal Bank of Scotland, S&P Global PMI.
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■ North West   ■ North East
■ Yorkshire & Humber
Business Activity Index, sa, >50 = growth m/m

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

Business Activity

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

Recovery

Expansion

NE

EM

SC

LN

WM

WL

YH

SW

EE

SE

NI

NW

Contraction

Slowdown

46 47 48 49 50 51 52 53 54 55

2 1 0 -1 -2 -3 -4 -5
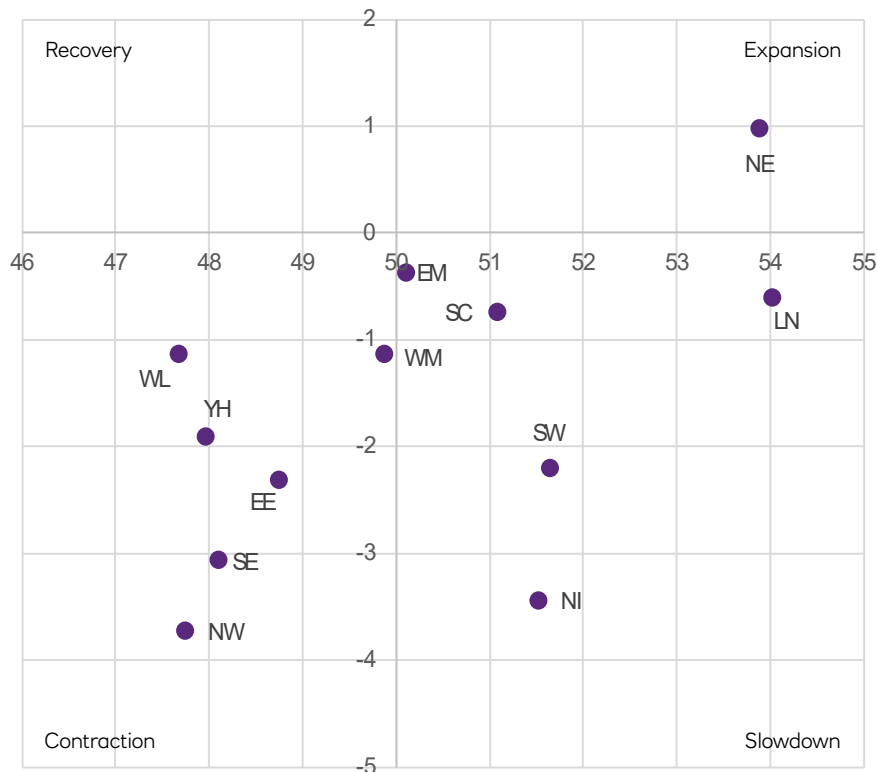
In a typical business cycle, regions will move in a clockwise direction through the four quadrants in the chart to the left.

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 paast 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	EE East of England	NW North West	SC Scotland
SE South East	EM East Midlands	NE North East	WL Wales
SW South West	WM West Midlands	YH Yorkshire & Humber	NI Northern Ireland

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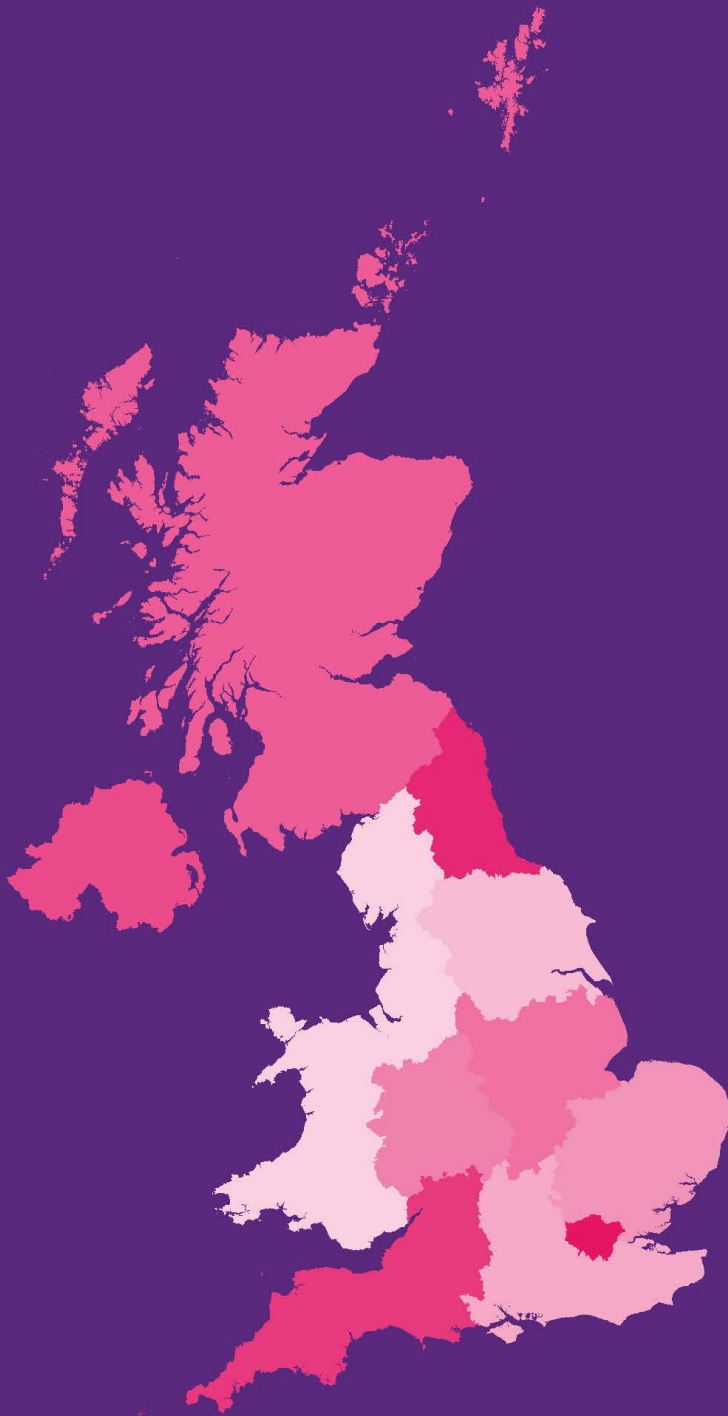
Growth Tracker heat map

November 2024
Darker colour = higher business growth

Business Activity Index, sa, >50 = growth m/m

London	54.0
North East	53.9
South West	51.6
Northern Ireland	51.5
Scotland	51.1
East Midlands	50.1
West Midlands	49.9
East of England	48.7
South East	48.1
Yorkshire & Humber	48.0
North West	47.7
Wales	47.7

47.7　48　48.1　48.7　49.9　50.1　51.1　51.5　51.6　53.9　54

Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Demand and outlook

Demand improves in just four regions in November

Of the 12 nations and regions monitored by the survey, only London, the North East, South West and East of England recorded higher inflows of new business in November. Demand for goods and services was shown to be under pressure elsewhere. Firms in Wales recorded the steepest drop in new orders followed by those in Northern Ireland, with the latter seeing the first decrease for almost a year.
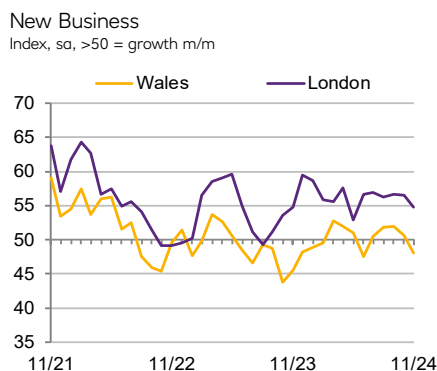
Business optimism remains strong in London

Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.

New Business ■   Future Activity* ■

Index, sa, >50 = growth m/m (*>50 = growth expected), Nov '24

London
North East
South West
East of England
Scotland
Yorkshire & Humber
North West
South East
West Midlands
East Midlands
Northern Ireland
Wales
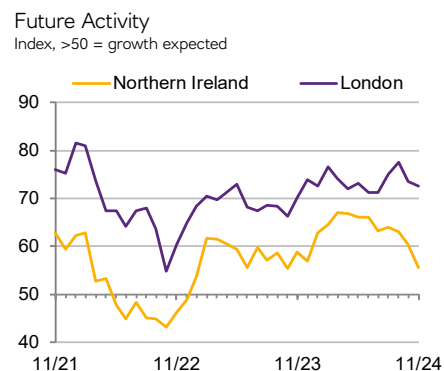
45   50   55   60   65   70   75

Sources: Royal Bank of Scotland, S&P Global PMI.
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"On balance, firms throughout the UK continued to forecast growth in business activity over the next 12 months, although we're seeing a general pattern of reduced optimism"

Sebastian Burnside, Royal Bank of Scotland Chief Economist

New Business
Index, sa, >50 = growth m/m

— Wales   — London

70
65
60
55
50
45
40
35
11/21   11/22   11/23   11/24

Sources: Royal Bank of Scotland, S&P Global PMI.
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Future Activity
Index, >50 = growth expected

— Northern Ireland   — London

90
80
70
60
50
40
11/21   11/22   11/23   11/24

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

Employment growth strongest in North East...

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

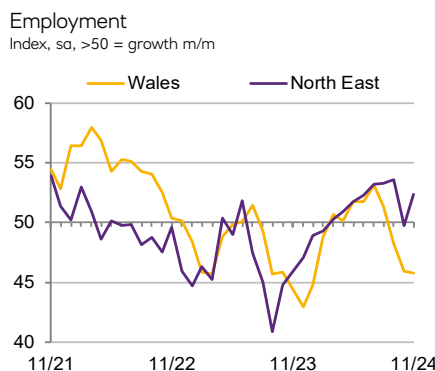## ...as the region sees greatest capacity pressure

A solid rise in workforce numbers across the North East in November was consistent with signs of capacity pressures building in the region. In fact, it was one of just two areas where backlogs of work increased during the month, the other being the South West, which saw only marginal growth. At the other end of the scale, the greatest decrease in outstanding business was seen in Wales.

■ Employment   ■ Outstanding Business
Index, sa, >50 = growth m/m, Nov '24

North East
London
Northern Ireland
Scotland
Yorkshire & Humber
East Midlands
North West
South West
East of England
South East
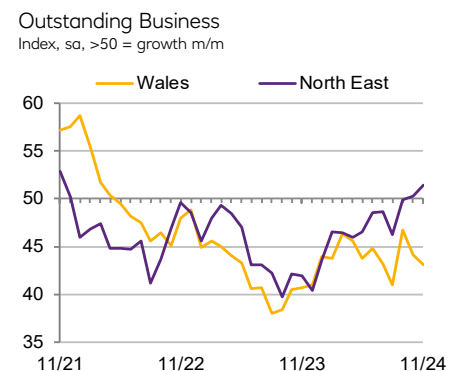West Midlands
Wales

40   45   50   55

Sources: Royal Bank of Scotland, S&P Global PMI.
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"Labour market trends showed further signs of weakening, with just under half of the 12 nations and regions monitored by the survey seeing a rise in employment"

Sebastian Burnside, Royal Bank of Scotland Chief Economist

Employment
Index, sa, >50 = growth m/m

Wales   North East

60
55
50
45
40
11/21   11/22   11/23   11/24

Sources: Royal Bank of Scotland, S&P Global PMI.
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Outstanding Business
Index, sa, >50 = growth m/m

Wales   North East

60
55
50
45
40
35
11/21   11/22   11/23   11/24

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

Cost inflation accelerates in most nations and regions

In a reversal of the situation in Ocotber, business costs rose a quicker rate in the majority of the 12 UK nations and regions in November. The greatest acceleration was seen in Northern Ireland, which also topped the ranking for the fastest overall rate of increase ahead of the North East. The only places that saw slower increases in input prices were London and the East of England, the latter of which recorded the joint-softest overall cost pressures (along with Wales).

Output prices rise fastest in Northern Ireland

November saw a broad-based increase in average prices charged for goods and services across the UK, led by a steep and accelerated rise in Northern Ireland. There, the rate of inflation was at an 18-month high. Faster increases were recorded in six other nations and regions. The West Midlands was one of the exceptions, registering the slowest overall rise and its weakest rate of inflation since July 2020.

Input Prices ■ **Output Prices** ■
Index, sa, >50 = inflation m/m, Nov '24

Sources: Royal Bank of Scotland, S&P Global PMI.
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Input Prices
Index, sa, >50 = inflation m/m

— East of England — Northern Ireland

11/21   11/22   11/23   11/24

Sources: Royal Bank of Scotland, S&P Global PMI.
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Output Prices
Index, sa, >50 = inflation m/m

— West Midlands — Northern Ireland
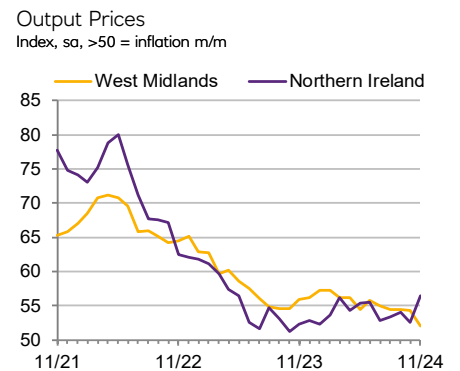

11/21   11/22   11/23   11/24

Sources: Royal Bank of Scotland, S&P Global PMI.
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"Business costs rose more swiftly across most areas in November, which contributed to the cautious approach to hiring"

Sebastian Burnside, Royal Bank of Scotland Chief Economist
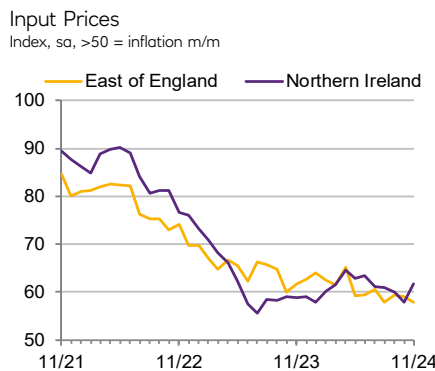
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Methodology

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.

*International Territorial Level 1 definitions.

Index interpretation
Index, sa, >50 = growth m/m
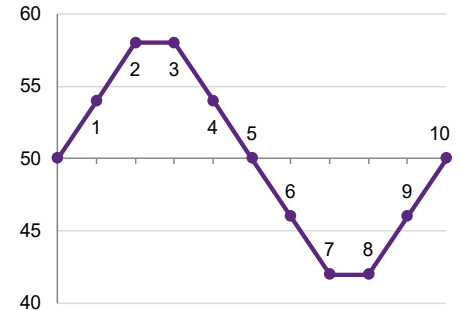
Sources: Royal Bank of Scotland, S&P Global PMI.
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Key

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

Data

Manufacturing and services
Index, sa, 50 = no change over previous month. *50 = no change over next 12 months. Nov '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.0	54.8	72.5	50.8	50.0	60.6	55.3
South East	48.1	48.9	68.1	47.7	46.0	59.3	55.2
South West	51.6	54.1	63.7	48.0	50.7	60.5	55.3
East of England	48.7	50.7	65.1	48.0	46.1	57.9	55.6
East Midlands	50.1	48.7	65.6	49.7	44.9	60.4	53.6
West Midlands	49.9	48.8	68.6	47.5	45.3	60.1	52.1
Yorkshire & Humber	48.0	49.6	62.0	50.1	43.6	60.6	53.8
North West	47.7	48.9	65.5	48.5	44.8	60.6	55.0
North East	53.9	54.4	63.5	52.4	51.4	60.8	53.5
Scotland	51.1	49.7	57.7	50.5	46.3	60.2	55.2
Wales	47.7	48.0	63.2	45.8	43.1	57.9	53.4
Northern Ireland	51.5	48.5	55.6	50.8	45.7	61.7	56.4

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