
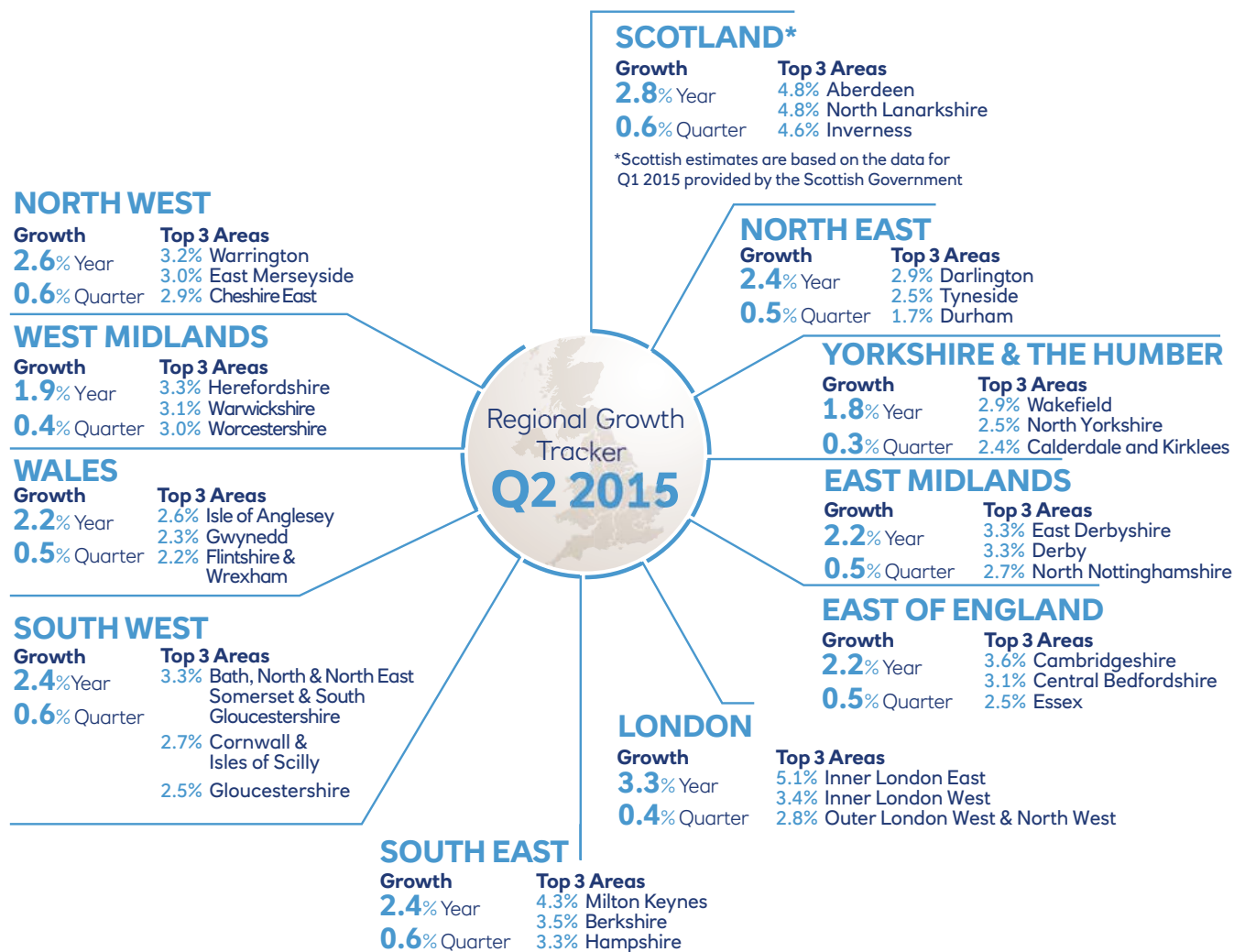


 RBS NatWest

Regional Growth Tracker Q2 2015

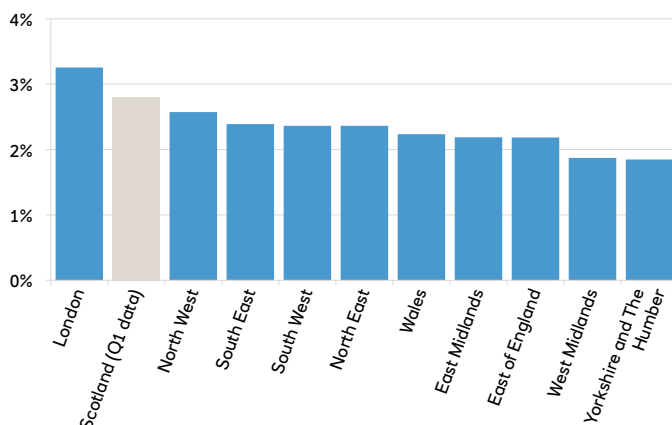
Regional Growth Tracker

Regional growth at a glance



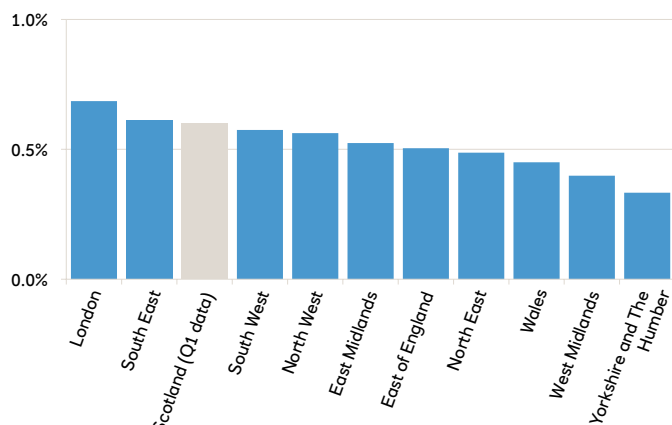
Estimated year on year growth across the UK's regions in 2015

Source: RBS calculations using ONS data



Estimated quarter on quarter growth across the UK's regions in Q2 2015

Source: RBS calculations using ONS data



Regional growth in the UK

Economic growth picked up in Q2. The UK economy expanded by 0.7%q/q. However, our Regional Growth Tracker suggests that the gains were very unevenly distributed. Out in front, on its own, was London. The capital grew by 0.7%q/q. The reason? ICT and professional, scientific and technical services. Both sectors had a good quarter and London is more reliant than most on these. And after a good start to the year, the North East and North West found themselves falling slightly from the head of the pack. Bringing up the rear, Yorkshire & The Humber, whose higher reliance on a manufacturing sector that struggled in Q2, saw its economy grow at a much slower rate of 0.3%q/q.

At a local area level, there were some familiar faces leading the way. Inner East London came top, growing by an estimated 5.1%y/y. The rest of the top 5 regions in England & Wales in Q2 included: Milton Keynes, Inner West London, Cambridgeshire and Berkshire. Their outstanding performance was driven by a mix of service sectors ranging from retail to business services, as well as their industrial competitiveness relative to their peers. With the exception of Milton Keynes, this has meant a fall in unemployment rates over the past year.

We would also note that the UK Continental Shelf, a region we do not cover in our growth tracker, made a significant contribution to UK growth, as oil and gas extraction had a very strong quarter. Excluding this sector, the UK economy grew by 0.5%q/q, meaning that on our estimates London, the South East, the South West and the North West all grew at or above the national average.

Key facts

UK economy expanded by 0.7%q/q

London out on its own thanks to ICT and professional, scientific and technical services.

Inner East London, Milton Keynes, Inner West London, Cambridgeshire and Berkshire top at a local level.

Yorkshire & The Humber bringing up the rear due to heavy reliance on manufacturing sector



Rupert Seggins is an economist in the RBS Economics Team and leads on the RBS Growth Tracker. Prior to joining RBS he worked at HM Treasury and most recently at the British Embassy in Tokyo.

Regional growth in the UK

Contents

- 5 North East
- 6 North West
- 7 Yorkshire & The Humber
- 8 East Midlands
- 9 West Midlands
- 10 East of England
- 11 Wales
- 12 South West
- 13 South East
- 14 London
- 15 Scotland

The RBS Regional Growth Tracker is put together by Royal Bank of Scotland economists to estimate and track growth across the UK including Scotland, Wales and nine regions of England as well as smaller local areas.

We calculate our growth estimate by taking the UK growth rate of each sector and weighting them by the sector shape of each region's economy. For Scotland, we take the data provided by the Scottish Government. We then make an adjustment for each region's historic competitiveness. This reflects each region's inherent strengths/weakness, and the fact that some have tended to grow more quickly/slowly than their sector shape implies they "ought" to have done. Differences are small from quarter to quarter, but can become large over time.

Contributing economists



Stephen Boyle is Head of RBS Economics and was educated at Glasgow and McGill Universities. After a first stint from 1996 – 2001, Stephen returned to RBS in 2006, after establishing Futureskills Scotland and leading the economics and evaluation functions of Scottish Enterprise. He has also worked in universities and was director of an economic consulting business.



Sebastian Burnside joined RBS in 2009. Before joining the team he worked for Ofcom, the communications regulator, and in consultancy. He holds the Chartered Financial Analyst designation and degrees from the London School of Economics and the University of Edinburgh.



Stephen Blackman has over 12 years professional experience as an applied economist, working in both the private and public sectors as well as academia. His expertise includes UK macroeconomics, household income and the labour market, financial and banking economics, demographics and socio-economic trends.



Marcus Wright previously worked as an economist for an investment trust where he provided economic insight to fund managers. Marcus has previously worked for RBS in risk and has also worked for a Scotland-based economic development consultancy. Marcus holds a first class degree in economics from the University of Aberdeen.

Regional Growth Tracker

North East

North East shares third place with growth of 0.5%q/q

Darlington and Tyneside the top two local area economies

The North East was one of the fastest growing regions in Q1, but it had to settle for third place this time around, a position which it shared with three of the other regional economies: the East, the East Midlands and Wales. Growth of 0.5%q/q was mainly due to professional services, retail and wholesale and utilities. Manufacturing had a tougher quarter in Q2, so regions like the North East, which have a heavier reliance on the sector, fared worse than otherwise on our estimates.

Darlington and Tyneside were the top two local area economies, both growing by between 2.5%y/y and 3%y/y. Business services and wholesale and retail were the sectors making the largest contributions to growth. And while the North East's unemployment rate is still the highest in the UK, it has fallen significantly over the past year, while earnings growth at 1.8%y/y has been slightly above the UK average.

View from the region



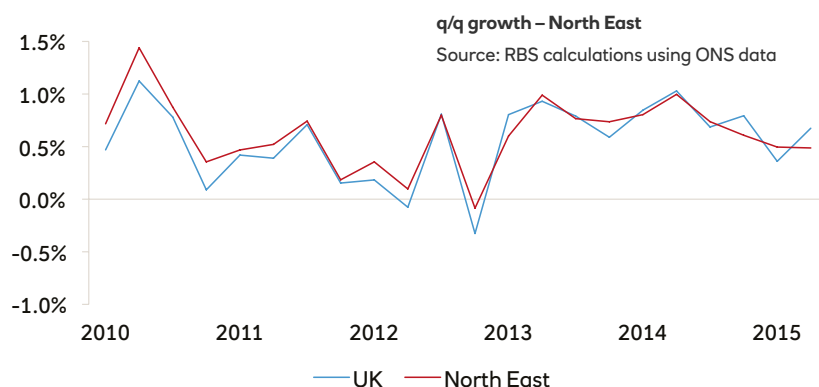
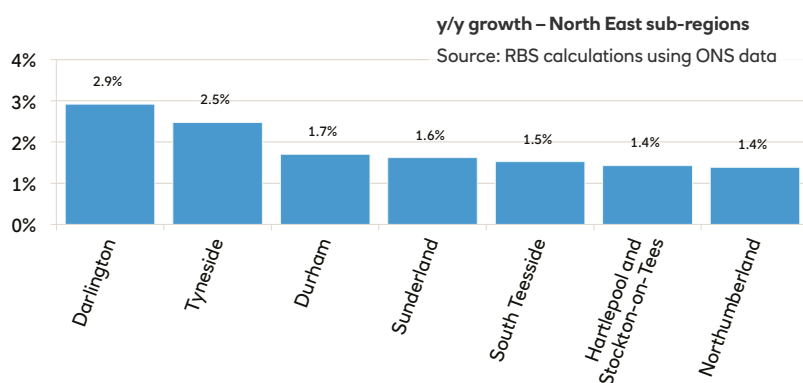
Heather Waters

Regional Enterprise Manager

"In the North East the economy continue to grow and develop. A popular theme we are seeing is the desire to support local communities. Small family-run businesses such as Jiggery Pokery in Stocksfield and Shotley Bridge Nursery in Shotley Bridge are playing an important part in their local areas by becoming hubs for community activities. Consumers are also showing more interest in supporting small local businesses.

And large corporates such as Wear Inns are also committed to investing in the local area. Wear Inns is embarking on an acquisition project aimed at developing community hubs across the North East and Yorkshire regions through its public houses. The scheme will see the creation of new jobs across the patch.

There is also much excitement around new enterprises. We have supported Gateshead College's handPICKED which is an independent gift shop run by the college at the Intu Metro Centre. The student-run shop sells a range of local products created by local businesses. We are also getting ready to open Entrepreneurial Spark's new hub in Newcastle next year. The programme, which is powered by NatWest, will see up to 80 entrepreneurs take part in a free six-month programme. They will access to full office facilities, and also obtain advice and support to help their businesses grow."



Regional Growth Tracker

North West

North West grew by 0.6%q/q in a challenging quarter

Warrington again top in the North West with 3.2% growth y/y

We estimate that the North West's economy was the UK's equal second fastest growing region alongside the South West and the South East. All grew by 0.6%q/q. With the region's economy more heavily reliant on manufacturing sectors, many of which struggled in Q2, growth came in a little below a UK average that was dragged up by London. With the unemployment rate rising slightly to 6% and pay growth of 0.8%y/y, half the comparable UK average, it has been a challenging quarter in many respects. But the region's economy has managed to grow through it.

Warrington, often the North West's star economy according to our Growth Tracker, was out in front again. We estimate that the region grew by 3.2%y/y, off the back of its important business services sector. Hot on its heels was East Merseyside and then East Cheshire. And the good news is that growth has translated into lower rates of joblessness in all three local are economies.

View from the region

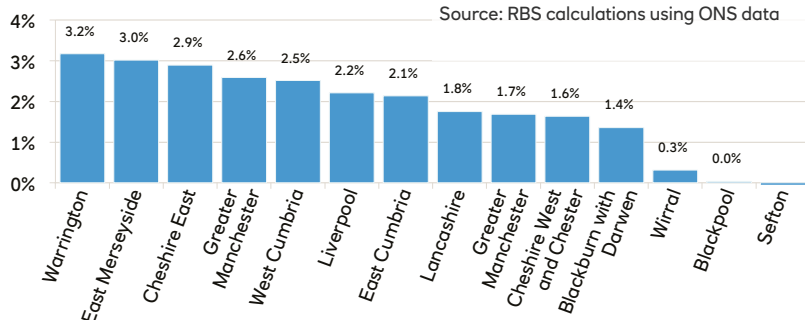


Heather Waters
Regional Enterprise Manager

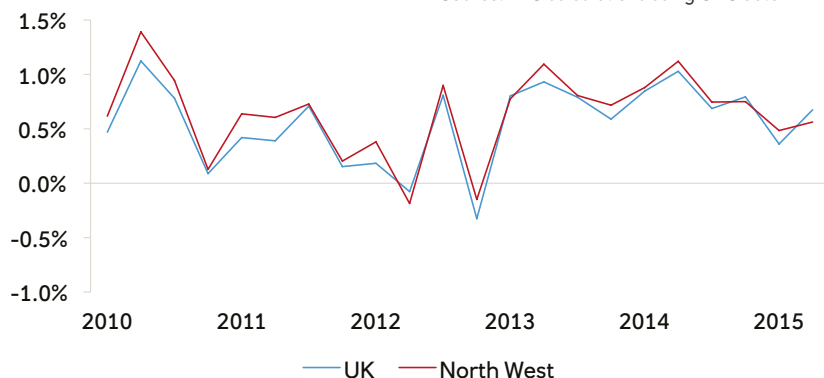
"The economy in the North West continues to thrive and expand, and much of this is supported by the diverse business environment in the region. The media and tech industries are at the forefront of the region's start-up culture. There is a surge in the number of accelerator hubs opening across the region including Fusion Go in Cumbria and Spark Up in Liverpool as well as the new Entrepreneurial Spark hub opening in Manchester next year powered by NatWest. There is clearly a great deal of support available to new enterprises and we are seeing a commitment from businesses leaders who are backing their development.

We are seeing more confidence in the region's economy as a whole across key sectors. We are seeing successful leisure businesses such as The Ice Cream Farm in Cheshire expanding their premises to bring in more visitors to the area. And office furniture supplier Suscom Industries in Wigan investing in their equipment to enable the business to do more manufacturing in the UK. Whilst growth may have been slower than the first part of the year, the overall picture is optimistic across the region."

y/y growth – North West sub-regions
Source: RBS calculations using ONS data



q/q growth – North West
Source: RBS calculations using ONS data



Regional Growth Tracker

Yorkshire & The Humber

Tough quarter sees growth of 0.2%q/q putting Yorkshire bottom

It was a tough quarter for the region's economy. At least relatively speaking. Yes, estimated growth of 0.2%q/q put Yorkshire and the Humber at the bottom of the regional growth table, but it should be remembered that the economy grew. It did not contract. And there were two bits of particularly good news. First, the unemployment rate fell. It rose for the UK as a whole. Second, average earnings grew by 2.4%y/y, the third fastest rate of growth among the UK regions.

There was some better growth news at the local area level. We estimate that Wakefield, Calderdale & Kirklees and North Yorkshire all grew at a rate of 2.5% to 3%, very healthy indeed. For Wakefield, that has meant a hefty 1.8 percentage point drop in its unemployment rate.

Better news in Wakefield, Calderdale & Kirklees and North Yorkshire

View from the region



Heather Waters

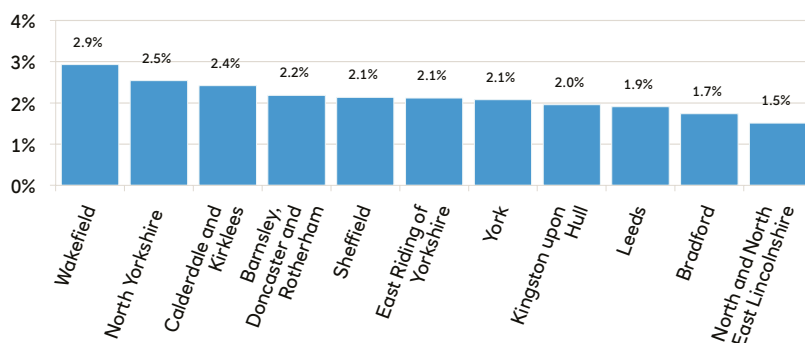
Regional Enterprise Manager

"It's been a positive few months for the Yorkshire and Humber region, and this has been backed by a business environment which has shown continued resilience. The fact the unemployment rate has fallen across the patch is a testament to overall investment across the region. The leisure and hospitality industry has played a significant role in both cities and rural communities across the region. Leeds Brewery has added to its portfolio of microbreweries with the opening of The Lamb and Flag which was supported by NatWest, and Harry Ramsdens continues its roll-out of new branches across all of Yorkshire creating new jobs and bringing a much-loved brand back to the region.

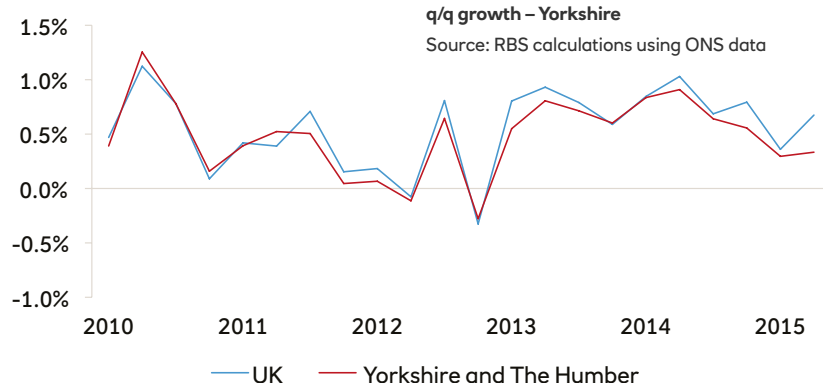
The Humber region is also confident for the future as exemplified by engineering firm GGP Consult which has invested in a new HQ in Hull with NatWest funding support. The firm continues to embark on projects across a globe but has a strong base in Hull from which to operate from.

The entrepreneurial spirit is alive and well in Yorkshire as demonstrated by the recent opening of Entrepreneurial Spark's hub in Leeds powered by NatWest. A total of 70 small enterprises are in the middle of a six-month programme which aims to develop the entrepreneur and enable them to grow their businesses. The entrepreneurs or 'Chiclets' are developing their business plans, pitching skills and overall business acumen with bank staff investing their time to support the enterprises' development.

y/y growth – Yorkshire sub-regions
Source: RBS calculations using ONS data



q/q growth – Yorkshire
Source: RBS calculations using ONS data



Regional Growth Tracker

East Midlands

Growth of 0.5%q/q in East Midlands for Q2

Derby and East Derbyshire estimated to lead the way in the region

The East Midlands economy grew by a respectable 0.5%q/q in Q2. This placed it in the company of regions including the South East, North East and Wales. There were four big contributors to growth: professional services, retail, utilities and the manufacturing of transport equipment. Growth has translated into more jobs, with the region's unemployment rate falling during the quarter. It now stands at 4.7%, one of the lowest in the UK. And while earnings growth of 1.2%/y/y puts it a little below the UK average, this was still a good quarter for the region.

We estimate that it was the economies of Derby and East Derbyshire that led growth in the East Midlands. Both grew by more than 3%/y/y. Growth was broad-based, with business services, retail, real estate and ICT all chipping in. Local area growth was also boosted by the competitive advantages those regions enjoy.

View from the region



Andy Lee

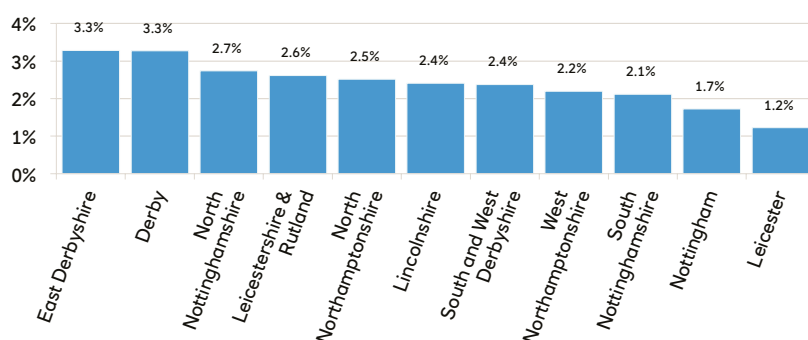
Regional Enterprise Manager

"The East Midlands has shown that professional services and manufacturing is growing in the region and, at a political level, the region has been working hard to ensure it is competing with the other traditional manufacturing regions. The talk of devolution has brought local government and key support agencies together to ensure there is positive support place for SMEs.

We are working closely with D2N2, Leicestershire Local Enterprise Partnerships and local universities to provide support for customers and other local SMEs to look at increasing leadership development and marketing and sales within growth companies. Following a successful fair in Nottingham in September, we are also working with Nottingham city council to support their drive to reduce unemployment within the city and region."

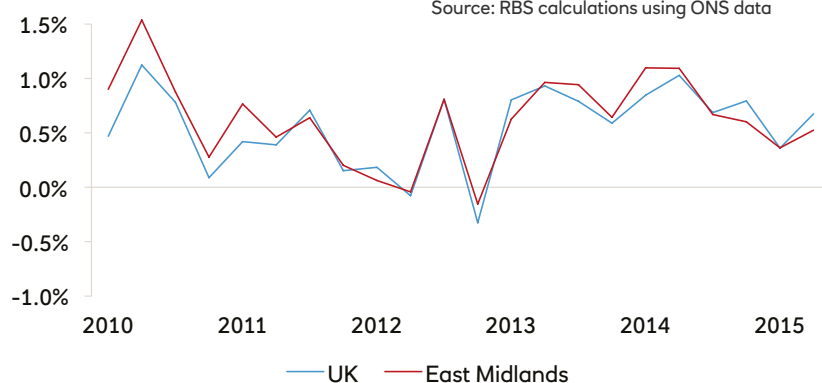
y/y growth – East Midlands sub-regions

Source: RBS calculations using ONS data



q/q growth – East Midlands

Source: RBS calculations using ONS data



Regional Growth Tracker

West Midlands

West Midlands estimated at 0.4%q/q growth in Q2

Herefordshire, Warwickshire and Worcestershire all did well at local level

We estimate that the West Midlands grew by 0.4%q/q in Q2. This placed it towards the lower end of the regional field, but it is important to remember that this is still growth. Retail & wholesale, professional services and transport equipment manufacturing were the largest contributors to growth. However, the region's heavier reliance on manufacturing meant that it had a tougher quarter than many of its peers. On the plus side, the rate of unemployment fell during the quarter and now stands at 6%, very slightly above the UK average of 5.6%.

Despite slower growth at the regional level, there were some stellar performers at the local area level. In particular Herefordshire, Warwickshire and Worcestershire all grew by 3%/y or more. Warwickshire in particular saw strong contributions to growth from retail and business services, while all three regions enjoyed a healthy contribution from their industrial competitiveness. And all have seen unemployment rates fall over the last year, to 3.3%, 4.2% and 2.4% respectively.

View from the region



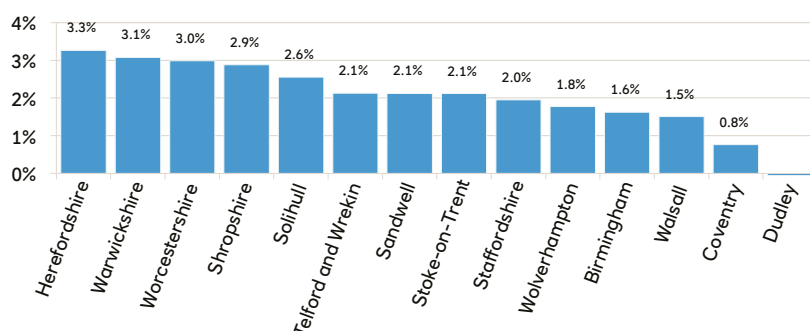
Andy Lee
Regional Director

"We have seen large investment taking place in the West Midlands, especially the new £750 million New Street station which opened in September. When we speak to customers there is a high level of confidence within the West Midlands and the falling unemployment rates are very positive. We are working with a number of Universities in the West Midlands to support their business incubators, as the trend in University spin outs is on the rise in the region.

Entrepreneurial Spark, powered by NatWest opened in Birmingham back in February 2015 and we have seen 120 Entrepreneurs supported through the programme so far this year. In that time, the city has also seen Impact Hub Birmingham in Digbeth open which brings various sectors together to collaborate and improve social issues in the city and region."

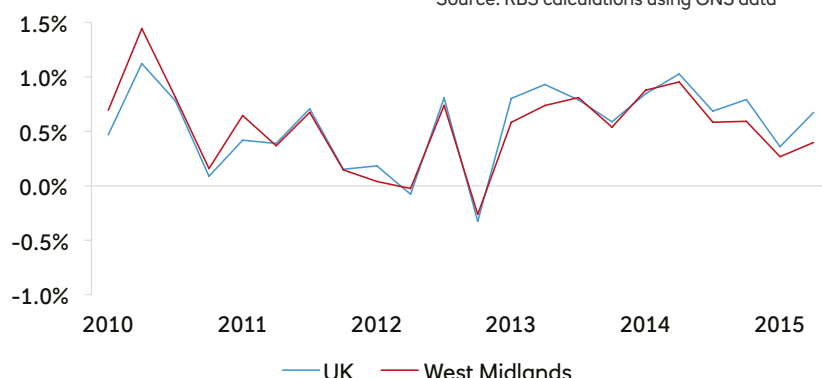
y/y growth – West Midlands sub-regions

Source: RBS calculations using ONS data



q/q growth – West Midlands

Source: RBS calculations using ONS data



Regional Growth Tracker

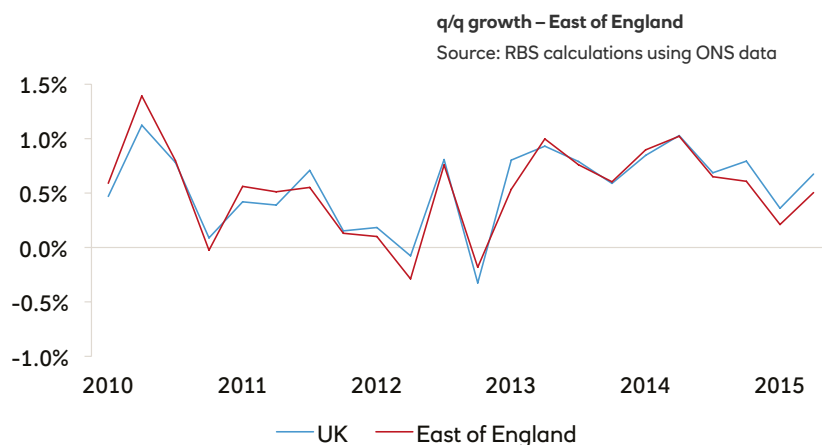
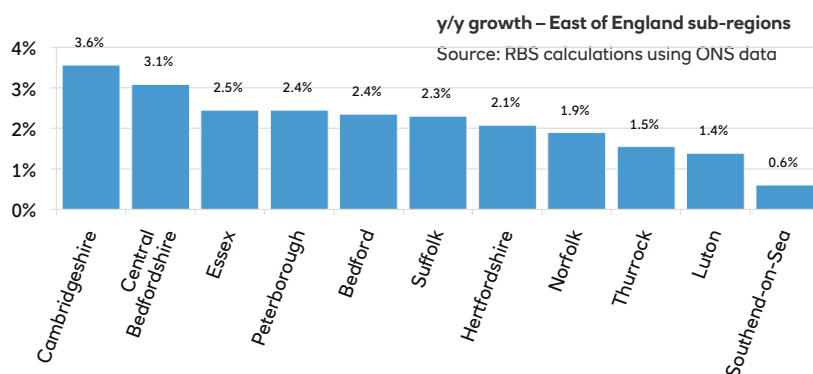
East of England

Estimated 0.5%q/q growth for East of England

Cambridgeshire and Central Bedfordshire among fastest growing local areas

A solid performance from the East of England in Q2. While an estimated 0.5%q/q growth was below the UK average, it should be borne in mind that this average was dragged up by an exceptional quarter for activity on the UK Continental Shelf. This is a good result for the East, which came towards the bottom of our growth league table in Q1. A number of sectors made significant contributions to growth, including ICT, retail, real estate and transport equipment manufacturing.

Cambridgeshire and Central Bedfordshire were the fastest growing local area economies, both above 3%/y. And the former was in the top five fastest growing local areas in the whole country. Little wonder then that rates of unemployment in the regions have been among the lowest in the country.



View from the region



Andy Lee
Regional Enterprise Manager

“It’s been a positive quarter for the East of England with Milton Keynes, Cambridge and Central Bedfordshire the fastest growing in the local area economies; this has been supported with the great work being done by the Local Enterprise Partnerships to support the local SME market wanting to grow.

The tech cluster in Cambridge is one of the examples of the local eco system working together, where we are seeing customers, enterprise support & the university coming together to provide an environment for growth. We are also really pleased to announce that we are opening a new Entrepreneurial spark hub powered by NatWest in Milton Keynes next year.”

Regional Growth Tracker

Wales

One of four regions estimated to have grown 0.5%q/q

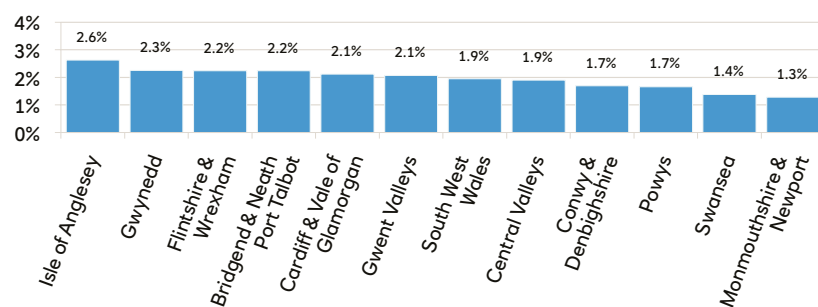
Isle of Anglesey is fastest growing Welsh region at 2.6%/y

In the pack. Wales was one of four regions whose economy grew by an estimated 0.5%q/q. Growth was driven by the leisure, utilities and health sectors, with transport equipment manufacturing also making a healthy contribution. Wales saw the largest fall in unemployment of any region in Q2 and one of the fastest rates of earnings growth. Clearly something, or someone is working and working well.

We estimate the Isle of Anglesey was once again the fastest growing Welsh region, growing by an estimated 2.6%/y. This largely came courtesy of its retail and leisure sectors, which we estimate accounted for almost half of the region's growth.

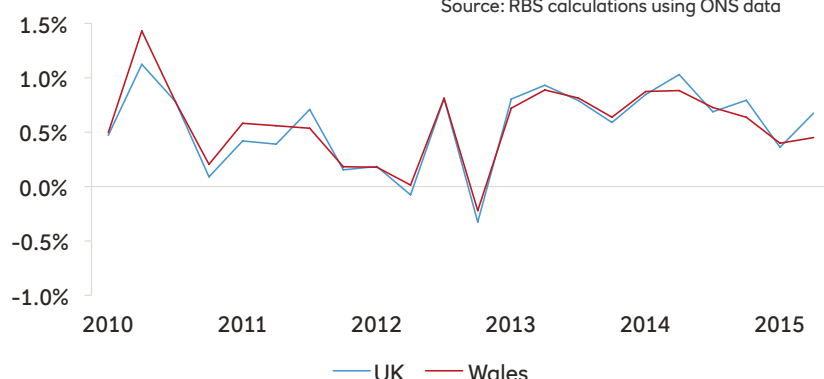
y/y growth – Wales sub-regions

Source: RBS calculations using ONS data



q/q growth – Wales

Source: RBS calculations using ONS data



View from the region



Cheryl Gourlay

Regional Enterprise Manager

“We continue to work very closely with our eco-system in Wales, working closely with Schools, Universities, Local Authorities which support existing and aspiring entrepreneurs to achieve their ambitions.

We are collaborating with Business Wales and Finance Wales on a pilot scheme to support businesses up to two years old that do not meet the requirements for traditional loans, offering additional support and advice to improve the chances of them securing the funding they need. We are currently the only Bank involved and it demonstrates our strong desire to support enterprise in Wales and the local economies across the country.”

Regional Growth Tracker

South West

South West grew by 0.6% q/q with only London faster

Bath's economy had a good Q2 with estimated growth of 3.3% y/y

On our estimates, the South West's economy grew by 0.6%q/q, the same rate as the North West and the South East. Only London grew faster. Growth came most prominently off the backs of the retail, professional services and leisure sectors. The region continues to enjoy the lowest rate of unemployment in the country, but it lags behind in earnings growth, which at 0.8%y/y, was well below the UK average of 1.6%y/y.

Bath's economy has been going from strength to strength and Q2 was no different, with the region's economy expanding by an estimated 3.3%y/y, well above both the UK and regional averages. And there was more good news as the unemployment rate has fallen by 0.7 percentage points over the past year. And at 5% a year ago, it was already low to begin with.

View from the region

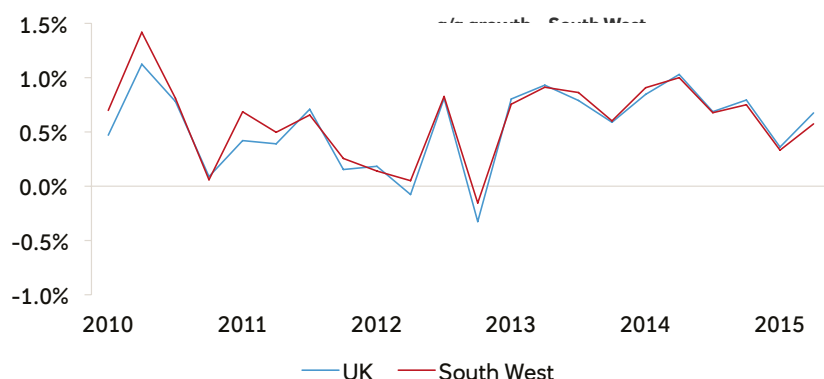
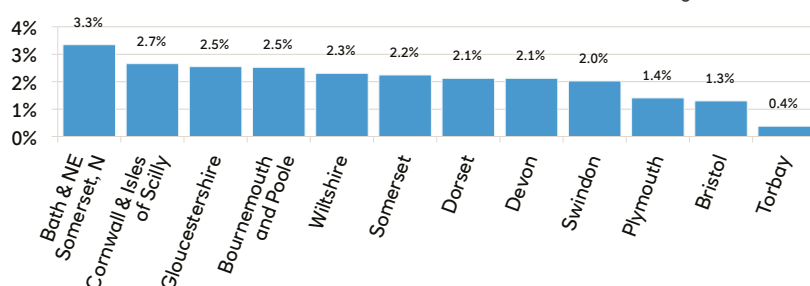


Cheryl Gourlay
Regional Enterprise Manager

"There is a noticeable sense of confidence in communities across the South West with a wide variety of organisations continuing to support aspiring and existing entrepreneurs to achieve their ambitions. We recently opened our doors to 80 entrepreneurs in Bristol as part Entrepreneurial Spark roll out. The "hatchery" hosts a variety of businesses and it has certainly brought a buzz and excitement to the city.

We continue to work with many organisations that deliver a measurable social impact on employability, skills shortages or unemployment. We also work closely with the education sector to deliver financial education and enterprise lessons to young people in order to raise awareness of what is available to them, in order for them to make more informed choices with their future career paths."

y/y growth – South West sub-regions
Source: RBS calculations using ONS data



Regional Growth Tracker

South East

The South East's economy grew at an estimated 0.6%q/q

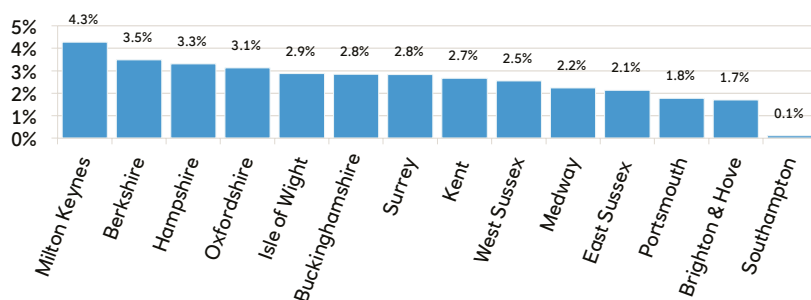
Milton Keynes one of the top performing local areas in UK

We estimate that the South East's economy grew by 0.6%q/q, putting it alongside the North West and South West as the UK's equal second fastest growing region. The region's competitive advantages are well known, with growth driven by ICT and professional services, sectors that the South East has in spades. And despite a slight rise in the rate of unemployment, the South East still enjoys the second lowest rate of joblessness in the country. And earnings growth has been well above the UK average over the past. The good times are clearly rolling.

Milton Keynes was one of the top performing local area economies in the UK, but Berkshire, Oxfordshire and Hampshire also posted growth rates above 3%/y. And the latter three have all seen unemployment rates fall over the past year, a very pleasing set of circumstances.

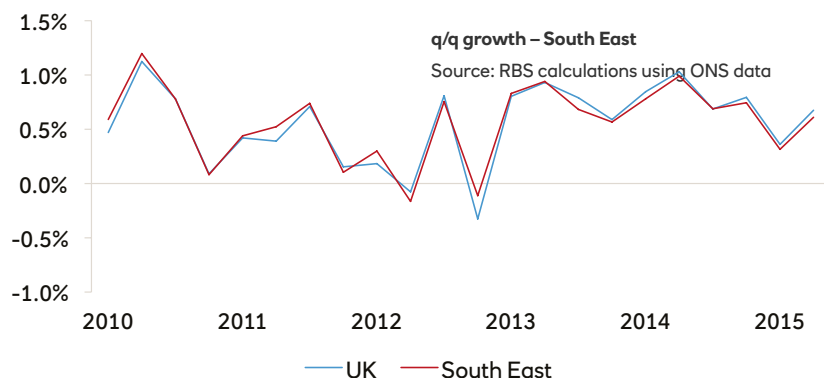
y/y growth – South East sub-regions

Source: RBS calculations using ONS data



q/q growth – South East

Source: RBS calculations using ONS data



View from the region



Nick Howe

Regional Enterprise Manager

"There is a noticeable sense of confidence in communities across the South East with business owners keen to explore new opportunities as well as trying to adapt to rapidly changing consumer trends and demands. Our own hatchery launch with Entrepreneurial Spark in Brighton was the fastest to be filled from all of our UK sites when doors opened in August and this will house 80 exciting new businesses to add to economic opportunity in the surrounding area. An area of focus for us in the South East is raising awareness amongst school children about enterprise and self employment as a career choice to consider into the future as this is becoming an ever increasing option."

Regional Growth Tracker

London

London out in front with 0.7%q/q growth estimated

Inner London East and West both driving the capital's growth

In Q2, London stood above the rest. We estimate that economic growth in the Capital was 0.7%q/q. It was a quarter for ICT and, professional & technical services. London has more than its fair share of these and the regional economy benefitted as a result. True, unemployment has risen a little over the quarter and earnings growth has been lacklustre, but London looks well positioned to continue its economic recovery.

The top five fastest local area economies in the country in Q2 featured not one, but both Inner London East and West. Growth in the former was driven by its significant competitiveness advantage and by its reliance on business services and ICT. Likewise Inner West London, although we estimate that the contribution to growth from its competitiveness rather than its industry mix was slightly less.

View from the region

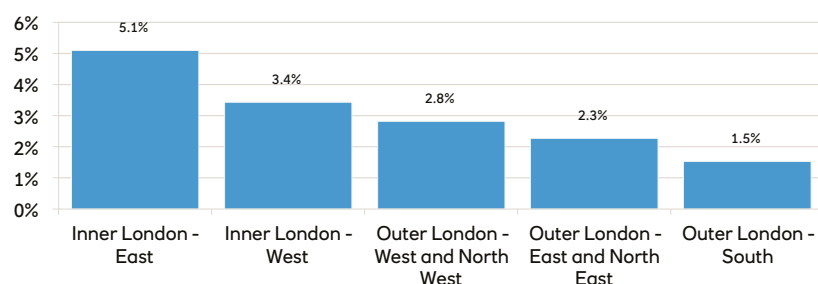


Nick Howe
Regional Enterprise Manager

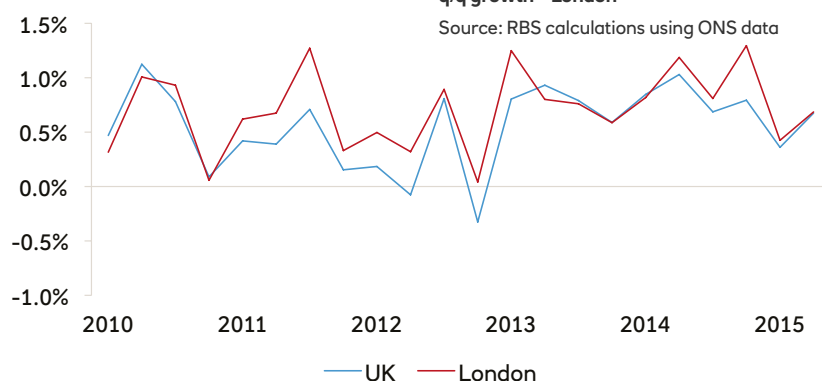
"London continues to lead the way as a generator of economic wealth. The success that we have seen mainly comes about by the advanced ecosystem that exists where the majority of the key parties needing to create successful businesses, such as StartUps, investors, mentors, corporates, academia, public sector and alternative funders, pull in the same direction in order to signpost as many businesses to the help they are seeking.

Many entrepreneurs from less advantaged backgrounds often struggle to access the support available to help them set up and grow their businesses. I work closely with organisations such as the Princes Trust in addition to grass roots community groups to try and bridge this gap. The talent and enthusiasm coming from this sector is really encouraging."

y/y growth – London sub-regions
Source: RBS calculations using ONS data



q/q growth – London
Source: RBS calculations using ONS data



Regional Growth Tracker

Scotland

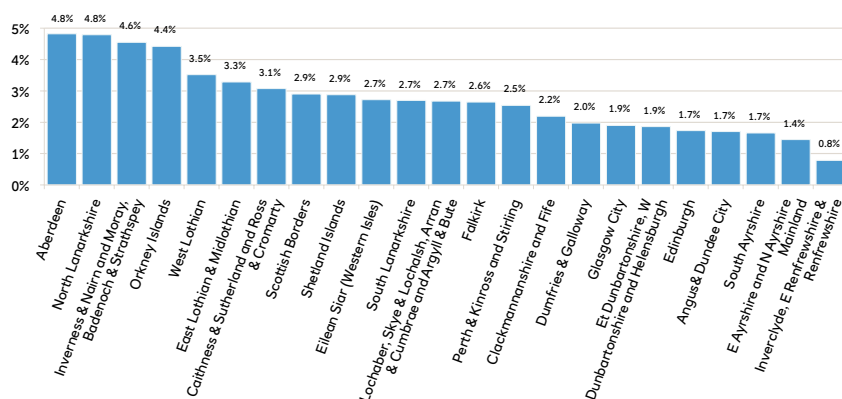
Nowcasting Scotland estimate 0.5%q/q in Q2

Aberdeen reclaims position as fastest growing Scottish region

Scotland's economy grew by an estimated 0.5%q/q in Q2 according to Nowcasting Scotland. This followed growth of 0.6%q/q in Q1, which put Scotland slightly above the UK average. Public services, construction and utilities were the big drivers of growth in Q1. At a local area level, we estimate that Aberdeen reclaimed its position as the fastest growing Scottish region, with Inverness and North Lanarkshire close behind. This was in particular due to a strong performance by the oil & gas sector compared with the previous year, even if production fell a bit in Q1.

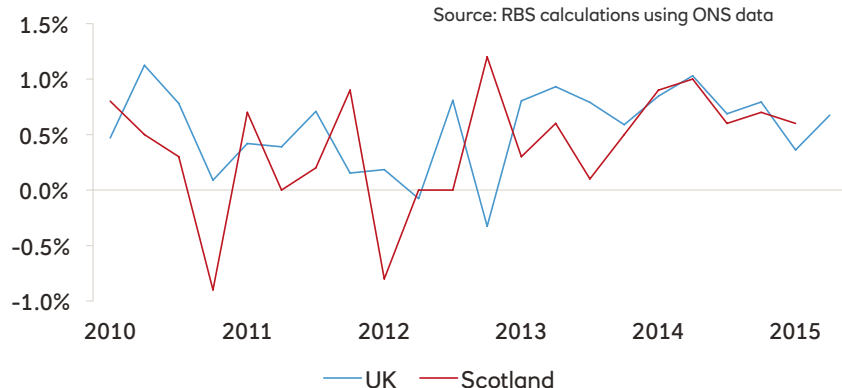
y/y growth – Scotland sub-regions

Source: RBS calculations using ONS data



q/q growth – Scotland

Source: RBS calculations using ONS data



View from the region



Yvonne Greaves

Regional Enterprise Manager

"It feels like Scotland is leading the way on the Enterprise Agenda and, through our strong links with local communities, we are seeing a great opportunity to use our resources to help these communities and the wider Scottish economy flourish.

The future is looking positive for Scotland the theme of strong collaboration is at the heart of that. We are working closely with many partner organisations across many disciplines and I see Enterprise education from school age to post graduate level as critical in helping Scotland continue to grow and flourish as we continue to develop and support future growth. We are also continuing to work with Women's Enterprise Scotland to encourage female entrepreneurship and see diversity as a key growth opportunity for the economy."