

Royal Bank of Scotland UK Regional PMI[®]

Broad-based decline in regional business activity in October

UK Regional PMI

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



Key findings

All 12 monitored UK regions and nations record lower business activity

Rates of job creation generally slow amid darkening business outlook

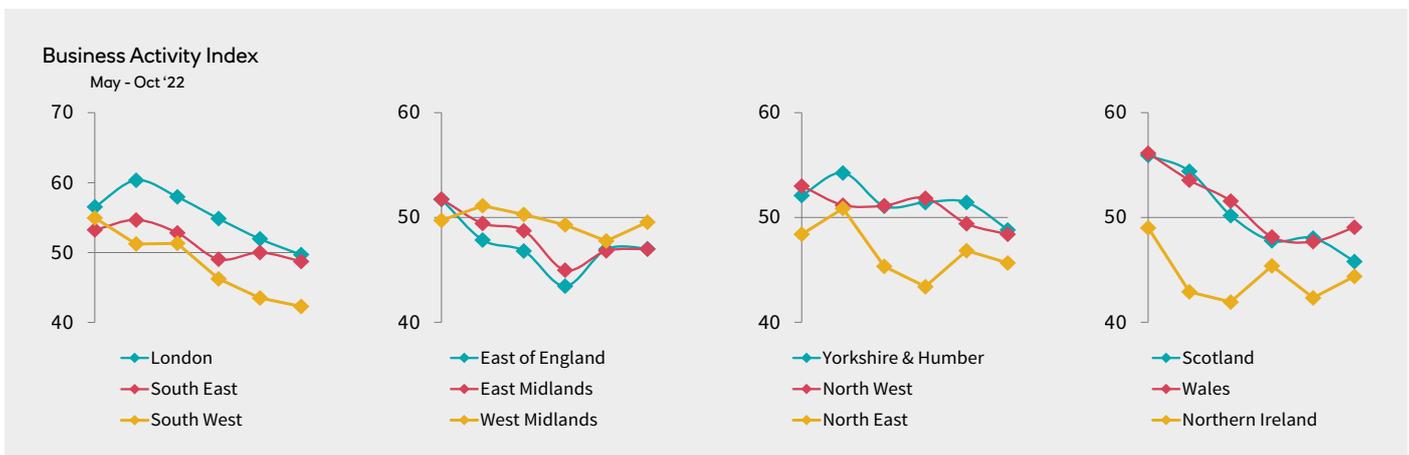
Firms in majority of regions see slower, albeit still sharp, rises in costs

The downturn in UK economic activity broadened to encompass all regions and nations in October, latest Regional PMI[®] data from Royal Bank of Scotland showed. Soaring inflation and heightened levels of uncertainty served to dampen demand, despite the survey indicating some easing of price pressures. With businesses generally becoming less optimistic about growth prospects, rates of job creation slowed in most areas.

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.

October saw a fall in business activity across all 12 monitored regions, the first time this has been the case since the third national lockdown in January 2021. The South West posted the steepest decline (index at 42.3), followed by Northern Ireland* (44.4) and the North East (45.7) respectively. London's decline in activity was only marginal (49.7), but nonetheless its first for over a year-and-a-half.

* 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).

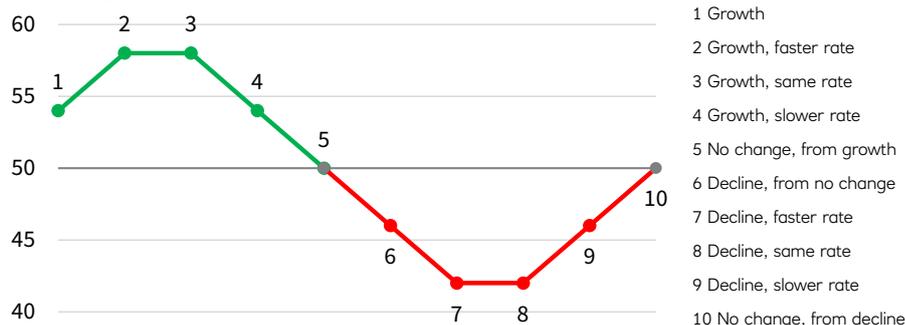
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"The UK's economic downturn reached an unwelcome milestone in October, with latest NatWest PMI data showing a reduction in business activity across all 12 regions and nations monitored by the survey – the first time this has been the case since January 2021.

"What's more, when it comes to prospects for the coming year, business confidence is at historically

low levels across the board, which bodes ill for future investment and job creation, among other things.

"Regional labour markets continued to show resilience during October. That said, there were yet more signs that conditions have begun to cool, with falling levels of activity and a gloomy economic outlook causing firms take a more cautious approach to hiring. Of the 11 regions that recorded a rise in employment in October, eight saw a slower rate of job creation, while there was a

further decrease in employment in the North East.

"Sharply rising costs remain a key challenge for businesses throughout the UK. Firms' input prices – and indeed their output prices – rose at a slower rate in most regions in October, but inflationary pressures remain stubbornly high and point to the prospect of further interest rate hikes and, thereby, a further squeeze on demand."

Demand and outlook

Inflow of new work fall across the board

Latest data showed a general weakening of demand conditions across the UK in October, as evidenced by a broad-based decline in inflows of new work. Northern Ireland recorded the most marked fall, its steepest since January 2021, followed by the North East. London and the West Midlands saw demand fall the least, with the latter recording a slower rate of decline than in September.

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



Most regions see a slump in business confidence

Business expectations, although often still positive, weakened in most cases in October. Firms in Northern Ireland and the North East even noted increased pessimism towards the outlook. Business confidence in the South West was unchanged from September's record low, while Scotland went against the broader trend and registered the strongest optimism for three months.

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



Business capacity

Rates of job creation generally slow in October

Employment continued to rise across almost every UK region and nation during October, the only exception being the North East where workforce numbers decreased for a fifth successive month. However, in most cases, rates of job creation slowed. This included the South East – the region at the top of the rankings for employment growth.

Varying degrees of business capacity pressure across

There were mixed trends in backlogs of work by region in October, hinting at varying degrees of pressure on business capacity. Four of the 12 monitored areas recorded higher levels of outstanding business. This included London, where the rate of accumulation remained solid. At the other end of the scale, Northern Ireland, Wales and Scotland noted steep declines.



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



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



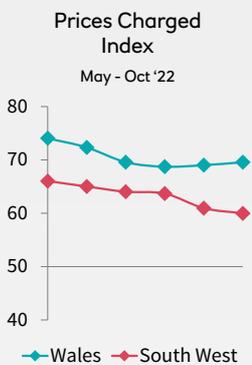
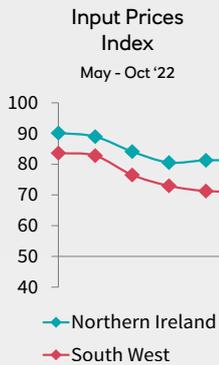
Prices

Rates of input cost inflation tick down in majority of cases

Each region saw further strong upward pressure on business costs in October, with rates of input price inflation remaining well above their historical series averages. Operating expenses rose more slowly than in September in the majority of cases, however, including in the South West, which saw the weakest overall increase. Firms in Northern Ireland noted the steepest rise.

Further sharp, albeit often slower, rises in prices charged

As was the case with input costs, prices charged rose sharply across all areas of the UK at the start of the fourth quarter, but rates of increase generally eased further from their recent peaks. Wales was one of the exceptions (along with Scotland), recording a slightly faster rise in output prices and thereby remaining at the top of the rankings.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	49.7	49.2	54.7	52.2	53.4	75.2	62.9
South East	48.7	45.9	61.3	54.6	50.8	77.2	67.1
South West	42.3	42.7	53.3	50.2	47.1	71.2	60.0
East of England	47.0	46.9	56.5	53.4	47.8	73.0	60.2
East Midlands	47.0	44.9	57.6	52.4	49.8	79.0	63.9
West Midlands	49.6	48.5	60.7	53.9	50.6	75.1	64.3
Yorkshire & Humber	48.8	46.1	63.4	52.0	50.3	75.0	63.5
North West	48.4	46.7	59.6	51.1	49.9	75.0	62.1
North East	45.7	42.7	43.3	47.5	46.9	75.0	61.7
Scotland	45.8	44.1	56.8	50.6	45.3	74.3	61.9
Wales	49.1	45.4	53.4	52.5	45.1	77.3	69.6
Northern Ireland	44.4	39.5	43.2	51.7	43.1	81.2	67.1

Contact

Vonnie Sandlan
Regional PR & Media Relations Manager
Royal Bank of Scotland
+44 740 127 8778
yvonne.sandlan@natwest.com

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

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 7967 447 030
sabrina.mayeen@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.