

10 September 2024

Royal Bank of Scotland UK Regional Growth Tracker

Business activity rises universally for first
time in three months in August



Royal Bank of Scotland

PMI[®]

by **S&P Global**

10 September 2024

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Key findings

August 2024

Business activity growth led by Northern Ireland

Employment rises in ten out of 12 nations and regions

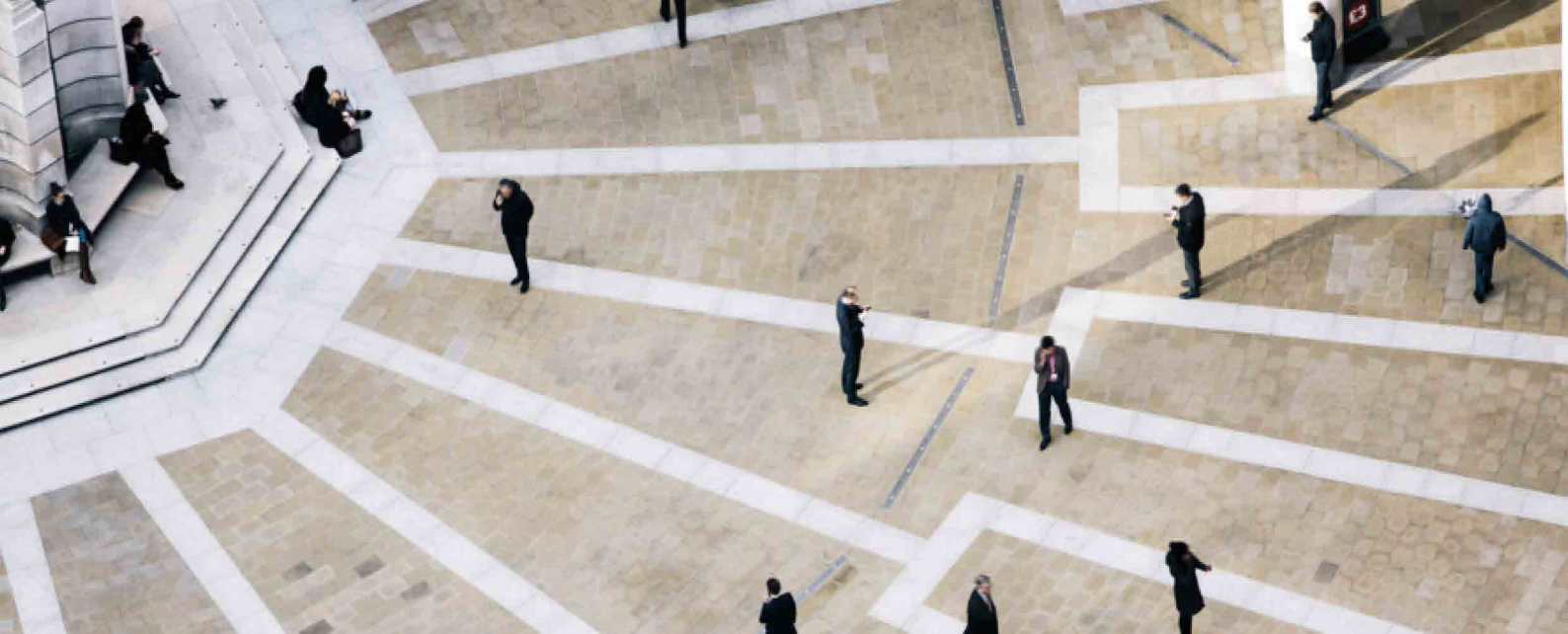
Rates of input cost and output price inflation slow in most cases

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:

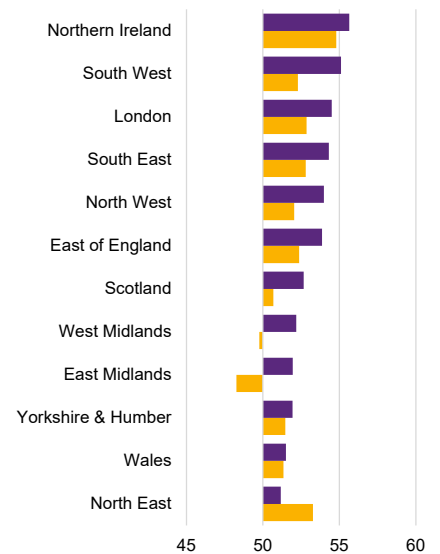
"Our latest Growth Tracker report showed business activity rising across all 12 UK nations and regions in August, representing an improvement from the ten that recorded an expansion in July. Renewed upturns were seen in the East Midlands and Wales, although it was Northern Ireland that remained the brightest spot in terms of outright growth.

"Business optimism generally softened in August, following a post-election bounce in growth expectations in most areas in July. Nevertheless, sentiment towards future activity remains positive across the board, which is helping to support labour market conditions.

"Alongside broad-based growth in business activity, it was encouraging to see price pressures ease in most areas, in what will be very welcome news for the Bank of England's policymakers. This will be something

to watch going forward as we look to assess the direction of travel of inflation and the timing of further interest rate cuts."

■ Business Activity ■ Employment
Index, sa, >50 = growth m/m, Aug '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 12-28 August

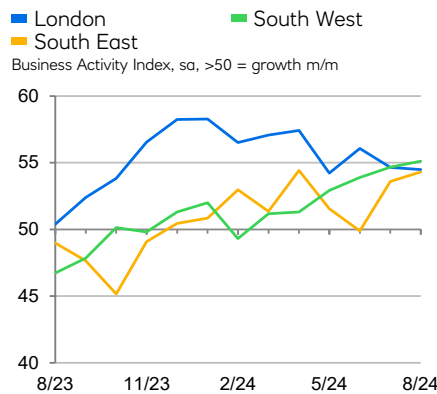


Business activity

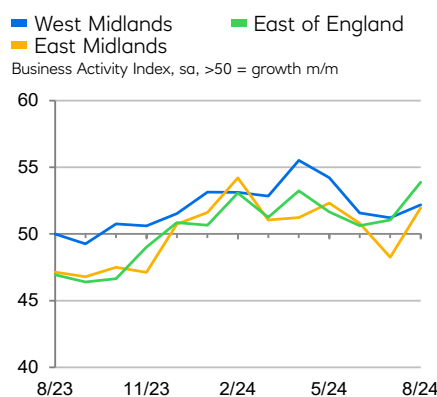
August saw business activity rise universally across the UK for the first time in three months, the latest Royal Bank of Scotland Regional Growth Tracker showed.

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.

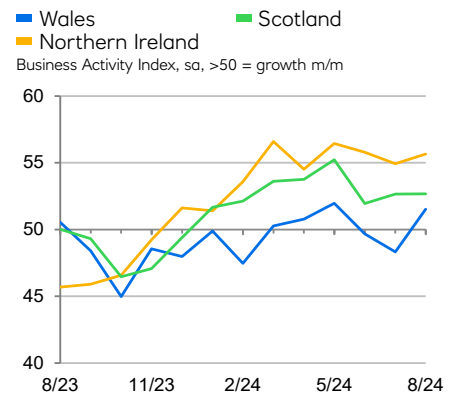
For the first time since May, business activity increased across all 12 nations and regions, up from ten in July. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.



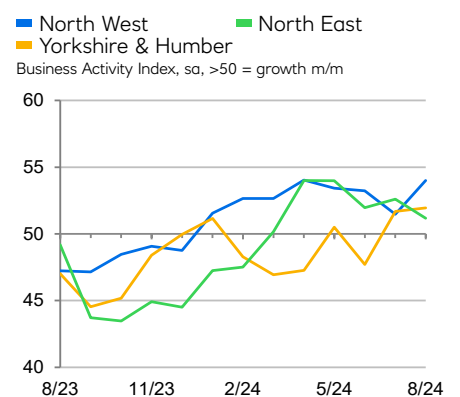
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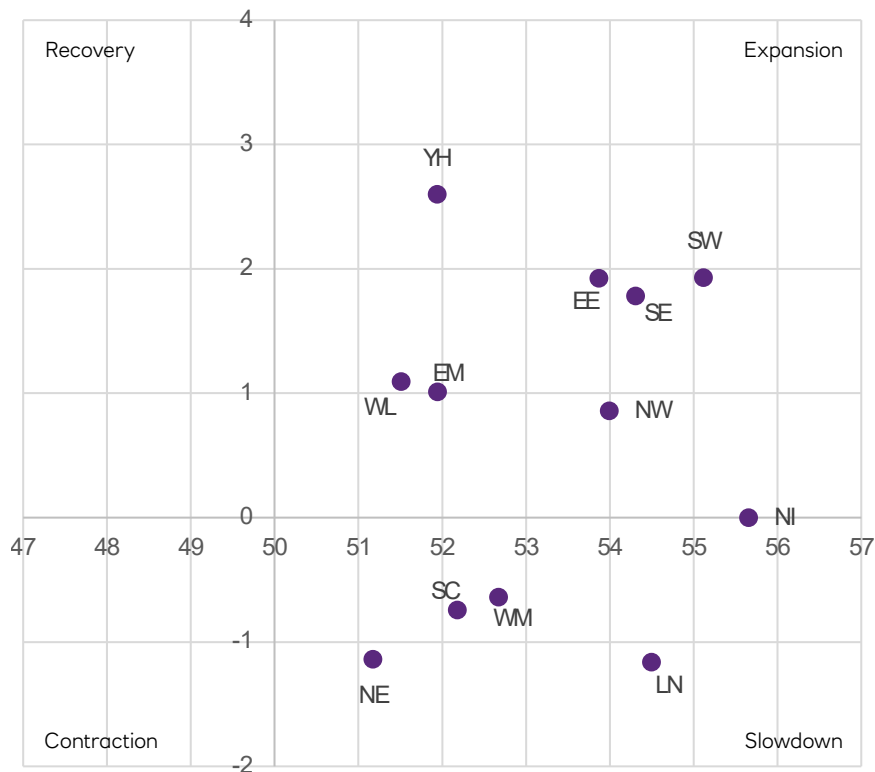
Sources: Royal Bank of Scotland, S&P Global PMI.
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Business cycle by nation and region

Business Activity

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



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.

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 |



Demand and outlook

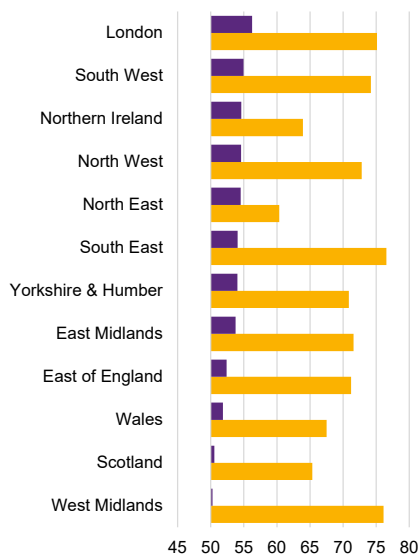
Broad-based rise in new work led by London

London led a broad-based increase in new business in August. It marked the first time in 16 months that all 12 nations and regions recorded growth on this front, with the East Midlands seeing a renewed upturn. The softest rise in new work was recorded in the West Midlands, where the latest increase was only marginal and slower than that seen in July.

Sentiment remains positive across the board despite easing in most cases

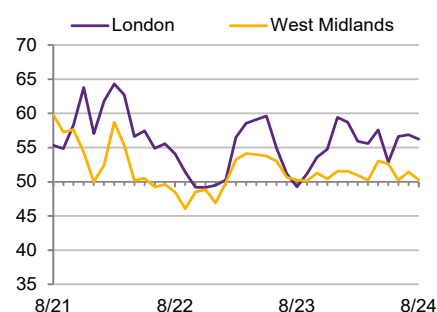
Expectations towards growth prospects remained positive across the board in August, but the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.

■ New Business ■ Future Activity*
Index, sa, >50 = growth m/m (*>50 = growth expected), Aug '24



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

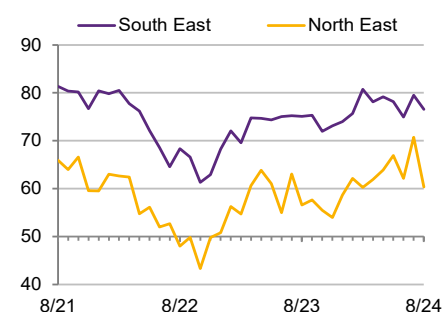


Sources: Royal Bank of Scotland, S&P Global PMI.
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"Business optimism generally softened in August, following a post-election bounce in growth expectations in most areas in July"

Sebastian Burnside,
NatWest Chief Economist

Future Activity
Index, >50 = growth expected



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

Northern Ireland tops employment growth rankings

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

Backlogs of work continue falling in most areas

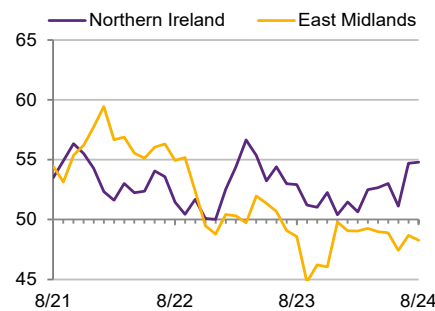
Almost every nation and region once again recorded a reduction in outstanding business (i.e. workloads awaiting completion) in August. As has been the case in three of the past four months, the steepest decrease in backlogs was seen in Wales. Northern Ireland continued to go against the trend and recorded a third straight monthly rise in work-in-hand.

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



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

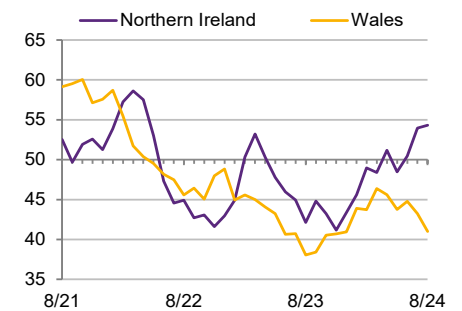


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"Sentiment towards future activity remains positive across the board, which is helping to support labour market conditions"

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— Outstanding Business Index, sa, >50 = growth m/m



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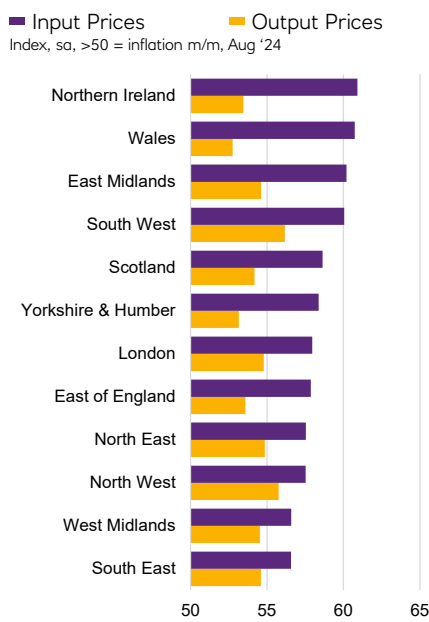
Inflation

Input cost inflation softens in most places...

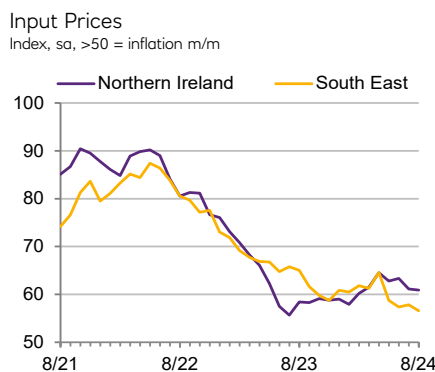
Cost pressures generally weakened midway through the third quarter, as highlighted by a slowdown in input cost inflation in nearly all areas. The only exception was Wales, where operating expenses rose at an identical pace to that seen in July. Firms in the South East and West Midlands reported the joint-weakest overall rise in costs, while those in Northern Ireland recorded the strongest.

...as does the rate of increase in prices charged

Average prices charged for goods and services rose across all nations and regions in August, although only in the East Midlands, Scotland and Northern Ireland did the rates of inflation accelerate. They eased everywhere else and most markedly in the South West, although it was there where output prices continued to rise fastest overall.



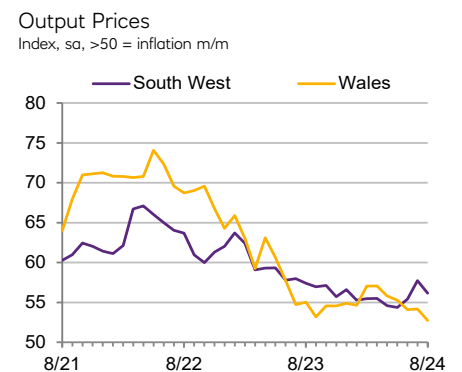
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Sebastian Burnside,
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Methodology

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.

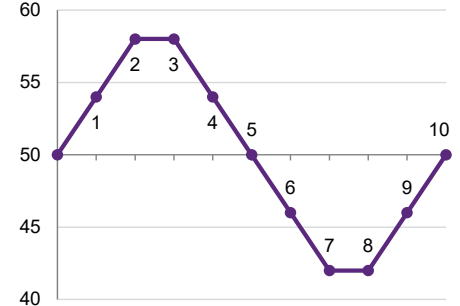
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index 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
- 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. Aug '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.5	56.2	75.1	52.9	46.7	58.0	54.8
South East	54.3	54.1	76.5	52.8	46.1	56.6	54.6
South West	55.1	55.0	74.2	52.3	46.9	60.1	56.2
East of England	53.9	52.4	71.2	52.4	45.5	57.9	53.6
East Midlands	51.9	53.8	71.6	48.3	49.0	60.2	54.6
West Midlands	52.2	50.3	76.1	49.8	45.5	56.6	54.5
Yorkshire & Humber	51.9	54.0	70.9	51.5	46.0	58.4	53.2
North West	54.0	54.6	72.8	52.0	46.0	57.5	55.8
North East	51.2	54.5	60.4	53.3	46.2	57.5	54.9
Scotland	52.7	50.6	65.3	50.7	46.2	58.6	54.2
Wales	51.5	51.9	67.5	51.3	41.0	60.7	52.8
Northern Ireland	55.7	54.6	63.9	54.8	54.3	60.9	53.5

Further information

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