

# Royal Bank of Scotland UK Regional PMI<sup>®</sup>

## London remains UK's fastest growing region at midway point of the year as more areas see business activity fall

### UK Regional PMI

Business Activity Index  
sa, >50 = growth since previous month, Jun '23



### Key findings

Just over half of UK nations and regions record higher output in June

Employment continues to rise steadily in most areas

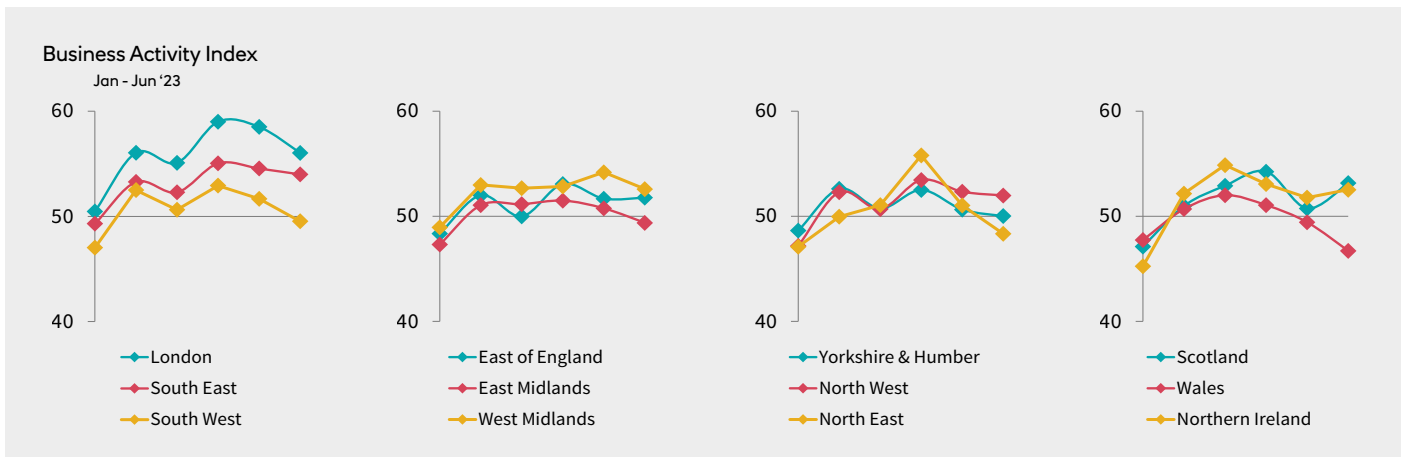
Price pressures ease across the board

Regional business activity growth was led by London in June, as has been the case throughout the first half of the year, the latest Royal Bank of Scotland Regional PMI<sup>®</sup> survey showed. However, more parts of the UK saw activity fall as the second quarter drew to a close. Price pressures meanwhile eased universally, albeit they remained stubbornly high in some 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.

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months (index at 56.0). Only Scotland (53.2), Northern Ireland\* (52.5) and the East of England (51.8) saw growth accelerate. The steepest drop in activity was in Wales (46.7), which was joined in contraction by the North East (48.3), East Midlands (49.4) and South West (49.5). Output in Yorkshire & Humber was unchanged (50.0).

\* 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).

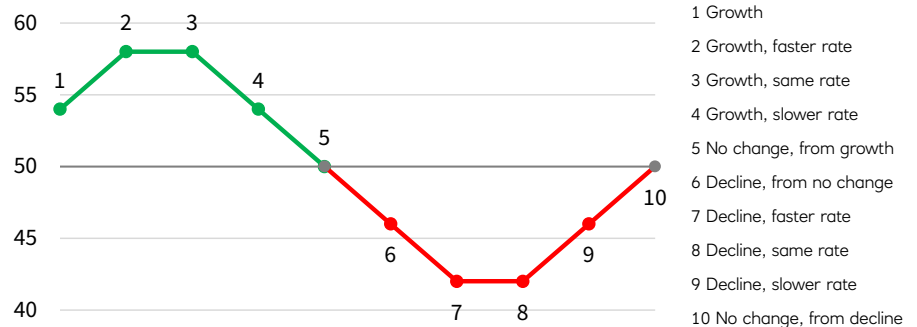
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

*"As we reach the halfway point in the year, it's an appropriate time to evaluate the trends we've seen up to this point and those that are developing as we move into the third quarter.*

*"Growth so far this year has been led by London, which after a sluggish end to 2022 has recovered strongly and recorded sizeable rises in business activity for the past five months. The capital is beginning to show signs of a loss of momentum, however, which is a pattern we're also seeing in*

*other areas, most notably in Wales, the North East, East Midlands and South West which have all moved into contraction territory in the past couple of months.*

*"Only half of the 12 monitored nations and regions saw a rise in new business in June, which, alongside a fall in business confidence in most areas points to a subdued outlook for the near term at least.*

*"There were some positive takeaways in the latest survey data, including a broad-based easing of price pressures. All areas recorded a slower rise in business costs in June, but in some cases, particularly*

*in London and Scotland, the rates of input price inflation remained historically elevated due in large part to growing wage bills.*

*"Tight labour market conditions look likely to persist for the time being, with nearly all regions recording an increase in employment in June, which means underlying price pressures could stay higher for longer too."*

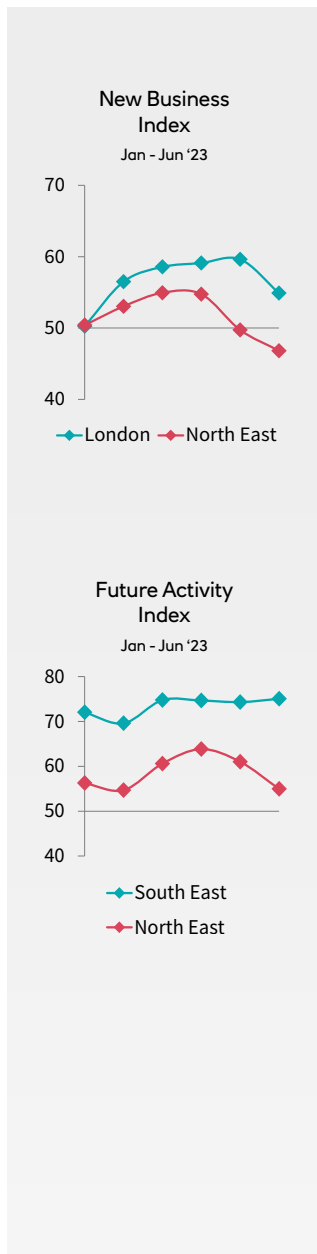
## Demand and outlook

### Just half of areas see a rise in new business in June

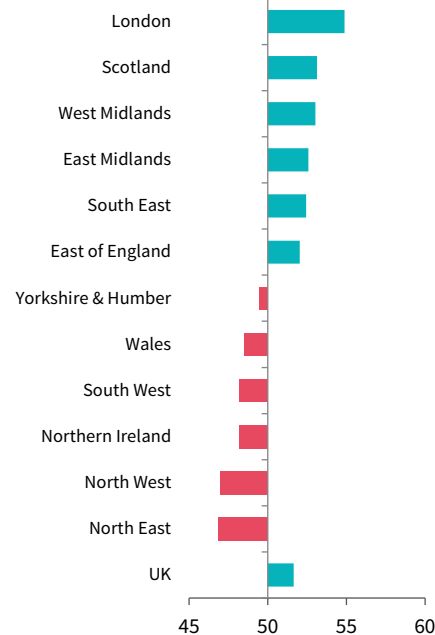
There were divergent trends in new business in June, with half of the 12 monitored areas recording growth and the remainder seeing demand decline. London posted the greatest rise in new work, although the rate of expansion slowed noticeably to a five-month low. The North East registered the steepest decline, its most marked since last October, followed by the North West.

### Business expectations highest in South East

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.



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



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



## Business capacity

### London moves to top of rankings for employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

### Outstanding business falls in almost all areas

Pressure on business capacity continued to ease across swathes of the UK in June, with backlogs of falling in almost all regions and nations. Firms in Wales recorded the quickest rate of depletion, the fastest for more than three years, followed by those in the North East. The only area where capacity came under greater pressure was London, which saw work-in-hand rise for the fifth month running.



Employment Index  
sa, >50 = growth since previous month, Jun '23



Outstanding Business Index  
sa, >50 = growth since previous month, Jun '23



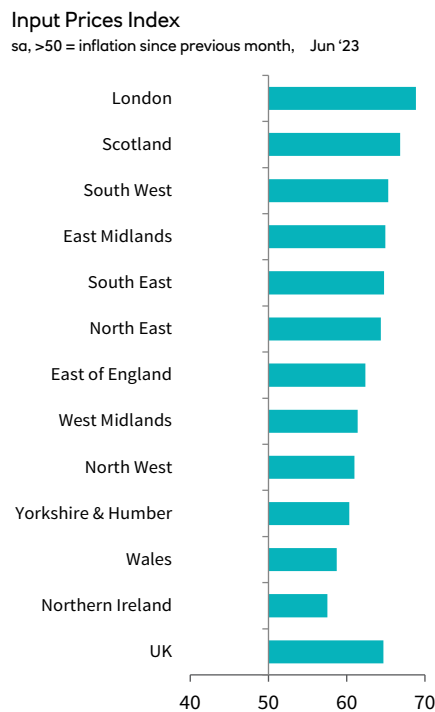
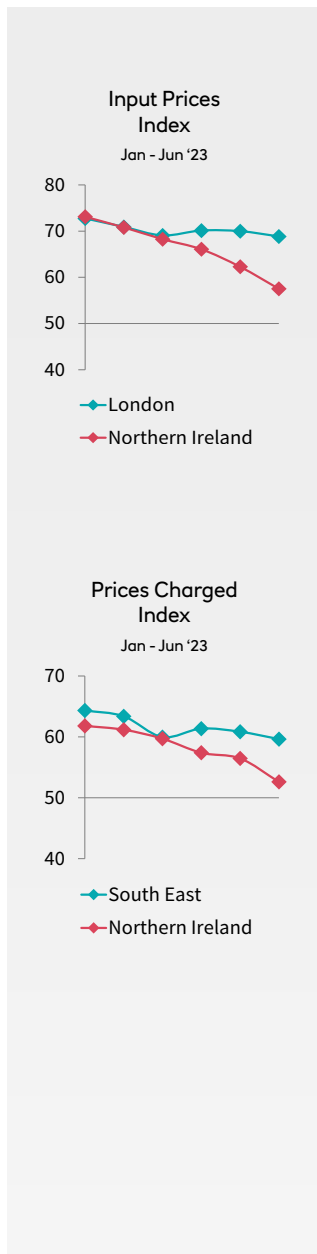
## Prices

### Broad-based slowdown in input cost inflation

Rates of input cost inflation eased universally in June. The most marked slowdowns were seen in Wales and Northern Ireland, with the latter recording the weakest overall rate of inflation for the second month running. Cost pressures were stickiest in London where they remained historically elevated, although even here the rate of input price inflation slipped to the lowest for two years.

### Output prices rise steeply, but with waning momentum

Average output prices continued to rise steeply across most parts of the UK in June. Rates of inflation did however slow in all monitored areas, most notably in Northern Ireland which cemented its place at the bottom of the rankings. Companies in the South East recorded the sharpest rise in prices charged for the second month running, ahead of their counterparts in London.



## Index summary

### UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	56.0	54.9	68.2	55.0	52.7	68.9	59.3
South East	54.0	52.4	75.1	51.0	48.5	64.8	59.6
South West	49.5	48.2	65.7	53.3	45.0	65.3	57.8
East of England	51.8	52.0	72.9	53.3	46.2	62.4	56.4
East Midlands	49.4	52.6	73.6	50.7	47.8	64.9	58.0
West Midlands	52.6	53.0	74.4	50.2	45.0	61.4	57.6
Yorkshire & Humber	50.0	49.4	70.5	52.0	45.8	60.3	57.4
North West	52.0	47.0	71.7	52.1	45.7	61.0	57.0
North East	48.3	46.8	55.0	51.8	43.1	64.4	58.8
Scotland	53.2	53.1	60.4	51.8	49.8	66.8	58.2
Wales	46.7	48.5	69.5	50.0	40.6	58.7	57.7
Northern Ireland	52.5	48.2	55.6	54.4	46.0	57.5	52.6

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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](https://ihsmarkit.com/products/pmi.html)

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