

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

## London remains main bright spot as business activity falls in most areas in October

### UK Regional PMI



### Key findings

Output contracts in nine of out 12 monitored regions and nations

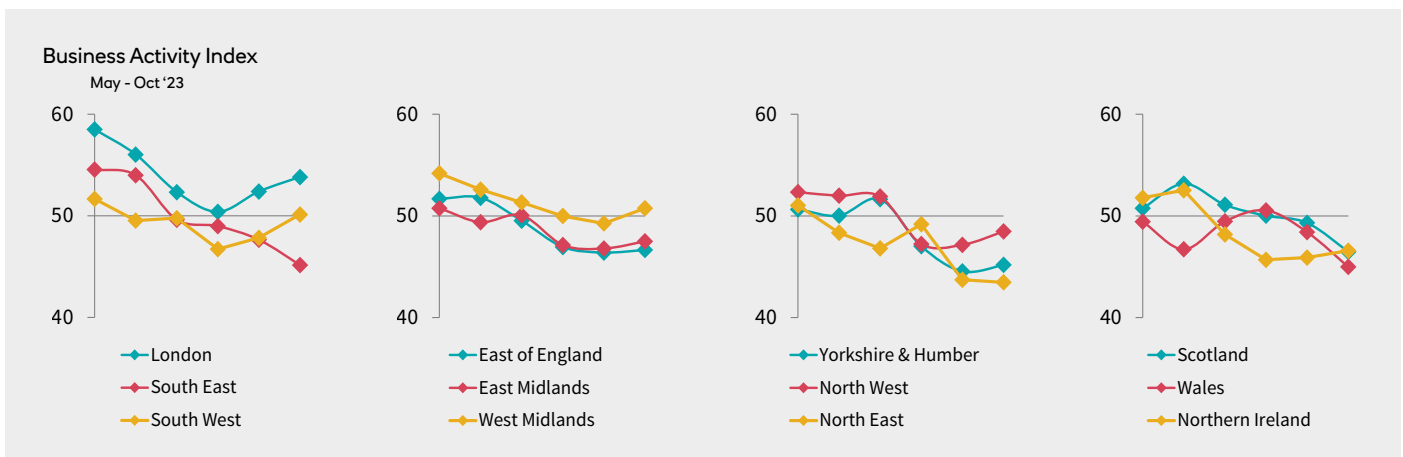
Local labour markets under pressure but showing signs of resilience

Input cost inflation generally slows

Most areas of the UK saw a fall in business activity in October amid broad weakness in demand, according to the latest Royal Bank of Scotland Regional PMI<sup>®</sup> survey. Employment also declined in the majority of cases, albeit generally more slowly than in September. More often than not, business costs rose at a slower rate in October.

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 remained the UK's top-performing region for output growth in October, its business activity index coming in at 53.8. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands (50.7) and South West (50.1). Firms in the North East (43.5) recorded the most marked decline in business activity, followed by those in Wales (45.0).



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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).

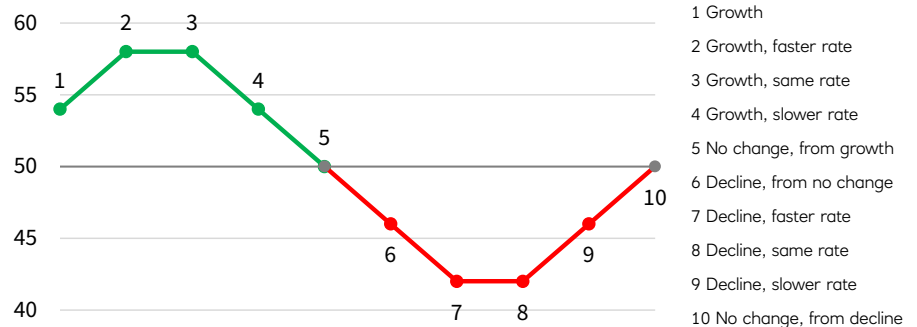
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"Most regional economies remained under pressure at the start of the fourth quarter, with activity falling in nine of the 12 monitored areas.*

*"London remains the main bright spot, having seen activity not only grow in October, but also at a solid rate. Businesses in the capital are reporting robust customer demand, which contrasts with the situation in almost every other area.*

*"There has been greater caution around hiring in recent months*

*as businesses contend with lower activity and rising costs, and we saw further evidence of this in October as employment once again fell across the majority of areas. However, the latest results did at least point to some signs of resilience across local labour markets, with rates of job shedding generally easing and three regions even recording renewed rises in employment.*

*"Whilst business costs generally rose more slowly in October, this didn't always translate into slower increases in prices charged for goods and services as rates of inflation ticked up in half of cases. There*

*is some stickiness in inflationary pressures, driven by ongoing wage increases and the recent resurgence in fuel prices."*

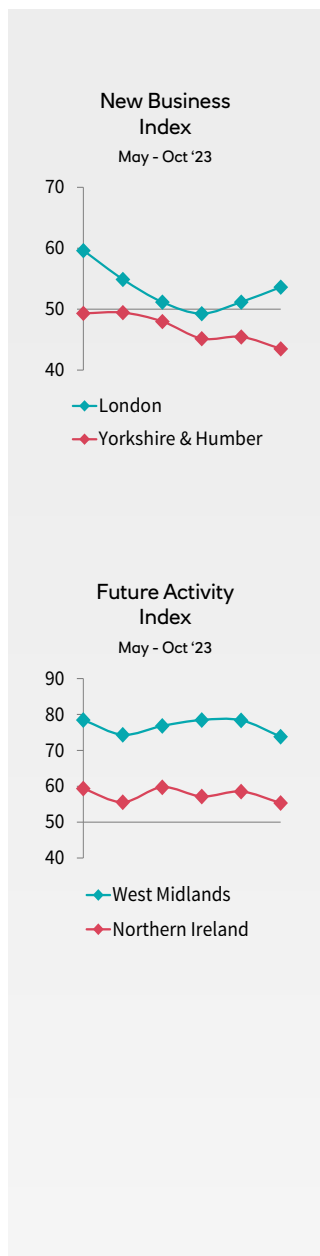
## Demand and outlook

### London and West Midlands defy broad slowdown in demand

Of the 12 monitored nations and regions, only London and the West Midlands recorded a rise in new business in October, with both seeing rates of growth quicken. The broader trend was one of weaker demand for goods and services, however. Firms operating in Yorkshire & Humber noted the steepest drop in new work, the sharpest in the region for nearly three-and-a-half years, followed by those in Wales.

### Expectations, whilst still positive, ease in most areas

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.



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



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



## Business capacity

### Scotland showing greatest resilience on jobs front

Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland\*, North West and East of England also seeing increases.

### Universal decrease in outstanding business

For the fourth successive month, all areas of the UK saw a decrease in outstanding business (i.e. orders not yet started or awaiting completion). As was the case for new business, the sharpest drop in backlogs of work was in Yorkshire & Humber, followed by Wales. At the other end of the scale, firms in London recorded only a marginal decline.



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



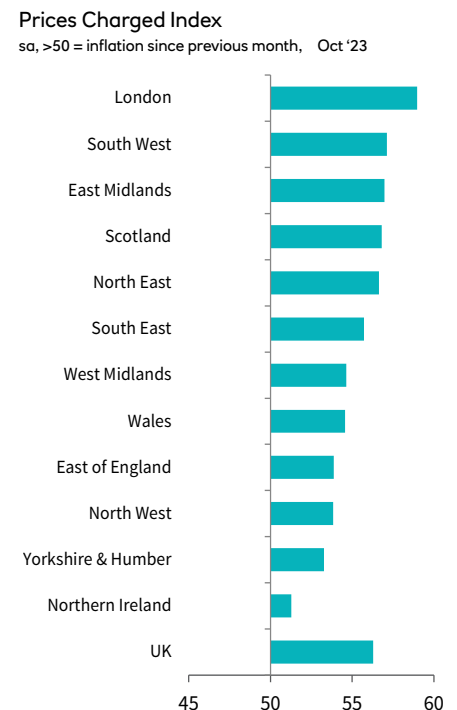
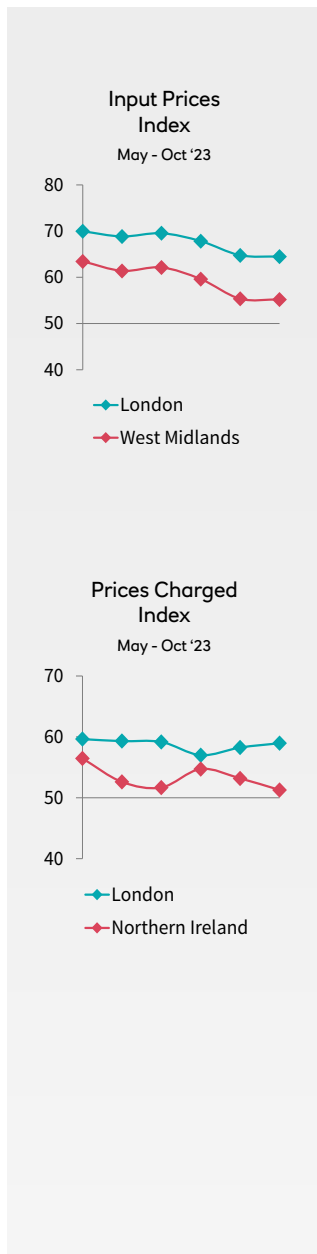
## Prices

### Rates of input cost inflation generally slow

Business costs generally increased more slowly in October, with only Wales, Northern Ireland and the North West seeing rates of input price inflation quicken. Firms in London recorded the steepest overall rise in operating expenses, albeit the slowest in the region since April 2021, while those in the West Midlands faced the weakest increase.

### London once again sees steepest rise in prices charged

Average prices charged by businesses rose across all monitored nations and regions in October, and at quicker rates in half of cases. The strongest increase by far was recorded in London, which topped the rankings for the third time in the past four months. Companies in Northern Ireland recorded only a marginal rise in output prices, the weakest in just over three years.



## Index summary

### UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	53.8	53.6	66.3	47.1	49.1	64.5	59.0
South East	45.2	45.4	71.9	49.7	44.2	59.8	55.7
South West	50.1	49.2	66.8	49.0	47.0	61.1	57.1
East of England	46.7	44.8	67.7	50.1	43.9	60.0	53.9
East Midlands	47.5	44.1	65.6	46.2	45.8	59.3	57.0
West Midlands	50.7	51.3	73.8	51.7	46.8	55.2	54.6
Yorkshire & Humber	45.2	43.5	66.3	48.3	39.5	55.6	53.3
North West	48.5	45.7	69.4	51.0	42.4	56.1	53.8
North East	43.5	44.2	55.5	44.8	42.2	60.2	56.6
Scotland	46.5	48.2	58.9	51.9	45.5	61.5	56.8
Wales	45.0	43.8	64.3	45.8	40.5	59.7	54.6
Northern Ireland	46.6	46.5	55.3	51.0	43.2	59.1	51.3

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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.

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