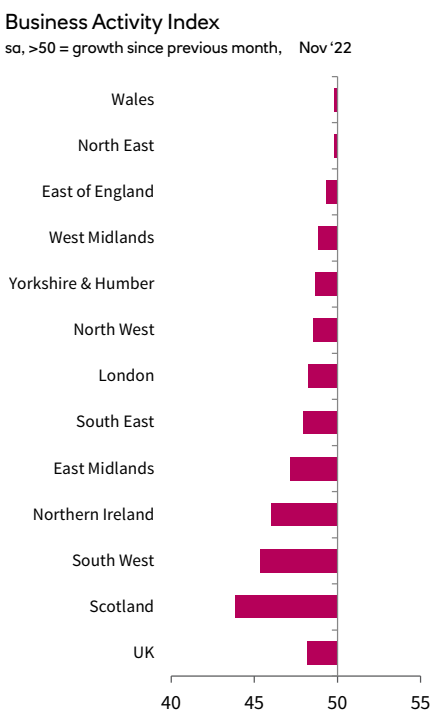


Royal Bank of Scotland UK Regional PMI[®]

Business conditions continue to worsen across all UK regions

UK Regional PMI



Key findings

Further broad-based decline in business activity in November

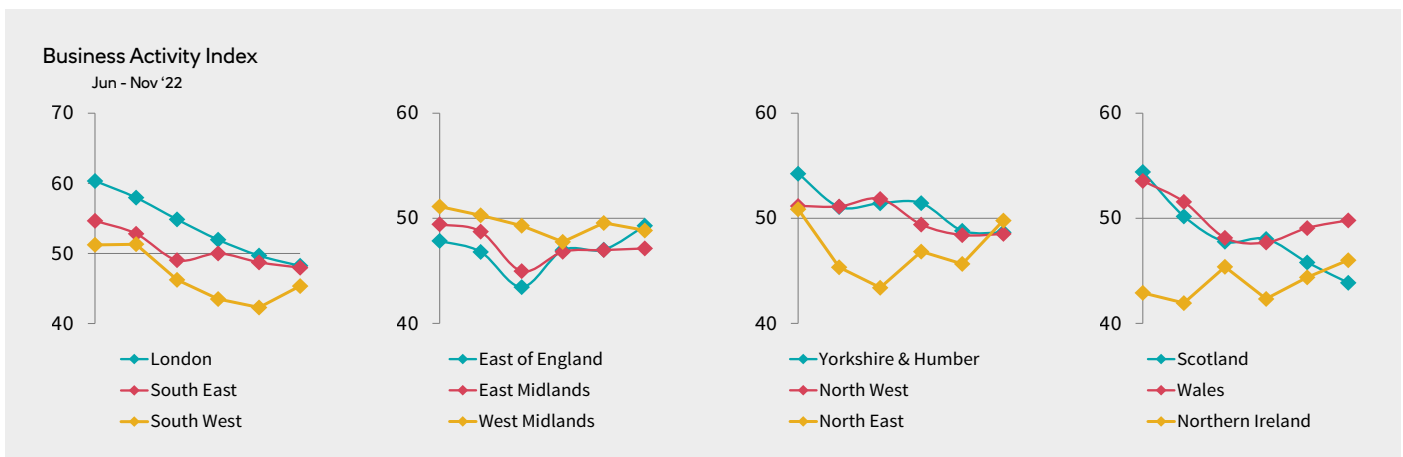
Expectations improve in most areas but still historically subdued

Cost pressures remain elevated, and even intensify in majority of cases

Regional economies across the UK remained under pressure from sharply rising prices and falling demand in November, according to latest Regional PMI[®] data from Royal Bank of Scotland. Business activity fell in all areas, while there were also further signs of a slowdown in local labour markets. Expectations towards the year ahead generally improved after having slumped in October, but they nevertheless remained subdued by historical standards amid persistent strong inflation and recession worries.

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.

All 12 monitored regions recorded a further fall in business activity in November. Rates of contraction did, however, slow in just over half of cases, including Wales and the North East, the two top-ranked areas, where activity came close to stabilising (business activity indexes at 49.8 respectively). Scotland (43.9) recorded the most marked fall in output, followed by the South West (45.3).



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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).

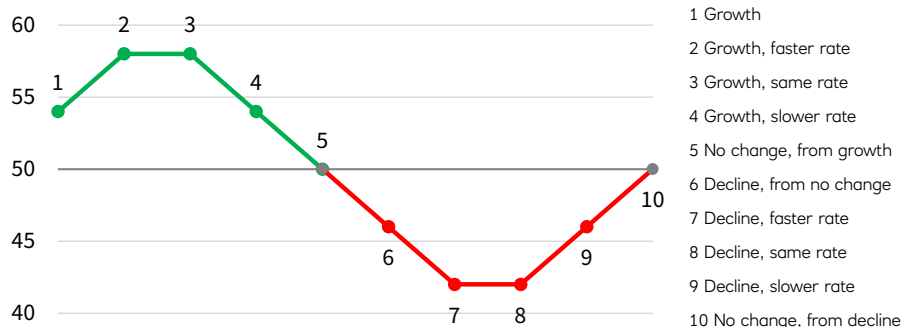
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Back-to-back monthly contractions in business activity across all regions and nations highlights a general worsening of economic conditions across the UK as we move towards the end of the year.

"There are growing signs that local labour markets are feeling the effects of the economic downturn, with most regions seeing a slowdown in job creation – to a crawl some cases

– and East Midlands and North East even recording outright declines in employment.

"After a sharp fall in business confidence in October in the wake of "mini" budget, November saw expectations improve across virtually all areas. Still, business confidence generally remained subdued, owing to continued concerns about persistent high inflation, rising interest rates and the prospect of a recession."

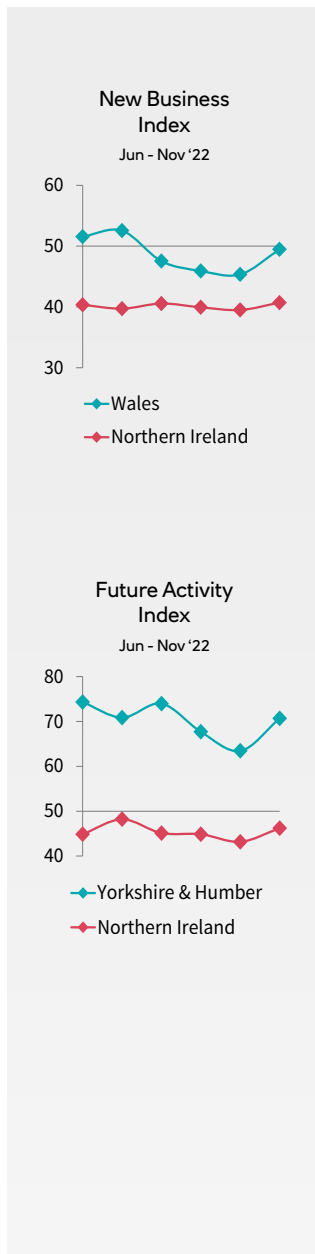
Demand and outlook

Universal decline in inflows of new work

November saw another broad-based decline in inflows of new work, pointing to a general weakening of demand for goods and services across the UK. Firms in Northern Ireland* once again recorded the steepest decrease, followed by those in the East Midlands. Notably, both Wales and the North East saw much slower rates of decline that were only marginal overall.

Business outlook improves across almost all areas

Business expectations improved almost universally in November, with the only exception being a slight decline in confidence in Scotland. Yorkshire & Humber was the most optimistic region and saw the joint-sharpest increase in sentiment from the previous month, with Wales. Firms in Northern Ireland and the North East remained pessimistic, albeit less so than in October.



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



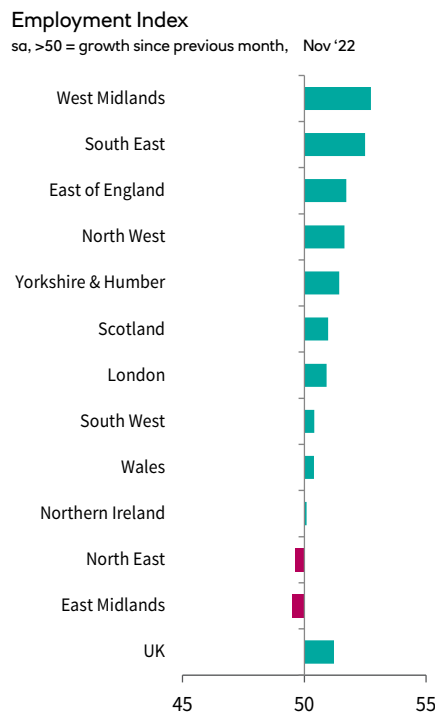
Business capacity

Local labour markets show signs of cooling

Although workforce numbers rose across the majority of regions and nations in November, rates of growth slowed in most instances. The West Midlands saw the fastest pace of job creation, moving ahead of the South East in the rankings. The East Midlands and North East went against the trend and recorded lower employment, though the declines were only marginal.

Three-quarters of regions record lower backlogs

Of the 12 monitored regions and nations, only London, Yorkshire & Humber and the West Midlands recorded higher levels of outstanding business in November. The increases were only modest, however. All other areas recorded declines in backlogs of work, the most notable of which were registered in Northern Ireland and Scotland.



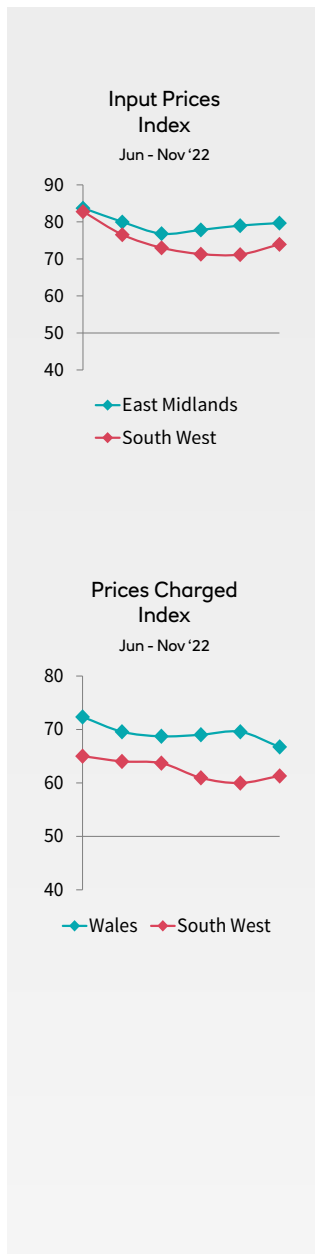
Prices

Cost pressures intensify anew in most areas

Not only did rates of input cost inflation remain historically elevated in November, but they accelerated in the majority of cases. This included the East Midlands, which topped the rankings ahead of London and the South East. The slowest rise in costs was in the South West, though even here the rate of increase picked up from a 17-month low in October and was above its long-run average.

Businesses continue to pass on higher costs

Average prices charged for goods and services continued to rise sharply across the board during November, as firms in all areas looked to pass on higher costs to customers. Rates of output price inflation slowed in half of cases, including Wales, which nevertheless once again saw the steepest overall rise. Firms in the South West recorded the slowest increase, as was the case in October.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	48.2	49.2	60.3	50.9	51.6	77.8	61.7
South East	48.0	44.7	62.9	52.5	49.2	77.6	64.5
South West	45.3	44.3	58.2	50.4	47.8	73.9	61.3
East of England	49.3	48.6	62.6	51.7	49.8	74.1	61.5
East Midlands	47.1	43.1	62.1	49.5	48.5	79.7	65.8
West Midlands	48.8	48.8	64.7	52.7	50.8	76.7	64.6
Yorkshire & Humber	48.7	44.6	70.7	51.4	51.1	75.4	62.5
North West	48.5	43.9	61.3	51.6	49.4	74.4	61.5
North East	49.8	49.5	49.8	49.6	49.5	75.4	63.9
Scotland	43.9	43.3	55.1	51.0	45.4	75.4	62.7
Wales	49.8	49.5	60.5	50.4	48.0	77.1	66.7
Northern Ireland	46.0	40.7	46.2	50.1	41.6	76.6	62.5

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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.

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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.

ihsmarkit.com/products/pmi.html

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