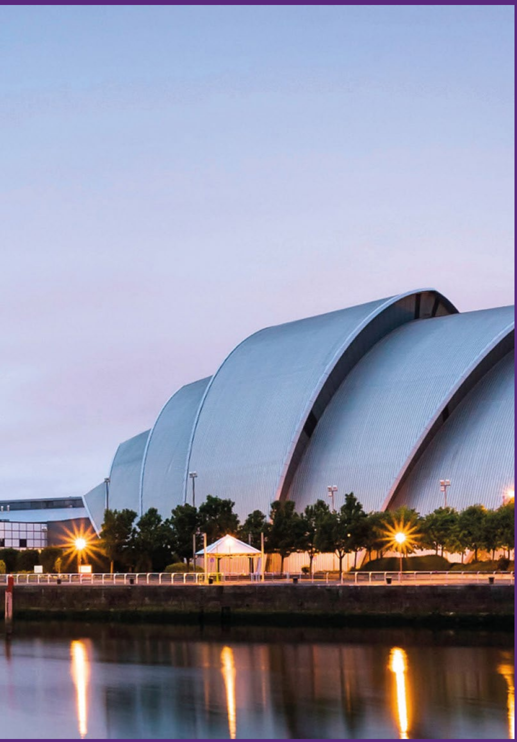
11 March 2026

Royal Bank of Scotland UK Regional Growth Tracker

Most regions see signs of expansion in February as demand picks up



Royal Bank of Scotland

PMI by S&P Global

11 March 2026

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Key findings

February 2026

Ten regions post higher activity in February, up from nine in January

London continues to lead growth, with Northern Ireland also gaining momentum

Capacity pressures show signs of building in some areas amid a lack of hiring activity

Rates of input cost and output price inflation ease in over half of 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:

"The majority of UK regions have seen signs of expansion since the start of the new year, with February seeing activity rise in ten areas, up from nine in January. Even where growth has been harder to come by in recent months, there is optimism among businesses that output will increase as we move through 2026.

"Businesses are seemingly content to work with leaner workforces, not least as a way to mitigate rising costs, with only Scotland seeing a rise in employment in February. However, there are signs of capacity pressures beginning to build in some areas which point to some upside potential for hiring in the coming months.

"It was encouraging to see rates of inflation in firms' input costs and output prices ease in over half of cases in February. However, the higher wholesale energy prices seen in early March, combined with the impact on oil prices, supply chains and UK economy arising from the conflict in the Middle East has the potential to reverse these trends."

Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

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 12-25 February

Business activity

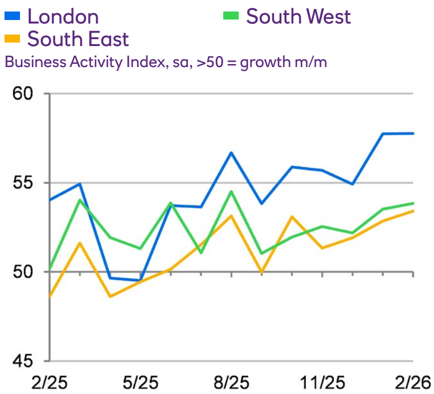
Most regions of the UK contributed to growth in business activity in February, reflecting continued stronger demand for goods and services, according to the latest Royal Bank of Scotland Regional Growth Tracker.

The Tracker's headline figure is the Business Activity Index. Any reading above 50.0 signals growth, and the further above the 50.0 threshold it is, the faster the rate of signalled growth.

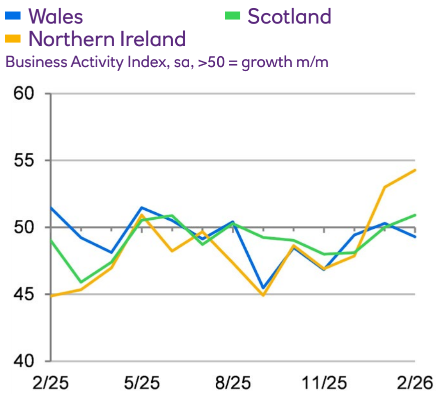
Business activity growth was recorded in all but two of the 12 UK regions monitored by the survey in February.

London once again saw the strongest rate of expansion, registering its best performance for more than two years with an index reading of 57.8. It was followed by Northern Ireland (54.3), where output rose for the second month running and to the greatest extent since October 2024.

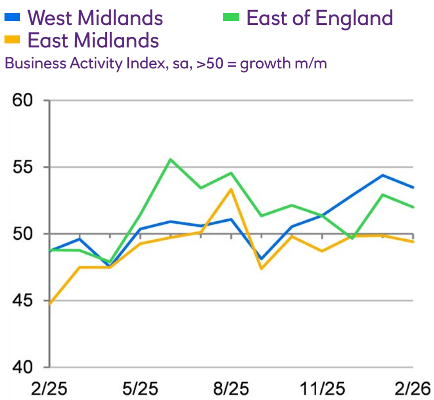
Slight decreases in output were seen in both the East Midlands (49.4) and Wales (49.3). However, the latest results were more positive than the respective trends over the past six months in both cases.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.



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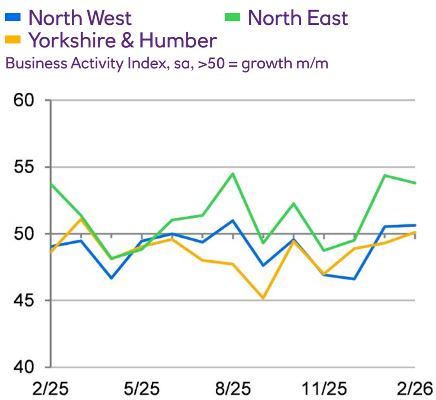
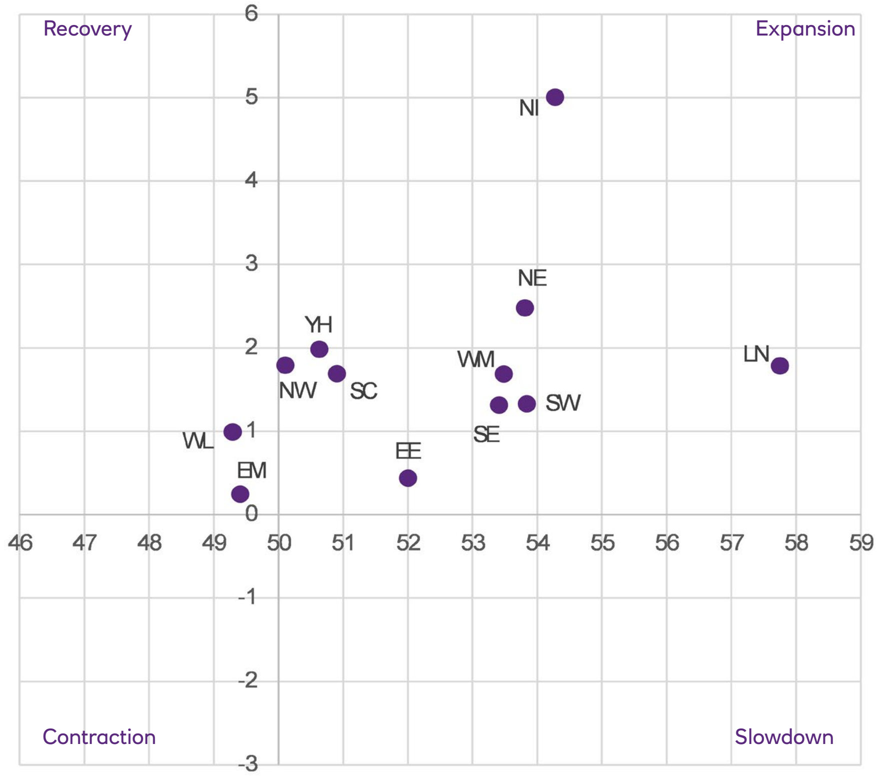


Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

Business cycle by nation and region

Business Activity
X axis = Business Activity Index, sa, >50 = growth m/m, Feb '26 Y axis = Change in Index compared with six-month average



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 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

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

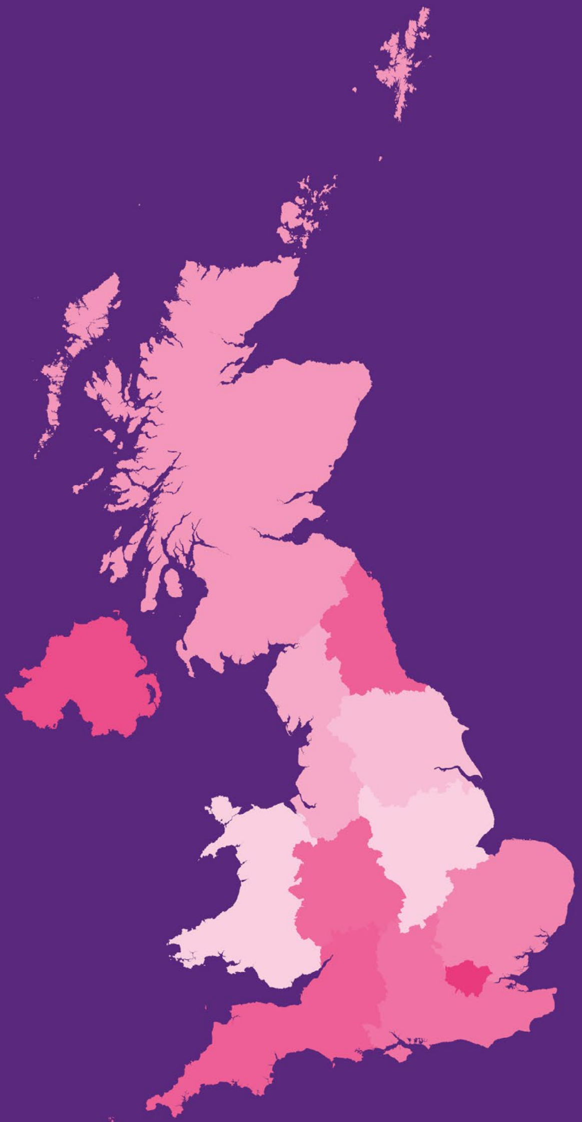
Regions are **contracting**, and at a **faster rate** than the trend over the past six months. Regions furthest left are contracting at the strongest rate in the latest period, and the lowest regions are seeing the greatest acceleration in the rate of contraction over the past six months.

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.

Growth Tracker heat map

February 2026
Darker colour = higher business growth



Business Activity Index, sa, >50 = growth m/m

London	57.8
Northern Ireland	54.3
South West	53.8
North East	53.8
West Midlands	53.5
South East	53.4
East of England	52.0
Scotland	50.9
North West	50.6
Yorkshire & Humber	50.1
East Midlands	49.4
Wales	49.3

Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

Demand and outlook

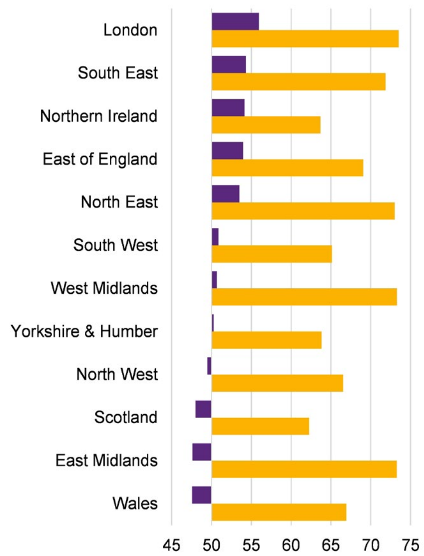
Firms in London record strongest new order growth

London led growth in new business in February, the seventh month in a row in which this has been the case. The rate of expansion in the capital was the quickest since last August. Seven other areas saw a rise in new business. Wales and the East Midlands recorded the joint-strongest falls in demand for goods and services.

Business expectations remain universally positive

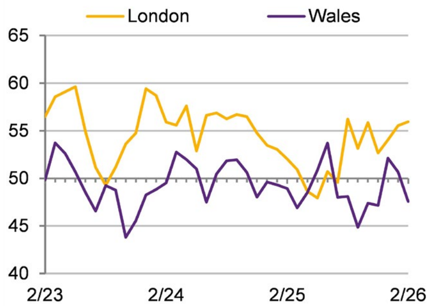
Business confidence towards future activity remained positive across the board in February. For the third straight month, expectations were highest in London. The capital did however see a reduction in optimism from the month before, which was also the case in six other regions.

New Business   Future Activity*
Index, sa, >50 = growth m/m (*>50 = growth expected), Feb '26



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

New Business
Index, sa, >50 = growth m/m



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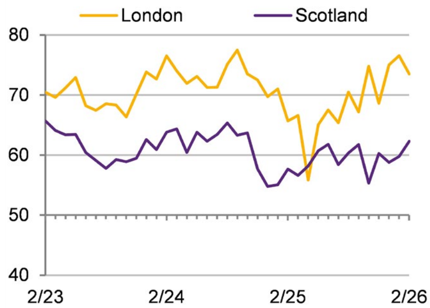
Future Activity
Index, >50 = growth expected



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Employment and capacity

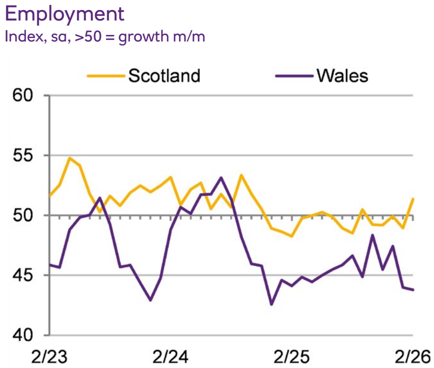
Most areas record lower staffing levels

In contrast to the picture for output, employment decreased in the vast majority of areas in February. Firms in Wales posted the steepest reduction in workforce numbers, followed by their counterparts in the North West. Scotland went against the trend and recorded a modest rise in staffing levels, while no change was recorded in the North East.

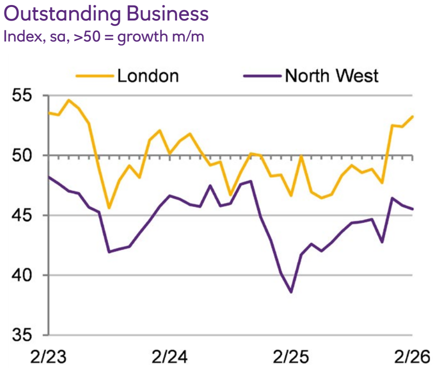
Signs of capacity pressures building in some areas

For the second month running, five out of the 12 monitored UK nations and regions registered a rise in outstanding business (i.e. orders or project awaiting completion) in February. Capacity pressures were strongest in London, followed by the West Midlands. At the other end of the scale, firms in the North West noted another marked reduction in backlogs of work.

Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

Inflation

Input cost inflation ticks down in the majority of cases

Rates of input cost inflation stayed above their historical trend levels in all areas in February, albeit slowing from the month before in two-thirds of cases. Northern Ireland was one of the exceptions, recording the steepest overall rate of cost inflation and one that was the fastest in ten months. Firms in Yorkshire & Humber recorded the slowest rise in operating expenses – its weakest since October 2024.

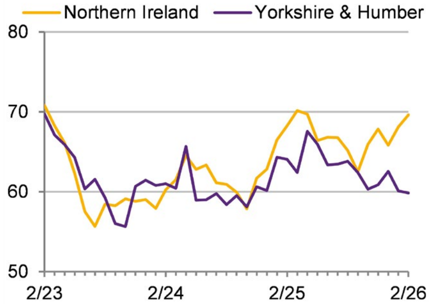
Northern Ireland sees sharpest rise in output prices

Average charges for goods and services rose in all 12 UK nations and regions in February, albeit to varying degrees. Output price inflation was especially strong in Northern Ireland, where it climbed to a 40-month high, but there were also marked increases in the likes of the West Midlands, Wales and South East. Scottish businesses were meanwhile the least aggressive with price increases.

Input Prices Output Prices
Index, sa, >50 = inflation m/m, Feb '26

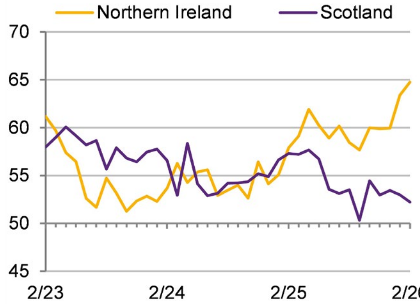
Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

Input Prices
Index, sa, >50 = inflation m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

Output Prices
Index, sa, >50 = inflation m/m



Sources: Royal Bank of Scotland, S&P Global PMI. ©2026 S&P Global.

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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*.

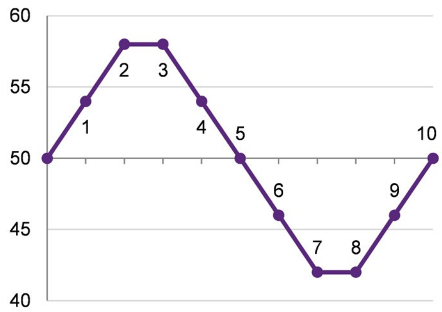
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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. ©2026 S&P Global.

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. Feb '26

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	57.8	56.0	73.5	45.6	53.2	61.3	54.4
South East	53.4	54.3	71.9	48.3	48.6	62.9	55.3
South West	53.8	50.9	65.1	46.8	50.4	63.6	54.7
East of England	52.0	54.0	69.0	45.6	48.4	62.8	53.2
East Midlands	49.4	47.6	73.3	46.3	45.9	60.6	54.1
West Midlands	53.5	50.7	73.3	48.3	51.1	63.2	56.8
Yorkshire & Humber	50.1	50.3	63.8	45.3	45.6	59.9	53.2
North West	50.6	49.5	66.5	44.6	45.5	60.7	54.7
North East	53.8	53.5	73.0	50.0	51.0	63.3	55.1
Scotland	50.9	48.0	62.3	51.4	45.6	61.4	52.2
Wales	49.3	47.6	66.9	43.8	46.1	63.6	55.7
Northern Ireland	54.3	54.1	63.7	49.8	50.8	69.6	64.8

Further information

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