

Royal Bank of Scotland UK Regional PMI[®]

Nine out of 12 regions report improved trends in activity in November, with London leading the pack

UK Regional PMI



Key findings

London and West Midlands the only regions to see growth in output

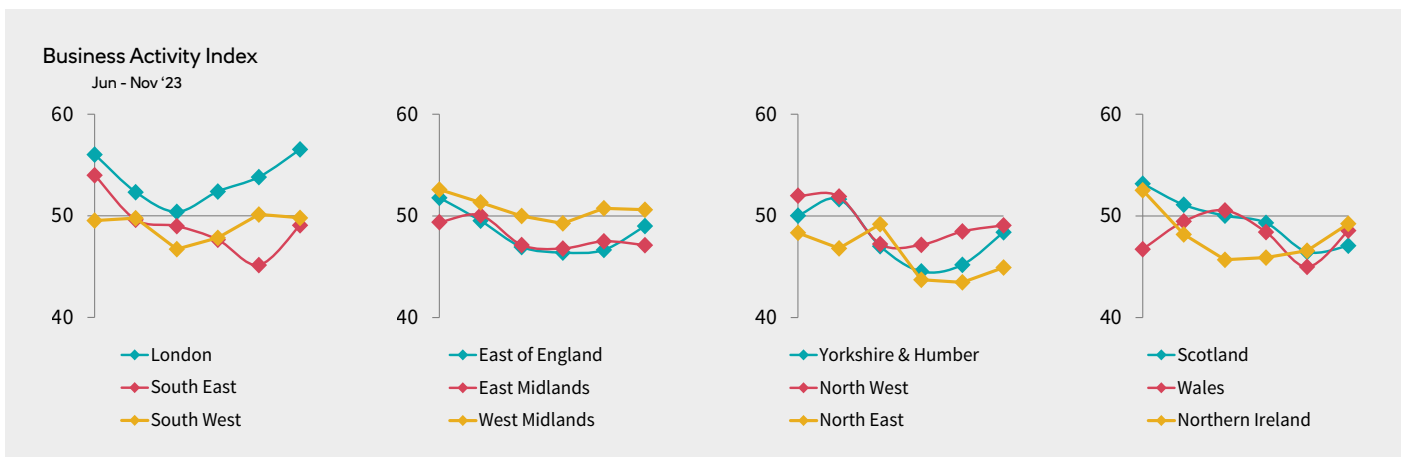
Employment falls in just over half of 12 monitored nations and regions

The capital leads broad-based rises in input and output prices

Growth of the UK economy in November was centred on London, according to the latest Royal Bank of Scotland Regional PMI[®] survey. Inflationary pressures were also strongest in the capital, with firms there recording the steepest rises in both input costs and average prices charged for goods and services. Employment meanwhile fell in most areas.

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.

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity (index at 56.5). The only other area to see growth was the West Midlands (50.6). The North East (44.9) once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.



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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).

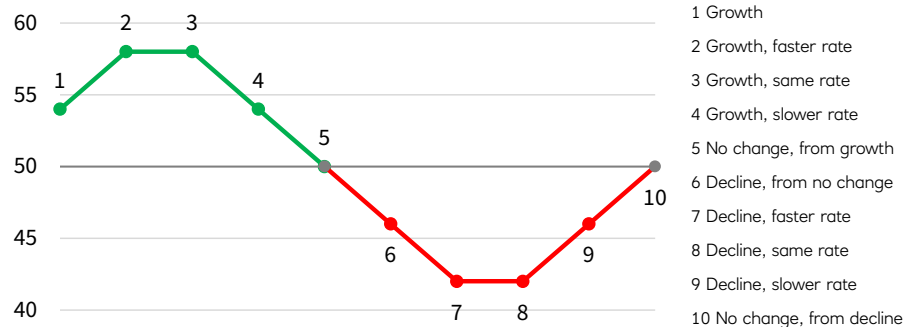
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Although output across the UK as whole is broadly steady, our PMI results reveal some real divergences in economic performance across the nations and regions.

"Firms in London are thriving, with business activity in the capital showing robust growth as we head towards the end of the year. In most other places, output levels are suffering as a consequence of downward pressure on demand from high interest rates and general customer uncertainty. However, we

can take some encouragement from the fact that rates of contraction more often than not slowed in November.

"The labour market has undoubtedly cooled amid signs of slack in the economy, though the picture is less clear cut once we start digging deeper into regional trends. In fact, there are still pockets of job creation as businesses demonstrate a resilience to the current economic backdrop.

"It's a mixed picture on the inflation front, too, with firms in half of the 12 regions and nations recording faster increases in average output

prices and the remainder seeing either no change or a decline in the rate of inflation. Price pressures remain strongest across services due in large part to the influence of rising wages. It makes sense to see London recording the steepest rises in both input costs and output prices, with its economy dominated by the service sector and firms in the capital enjoying greater pricing power due to improving demand."

Demand and outlook

New orders fall in most areas, with London the main outlier

Most areas recorded a fall in new orders in November, albeit with rates of decline generally easing. Businesses in the East Midlands recorded the steepest drop in demand, followed by those in Wales. The West Midlands went against the trend and recorded marginal growth in new business, but the main outlier was London where inflows of work rose markedly.

Business confidence improves in just over half of cases

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.



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



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



Business capacity

Scotland once again sees strongest employment growth

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Further broad-based decline in outstanding business

As has been the case in each of the past five months, all areas of the UK recorded a reduction in outstanding business (i.e. orders not yet started or awaiting completion) during November. Wales registered the steepest drop in backlogs, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, albeit with the rate of depletion there easing to the weakest since July. The smallest fall in work-in-hand was in London.



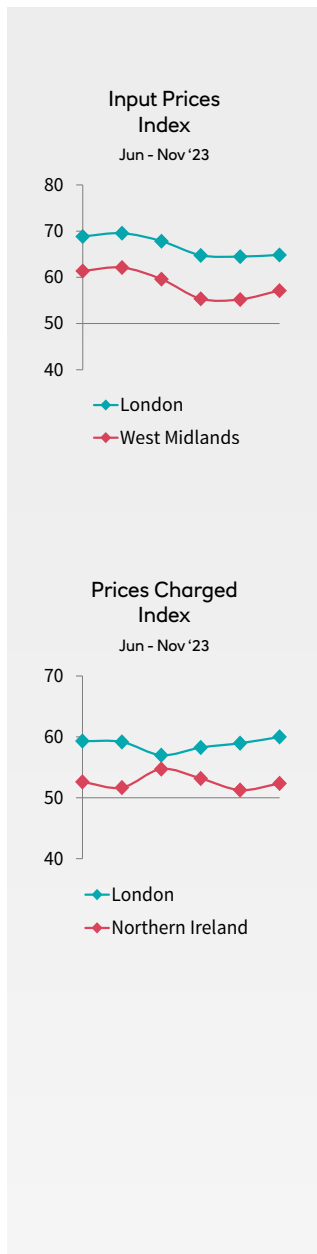
Prices

London sees steepest rise in business costs...

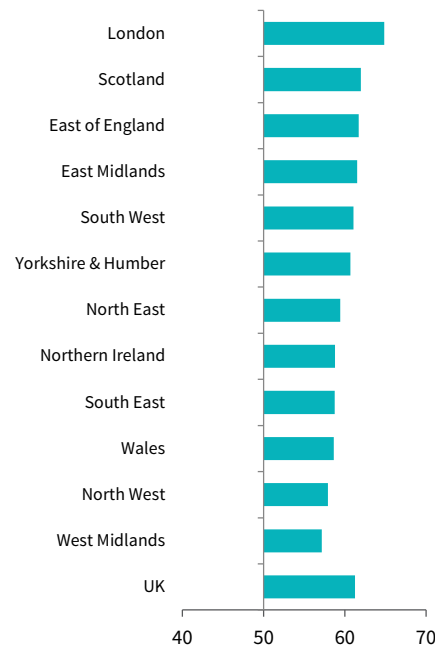
Slightly more regions recorded a rise in costs pressures than those that registered a moderation in November. London, which was one of the areas where input price inflation ticked up, remained at the top of the rankings. Here, the rise in operating expenses remained faster than the historical trend. The opposite was true in the West Midlands, which posted the slowest overall increase in input costs.

...as well as highest rate of output price inflation

As well as seeing the steepest rise in cost burdens, firms in London recorded the most marked increase in average prices charged in November. The rate of output price inflation in the capital was at a seven-month high and by far the quickest among the monitored nations and regions. Firms in Northern Ireland* reported the slowest rise in prices charged for the second month running.



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



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	56.5	54.8	70.1	50.9	48.1	64.9	60.0
South East	49.1	48.1	73.1	49.3	43.3	58.7	57.5
South West	49.8	48.9	65.0	49.9	45.6	61.0	55.7
East of England	49.0	46.6	71.6	48.8	42.7	61.7	55.7
East Midlands	47.1	45.0	62.1	46.0	46.0	61.5	56.6
West Midlands	50.6	50.4	75.7	52.4	45.7	57.1	55.9
Yorkshire & Humber	48.4	46.8	71.7	51.2	41.9	60.7	55.3
North West	49.1	48.3	66.6	49.3	43.5	57.9	53.6
North East	44.9	46.6	54.0	45.9	41.9	59.4	55.4
Scotland	47.1	47.1	59.5	52.5	46.6	61.9	56.4
Wales	48.5	45.5	61.2	44.4	40.7	58.6	54.6
Northern Ireland	49.2	47.9	58.9	52.3	41.2	58.8	52.3

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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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