

Royal Bank of Scotland UK Regional PMI[®]

June sees varying regional growth performances, but demand under pressure from high inflation across the

UK Regional PMI

Business Activity Index
sa, >50 = growth since previous month, Jun '22



Key findings

London outperforms in terms of both output and employment growth

Demand coming under pressure as five regions report a fall in orders

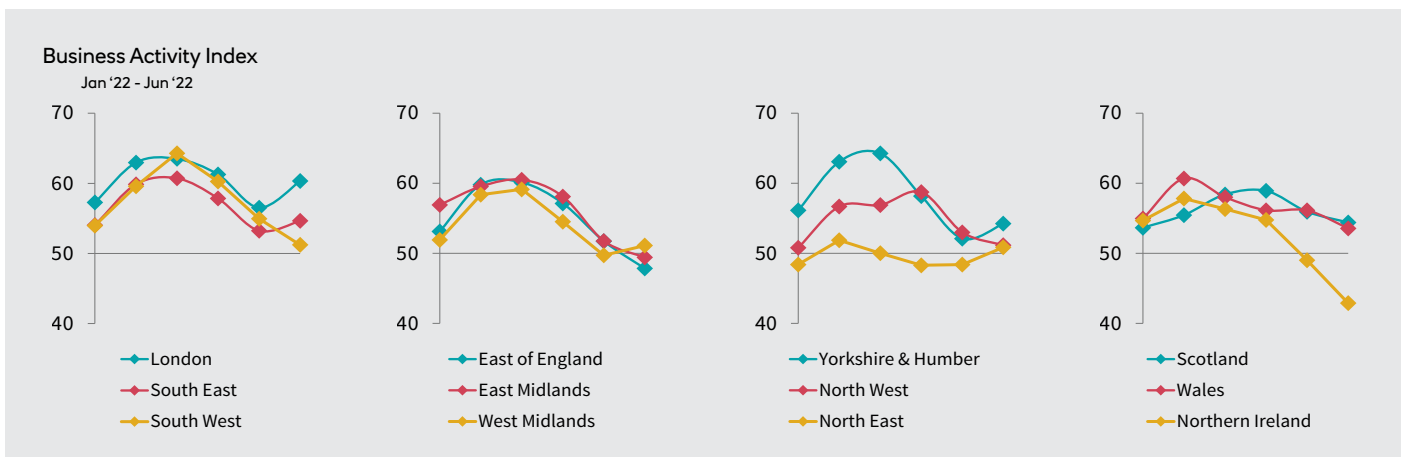
Business confidence wanes in most areas amid inflation concerns

Latest Regional PMI[®] data from Royal Bank of Scotland showed levels of business activity across the UK diverging in June, with some pockets of solid growth contrasting with downturns elsewhere. All areas saw demand starting to come under pressure from persistently high inflation, however, with business expectations towards future activity falling in the majority of cases as a result.

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.

Regional performances varied markedly in terms of business activity in June. London led the growth rankings by some margin with a steep and accelerated rise in output (index at 60.3). However, three out of the 12 monitored areas recorded lower business activity, namely the East Midlands (49.4), East of England (47.9) and Northern Ireland* (42.9), the last of which saw output fall for the second month running and at the quickest rate since February 2021.

* 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).

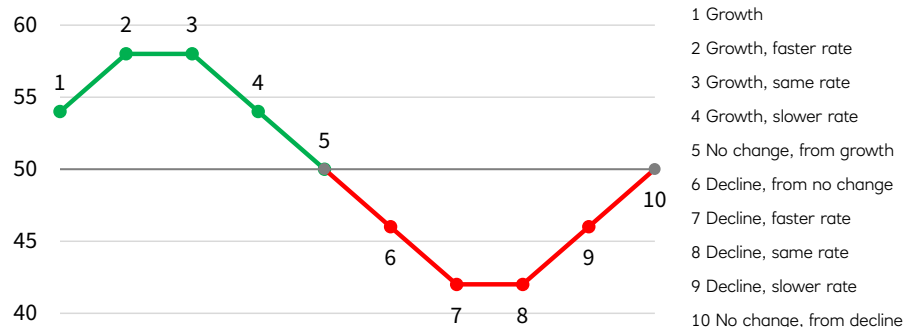
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"There are signs that demand is beginning to falter across parts of the UK, under pressure from historically high inflation and strained by the uncertain economic outlook. Five out of the 12 regions monitored by the PMI data saw inflows of new business fall in June, the most since the lockdowns in early-2021, whilst the remaining areas all saw growth of new business slow.

"Weaker demand has started to weigh on the actual output of goods and services in some areas. However, other regions showed a greater degree of resilience to the growing headwinds in June, and none more so than London, which recorded the strongest growth in business activity throughout the second quarter.

"The capital once again outperformed on the employment front, which is in fact an area of positivity for most regions, with only the North East seeing workforce numbers decline

during June.

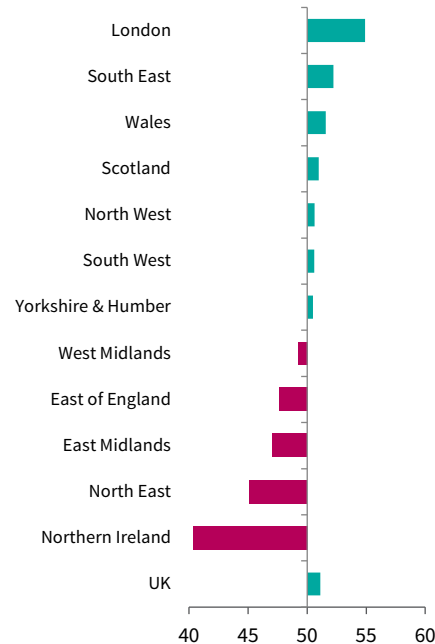
"Concerns over sustained high inflation served to dampen business confidence across most UK regions in June. Firms everywhere reported further hikes in prices charged for goods and services as they looked to offset rising costs, albeit with rates of increase ticking down in most cases from recent record highs."

Demand and outlook

New order trends weaken across the board

Just seven out of the 12 monitored regions recorded higher inflows of new work in June, the lowest number for 16 months. Even where an increase was recorded, the pace of growth slowed. Outright declines in demand were registered in the West Midlands, East of England, East Midlands, North East and Northern Ireland, the last of which saw a sharp downturn that was the steepest since February 2021.

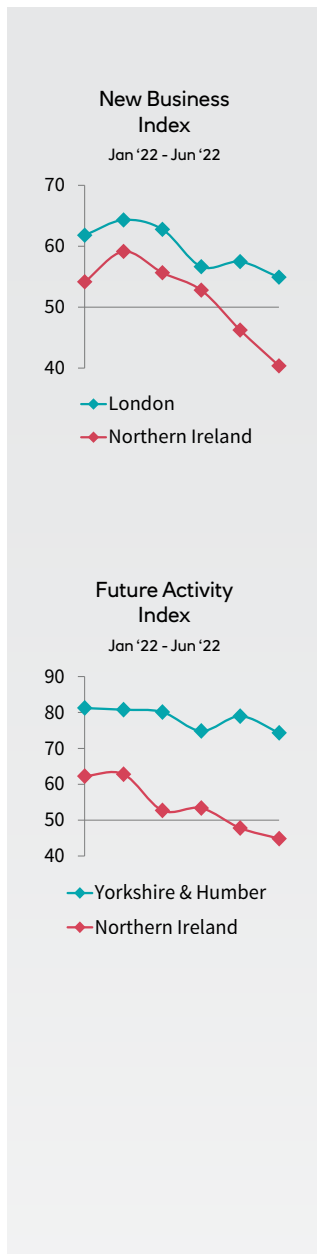
New Business Index
sa, >50 = growth since previous month, Jun '22



Most areas see business confidence wane

Firms' expectations for activity in the year ahead generally worsened in June. Of the 12 monitored areas, only the West Midlands and Wales recorded stronger business confidence. Despite seeing sentiment weaken, Yorkshire & Humber remained the most optimistic region. Expectations were lowest in Northern Ireland, where they turned more pessimistic.

Future Activity Index
>50 = growth expected over next 12 months, Jun '22



Business capacity

Rates of job creation generally remain resilient

Employment rose in almost every region in June, the only exception being the North East. Here, staffing numbers fell – albeit fractionally – for the second time in the past three months. London recorded the strongest rate of job creation, as has been the case in each month since February. Five areas recorded a slower rate of employment growth than the month before, however.

Signs of capacity pressures easing

Seven out of 12 regions recorded lower backlogs of work in June, with a further three seeing rates of accumulation slow, in a sign of capacity pressures beginning to ease in most parts of the UK. This was particularly evident in the North East. London and the West Midlands bucked the trend, recording solid and accelerated increases in volumes of outstanding business.



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



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



Prices

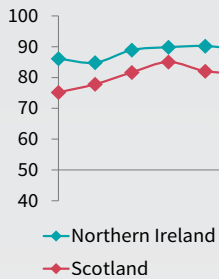
Rates of cost inflation remain elevated

Businesses across all parts of the UK continued to face severe cost pressure during June. Although rates of input price inflation ticked down slightly in most cases, they tended to remain at near-record highs. Northern Ireland saw the steepest rise in costs, followed by the North East, with the latter being the only region to see a faster increase than the month before.

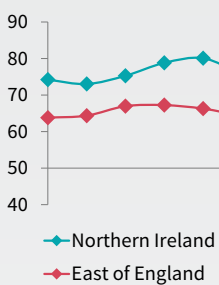
Firms continue to hike prices charged for goods and services

Similar to the trends in input costs, rates of output price inflation remained historically elevated in June, despite retreating slightly from their recent peaks in the majority of cases. Northern Ireland topped the rankings ahead of the North East. The four lowest-ranked regions for cost increases, the East of England, Scotland, the South West and London, also occupied the bottom four positions for output price inflation.

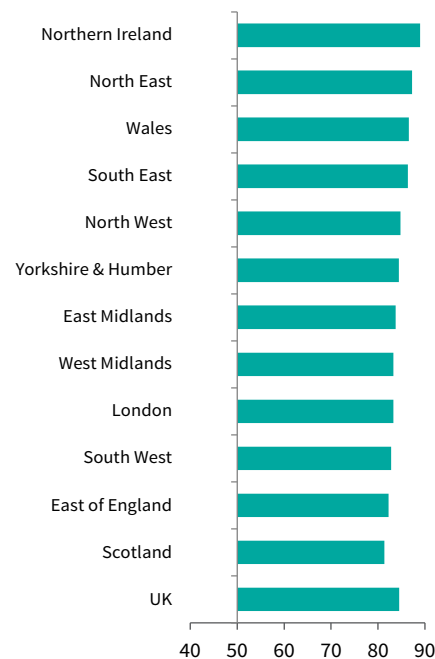
Input Prices Index
Jan '22 - Jun '22



Prices Charged Index
Jan '22 - Jun '22



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	60.3	54.9	64.3	58.5	54.2	83.3	66.1
South East	54.6	52.2	68.5	56.1	49.8	86.4	71.3
South West	51.2	50.6	63.3	55.7	53.0	82.8	65.0
East of England	47.9	47.6	57.0	56.5	48.9	82.3	64.3
East Midlands	49.4	47.1	60.0	56.0	50.8	83.7	68.5
West Midlands	51.1	49.2	70.3	54.4	53.1	83.3	69.6
Yorkshire & Humber	54.2	50.5	74.3	57.0	51.5	84.4	71.6
North West	51.2	50.6	64.0	53.7	49.1	84.8	67.0
North East	50.9	45.1	52.0	49.8	44.7	87.2	74.0
Scotland	54.4	51.0	59.6	53.4	48.5	81.4	64.3
Wales	53.6	51.6	65.2	55.2	48.2	86.6	72.4
Northern Ireland	42.9	40.4	44.9	54.1	47.3	89.0	75.6

Contact

Megan Cunningham
Regional PR & Media Relations Manager
Royal Bank of Scotland
0784 789 1835
royalbank@stripecommunications.com

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

Joanna Vickers
Corporate Communications
S&P Global
+44-2072-602-234
joanna.vickers@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

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.