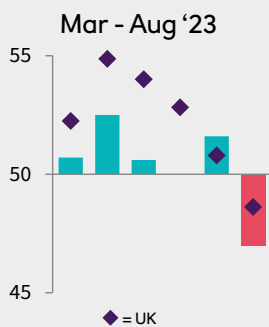


NatWest Yorkshire & Humber PMI[®]

Yorkshire & Humber activity declines at fastest pace since January 2021

Yorkshire & Humber Business Activity Index



Key findings

Private sector output falls for first time in seven months

Demand conditions in Yorkshire & Humber among the weakest in the UK

Inflation cools but wage pressures reportedly persist

The headline NatWest Yorkshire & Humber PMI[®] 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 – fell below the 50.0 no-change threshold in August to 47.0, from 51.6 in July, signalling the first decline in business activity for seven months. Overall, the contraction was moderate, but the fastest since January 2021 and stronger than seen for the UK overall.

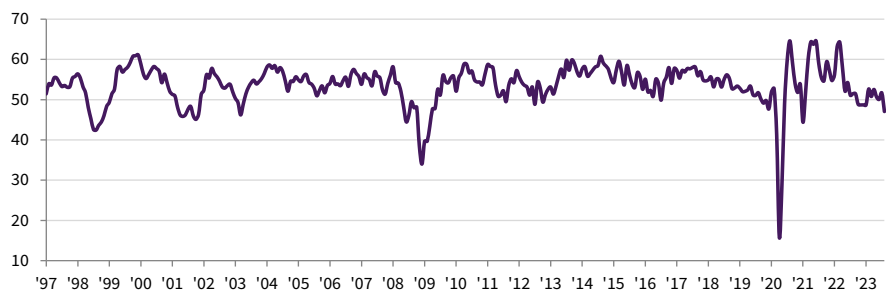
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"The latest survey data indicate a worsening of economic conditions within Yorkshire & Humber midway through the third quarter as both activity and new orders contracted since July. The decrease in output was the quickest since January 2021 and outpaced the decline seen for the UK overall as the region was among the weakest performers in August."

"That said, some positives can be gleaned from the latest results. Employment growth remained resilient, while firms were still strongly optimistic towards the next 12 months, despite sentiment dipping slightly. Additionally, a further cooling of inflationary pressures will be welcomed. Still, firms' operating expenses rose sharply amid reports of elevated wage pressures, suggesting that there is still significant progress to be made with respect to prices."

Yorkshire & Humber Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

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

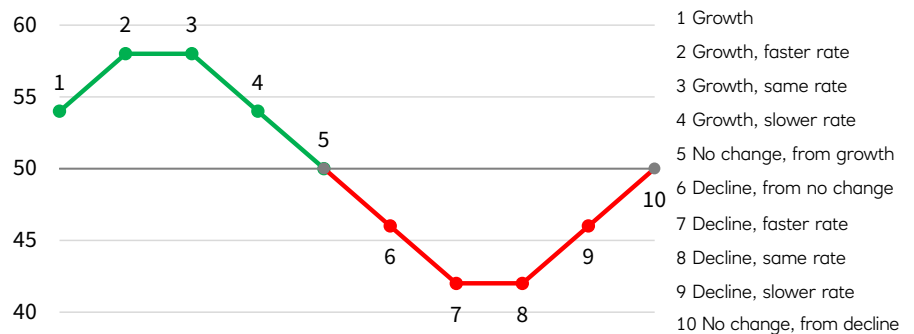
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite 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 orders fall at fastest pace since November 2022

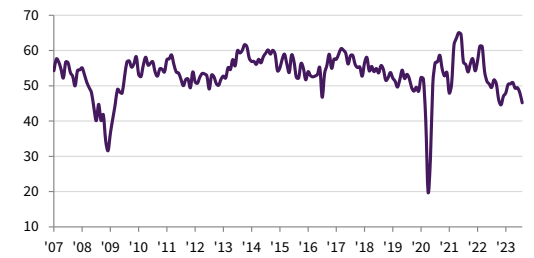
Private sector firms in Yorkshire & Humber registered a fourth consecutive monthly drop in the volume of incoming new work during August. Furthermore, the rate of decrease was strong and the fastest seen since November 2022. According to survey respondents, demand weakened due to inflationary pressures and reduced activity levels at clients.

Notably, of the 12 monitored parts of the UK, only the South West registered a steeper downturn in sales during August.

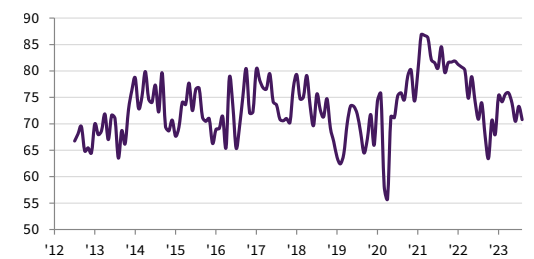
Optimism wanes but remains strong overall

The Future Activity Index remained well above the neutral 50.0 mark in August, signalling a strongly optimistic outlook towards activity over the next 12 months among private sector businesses in Yorkshire & Humber. Expectations of higher activity arising from the release of new products supported confidence at some companies, with others anticipating a rise in market share and a pick-up in sales performances later on in the year. That said, the level of optimism dipped below its long-run average.

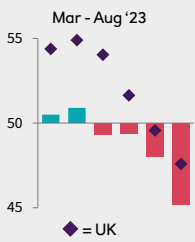
New Business Index
sa, >50 = growth since previous month
45.2
Aug '23



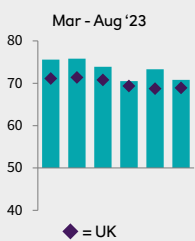
Future Activity Index
>50 = growth expected over next 12 months
70.8
Aug '23



New Business Index



Future Activity Index



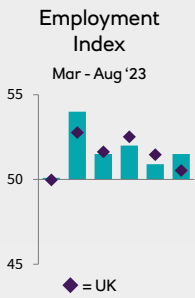
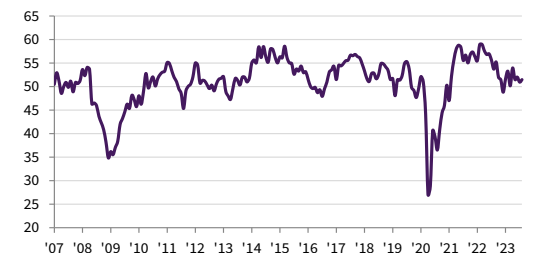
Business capacity

Employment growth edges up slightly

Private sector businesses in Yorkshire & Humber raised their staffing levels midway through the third quarter, latest survey data showed, marking an eighth consecutive monthly expansion. The rate of job creation, albeit only modest, accelerated slightly and outpaced that seen for the UK as a whole.

According to panel members, higher employment reflected the filling of long-held vacancies.

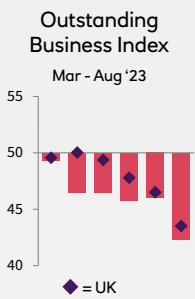
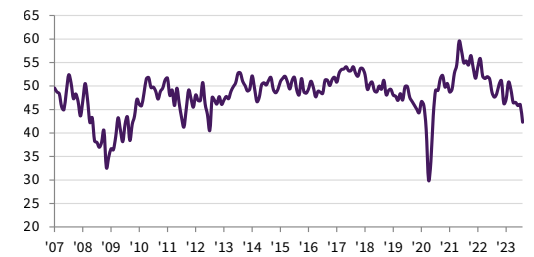
Employment Index
sa, >50 = growth since previous month
51.5
Aug '23



Backlogs of work fall at quickest rate since May 2020

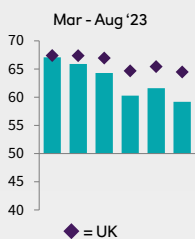
August survey data signalled a further rise in spare capacity at private sector companies in Yorkshire & Humber, as the seasonally adjusted Outstanding Business Index recorded below the 50.0 no-change mark for a sixth month in a row. Moreover, the rate of depletion was the strongest since May 2020. Where a decline in work-in-hand was reported, this was often linked to reduced new order intakes.

Outstanding Business Index
sa, >50 = growth since previous month
42.3
Aug '23



Prices

Input Prices Index



Input price inflation eases to 33-month low

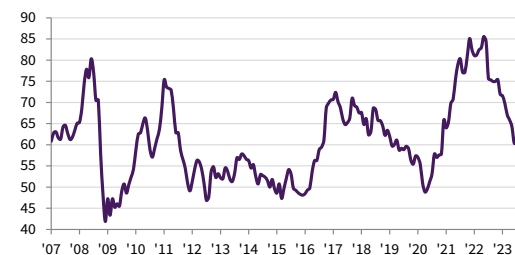
Private sector businesses in Yorkshire & Humber saw a further rise in their operating expenses during August. A number of panellists remarked on wage pressures. That said, while the overall pace of inflation was sharp and above its long-run average, it was the softest in almost three years.

Input Prices Index

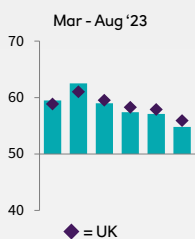
sa, >50 = inflation since previous month

59.2

Aug '23



Prices Charged Index



Weakest rise in prices charged since January 2021

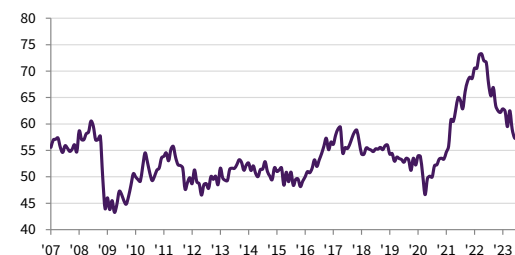
Prices charged by private sector companies in Yorkshire & Humber were increased once again in August, in line with the trend seen for over three years. Where a rise in selling charges was reported, firms linked this with greater cost pressures. However, the extent to which output prices were raised was the softest since January 2021.

Prices Charged Index

sa, >50 = inflation since previous month

54.8

Aug '23



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 23 ⁺
1	Other Manufacturing	1.54	50
2	Basic Metals	1.46	50
3	Textiles & Clothing	1.32	50
4	Food & Drink	1.22	52
5	Chemicals & Plastics	1.09	50
6	Timber & Paper	1.08	50
7	Mechanical Engineering	0.97	50
8	Electrical & Optical	0.50	45
9	Transport	0.26	50

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Aug 23 ⁺
1	Transport & Communication	1.29	50
2	Hotels, Restaurants & Catering	1.12	50
3	Personal & Community Services	1.07	50
4	Business-to-business Services	0.99	50
5	Financial Intermediation	0.82	50
6	Computing & IT Services	0.62	50

UK sector focus

Electrical & Optical

There was a sharp decrease in output across the UK's Electrical & Optical sector in the three months to August. The rate of contraction was the quickest seen since the initial pandemic-related shutdowns in spring 2020 and by far the fastest among the nine manufacturing sectors monitored.

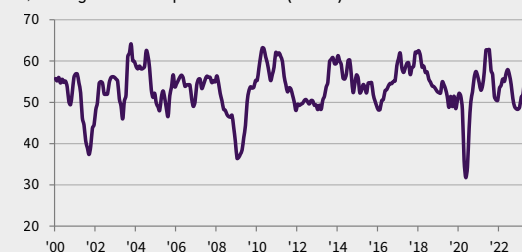
The downturn was driven by a deepening decline in new orders, with export sales falling particularly sharply. With firms reporting a rapid depletion of backlogs of work, job creation in the sector eased to the slowest for over two-and-a-half years.

On the supply side, firms faced a sustained shortening of delivery times on purchases, albeit with the rate of improvement easing. Input cost inflation meanwhile ticked up slightly, but it remained close to its recent three-year low. Output price inflation exhibited an almost identical trend.

Expectations towards future output remained subdued by historical standards despite inching up.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Of the 12 monitored regions and nations, only Wales and London recorded growth in business activity in August. Even here, however, the rates of expansion were marginal. Output was unchanged in Scotland and the West Midlands, while all remaining areas recorded contractions. The steepest decline in activity was seen in Northern Ireland*, followed by the South West.

Employment

The majority of areas recorded a rise in employment in August, although rates of job creation often slowed. Northern Ireland recorded the most marked rise in workforce numbers despite the pace of hiring there slowing to a seven-month low. The North East saw a notable drop in staffing levels, while there were more modest declines in the East Midlands, Wales and West Midlands.

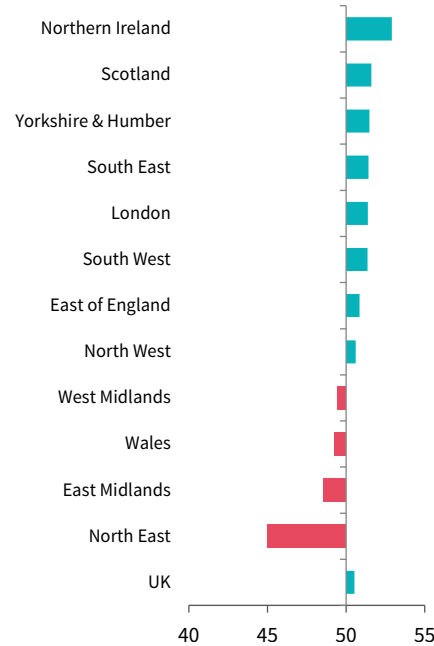
Future Activity

There were varying trends in business expectations, with confidence towards future activity rising in just under half of cases in August. The West Midlands topped the rankings for a second month running and saw sentiment improve to the joint-highest since January 2022. By contrast, the North East recorded the greatest loss of confidence as well as the lowest overall degree of optimism.

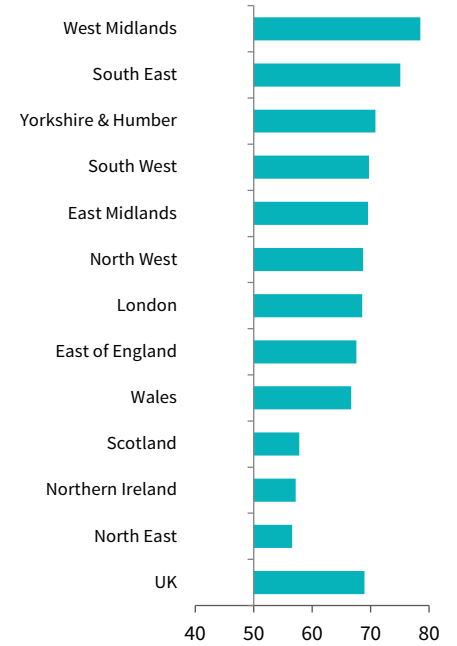
Business Activity Index
sa, >50 = growth since previous month, Aug '23



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



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



* 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 '23	50.7	50.5	51.4	75.6	50.1	49.3	67.1	59.5
Apr '23	52.5	50.9	52.9	75.8	54.0	46.5	65.9	62.5
May '23	50.6	49.3	51.9	73.9	51.5	46.5	64.3	59.0
Jun '23	50.0	49.4	50.7	70.5	52.0	45.8	60.3	57.4
Jul '23	51.6	48.0	50.3	73.3	50.9	46.0	61.6	57.1
Aug '23	47.0	45.2	49.3	70.8	51.5	42.3	59.2	54.8

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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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