

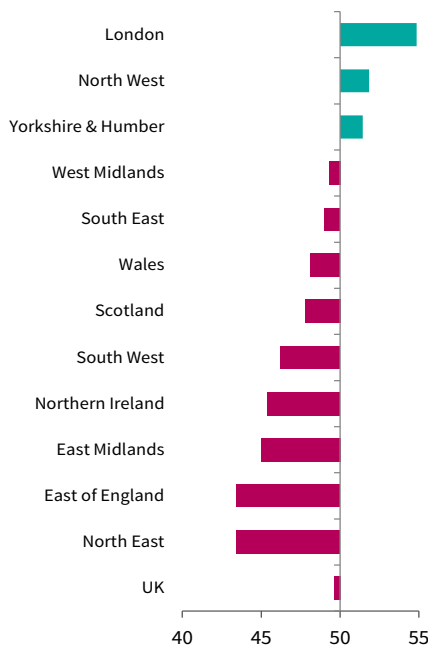
# Royal Bank of Scotland UK Regional PMI<sup>®</sup>

## August sees more UK regions slip into economic contraction

### UK Regional PMI

**Business Activity Index**

sa, >50 = growth since previous month, Aug '22



### Key findings

Just three out of 12 regions record growth in business activity

Employment rises in most areas, albeit with waning momentum

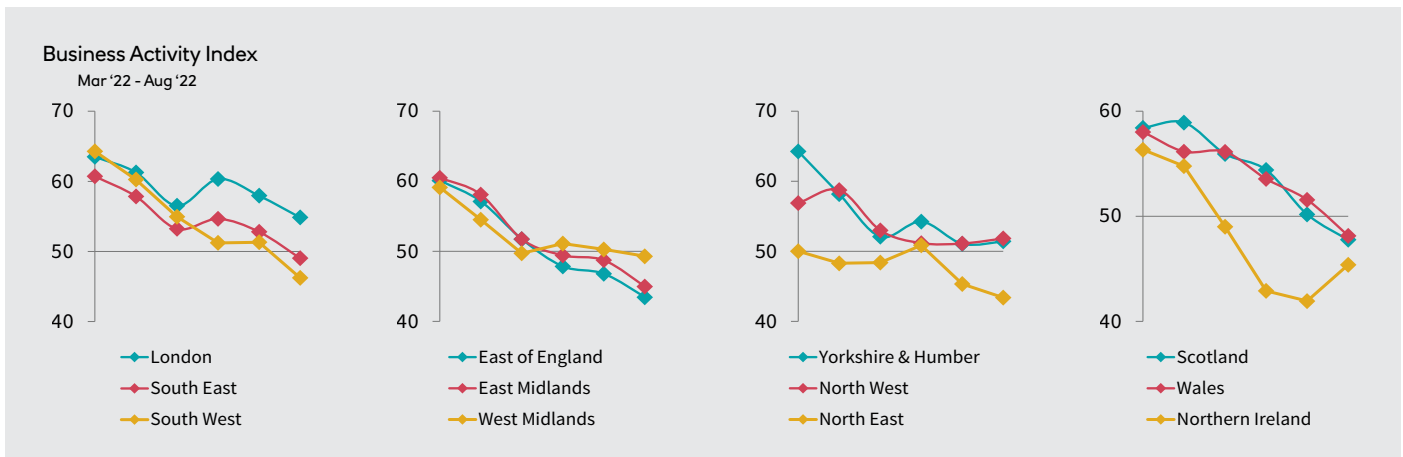
Business cost pressures remain high but ease further from recent peaks

Latest Regional PMI<sup>®</sup> data from Royal Bank of Scotland showed that more UK regions had slipped into contraction midway through the third quarter, as economic uncertainty and high inflation weighed on demand for goods and services. Most areas once again saw a rise in employment, though rates of job creation slowed. Although business costs continued to soar, rates of increase did at least moderate further from the recent historical highs.

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.

Just three out of the 12 monitored UK regions recorded a rise in business activity in August, the fewest in over a year-and-a-half. Growth in London was solid but eased notably since July (index at 54.9), whilst both the North West (51.8) and Yorkshire & Humber (51.4) recorded only modest rates of expansion. Activity fell elsewhere, with the steepest declines registered in the North East (43.4) and East of England (43.5).

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



## Contents

- [About the report](#)
- [Comment](#)
- [Demand and outlook](#)
- [Business capacity](#)
- [Prices](#)
- [Index summary](#)
- [Contact](#)

## 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).

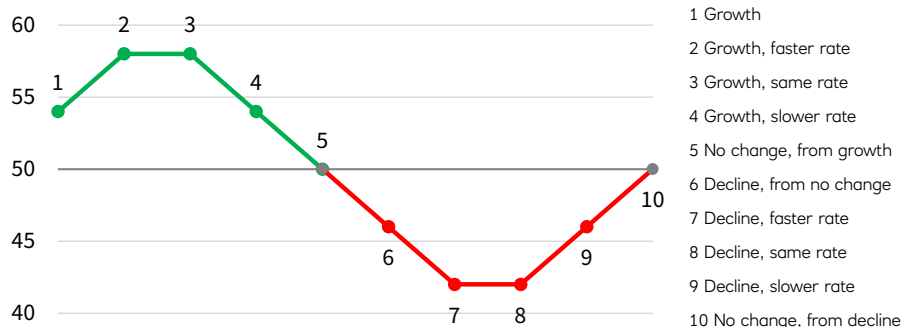
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"July's survey had flashed warning signs when it showed inflows of new business falling across most UK regions, and now the latest data for August confirm that this downturn in demand is increasingly weighing on economic activity.*

*"Just a quarter of UK regions recorded growth in output levels in August, with London seeing the only real noteworthy expansion.*

*However, even in the capital, which led the way in terms of business activity and employment, there were further signs of a loss of momentum as growth slowed and the rate of job creation eased to a 16-month low.*

*"Employment remained a plus point, rising in all but one of the 12 monitored regions during August. That said, with falling backlogs of work pointing a let-up in capacity pressures across the economy and business confidence generally declining, firms everywhere showed*

*greater caution on the hiring front.*

*"A broad-based fall in input price inflation was welcome news, but cost pressures facing firms nevertheless remain extremely high and there's still a lot of uncertainty around the energy situation as we head into autumn."*

## Demand and outlook

### Signs of growing strain on demand across regions

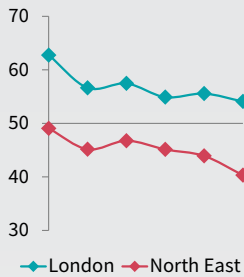
Just one-quarter of the 12 monitored regions recorded higher inflows of new business in August, with trends weakening in most cases. London continued to see the strongest growth, though the increase in the capital was the weakest seen for one-and-a-half years. At the other of the scale, the North East and Northern Ireland saw particularly steep declines in demand.

### Business confidence weakens in the majority of cases

The majority of regions recorded a drop in business confidence towards the outlook in August. The three highest-ranked areas, Yorkshire & Humber, the South East and London, went against the broader trend and recorded improved sentiment, as did the East Midlands (ranked eighth). Expectations turned negative in the North East, while firms in Northern Ireland grew more pessimistic.

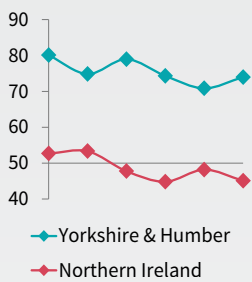
New Business Index

Mar '22 - Aug '22



Future Activity Index

Mar '22 - Aug '22



New Business Index

sa, >50 = growth since previous month, Aug '22



Future Activity Index

>50 = growth expected over next 12 months, Aug '22



## Business capacity

### Employment rises across most areas, albeit more

Despite signs of weakness in activity and demand, almost all regions recorded a rise in employment in August. The only exception was the North East, where workforce numbers fell for the third month running. Rates of job creation not only slowed, however, but they varied widely, with a further steep rise in workforce numbers in London contrasting with only marginal growth in the South West.

### London bucks general decline in backlogs of work

Backlogs of work fell across almost every region in August, in a sign of a general easing of capacity pressures among businesses. Firms operating in the North East recorded the most marked decline, followed by those in the South West. London once again bucked the trend, recording a fourth straight monthly rise in outstanding business.



Employment Index  
sa, >50 = growth since previous month, Aug '22



Outstanding Business Index  
sa, >50 = growth since previous month, Aug '22



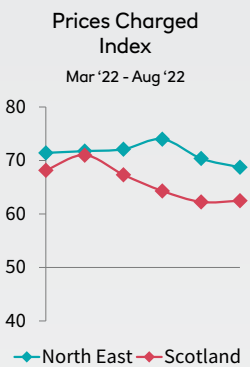
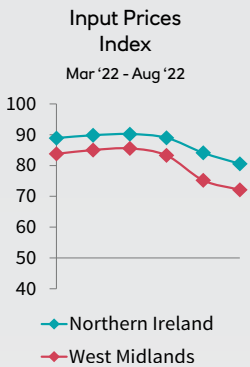
## Prices

### Further broad-based moderation in cost inflation

Businesses all across the UK continued to face strong cost pressures during August. However, although remaining elevated by historical standards, rates of input price inflation slowed across the board. Northern Ireland remained at the top of the rankings for cost increases, a position it has held in five of the past six months, while the West Midlands stayed at the bottom.

### Output prices continue to rise sharply

The widespread pass-through of higher costs by businesses saw average prices charged for goods and services rise sharply across all regions in August. Just over half of monitored areas recorded a slower increase than in July, but rates of inflation still remained well above their long-run averages in all cases. The North East registered the steepest overall rise, followed by Wales.



Input Prices Index  
sa, >50 = inflation since previous month, Aug '22



Prices Charged Index  
sa, >50 = inflation since previous month, Aug '22



## Index summary

### UK regions

sa, 50 = no change over previous month / \*50 = no change over next 12 months, Aug '22

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	54.9	54.1	68.0	56.9	53.6	76.3	64.9
South East	49.0	51.3	68.3	55.2	49.1	80.6	67.8
South West	46.2	47.0	56.4	50.4	44.6	73.0	63.7
East of England	43.5	46.8	60.6	56.2	44.7	75.3	63.3
East Midlands	45.0	43.5	59.6	54.9	49.0	76.8	65.5
West Midlands	49.3	48.5	67.8	53.5	47.3	72.1	66.0
Yorkshire & Humber	51.4	51.7	74.0	53.7	47.6	75.4	65.3
North West	51.8	49.9	64.6	53.3	46.0	75.7	66.0
North East	43.4	40.3	48.0	48.2	41.2	76.8	68.7
Scotland	47.8	48.3	55.1	52.0	48.2	77.0	62.5
Wales	48.1	47.5	61.2	54.3	45.6	77.4	68.7
Northern Ireland	45.4	40.6	45.1	51.5	44.9	80.6	67.7

## Contact

Megan Cunningham  
Regional PR & Media Relations Manager  
Royal Bank of Scotland  
0784 789 1835  
[royalbank@stripecommunications.com](mailto:royalbank@stripecommunications.com)

Phil Smith  
Economics Associate Director  
S&P Global Market Intelligence  
+44 1491 461 009  
[phil.smith@spglobal.com](mailto:phil.smith@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
+44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

### 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.

### About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.