

Royal Bank of Scotland UK Regional PMI[®]

Business activity falls across most regions and nations in September

UK Regional PMI



Key findings

Only London and Yorkshire & Humber record growth in business activity

Rates of employment growth slow in majority of areas

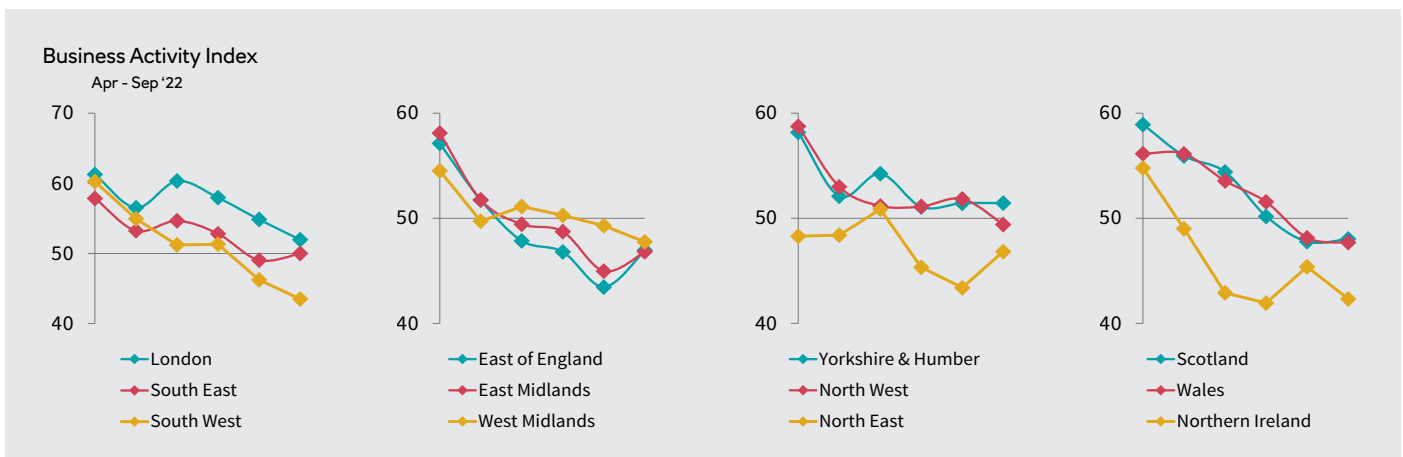
Elevated price pressures strain demand and weigh on expectations

There were only a few remaining pockets of growth across the UK in September, according to latest Regional PMI[®] data from Royal Bank of Scotland. Demand for goods and services fell in most areas, under pressure from high inflation and increased uncertainty towards the outlook. This in turn took a toll on hiring activity, with employment growth slowing in the majority of cases.

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 fell in all but three of the 12 monitored UK regions and nations in September. The fastest rates of contraction were seen in Northern Ireland* (Business Activity Index at 42.3) and the South West (43.5). London (52.0) was the best-performing region, despite seeing growth slow to a 20-month low, ahead of Yorkshire & Humber (51.4). Business activity in the South East (50.0) was unchanged on the month, after having fallen slightly in August.

* 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).

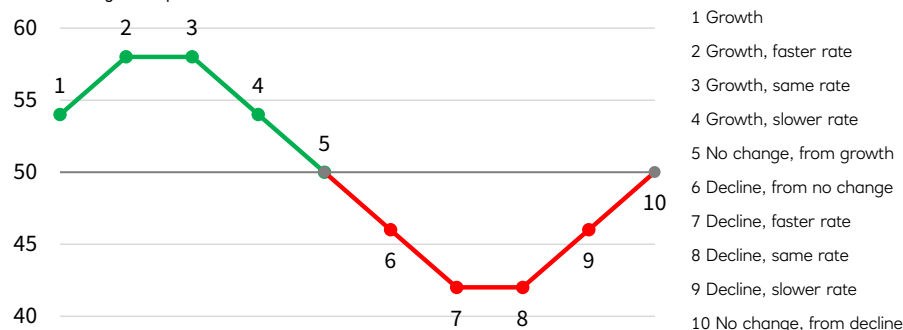
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 majority of UK regions saw business activity levels fall in September, amid an increasingly challenging economic backdrop.

"The combination of a loss of purchasing power due to high inflation, rising interest rates and concerns about the economic outlook have weighed on demand for goods and services across the board.

"London and Yorkshire & Humber were the only regions still in growth territory in September, recording increases in both output and new business, though they too have shown a considerable loss of momentum compared to earlier in the year, whilst also seeing the largest month-on-month drops in business expectations.

"Optimism towards growth prospects fell in most regions in September and was, in all cases, low by normal standards. With conditions becoming

more challenging and businesses less confident of growth in the year ahead, we've seen a broad-based slowdown in recruitment activity compared to earlier in the year."

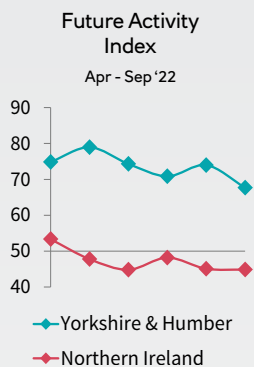
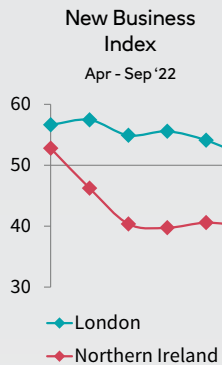
Demand and outlook

More regions report a fall in new orders in September

Ten of the 12 monitored regions reported lower inflows of new work in September, the most since January 2021, in a sign of growing weakness in demand for goods and services. The steepest decline was recorded in Northern Ireland. London and Yorkshire & Humber saw the only increases in new business, though even here rates of growth eased and were only marginal.

Business expectations falter in most areas

Business confidence towards future output fell across three-quarters of the surveyed regions in September. Yorkshire & Humber recorded the strongest optimism, despite seeing the greatest reduction in expectations from the previous month. Business sentiment was generally positive, with the exception of Northern Ireland and the North East.



New Business Index

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



Future Activity Index

>50 = growth expected over next 12 months, Sep '22



Business capacity

Job markets show signs of slowing down

Although employment rose in most regions in September, rates of job creation slowed in the majority of cases. This included the East of England, which nevertheless topped the rankings ahead of the South East. Workforce numbers fell in the North East for the fourth month running, whilst the South West recorded its first decline since February 2021.

Business capacity pressures continue to ease in most places

Of the 12 monitored regions, just London and the East Midlands reported an increase in backlogs of work in September. In the latter's case, the rise was only modest. Elsewhere, business capacity pressures eased. The steepest decline in outstanding business was recorded in Northern Ireland, which replaced the North East at the bottom of the rankings.



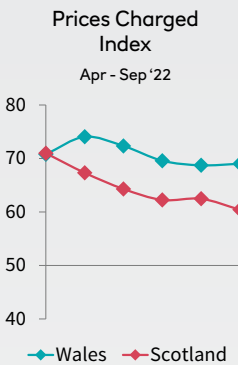
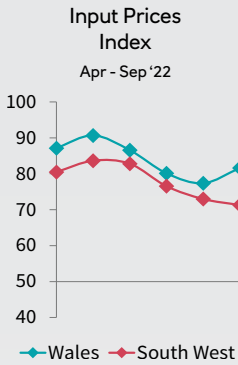
Prices

Rates of input cost inflation remain well above average

Cost pressures remained elevated across the UK in September. Rates of input price inflation accelerated in half of cases, led by a notable uptick in Wales. Northern Ireland and London, ranked second and third respectively, were also among those that saw faster rises. The South West recorded the slowest increase in operating expenses, albeit one that was still well in excess of its historical series trend.

Prices charged rise sharply across the board

All regions and nations of the UK recorded steep increases average prices charged for goods and services at the end of the third quarter, amid the widespread pass-through of higher costs. Wales saw the steepest rise, and also one that was slightly quicker than in August, followed by the South East. The weakest increase in output prices was recorded in Scotland for the second month in a row.



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



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



Index summary

UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	52.0	51.4	63.5	54.9	53.7	79.8	67.8
South East	50.0	49.3	66.6	56.0	48.9	79.7	68.3
South West	43.5	44.6	53.3	49.8	45.0	71.3	61.0
East of England	47.0	49.1	60.3	56.1	47.0	75.3	62.1
East Midlands	46.8	45.1	61.9	55.2	51.0	77.8	63.9
West Midlands	47.8	46.0	64.4	53.4	46.5	74.9	65.2
Yorkshire & Humber	51.4	50.5	67.7	55.2	48.4	74.9	66.9
North West	49.4	48.6	63.6	52.7	48.4	75.2	65.2
North East	46.8	44.6	49.8	48.8	43.7	79.3	67.5
Scotland	48.0	46.6	51.5	52.1	45.5	72.8	60.4
Wales	47.7	45.9	62.5	54.0	46.4	81.6	69.0
Northern Ireland	42.3	39.9	44.9	50.4	42.7	81.3	67.6

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.