



NatWest Yorkshire & Humber PMI[®]

Yorkshire & Humber activity growth remains subdued despite slight pick-up in August

Yorkshire & Humber Business Activity Index



Key findings

Business activity rises only modestly amid slowing jobs growth

Signs of excess capacity building as backlogs of work fall faster

Inflationary pressures ease further

The headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – recorded 51.4 in August, slightly up from 51.1 in July, signalling a modest expansion in private sector output across Yorkshire & Humber. Growth was subdued when compared to its long-run average (since 1997), but the region was one of the UK’s top performers in August and surpassed only by the North West and London.

Malcolm Buchanan, Chair of NatWest North Regional Board, commented:

"Yorkshire & Humber recorded another subdued performance in August, despite measures of business activity and new orders edging slightly higher into expansion territory. That being said, when compared with the broader UK trends – which showed declines in both instances – Yorkshire & Humber fared relatively well and emerged as a top-performing region midway through the third quarter.

"Nevertheless, other survey indicators suggest downside momentum is likely to build in the coming months. Backlogs of work fell at the sharpest rate in over two years, reflecting growing spare capacity. As such, employment growth slumped to an 18-month low as business requirements shrank.

"If some positives were to be taken, it would be the softer rises seen for input costs and output prices. For now it seems the inflation peak has passed, but uncertainty over energy costs as we head into winter could easily challenge this."

Yorkshire & Humber Business Activity Index
sa, >50 = growth since previous month



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About the Yorkshire & Humber PMI® report

The NatWest Yorkshire & Humber PMI® is compiled by S&P Global from responses to questionnaires sent to Yorkshire & Humber companies that participate in S&P Global's UK manufacturing and services PMI surveys.

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 is the Business

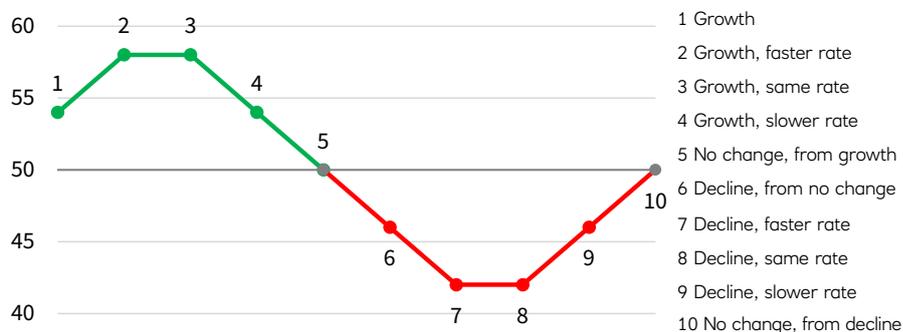
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Yorkshire & Humber PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Index interpretation

50.0 = no change since previous month



Demand and outlook

New order growth resumes in August following July's decline

Companies across Yorkshire & Humber recorded a renewed increase in demand for their goods and services during August following July's decline. According to survey respondents, some improvements on the supply side encouraged clients to restock, although others remarked on large order placements.

While the expansion was the quickest in four months and contrasted with a fractional reduction in new orders across the UK as a whole, it was below its long-run average.

Yorkshire & Humber firms the most optimistic across the UK

The Future Activity Index edged slightly higher in August and remained well above the 50.0 no-change mark, signalling a stronger level of optimism among private sector companies in Yorkshire & Humber. In fact, the region registered the strongest level of confidence across the 12 monitored parts of the UK.

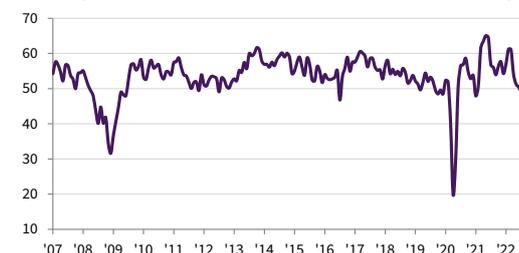
Strategic growth plans, including efforts to gain market share by improving competitiveness, underpinned optimism at some respondents.

New Business Index

sa, >50 = growth since previous month

51.7

Aug '22



Future Activity Index

>50 = growth expected over next 12 months

74.0

Aug '22



Export Climate Index

sa, >50 = growth since previous month

49.0

Aug '22



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Aug '22
1	USA	10.9%	44.6
2	Netherlands	9.6%	49.4
3	Germany	9.1%	46.9
4	Ireland	8.2%	51.0
5	France	6.5%	50.4

New Business Index

Mar '22 - Aug '22



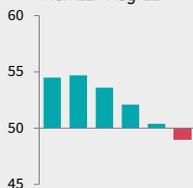
Future Activity Index

Mar '22 - Aug '22



Export Climate Index

Mar '22 - Aug '22



Exports

Export climate deteriorates for first time since June 2020

The Yorkshire & Humber Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the Yorkshire & Humber. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index fell below the 50.0 threshold in August for the first time since June 2020, signalling a deterioration in conditions across Yorkshire & Humber's export markets.

At 49.0, this was down from 50.4 in July and marked a fourth successive fall in the index. The US, which accounts for over a tenth of the region's exports, saw overall output fall at the strongest pace in over two years. Germany and the Netherlands (which together account for around 19% of total exports) also contracted.

Business capacity

Employment growth slows to 18-month low

Private sector employment across Yorkshire & Humber continued to increase during August, although the rate of jobs growth slumped to an 18-month low. Capacity improvements and efforts to fill vacancies supported the rise, but some companies opted to not replace leavers or struggled to find staff.

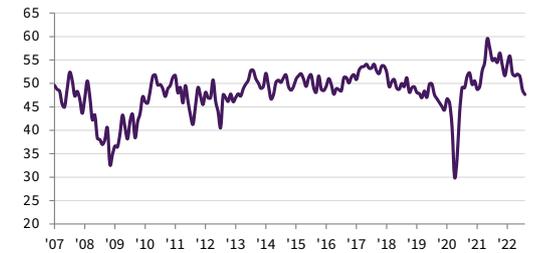
Employment Index 53.7
 sa, >50 = growth since previous month Aug '22



Backlogs of work fall at fastest pace in over two years

The seasonally adjusted Outstanding Business Index fell further below the 50.0 no-change mark in August, signalling a faster reduction in backlogs of work across Yorkshire & Humber's private sector. The rate of depletion was the fastest since June 2020 and was attributed to lower new order intakes, enabling firms to clear incomplete work.

Outstanding Business Index 47.6
 sa, >50 = growth since previous month Aug '22



Prices

Input Prices Index
Mar '22 - Aug '22



Input cost inflation softens to 16-month low in August

Private sector companies in Yorkshire & Humber recorded another steep increase in input costs during August. Alongside reports of rising prices for transport, energy and raw materials, companies also reported general price increases across the board. That said, the rate of inflation was its weakest since April 2021.

Input Prices Index

sa, >50 = inflation since previous month

75.4
Aug '22



Prices Charged Index
Mar '22 - Aug '22



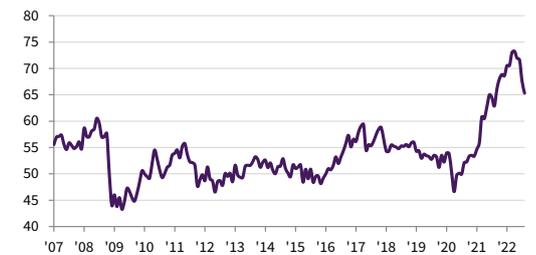
Prices charged raised to weakest extent in a year

Prices charged by private sector companies in Yorkshire & Humber for the provision of goods and services continued to increase during August. According to anecdotal evidence, this was in line with greater cost burdens. However, the extent to which output charges were lifted was the weakest in a year.

Prices Charged Index

sa, >50 = inflation since previous month

65.3
Aug '22



UK Sector PMI

Sector specialisation: Yorkshire & Humber

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for Yorkshire & Humber, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

Yorkshire & Humber specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Aug 22 ⁺
1	Other Manufacturing	1.54	48
2	Basic Metals	1.46	48
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.22	45
5	Chemicals & Plastics	1.09	45
6	Timber & Paper	1.08	45
7	Mechanical Engineering	0.97	50
8	Electrical & Optical	0.50	55
9	Transport	0.26	48

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Aug' 22 ⁺
1	Transport & Communication	1.29	48
2	Hotels, Restaurants & Catering	1.12	45
3	Personal & Community Services	1.07	55
4	Business-to-business Services	0.99	50
5	Financial Intermediation	0.82	50
6	Computing & IT Services	0.62	60

UK sector focus

Timber & Paper

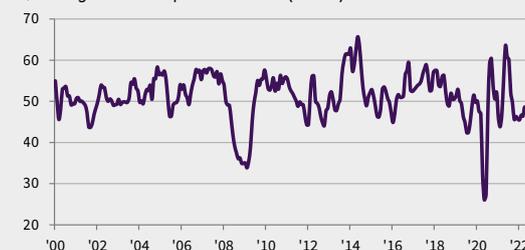
Latest UK PMI data showed a sustained downturn in activity across the Timber & Paper sector. Output levels fell sharply in the three months to August, maintaining a period of contraction stretching back a year.

Inflows of new orders decreased at an even faster rate, thereby leading to markedly reduced levels of outstanding business and a near-record build-up of finished goods. By contrast, pre-production inventories returned to contraction.

Positively, delays in the receipt of inputs were the lowest in almost two-and-a-half years. The easing of supply-chain pressures was further reflected in a moderation in the rate of input price inflation, down the lowest since the start of 2021, although it still remained elevated by historical standards. Similarly, there was a further sharp, albeit notably slower, rise in output prices across the sector.

Output Index

sq, >50 = growth since previous month (3mma)⁺



⁺3-month moving average



UK Regional PMI overview

Business Activity

Just three out of the 12 monitored UK regions recorded a rise in business activity in August. Growth in London was solid but eased notably since July, whilst both the North West and Yorkshire & Humber recorded only modest rates of expansion. Activity fell elsewhere, with the steepest declines registered in the North East and East of England.

Employment

Despite signs of weakness in activity and demand, almost all regions recorded a rise in employment in August. The only exception was the North East, where workforce numbers fell for the third month running. Rates of job creation not only slowed, however, but they varied widely, with a further steep rise in workforce numbers in London contrasting with only marginal growth in the South West.

Future Activity

The majority of regions recorded a drop in business confidence towards the outlook in August. The three highest-ranked areas, Yorkshire & Humber, the South East and London, went against the broader trend and recorded improved sentiment, as did the East Midlands (ranked eighth). Expectations turned negative in the North East, while firms in Northern Ireland* grew more pessimistic.

Business Activity Index

sa, >50 = growth since previous month, Aug '22



Employment Index

sa, >50 = growth since previous month, Aug '22



Future Activity Index

>50 = growth expected over next 12 months, Aug '22



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



Index summary

Yorkshire & Humber

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Mar '22	64.3	61.1	54.5	80.1	59.0	52.1	82.4	73.0
Apr '22	58.2	54.1	54.7	74.8	57.6	51.6	83.0	73.3
May '22	52.1	51.3	53.6	78.9	56.8	52.0	85.6	71.9
Jun '22	54.2	50.5	52.1	74.3	57.0	51.5	84.4	71.6
Jul '22	51.1	49.5	50.4	70.9	55.6	48.6	75.7	67.5
Aug '22	51.4	51.7	49.0	74.0	53.7	47.6	75.4	65.3

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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.

NatWest has been running MoneySense, an impartial financial education programme for 5–18 year-olds, for more than 21 years. By the end of 2018, NatWest will help another 1 million young people to understand and take control of their finances.

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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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