

Royal Bank of Scotland UK Regional PMI[®]

Over half of UK regions see business activity rise in December, with London still out in front

UK Regional PMI



Key findings

Seven out of 12 regions and nations end 2023 in growth territory

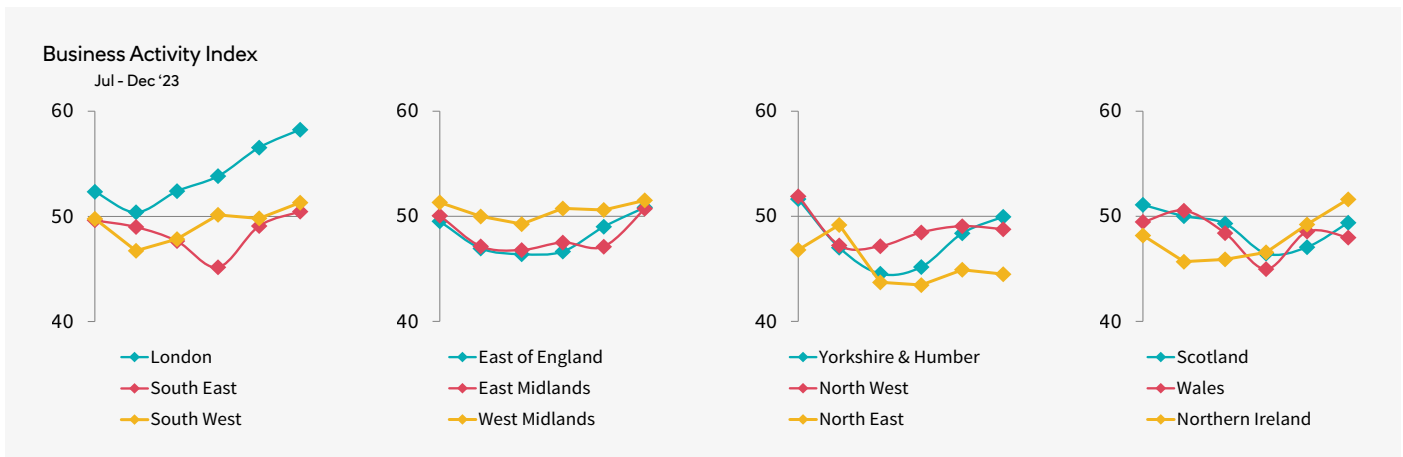
Decline in employment led by Wales

Rates of input and output price inflation quicken in most cases

The latest Royal Bank of Scotland Regional PMI[®] survey indicated a positive end to 2023 for businesses across most areas of the UK, with December seeing improved trends in both output and new orders. However, amid a wages-driven increase in costs and diminishing backlogs of work, labour market conditions were found to have generally weakened.

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.

Seven of the 12 monitored regions and nations recorded higher business activity in December, the most since last June. Growth was once again led by London (index at 58.2), where output rose sharply during the month. At the other end of the scale, the North East (44.5) recorded the most marked fall in output, followed by Wales (48.0).



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).

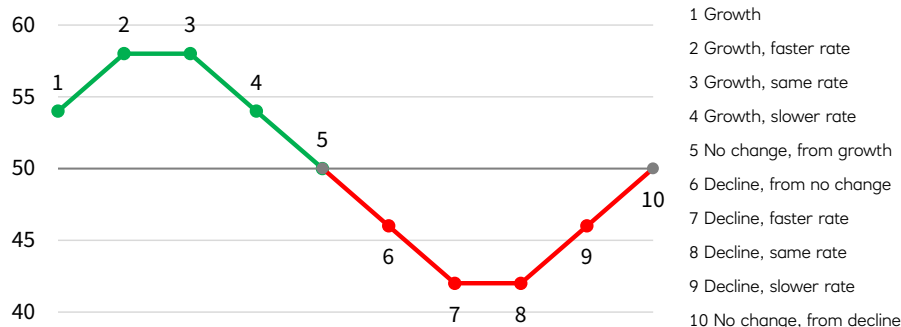
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Many regions ended 2023 on a positive note, after a rollercoaster year in which interest rates reached their highest for well over a decade and wage growth pushed new heights.

"Seven out of the 12 monitored regions recorded headline PMI readings above the 50 no-change level in December, supported by generally improved trends in new business. That said, with the exception of London, which was the standout performer for most of

last year and has enjoyed a recent resurgence in activity, growth was modest at best and expected to continue in this vein in 2024.

"Labour market conditions continued to cool across most parts of the UK in December, reflecting the recent soft patch in demand and continued pressure on business costs from rising wages. For the most part, however, employment continues to fall only modestly.

"Input costs have started rising more quickly across most regions in recent months, which has in turn prompted businesses to charge more for goods and services. The rates of input and

output price inflation remain a far cry from the highs over the past two years, but the fact they have risen points to a degree of stickiness in price pressures."

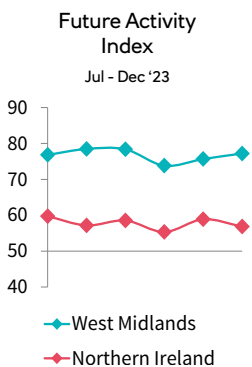
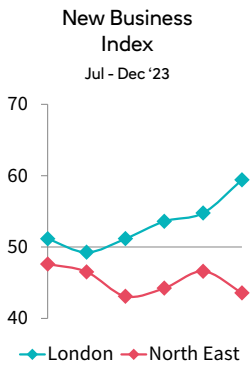
Demand and outlook

New orders still falling in most areas, but often more slowly

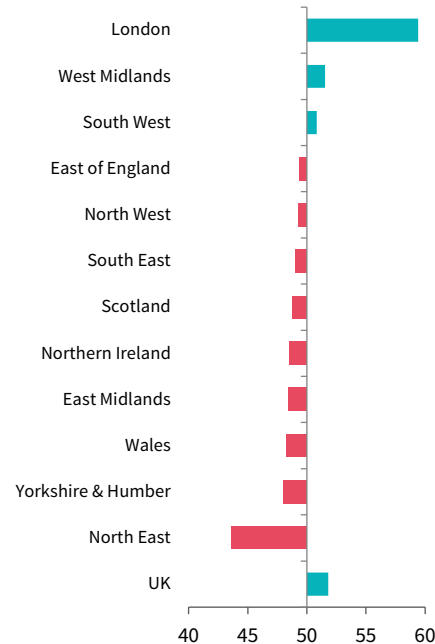
Although new orders fell in most areas in December, rates of decline generally eased. Only the North East recorded a steeper drop in new business than in November, and one that was the fastest among the monitored regions. London recorded by far the strongest growth in new work, with the West Midlands and South West also seeing improvements in demand.

Majority of regions and nations see improvement in expectations

Business expectations improved in the majority of cases as 2023 drew to a close. This included the West Midlands, which topped the rankings ahead of the South East. The most marked upswing in confidence was in Wales, followed by the North East. Firms in Northern Ireland* were the least optimistic about the year-ahead outlook.



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



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

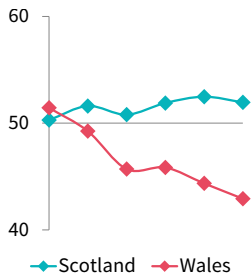


* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Business capacity

Employment Index
Jul - Dec '23



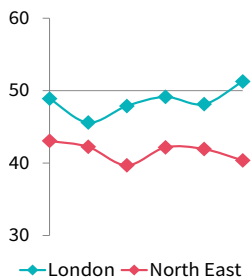
Wales sees steepest drop in employment

Labour market trends worsened in most cases in December. Just three of the 12 monitored areas saw employment rise, the fewest since last September, with rates of growth slowing in both Scotland and Northern Ireland. For the second month running, Wales posted the sharpest drop in workforce numbers – its fastest since January 2021.

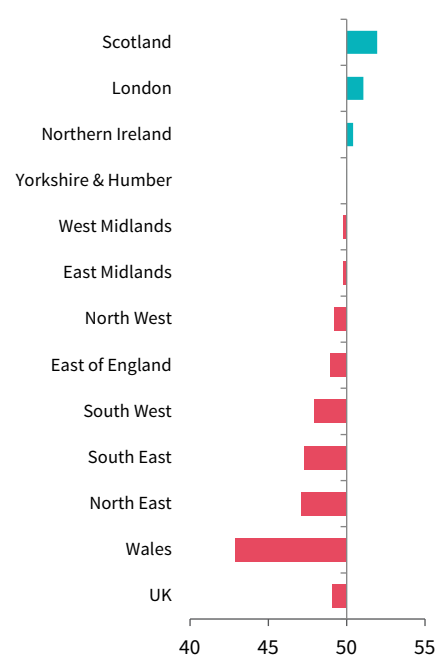
Near-universal fall in backlogs of work

Outstanding business (i.e. orders awaiting completion) fell in nearly every region and nation in December. The North East registered the steepest overall decline, closely followed by Wales. The only region going against the trend was London, where backlogs rose for the first time in six months, albeit only modestly.

Outstanding Business Index
Jul - Dec '23



Employment Index
sa, >50 = growth since previous month, Dec '23



Outstanding Business Index
sa, >50 = growth since previous month, Dec '23

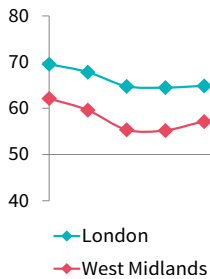


Prices

Firms in most areas record stronger cost pressures

The majority of regions and nations saw business input prices rise at a faster rate in December. London topped the rankings for cost inflation for the tenth time in the past 11 months, with operating expenses in the capital increasing at the quickest pace since last August. Firms in the West Midlands meanwhile faced the weakest cost pressures, as has been the case in each of the past four months.

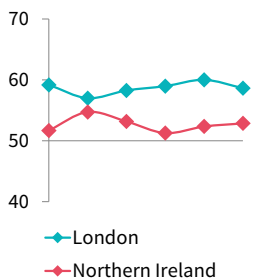
Input Prices Index
Jul - Dec '23



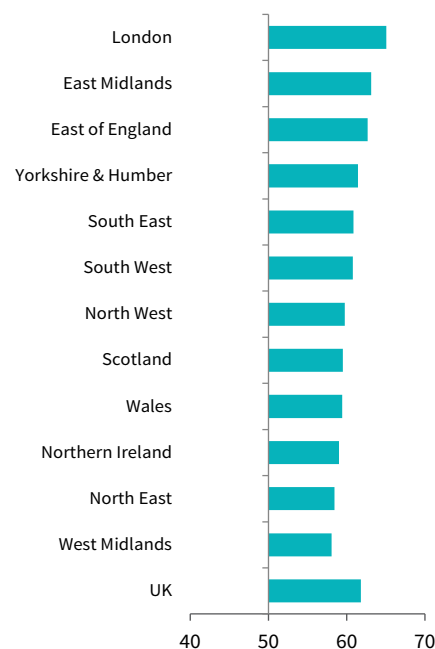
Prices charged for goods and services rise fastest in London

Businesses in London once again registered the steepest rise in average prices charged for goods and services in December, despite the rate of inflation in the capital slipping to a three-month low. Most other areas saw quicker increases in output prices, the only exception being the North East. Northern Ireland was at the bottom of the rankings for prices charged inflation for the third month running.

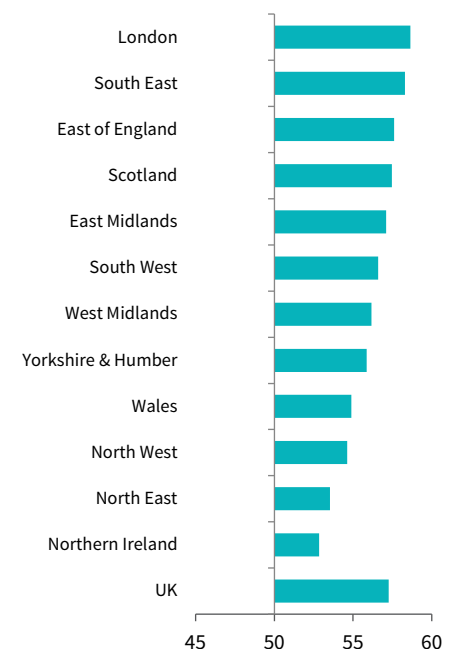
Prices Charged Index
Jul - Dec '23



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	58.2	59.4	73.8	51.1	51.3	65.1	58.6
South East	50.5	49.0	74.0	47.3	45.9	60.9	58.3
South West	51.3	50.8	68.2	47.9	49.2	60.8	56.6
East of England	50.9	49.3	70.6	49.0	43.5	62.7	57.6
East Midlands	50.7	48.5	63.9	49.8	47.2	63.1	57.1
West Midlands	51.5	51.5	77.2	49.8	46.7	58.1	56.2
Yorkshire & Humber	50.0	48.0	69.0	50.0	45.9	61.5	55.9
North West	48.8	49.3	64.6	49.2	44.6	59.7	54.6
North East	44.5	43.6	58.7	47.1	40.4	58.5	53.5
Scotland	49.4	48.8	62.6	51.9	44.7	59.5	57.5
Wales	48.0	48.3	67.7	42.9	41.0	59.4	54.9
Northern Ireland	51.6	48.5	56.9	50.4	43.4	59.0	52.9

Contact

Jonathan Rennie
Public Relations Manager
NatWest
+44 (0) 7769 932 102
jonathan.ennie@natwest.com

Phil Smith
Economics Associate Director
S&P Global Market Intelligence
+44 1491 461 009
phil.smith@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 7967 447 030
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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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 trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc 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.