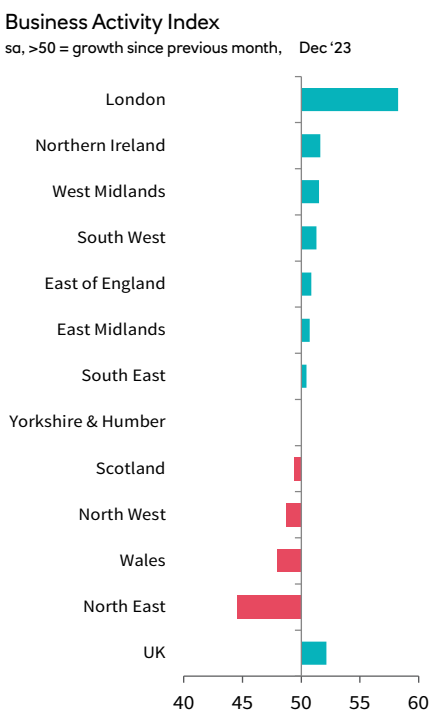




# NatWest UK Regional PMI<sup>®</sup>

## Over half of UK regions see business activity rise in December, with London still out in front

### UK Regional PMI



### Key findings

Seven out of 12 regions and nations end 2023 in growth territory

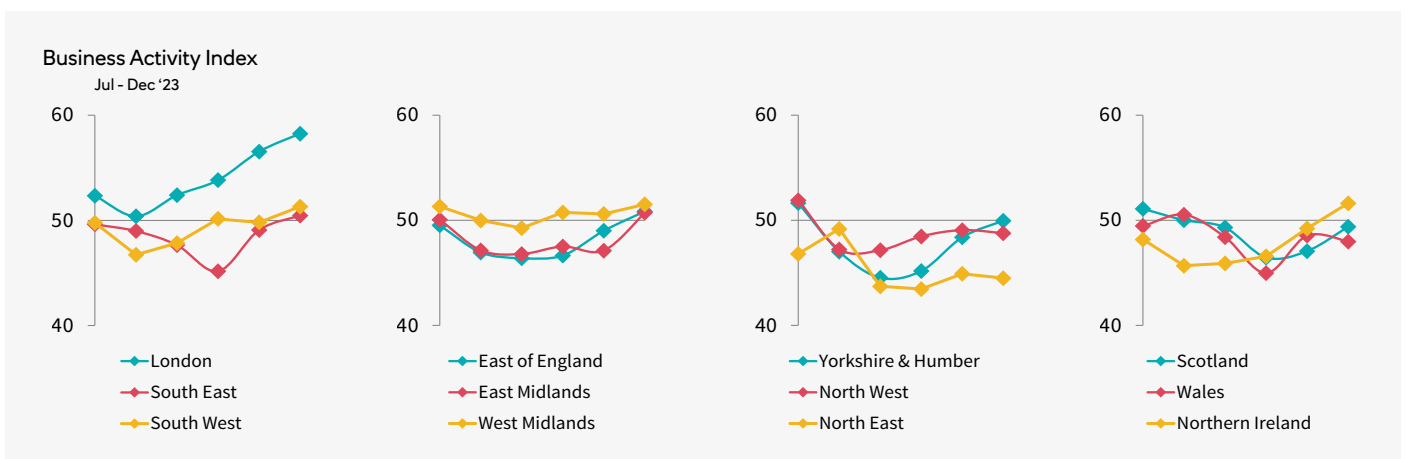
Decline in employment led by Wales

Rates of input and output price inflation quicken in most cases

The latest NatWest Regional PMI<sup>®</sup> survey indicated a positive end to 2023 for businesses across most areas of the UK, with December seeing improved trends in both output and new orders. However, amid a wages-driven increase in costs and diminishing backlogs of work, labour market conditions were found to have generally weakened.

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.

Seven of the 12 monitored regions and nations recorded higher business activity in December, the most since last June. Growth was once again led by London (index at 58.2), where output rose sharply during the month. At the other end of the scale, the North East (44.5) recorded the most marked fall in output, followed by Wales (48.0).



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## About the UK Regional PMI<sup>®</sup> report

The NatWest UK Regional PMI<sup>®</sup> 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).

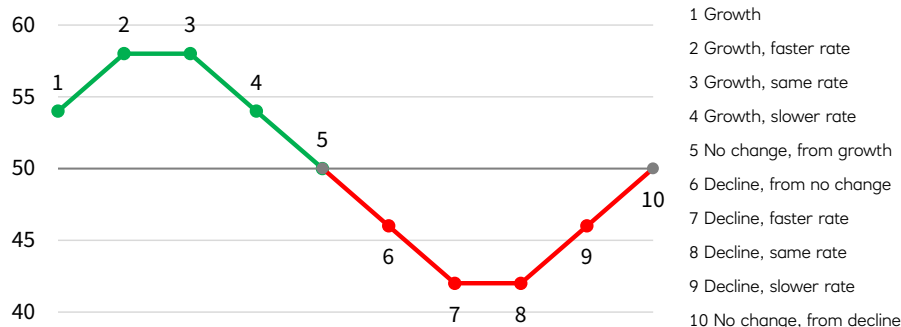
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

"Many regions ended 2023 on a positive note, after a rollercoaster year in which interest rates reached their highest for well over a decade and wage growth pushed new heights.

"Seven out of the 12 monitored regions recorded headline PMI readings above the 50 no-change level in December, supported by generally improved trends in new business. That said, with the exception of London, which was the standout performer for most of

last year and has enjoyed a recent resurgence in activity, growth was modest at best and expected to continue in this vein in 2024.

"Labour market conditions continued to cool across most parts of the UK in December, reflecting the recent soft patch in demand and continued pressure on business costs from rising wages. For the most part, however, employment continues to fall only modestly.

"Input costs have started rising more quickly across most regions in recent months, which has in turn prompted businesses to charge more for goods and services. The rates of input and

output price inflation remain a far cry from the highs over the past two years, but the fact they have risen points to a degree of stickiness in price pressures."

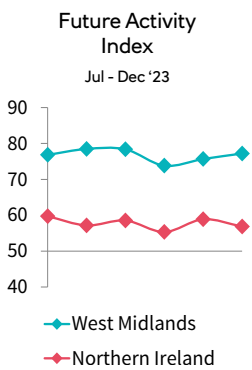
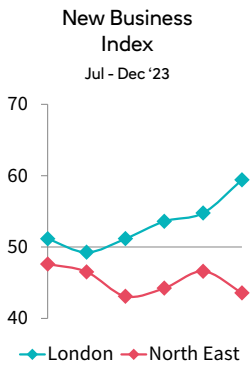
## Demand and outlook

### New orders still falling in most areas, but often more slowly

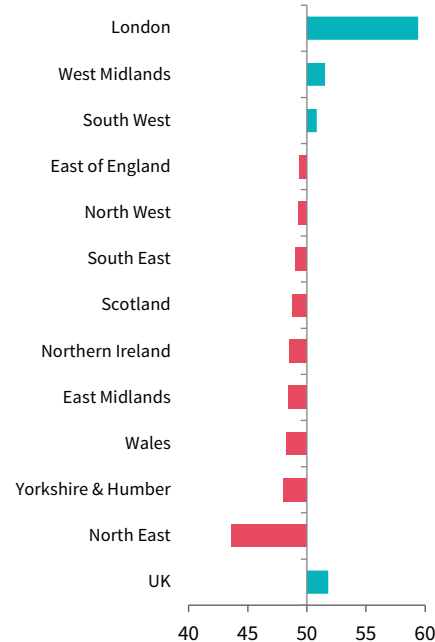
Although new orders fell in most areas in December, rates of decline generally eased. Only the North East recorded a steeper drop in new business than in November, and one that was the fastest among the monitored regions. London recorded by far the strongest growth in new work, with the West Midlands and South West also seeing improvements in demand.

### Majority of regions and nations see improvement in expectations

Business expectations improved in the majority of cases as 2023 drew to a close. This included the West Midlands, which topped the rankings ahead of the South East. The most marked upswing in confidence was in Wales, followed by the North East. Firms in Northern Ireland\* were the least optimistic about the year-ahead outlook.



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



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



\* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



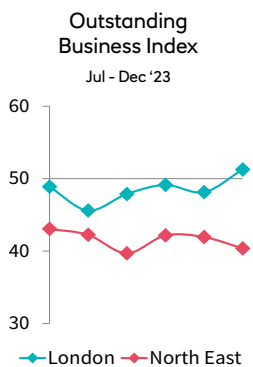
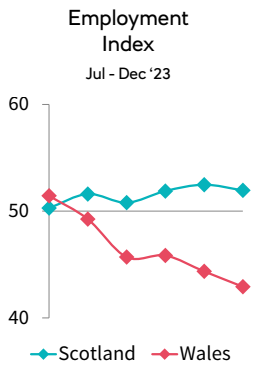
## Business capacity

### Wales sees steepest drop in employment

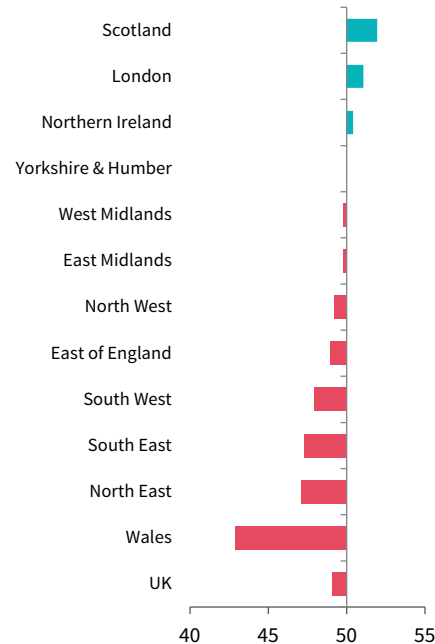
Labour market trends worsened in most cases in December. Just three of the 12 monitored areas saw employment rise, the fewest since last September, with rates of growth slowing in both Scotland and Northern Ireland. For the second month running, Wales posted the sharpest drop in workforce numbers – its fastest since January 2021.

### Near-universal fall in backlogs of work

Outstanding business (i.e. orders awaiting completion) fell in nearly every region and nation in December. The North East registered the steepest overall decline, closely followed by Wales. The only region going against the trend was London, where backlogs rose for the first time in six months, albeit only modestly.



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

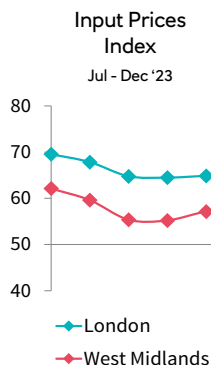


Outstanding Business Index  
sa, >50 = growth since previous month, Dec '23





## Prices

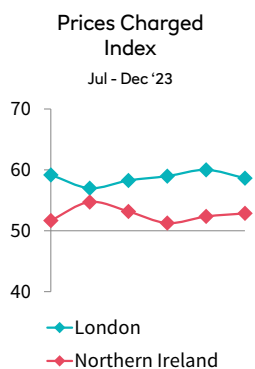


### Firms in most areas record stronger cost pressures

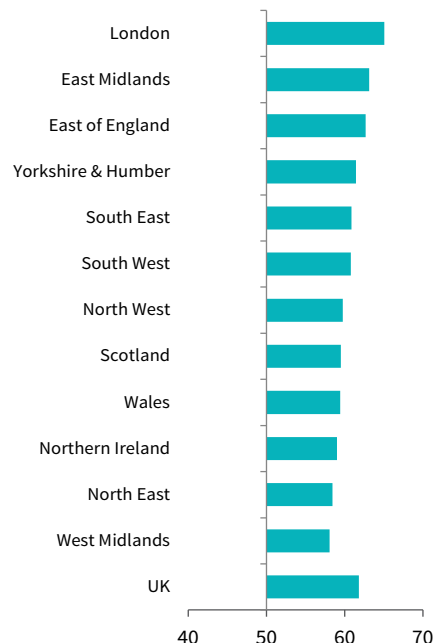
The majority of regions and nations saw business input prices rise at a faster rate in December. London topped the rankings for cost inflation for the tenth time in the past 11 months, with operating expenses in the capital increasing at the quickest pace since last August. Firms in the West Midlands meanwhile faced the weakest cost pressures, as has been the case in each of the past four months.

### Prices charged for goods and services rise fastest in London

Businesses in London once again registered the steepest rise in average prices charged for goods and services in December, despite the rate of inflation in the capital slipping to a three-month low. Most other areas saw quicker increases in output prices, the only exception being the North East. Northern Ireland was at the bottom of the rankings for prices charged inflation for the third month running.



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



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



## Index summary

### UK regions

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

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	58.2	59.4	73.8	51.1	51.3	65.1	58.6
South East	50.5	49.0	74.0	47.3	45.9	60.9	58.3
South West	51.3	50.8	68.2	47.9	49.2	60.8	56.6
East of England	50.9	49.3	70.6	49.0	43.5	62.7	57.6
East Midlands	50.7	48.5	63.9	49.8	47.2	63.1	57.1
West Midlands	51.5	51.5	77.2	49.8	46.7	58.1	56.2
Yorkshire & Humber	50.0	48.0	69.0	50.0	45.9	61.5	55.9
North West	48.8	49.3	64.6	49.2	44.6	59.7	54.6
North East	44.5	43.6	58.7	47.1	40.4	58.5	53.5
Scotland	49.4	48.8	62.6	51.9	44.7	59.5	57.5
Wales	48.0	48.3	67.7	42.9	41.0	59.4	54.9
Northern Ireland	51.6	48.5	56.9	50.4	43.4	59.0	52.9

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### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

### About S&P Global

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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.

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