

Royal Bank of Scotland UK Regional PMI[®]

Business activity continues to rise strongly across most regions, led by London

UK Regional PMI

Business Activity Index

sa, >50 = growth since previous month, Nov '21



Key findings

London outperforms on output, new order and employment growth

Price measures at record highs in vast majority of regions

Local employment levels continue to bounce back

Latest Regional PMI[®] data from NatWest showed most local economies continuing to recover strongly in November, recording further robust growth in activity and employment. This coincided with increasing price pressures, however, with rates of inflation in input costs and output charges either at or close to record highs in all regions.

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.

Almost all regions of the UK recorded increases in business activity in November that were quicker than their respective long-run averages. The strongest growth by far was registered in London (index at 64.1), which was one of four areas (out of the 12 monitored) to see a faster rate of expansion than in October. The North East (49.6) saw the only fall in output, its first since February, though the decline was marginal overall.



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About the UK Regional PMI® report

The Royal Bank of Scotland UK Regional PMI® data are compiled by IHS Markit from responses to questionnaires sent to companies that participate in IHS Markit's UK PMI surveys. IHS Markit compiles data for nine English regions, Scotland, Wales and Northern Ireland (NUTS 1 definitions).

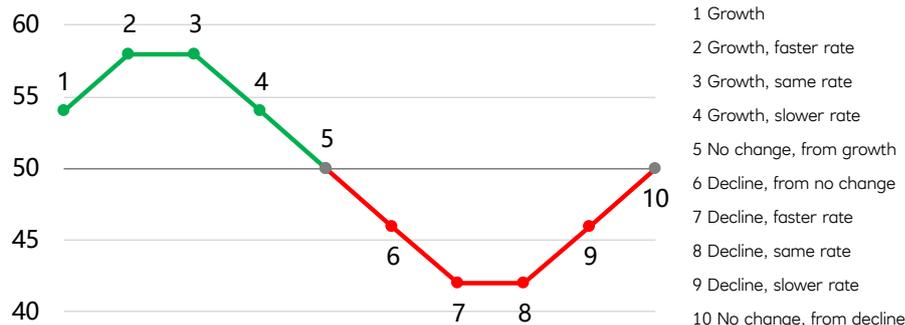
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 UK's economic recovery remained firmly on track in November, with most regions continuing to see historically strong rates of growth.

"London was the standout performer in November having seen growth improve against the trend, with the capital's services-intensive economy being less impacted by the supply bottlenecks that are causing severe disruption to manufacturing.

"It was encouraging to see demand conditions improve almost everywhere, even in the face of strong price pressures. Widespread efforts by local firms to expand capacity in order to meet higher demand continued to drive employment growth in all regions.

"Competition for staff, combined with the soaring cost of transportation, energy and raw materials generally, has pushed up rates of input price inflation for local businesses. So far during the final quarter, every UK region has seen an unprecedented rise in business costs.

"Firms are showing signs of having strong pricing power of their own as they regularly charge more for goods and services.

"Despite lingering supply chain issues and record price pressures, there remained a strong sense of optimism about growth prospects the year ahead in November. However, the emergence of the Omicron variant, news of which broke after most survey data were collected, has added another layer of uncertainty and introduced fresh risks to activity and supply chains."

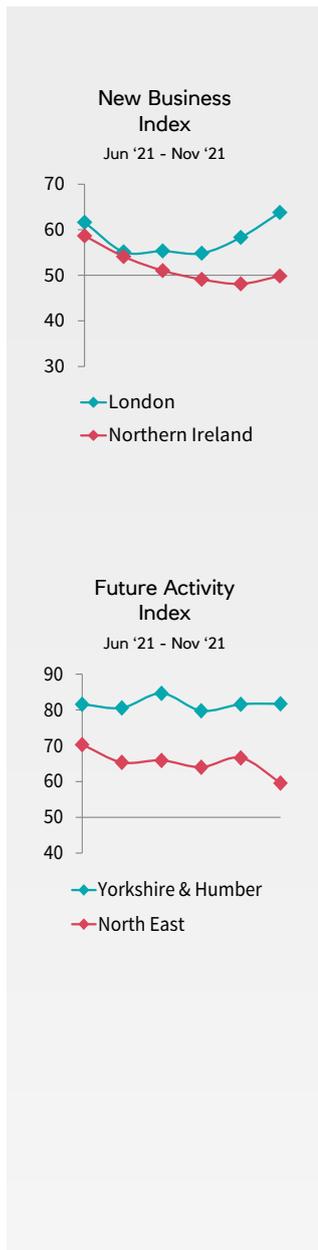
Demand and outlook

London leads new order growth in November

Inflows of new work rose in almost every region in November. London saw a particularly marked acceleration in new order growth to top the rankings ahead of Wales. The latter was one of five areas to record a slower increase than in October, while the level of new business in Northern Ireland broadly stabilised after falling in the previous two months.

Expectations remain positive by vary greatly by region

Regional business expectations data showed varying degrees of optimism towards future activity. Firms in Yorkshire & Humber were the most upbeat, as was the case in October. Wales ranked second overall and saw the greatest uptick in confidence. The biggest fall in optimism was in the North East, which moved to the bottom of the rankings.



New Business Index
sa, >50 = growth since previous month, Nov '21



Future Activity Index
>50 = growth expected over next 12 months, Nov '21



Business capacity

Employment rises universally in November

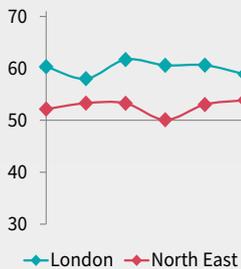
November saw another broad-based rise in regional private sector employment. London was the best performing area for job creation, overtaking the North West which ranked second overall. The slowest rise in workforce numbers was seen in the North East, though even here the pace of hiring was historically strong.

Backlogs continue to build across the board

Latest data showed a rise in backlogs of work across each of the 12 regions monitored by the survey, linked to widespread material and staff shortages. Firms in Wales recorded the sharpest build-up of outstanding business, followed closely by those in the East Midlands. The slowest rise was seen in Scotland.

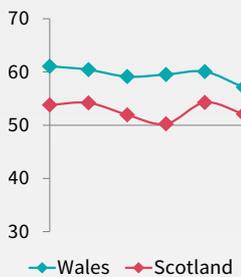
Employment Index

Jun '21 - Nov '21



Outstanding Business Index

Jun '21 - Nov '21



Employment Index

sa, >50 = growth since previous month, Nov '21



Outstanding Business Index

sa, >50 = growth since previous month, Nov '21



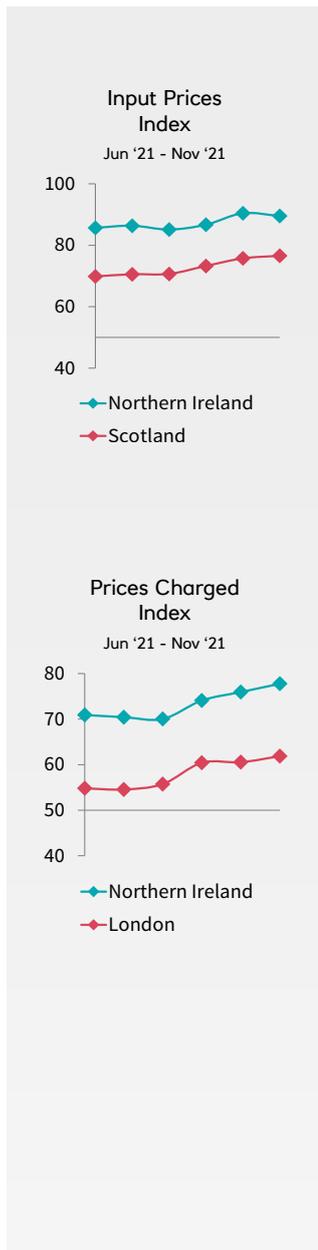
Prices

Cost inflation at or close to a record high in all areas

Firms in all parts of the UK faced acute cost pressures in November. Rates of inflation accelerated to a record high in almost all areas, including in Scotland which nevertheless slipped below London to the foot of the table. Northern Ireland continued to top the rankings, but was the only region where input prices increased at a slower rate than in October.

Prices charged increase at faster rates in most cases

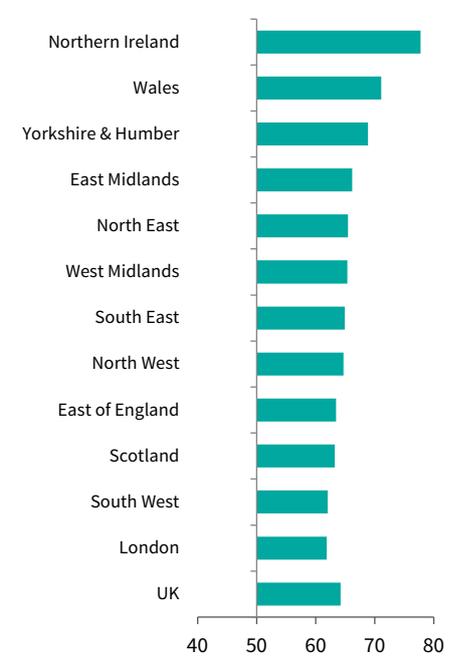
As was the case in October and matching the trend in costs, the steepest increases in prices charged were seen in Northern Ireland and Wales respectively. London posted the slowest rise in output prices, but the increase was nevertheless the region's sharpest on record. Eight other areas recorded unprecedented rates of inflation.



Input Prices Index
sa, >50 = inflation since previous month, Nov '21



Prices Charged Index
sa, >50 = inflation since previous month, Nov '21



Index summary

UK regions

sa, 50 = no change over previous month / *50 = no change over next 12 months, Nov '21

	Business Activity	New Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
London	64.1	63.8	76.0	58.9	55.7	77.9	61.9
South East	55.5	57.8	76.8	56.8	54.1	83.7	65.0
South West	54.6	58.4	71.7	55.1	53.8	84.7	62.0
East of England	54.7	56.4	67.5	56.0	53.6	84.6	63.4
East Midlands	56.4	57.0	71.1	56.2	56.9	88.7	66.2
West Midlands	54.3	54.3	75.4	55.9	54.8	87.8	65.4
Yorkshire & Humber	57.3	57.7	81.7	57.4	53.8	85.1	68.8
North West	57.6	56.3	73.0	57.4	53.6	83.1	64.7
North East	49.6	52.9	59.6	53.9	52.8	86.3	65.5
Scotland	55.9	57.0	68.8	54.2	52.1	76.6	63.3
Wales	57.6	59.1	80.2	54.4	57.1	89.1	71.1
Northern Ireland	52.9	49.8	62.8	55.5	52.6	89.5	77.8

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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.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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

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