

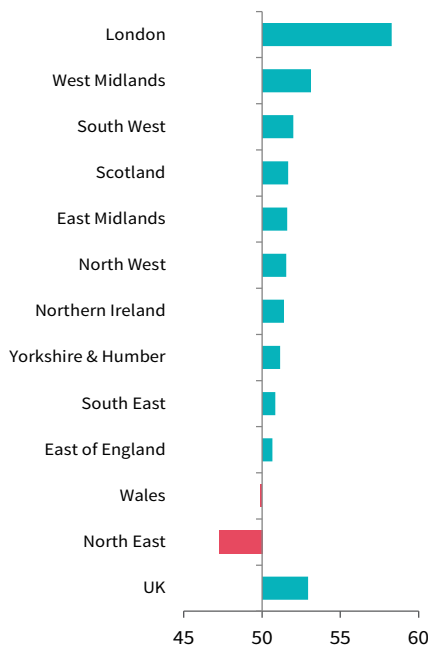


Royal Bank of Scotland UK Regional PMI[®]

Positive start to the year for most parts of the UK as growth broadens out

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Jan '24



Key findings

Output rises in ten out of 12 monitored regions and nations in January

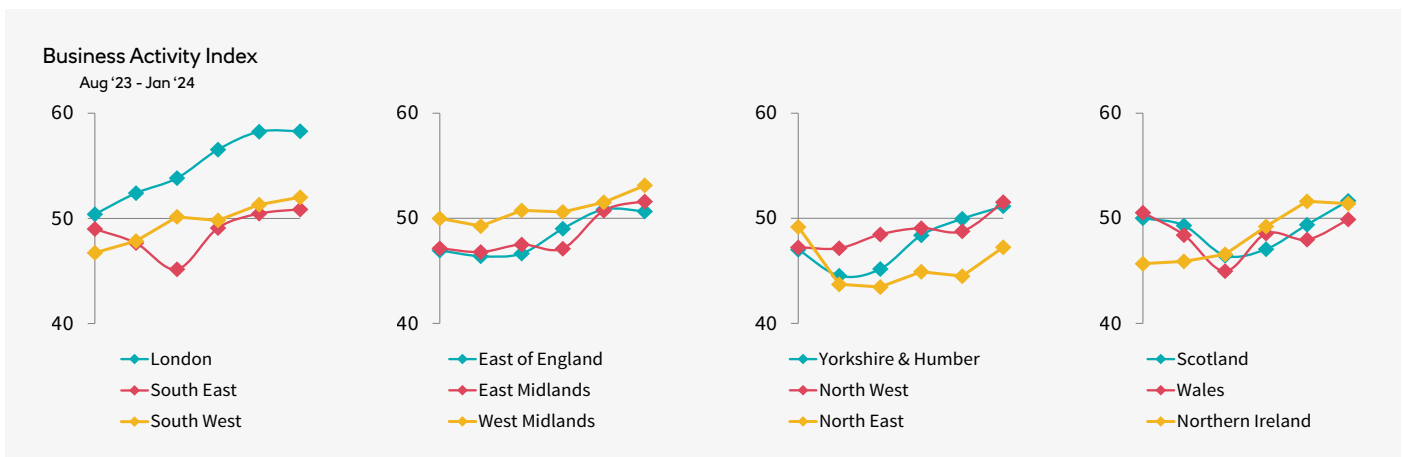
Labour market trends show general signs of improvement

Price pressures easing unevenly

The latest Royal Bank of Scotland Regional PMI[®] survey indicated a positive start to the year for most areas of the UK, with business activity growth broadening out and local labour market trends generally improving. Business confidence also picked up in most places. Rates of increase in business costs and output prices meanwhile eased on average in January, although inflationary pressures remained strong in several parts of the UK.

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.

Ten of the 12 monitored UK regions and nations saw a rise in business activity in January. London (index at 58.3) once again recorded the strongest growth, followed by the West Midlands (53.1). Output fell further in the North East (47.3), but the rate of contraction slowed notably to the weakest since last August. Activity in Wales (49.9) was broadly unchanged, following a four-month sequence of decline.



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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).

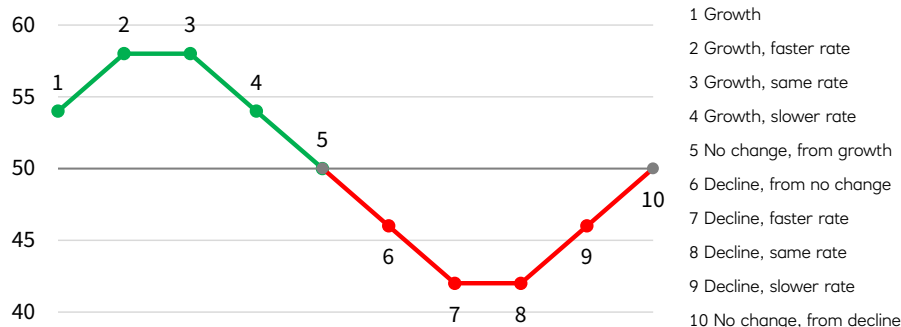
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Regional PMI data showed a positive end to 2023, but an even better start to the new year. We saw the broadest expansion in business activity since May last year, as renewed increases in the North West of England and Scotland in January took the total number of regions and nations reporting growth to ten out of a possible 12.

"With demand showing signs of improvement and price pressures easing, firms in most parts of the UK started the year with renewed

optimism. Although price increases in January were slower than seen on average over the past two years, in some parts of the UK rates of inflation are still running hot. It will be worth monitoring whether these inflation imbalances persistent going forward, with the Bank of England expected to start cutting interest rates later in the year."

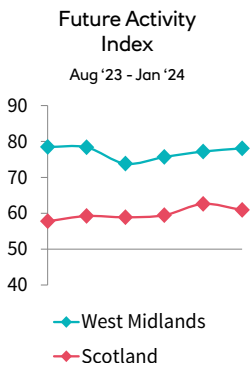
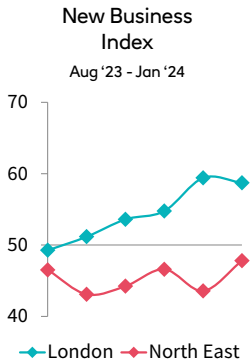
Demand and outlook

Half of regions and nations record higher new business

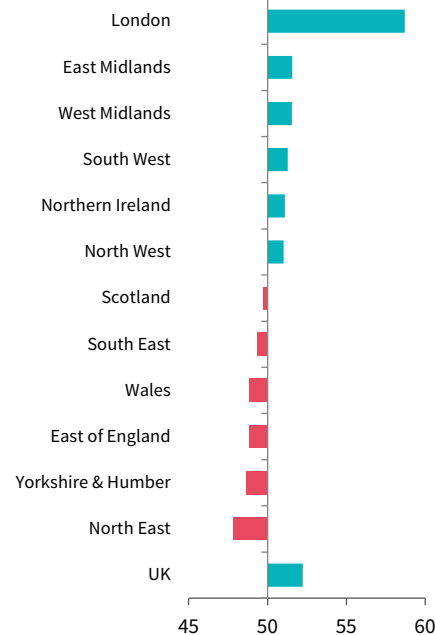
Latest data showed mixed performances in terms of new business. Half of the monitored areas saw growth in new work in January, led by another sharp increase in London. Modest rises were meanwhile seen in the East Midlands, West Midlands, South West, Northern Ireland* and North West. The North East remained at the foot of the rankings, although the rate of decline there eased substantially since December.

Business expectations improve in majority of areas

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.



New Business Index sa, >50 = growth since previous month, Jan '24



Future Activity Index >50 = growth expected over next 12 months, Jan '24



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



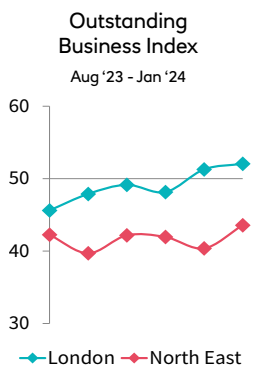
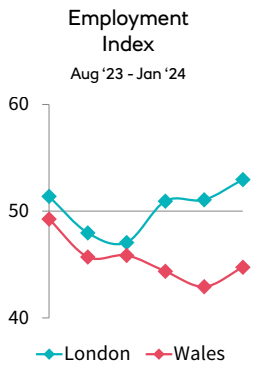
Business capacity

London records fastest rate of job creation...

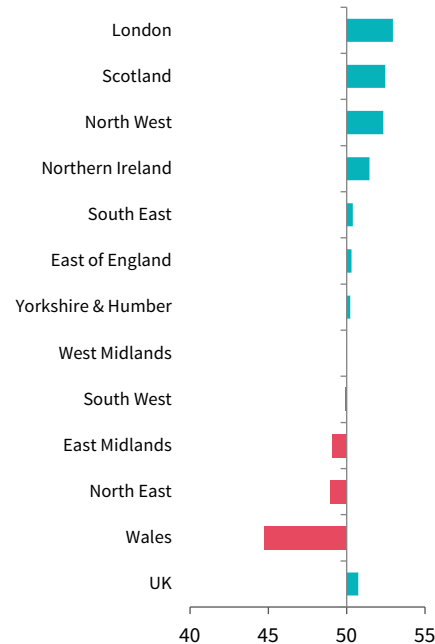
January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

...as rising backlogs in the capital contrast with declines elsewhere

London was once again the only monitored region to record a rise in outstanding business (i.e. orders awaiting completion). The rate of accumulation even accelerated slightly, although it remained modest overall. Backlogs fell quickest in the North East. However, the rate of depletion there and in seven other regions and nations slowed from the previous month.



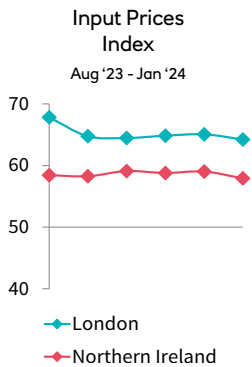
Employment Index
sa, >50 = growth since previous month, Jan '24



Outstanding Business Index
sa, >50 = growth since previous month, Jan '24



Prices

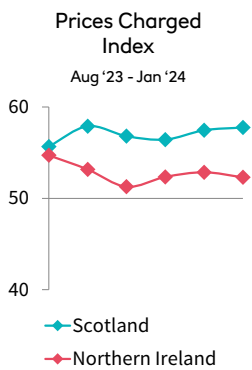


Rates of cost inflation below 2023 averages

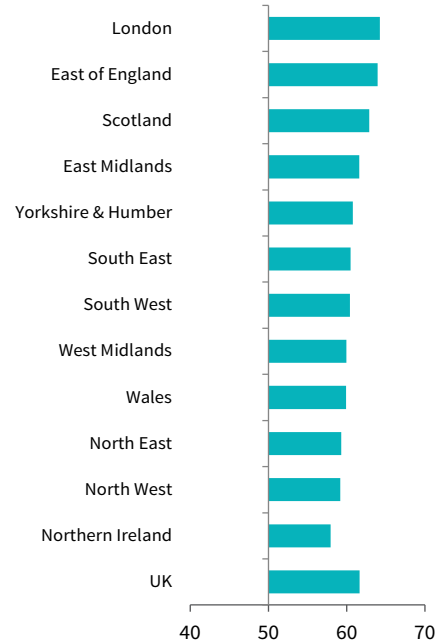
Rates of input price inflation eased in just over half of the 12 monitored regions and nations in January. In all cases, they were below the averages seen in 2023. Still, across three-quarters of tracked regions and nations, the increases in costs were faster than the long-run trends. That was not the case for Northern Ireland, however, which saw its slowest rise in operating expenses in six months.

Scotland records fastest rise in prices charged

There was a further broad-based rise in prices charged in January as firms looked to pass on higher costs. However, rates of inflation continue to vary. Top of the rankings was Scotland, which saw a steep and accelerated increase in output prices that was the fastest for four months. At the other end of the scale, prices charged in Northern Ireland rose at a modest rate that was below the long-run average.



Input Prices Index
sa, >50 = inflation since previous month, Jan '24



Prices Charged Index
sa, >50 = inflation since previous month, Jan '24



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Jan '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	58.3	58.7	72.7	53.0	52.1	64.2	57.7
South East	50.9	49.4	75.7	50.4	43.8	60.5	56.8
South West	52.0	51.3	72.0	49.9	47.8	60.4	55.3
East of England	50.7	48.8	72.4	50.3	44.0	63.9	56.2
East Midlands	51.6	51.6	68.2	49.1	48.7	61.6	54.8
West Midlands	53.1	51.5	78.1	50.0	47.4	59.9	57.3
Yorkshire & Humber	51.2	48.7	67.7	50.2	45.9	60.8	53.6
North West	51.5	51.0	67.0	52.3	45.7	59.2	52.9
North East	47.3	47.8	62.1	48.9	43.6	59.3	55.0
Scotland	51.7	49.7	60.9	52.5	48.0	62.9	57.8
Wales	49.9	48.8	66.5	44.8	43.9	59.9	54.6
Northern Ireland	51.4	51.1	62.9	51.5	45.6	57.9	52.3

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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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