

12 November 2024

Royal Bank of Scotland UK Regional Growth Tracker

Northern Ireland growth powers into
Autumn



Royal Bank of Scotland

PMI[®]

by **S&P Global**

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Contents

Key findings

Comment

Business activity

Business cycle by region

Regional heatmap

Demand and outlook

Employment and capacity

Inflation

Methodology and data

Further information



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Key findings

October 2024

Seven out of 12 areas record output growth, down from 11 in September

Employment falls in the majority of cases

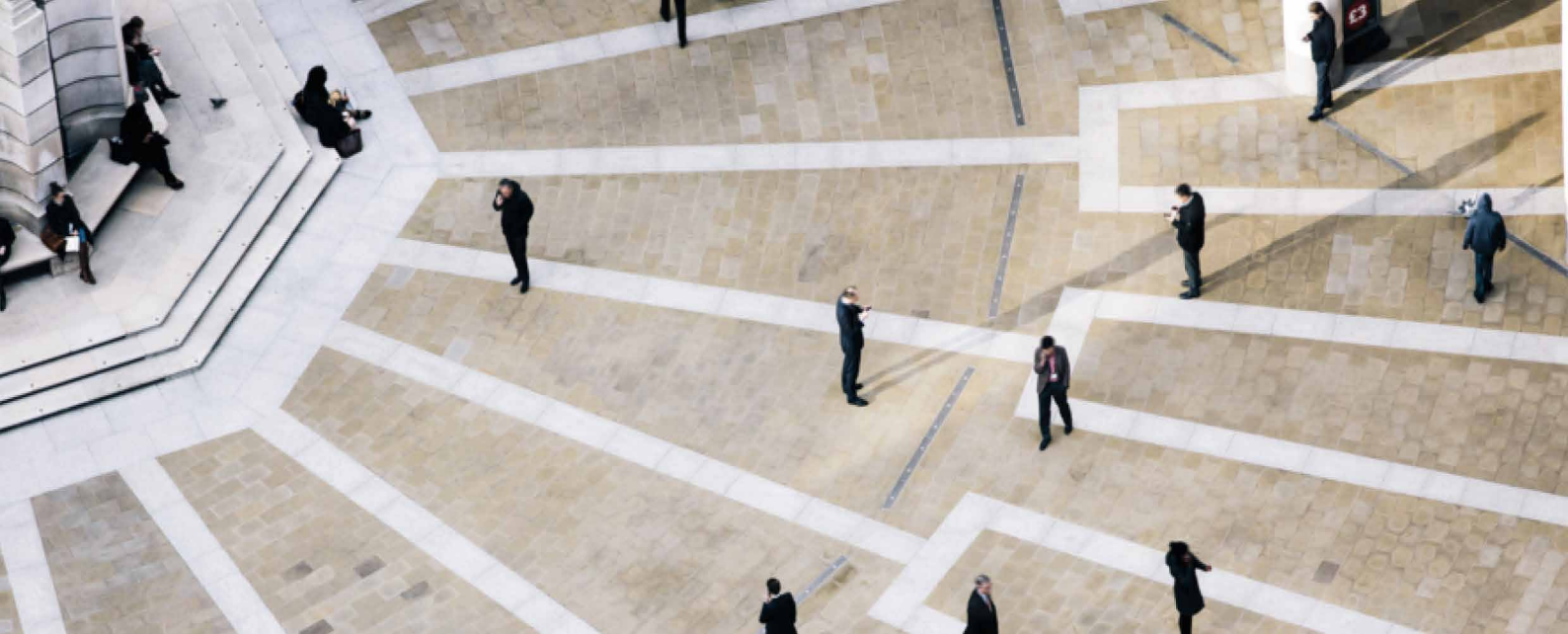
Cost inflation facing businesses generally eases

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:

"Growth in the UK economy slowed down in October, which was reflected in fewer of the nations and regions recording an expansion in business activity. The uncertainty around the Autumn Budget (which was announced after data collection had finished) played a part, leading to some trepidation among businesses and consumers alike.

"As well as decreases in most of the headline numbers for this month's UK Regional Growth Tracker, October saw sluggishness in underlying demand in some places and generally less optimism towards the outlook. Growth expectations weakened in just over half of cases, amid a backdrop of policy uncertainty.

"We also saw greater hesitancy around hiring, with just a third of the areas monitored recording a rise in employment, the fewest in the year to date. Northern Ireland was the

main outlier, seeing another notable rise in workforce numbers, alongside relative buoyant growth in business activity.

"Positively, businesses for the most part saw slower cost increases compared to those faced the month before. The impact of the Autumn Budget on business costs will be in focus as we move into next year, but we may even see some effects in the coming months - particularly around pay - as firms plan for the rise in the National Minimum Wage and employers' National Insurance contributions next spring.."

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



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 12-26 September

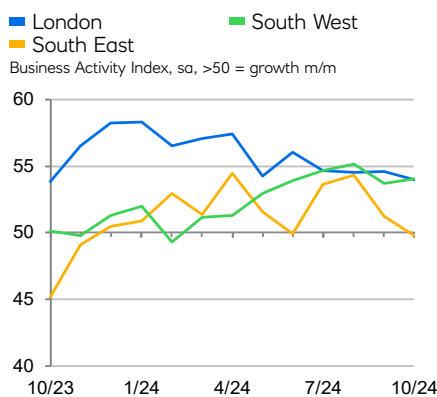


Business activity

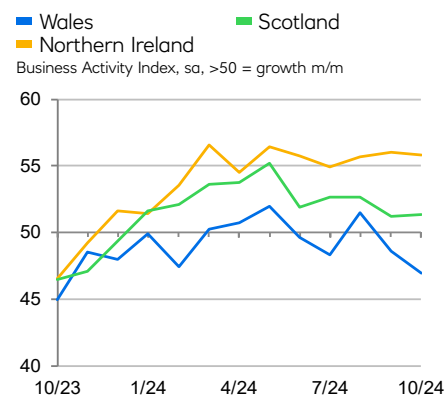
Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September.

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.

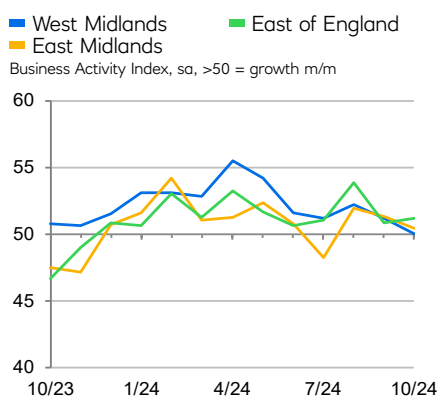
Northern Ireland continued to see the strongest growth, topping the rankings for the fourth month in a row. At the same time, there were solid increases in output across the North East, South West and London. Wales recorded the steepest drop in activity, its sharpest for 12 months, and was joined in contraction by Yorkshire & Humber, the South East and North West.



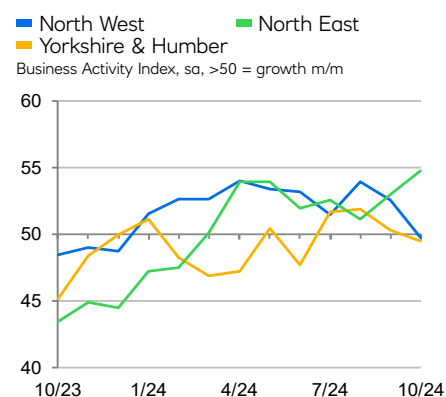
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



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



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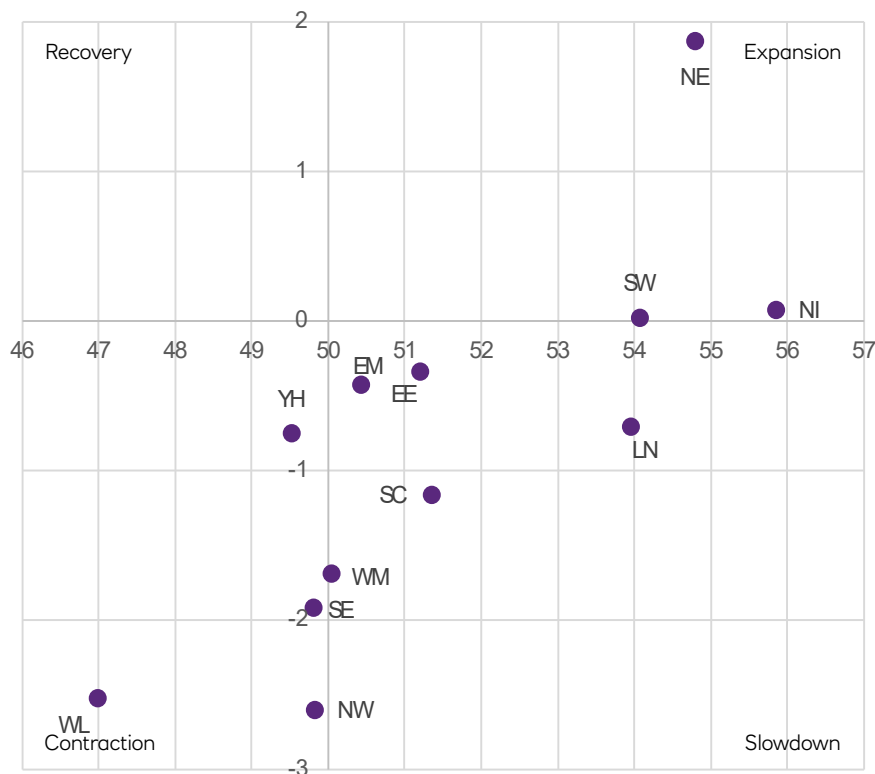
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Business cycle by nation and region

Business Activity

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



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 |

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.

Growth Tracker heat map

October 2024

Darker colour = higher business growth

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

Northern Ireland	55.8
North East	54.8
South West	54.1
London	54.0
Scotland	51.3
East of England	51.2
East Midlands	50.4
West Midlands	50.0
North West	49.8
South East	49.8
Yorkshire & Humber	49.5
Wales	47.0



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



Demand and outlook

London leads growth in new business

Following broad-based growth in new business in both August and September, three areas saw a decrease in October, namely the East of England, Scotland and East Midlands. The strongest improvement in underlying demand was seen in London. The North East also recorded a marked rise in inflows of new work, and was one of just two regions (alongside Yorkshire & Humber) to see a faster rate of growth than in September.

Growth expectations soften in just over half of cases

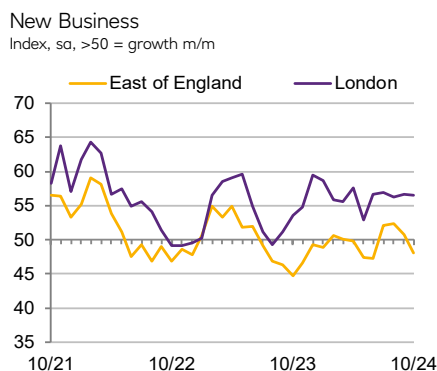
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.



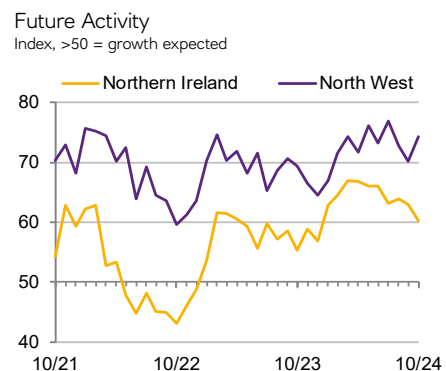
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

"October saw sluggishness in underlying demand in some places and generally less optimism towards the outlook"

Sebastian Burnside, Royal Bank of Scotland Chief Economist



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Employment and capacity

Employment rises in just one-third of areas in October

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Backlogs of work decline in most cases

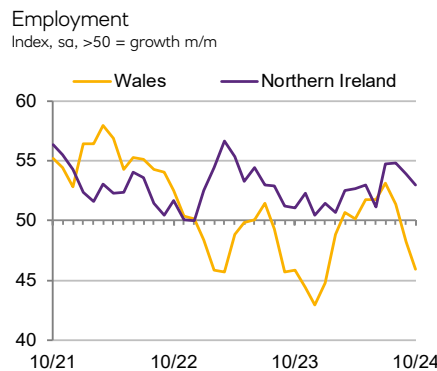
The majority of the 12 nations and regions recorded lower backlogs of work in October, in a sign of a general lack of pressure on business capacity. Firms in Wales registered the most marked decline, followed by those in the East of England. There were two instances of growth in outstanding business, in the North East and London, but in both cases the rates of accumulation were marginal.



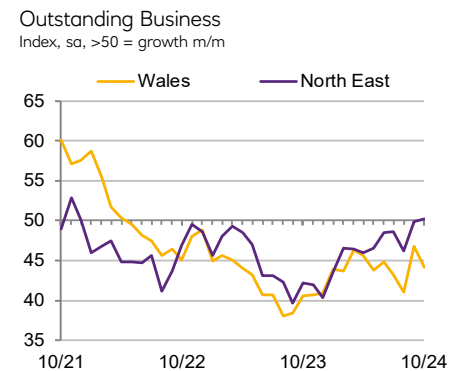
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

"We also saw greater hesitancy around hiring, with just a third of the areas monitored recording a rise in employment, the fewest in the year to date"

Sebastian Burnside, Royal Bank of Scotland Chief Economist



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Inflation

Rates of cost inflation slow in the majority of places

Business costs rose more slowly in the majority of the 12 UK nations and regions in October. One of the exceptions was London, which recorded its steepest increase in input prices in four months and the fastest overall rise ahead of the East of England. Cost pressures were the joint-weakest in the East Midlands and West Midlands.

South West records strongest rise in output prices

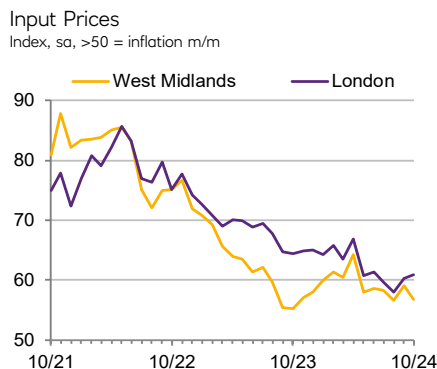
For the third time in the past four months, firms in the South West recorded the strongest rise in average prices charged for goods and services in October. They were followed by those in London and the East of England. Northern Ireland saw the slowest increase and was one of six areas where the rate of output price inflation slowed from the month before.



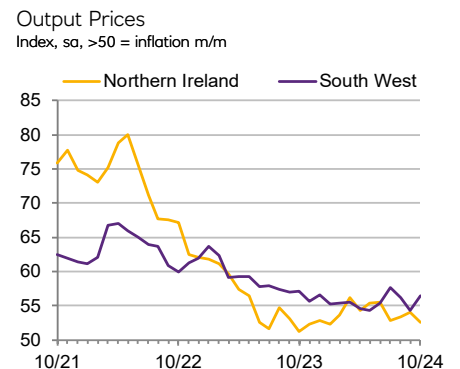
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"Positively, businesses for the most part saw slower cost increases compared to those faced the month before"

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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.

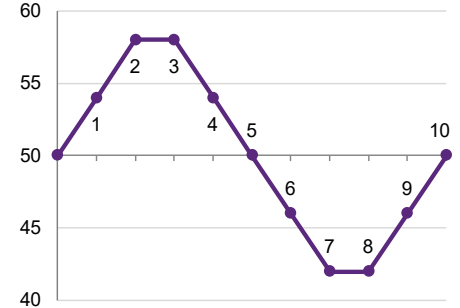
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index 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. ©2024 S&P Global.

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. Sep '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.0	56.5	73.5	49.3	50.1	60.9	54.7
South East	49.8	50.1	73.5	47.7	47.4	56.9	54.2
South West	54.1	55.6	70.1	50.3	50.0	58.3	56.5
East of England	51.2	48.1	70.4	47.7	44.9	59.0	54.7
East Midlands	50.4	49.9	67.1	48.4	46.1	56.8	54.6
West Midlands	50.0	50.5	71.0	46.7	46.5	56.8	54.4
Yorkshire & Humber	49.5	52.8	73.3	50.1	45.2	58.1	54.4
North West	49.8	52.0	74.3	48.3	47.8	57.2	54.6
North East	54.8	56.0	61.6	49.7	50.3	57.5	53.5
Scotland	51.3	49.2	63.7	51.8	49.2	58.8	54.4
Wales	47.0	50.6	64.0	45.9	44.1	57.2	53.0
Northern Ireland	55.8	53.2	60.3	53.0	47.0	57.8	52.6



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