

Royal Bank of Scotland UK Regional PMI[®]

Business activity falls across all regions except London in September

UK Regional PMI



Key findings

11 out of 12 regions and nations see output fall at end of third quarter

Employment growth confined to just Northern Ireland and Scotland

Business cost pressures ease universally

The latest Royal Bank of Scotland Regional PMI[®] survey indicated a near-universal decline in business activity across the UK in September, with only London eking out growth. Labour market trends also worsened as employment fell in all areas except Northern Ireland and Scotland. More positively, there was a broad-based easing of cost pressures faced by businesses.

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 across all but one of the 12 monitored UK regions and nations at the end of the third quarter, the exception being London. Furthermore, output in the capital increased at an accelerated rate (index at 52.4). The North East (43.7) recorded the sharpest drop in business, its quickest for more than a year, followed by neighbouring Yorkshire & Humber (44.5).

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

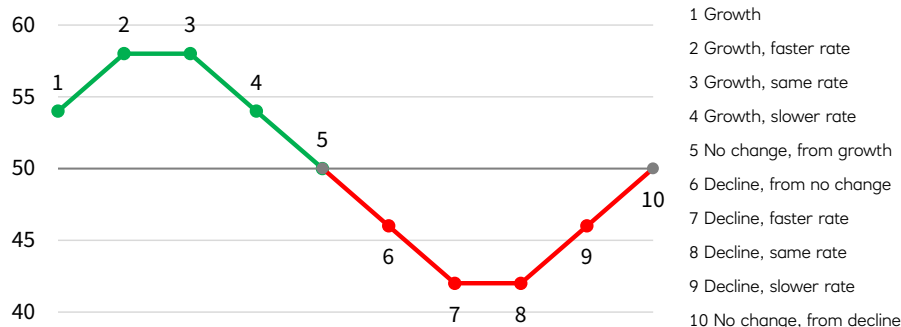
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"September's PMI results paint a rather gloomy picture of the health of the UK's regional economies, with business activity falling almost universally during the month.

"London is an outlier having recorded a further increase in output at the end of the third quarter, driven by resilient demand across the capital.

"But as a general rule, there's been less and less pressure on business capacity in recent months due to a slowdown in demand, so it isn't a

shock to see employment start to fall across most areas.

"Latest data on firms' expectations for future activity were a little more encouraging, with confidence even ticking up in a small majority of the regions and nations covered by the survey.

"Easing cost pressures are a reason for optimism. Rates of increase in firms' input prices slowed across the board in September, which should feed through to lower inflation generally in the months ahead."

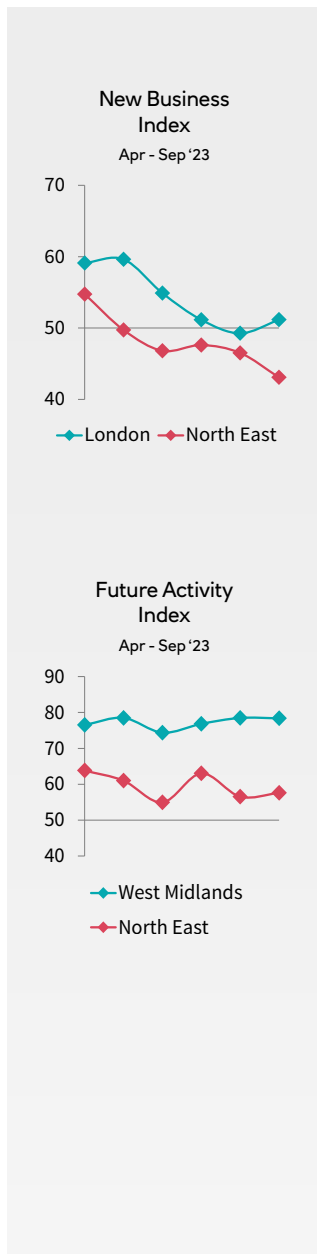
Demand and outlook

Majority of regions see new orders fall

The majority of areas saw a decrease in inflows of new business in September, in a sign of demand for goods and services being under pressure. The fastest rate of decline was in the North East, where it was the quickest for almost a year, followed by Yorkshire & Humber and the North West respectively. The only noticeable increase in new work was in London, while the West Midlands saw broadly no change.

Mixed trends in business expectations

As was the case throughout the third quarter, firms in the West Midlands were the most optimistic about future activity in September. Next in the rankings was the South East, which was one of seven regions where confidence improved. The most marked month-on-month increase in sentiment was in the East of England. Business expectations were lowest in the North East.



New Business Index
sa, >50 = growth since previous month, Sep '23



Future Activity Index
>50 = growth expected over next 12 months, Sep '23



Business capacity

Northern Ireland and Scotland go against job cutting trend

Employment growth was confined to just Northern Ireland* and Scotland in September, albeit with the rates of job creation there slowing to a crawl. Ten of the 12 monitored areas recorded a reduction in staffing levels, the highest number since January 2021. For the third month running, the deepest job cuts were seen in the North East.

Backlogs of work continue to fall across the board

September saw another broad-based decrease in backlogs of work across the UK. Firms operating in Wales once again registered the most marked decrease in outstanding business, despite the rate of depletion there easing slightly from the previous month. At the other end of the scale, work-in-hand fell only modestly in both Scotland and London.



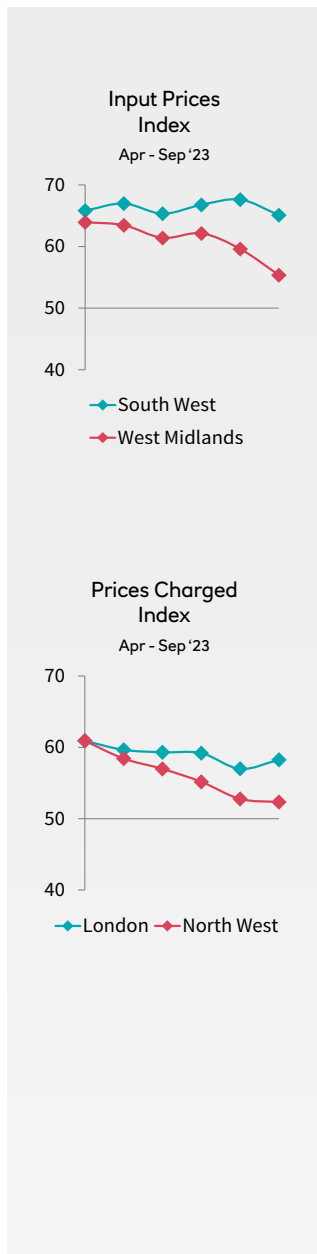
Prices

Rates of input cost inflation slow further

Business cost pressures eased in September, with input prices increasing more slowly in all areas. The weakest rate of cost inflation was recorded in the West Midlands, which also saw the most marked deceleration from the month before. Firms in the South West faced the steepest rise in operating expenses, closely followed by those in the East Midlands and East of England.

Firms in London report greatest output price hikes

London led a broad-based rise in rise in output prices in September. Average charges for goods and services rose markedly across the capital, and at a slightly faster rate than the month before. Output price inflation also quickened in Scotland and the East Midlands, but slowed everywhere else. The North West recorded the softest rise in charges, the weakest there for three years.



Input Prices Index
sa, >50 = inflation since previous month, Sep '23



Prices Charged Index
sa, >50 = inflation since previous month, Sep '23



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Sep '23

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	52.4	51.2	68.3	48.0	47.9	64.8	58.3
South East	47.6	48.6	75.3	47.8	43.6	61.6	56.7
South West	47.8	46.4	62.6	48.0	43.5	65.1	56.9
East of England	46.4	46.4	70.4	47.8	43.1	64.9	54.9
East Midlands	46.8	46.7	69.4	44.8	44.1	64.9	56.7
West Midlands	49.3	50.1	78.4	49.4	44.9	55.4	54.6
Yorkshire & Humber	44.5	45.4	71.9	47.8	42.6	56.0	53.3
North West	47.2	45.7	70.6	47.2	42.2	55.6	52.3
North East	43.7	43.1	57.6	40.8	39.7	60.7	56.6
Scotland	49.3	49.0	59.2	50.8	48.5	62.4	57.9
Wales	48.4	48.8	60.4	45.7	38.4	58.2	53.2
Northern Ireland	45.9	46.9	58.5	51.2	44.8	58.3	53.2

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About Royal Bank of Scotland

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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.

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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.

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