

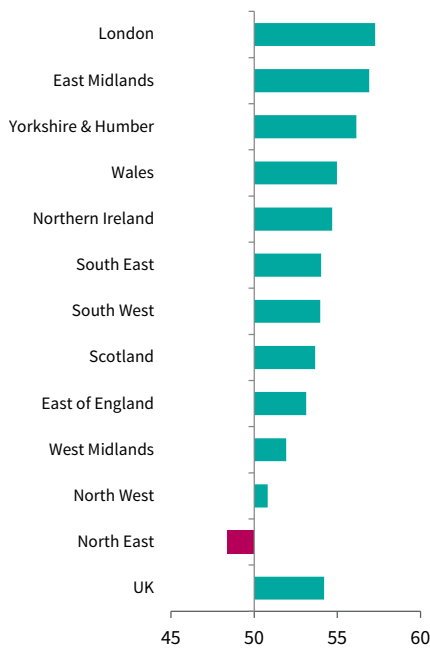
Royal Bank of Scotland UK Regional PMI[®]

Positive start to 2022 for most UK regional economies despite sharply rising prices

UK Regional PMI

Business Activity Index

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



Key findings

Most regions regain growth momentum in January

Local labour markets continue to recover across the board

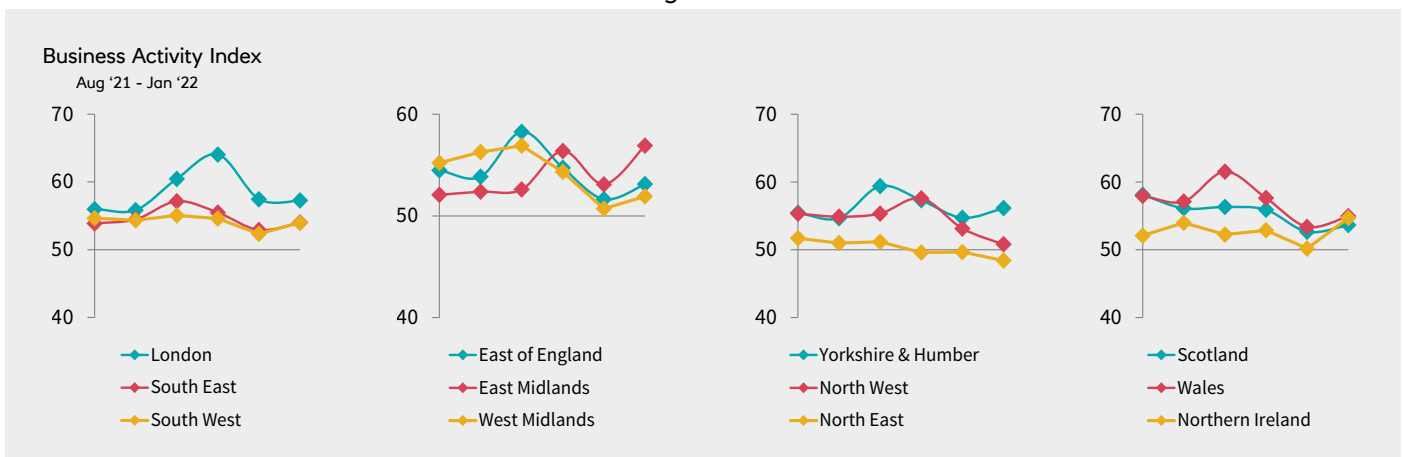
Rates of cost inflation remain close to recent record highs

Latest Royal Bank of Scotland Regional PMI[®] data showed an improvement in economic performance across most UK regions and nations in January, following the broad slowdown in growth caused by the emergence of the Omicron variant at the end of last year. Local labour markets remained in recovery mode, but sharply rising prices were once again a prominent feature across all 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.

Business activity rose across almost all UK regions in January, and at a faster rate in most cases. London (Business Activity Index at 75.3) continued to lead growth despite being one of the few areas to have lost momentum. Northern Ireland* (54.7) saw the greatest upswing in performance, rising six places in the rankings to fifth overall. The North East (48.4) recorded the only fall in output, its third in as many months.

**PMI survey coverage in Northern Ireland includes construction and retail, as well as manufacturing and services.*



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About the UK Regional PMI® report

The Royal Bank of Scotland UK Regional PMI® data are compiled by IHS Markit from responses to questionnaires sent to companies that participate in IHS Markit's UK PMI surveys. IHS Markit compiles data for nine English regions, Scotland, Wales and Northern Ireland (NUTS 1 definitions).

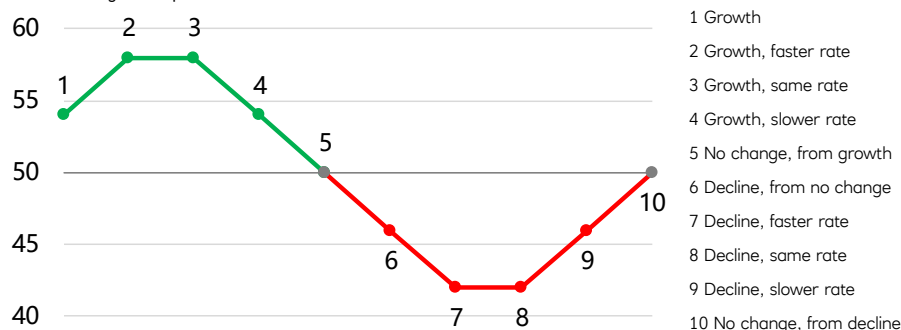
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Most regional economies across the UK made a positive start to 2022, as the uncertainty surrounding the Omicron variant eased and restrictions were loosened. Output growth generally picked up amid signs of demand starting to rebound in January."

"Businesses across all parts of the UK are predicting 2022 to be a good year for growth, which is translating

into more new jobs across local economies. The broad-based recovery in regional labour markets that began last spring continued into the new year, despite reports of tightness in the job space."

"Elevated cost pressures continue to pose a challenge for the UK's businesses and consumers alike, however. With the survey's measures of firms' input and output prices staying close to record highs in all regions, and in some cases even reaching new peaks, the cost-of-

living squeeze we've seen in recent months is set to continue."

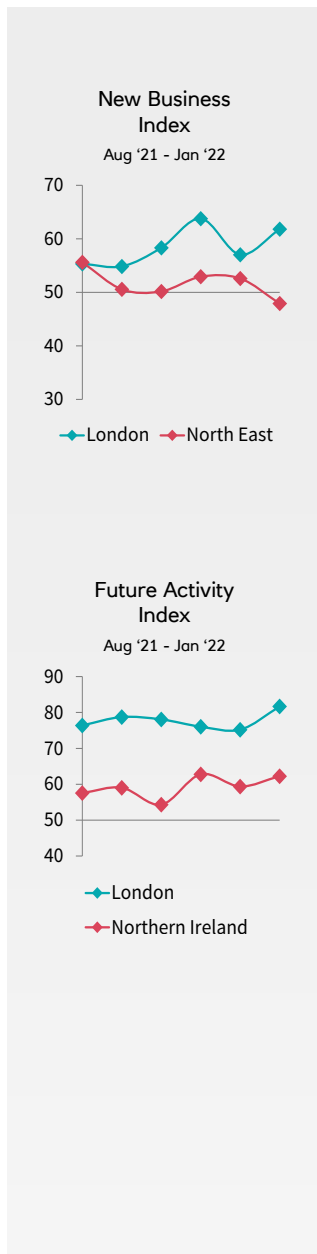
Demand and outlook

London tops rankings for new order growth

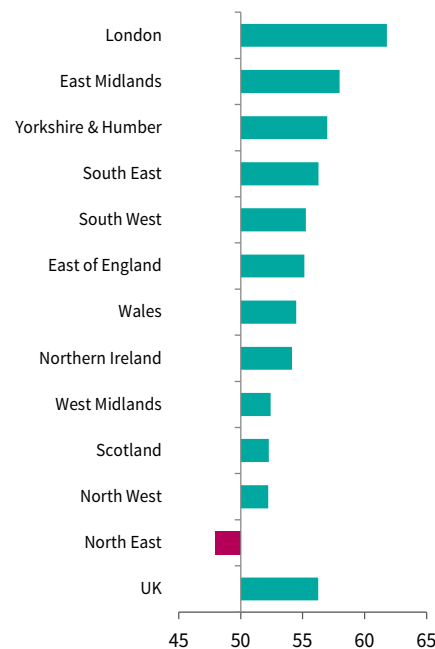
Growth of new business was led by London in January, the third month in a row in which this has been the case. Here, and in seven of the 11 other monitored regions, the rate of expansion in new orders gathered pace. The only outright decrease in new work was recorded in the North East – its first decline for almost a year.

Broad-based optimism towards future activity

Businesses operating in London showed the greatest optimism towards the 12-month outlook for activity, followed closely by their counterparts in Yorkshire & Humber. Expectations improved in nine out of the 12 monitored regions, most notably in the North West. Northern Ireland remained at the foot of the rankings despite also seeing business confidence strengthen since December.



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



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



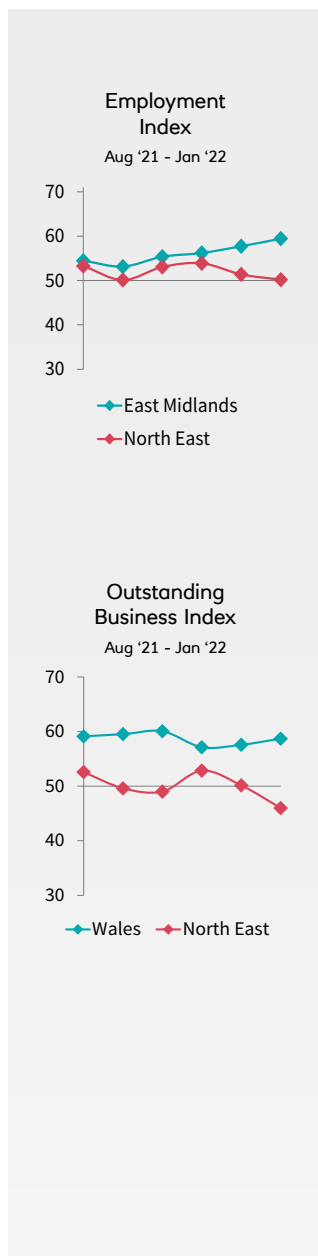
Business capacity

Employment continues to rise universally

All 12 monitored regions recorded a rise in private sector employment in January, the ninth month in a row in which this has been the case. The East Midlands topped the rankings for job creation for the first time since March 2018, ahead of the East of England and North West respectively. The slowest increase in employment was in the North East, where workforce growth eased to near-stagnation.

Firms in most areas report higher backlogs of work

Higher backlogs of work were seen in almost every region in January, with rates of accumulation accelerating in most cases. The steepest overall rise in work-in-hand was once again recorded in Wales, followed by some distance by the East Midlands and South West respectively. The only decrease in outstanding businesses was seen in the North East.



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



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



Prices

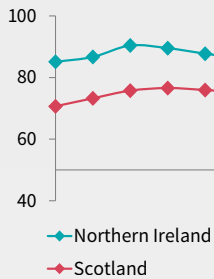
Cost pressures stay acutely high across the board

All 12 monitored regions continued to record sharp rates of input cost inflation that were well above their respective long-run averages. Northern Ireland topped the rankings in January, closely followed by Wales and the North East. The slowest rise in input prices was seen in Scotland, though even here the increase was sharp.

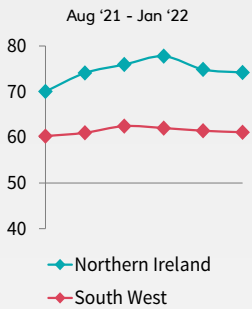
All regions record further sharp rises in output prices

Sharp increases in average prices charged for goods and services remained a prominent feature across all regions in January. Northern Ireland recorded the sharpest increase ahead of Wales. Next was Yorkshire & Humber, which, like both the West Midlands (ranked fourth overall) and East of England (joint-seventh), registered a record rate of output price inflation.

Input Prices Index
Aug '21 - Jan '22



Prices Charged Index
Aug '21 - Jan '22



Input Prices Index

sa, >50 = inflation since previous month, Jan '22



Prices Charged Index

sa, >50 = inflation since previous month, Jan '22



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	57.3	61.8	81.7	57.4	51.2	77.0	61.6
South East	54.0	56.3	79.8	55.2	51.7	81.1	63.8
South West	54.0	55.3	75.2	55.8	54.9	79.0	61.1
East of England	53.1	55.1	70.8	58.2	51.3	81.1	63.8
East Midlands	56.9	58.0	77.2	59.4	55.2	84.0	65.9
West Midlands	51.9	52.4	80.3	56.2	50.8	83.4	67.0
Yorkshire & Humber	56.1	57.0	81.2	55.5	54.2	81.1	70.5
North West	50.8	52.2	75.7	57.6	52.5	79.8	64.3
North East	48.4	47.9	63.0	50.2	46.0	84.9	63.3
Scotland	53.7	52.3	69.4	53.0	51.9	75.2	62.4
Wales	55.0	54.5	69.0	56.4	58.7	85.4	70.8
Northern Ireland	54.7	54.1	62.3	52.3	53.9	86.1	74.2

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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 IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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

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