

9 October 2024

# Royal Bank of Scotland UK Regional Growth Tracker

Northern Ireland leads private sector  
growth as Autumn Budget dominates  
outlook



Royal Bank of Scotland

PMI<sup>®</sup>

by **S&P Global**

9 October 2024

# Royal Bank of Scotland UK Regional Growth Tracker

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by **S&P Global**

# Key findings

September 2024

**Stronger growth in Northern Ireland contrasts with slight contraction in Wales**

**Employment rises in just half of the 12 nations and regions**

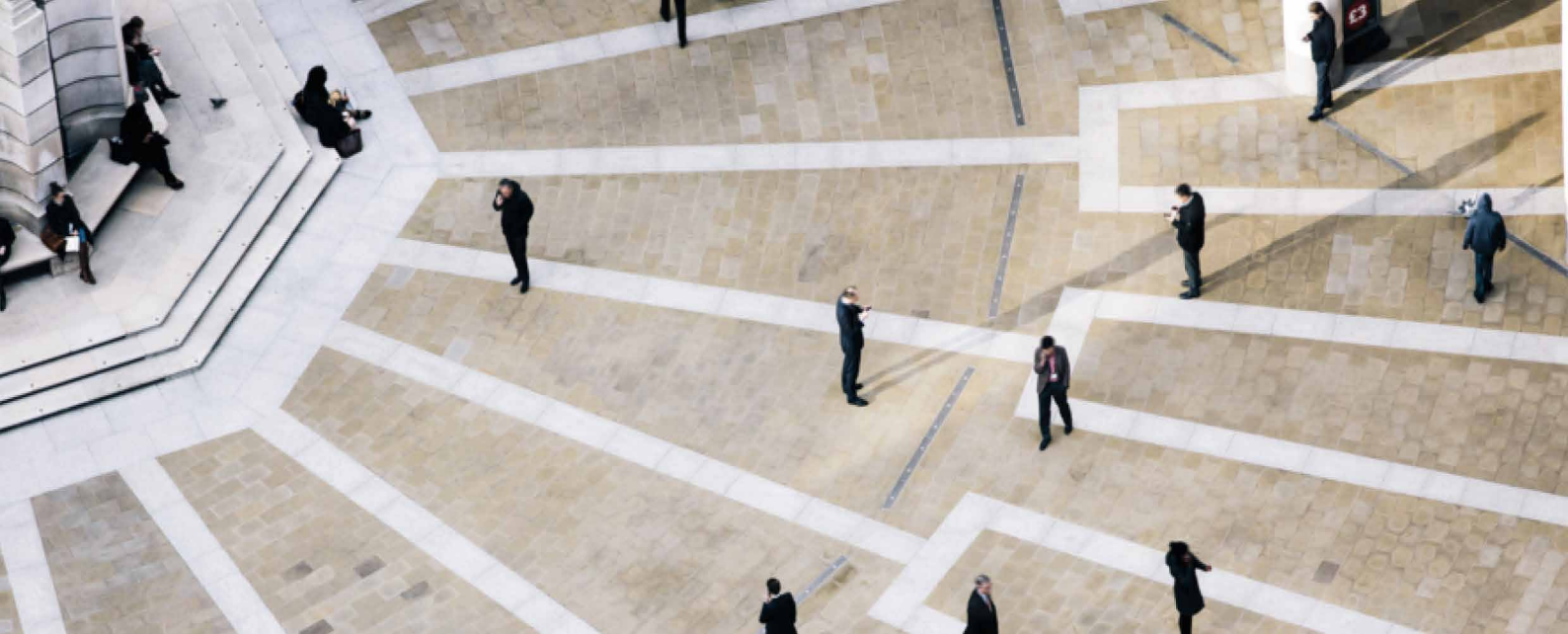
**Prices charged increase at similar rates across the UK**

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](https://www.natwest.com/business/insights/economics)





# Comment

## Sebastian Burnside, Royal Bank of Scotland Chief Economist, commented:

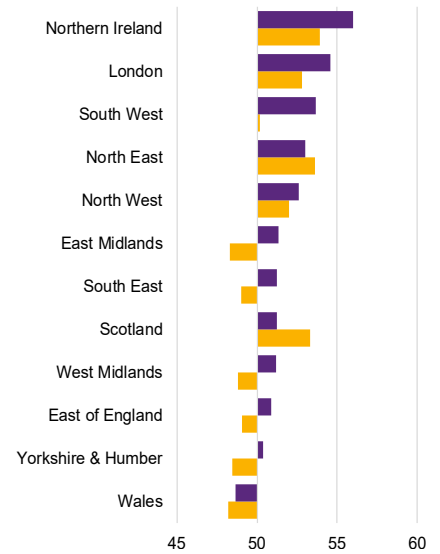
"September's Growth Tracker report showed greater variation in performance across the UK's nations and regions compared to the situation in August when activity rose universally. Output still increased in almost all places, but at one end of the scale there was strong and accelerated growth in Northern Ireland and at the other end was a decline in activity in Wales.

"At the same time, we saw some divergence in labour market trends, with only half recording a rise in employment in September, down from ten in August. It was a similar picture for business confidence, which, whilst generally remaining positive, decreased in just over half of cases.

"On the other hand, price pressures were remarkably consistent across the 12 regions in September, with

rates of increase in average charges for goods and services all closely clustered around the national average, helping make the UK inflation story somewhat easier for monetary policymakers to read."

■ Business Activity ■ Employment  
Index, sa, >50 = growth m/m, Sep '24



Sources: Royal Bank of Scotland, S&P Global PMI.  
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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 12-26 September



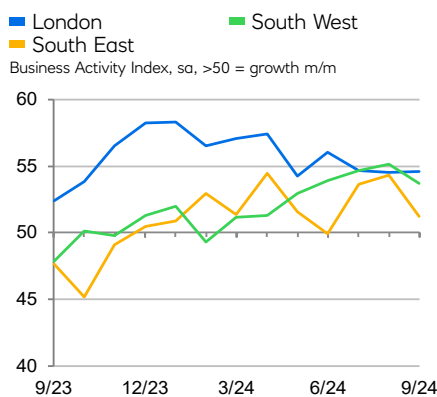


# Business activity

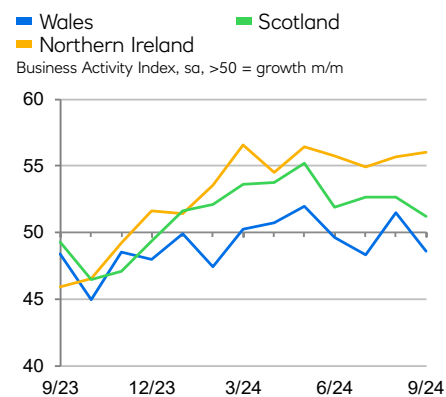
Business activity rose in all but one of the UK's 12 nations and regions in September, following broad-based growth in the previous month.

The 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.

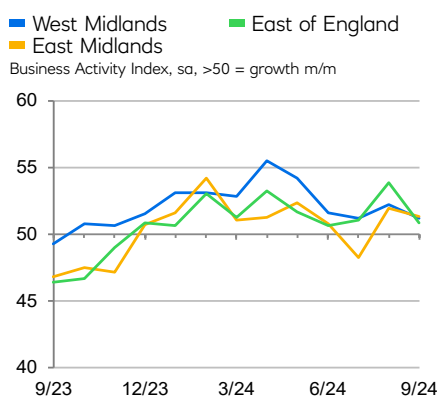
A renewed – albeit only slight – decrease in business activity in Wales in September prevented a second successive month of universal growth across the UK. Notably, rates of expansion generally eased compared to those seen in August. Northern Ireland was one of the exceptions, cementing its position at the top of the growth rankings with its fastest rise in output since May.



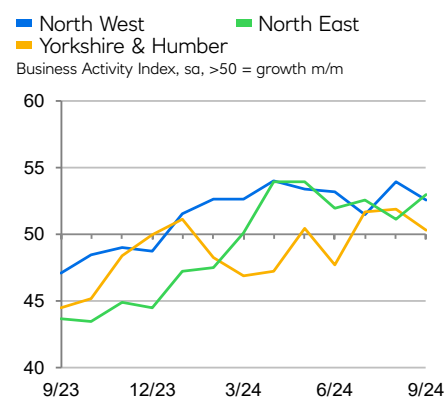
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



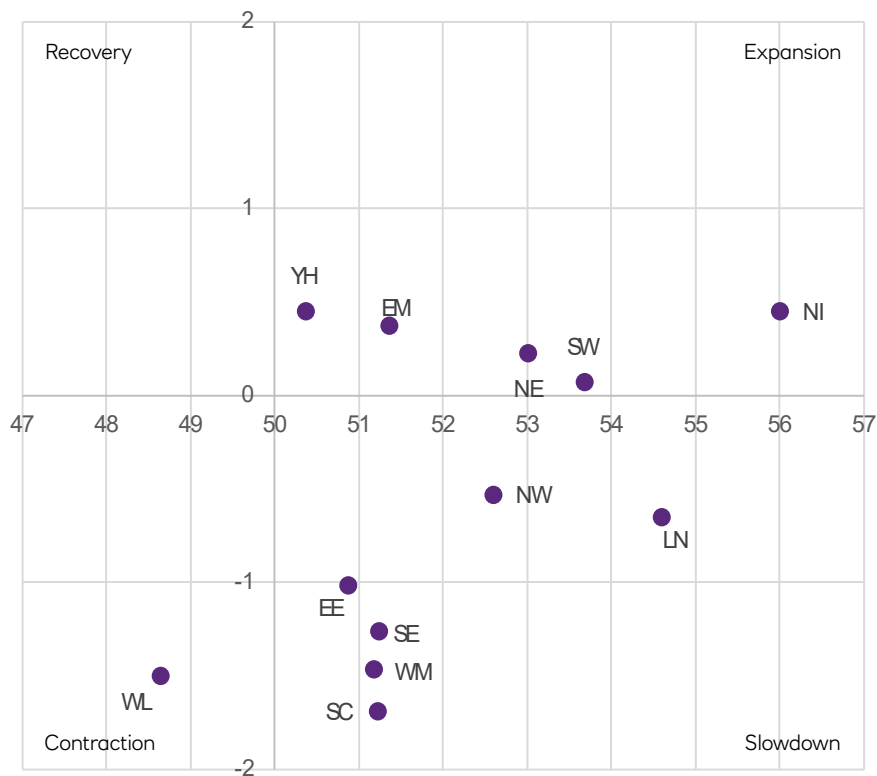
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



# Business cycle by nation and region

## Business Activity

X axis = Business Activity Index, sa, >50 = growth m/m, Sep '24 Y axis = Change in Index compared with six-month average



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 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.





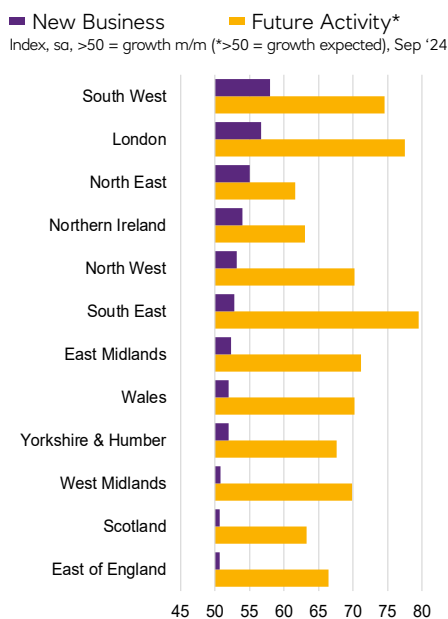
# Demand and outlook

## South West sees strongest growth in new business

There was broad-based growth in new business in September, the second month in a row in which this has been the case. The South West topped the rankings, recording a sharp and accelerated increase in new work that was the quickest for two-and-a-half years. At the other end of the spectrum, the East of England, Scotland and West Midlands each saw only marginal improvements in underlying demand.

## Growth expectations soften in just over half of cases

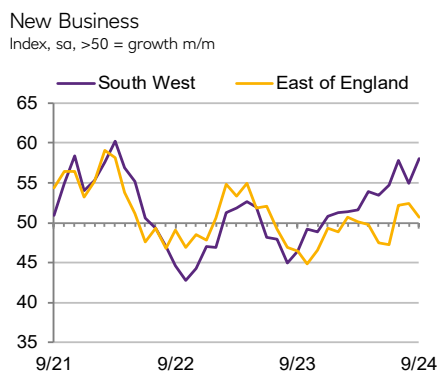
Trends in business expectations varied in September. Just over half of the monitored nations and regions reported a reduction in business confidence, but sentiment nevertheless remained positive across the board. Firms in the South East recorded not only the strongest overall growth expectations, but also the biggest upswing in optimism.



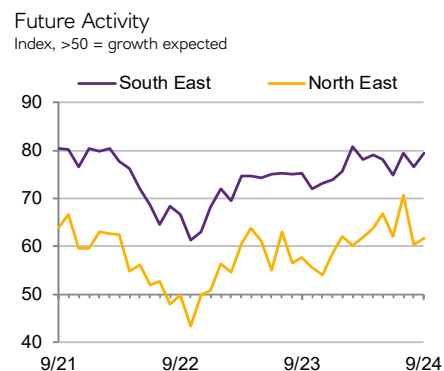
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

"Business confidence.. whilst generally remaining positive, decreased in just over half of cases"

Sebastian Burnside, Royal Bank of Scotland Chief Economist



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



# Employment and capacity

## Mixed trends in employment in September

Employment growth in September was led by Northern Ireland, as was the case throughout the third quarter. Only half of the 12 UK nations and regions monitored reported a rise in workforce numbers, down from ten in August. Wales saw the steepest drop in staffing levels, although the decline was only modest overall.

## Just two areas record higher backlogs of work

Alongside further solid growth in outstanding business (i.e. orders and projects awaiting completion) in Northern Ireland, latest data showed a renewed rise in the South West, the latter's first increase in over one-and-a-half years. Backlogs of work fell in all other cases. That said, rates of depletion generally eased, albeit only fractionally in Yorkshire & Humber.

■ Employment ■ Outstanding Business  
Index, sa, >50 = growth m/m, Sep '24

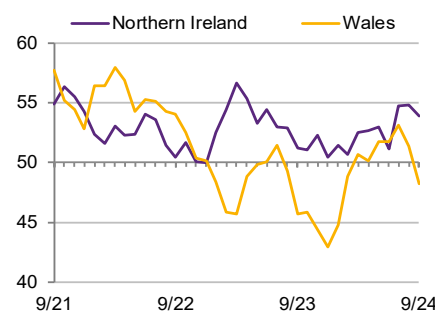


Sources: Royal Bank of Scotland, S&P Global PMI.  
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"We saw some divergence in labour market trends, with only half recording a rise in employment in September"

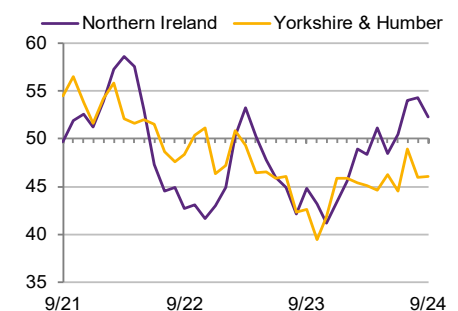
Sebastian Burnside, Royal Bank of Scotland Chief Economist

Employment  
Index, sa, >50 = growth m/m



Sources: Royal Bank of Scotland, S&P Global PMI.  
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Outstanding Business  
Index, sa, >50 = growth m/m



Sources: Royal Bank of Scotland, S&P Global PMI.  
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# Inflation

## Costs rise at slightly faster rates in most nations and regions

The rate at which business costs increased accelerated slightly in eight of the 12 nations and regions in September. This included the East Midlands, which recorded the highest overall rate of input price inflation and one that was just above its long-run average. The slowest rise in costs was seen in the North West, where the rate of increase was unchanged from the month before.

## Rates of output price inflation show little variation across the UK

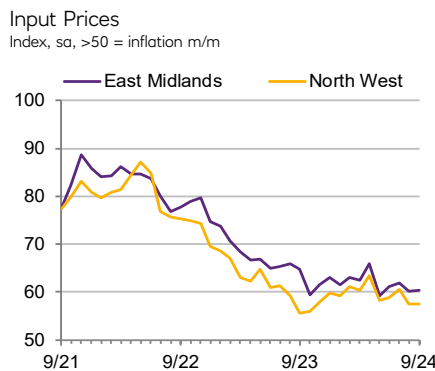
As was the case with costs, the East Midlands recorded the fastest overall rise in average prices charged for goods and services in September. There, the rate of output price inflation ticked up to a six-month high and was quicker than the historical trend. The gap between highest and lowest (North East) rates of inflation was the narrowest on record, however.



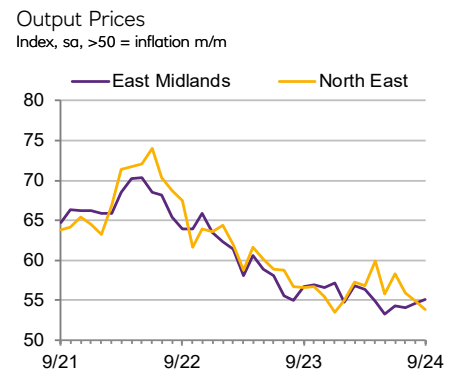
Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

"Price pressures were remarkably consistent across the 12 regions in September, with rates of increase in average charges for goods and services all closely clustered around the national average"

Sebastian Burnside, Royal Bank of Scotland Chief Economist



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.



Sources: Royal Bank of Scotland, S&P Global PMI. ©2024 S&P Global.

# 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.

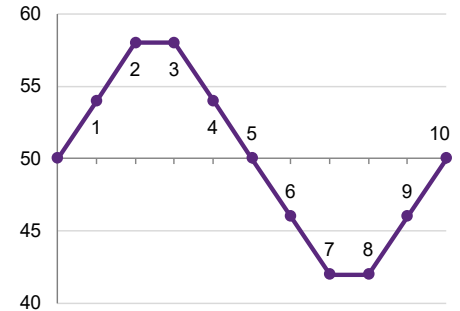
The headline figure for each region is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Business Activity Index is comparable to the UK Composite Output Index.

For further information on the survey methodology, please contact [economics@spglobal.com](mailto: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. ©2024 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. Sep '24

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Output Prices
London	54.5	56.2	75.1	52.9	46.7	58.0	54.8
South East	54.3	54.1	76.5	52.8	46.1	56.6	54.6
South West	55.1	55.0	74.2	52.3	46.9	60.1	56.2
East of England	53.9	52.4	71.2	52.4	45.5	57.9	53.6
East Midlands	51.9	53.8	71.6	48.3	49.0	60.2	54.6
West Midlands	52.2	50.3	76.1	49.8	45.5	56.6	54.5
Yorkshire & Humber	51.9	54.0	70.9	51.5	46.0	58.4	53.2
North West	54.0	54.6	72.8	52.0	46.0	57.5	55.8
North East	51.2	54.5	60.4	53.3	46.2	57.5	54.9
Scotland	52.7	50.6	65.3	50.7	46.2	58.6	54.2
Wales	51.5	51.9	67.5	51.3	41.0	60.7	52.8
Northern Ireland	55.7	54.6	63.9	54.8	54.3	60.9	53.5

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The bank has commitment to retain its close connections with the Scottish communities it serves.

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## Contact

Royal Bank of Scotland

Jonathan Rennie  
Regional Media & Campaigns  
Manager  
+44 (0) 7769 932 102  
[jonathan.rennie@natwest.com](mailto:jonathan.rennie@natwest.com)

S&P Global Market Intelligence

Phil Smith  
Economics Associate Director  
+44 1491 461 009  
[phil.smith@spglobal.com](mailto:phil.smith@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
+44 (0) 7967 447030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)





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