

NatWest Yorkshire & Humber PMI[®]

Business activity rises at strongest pace since June 2022, ending four-month downturn

Yorkshire & Humber Business Activity Index



Key findings

Business activity rises for first time since last September

Yorkshire & Humber firms among UK's strongest performers

Firms retain optimistic view towards the year-ahead outlook

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 – rose back above the critical 50.0 level and thereby into growth territory during February. At 52.6, the headline measure was up from 48.6 in January to signal the first expansion in private sector business activity across Yorkshire & Humber since September last year. Overall, the increase was only moderate, but the strongest since June 2022.

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

"After four successive months of contraction, private sector business activity across Yorkshire & Humber increased during February. The improvement was in line with the UK-wide trend, and the region was in fact one of the UK's top performers in the latest survey period with only London, the South East and West Midlands recording stronger expansions."

"The renewed upturn in activity was accompanied by an improved trend in sales, which suggests underlying business conditions have certainly picked up since the end of last year. This has facilitated stronger employment growth across the region, and bodes well for near-term prospects."

"A further weakening of input price inflation will also be welcomed by firms. That said, cost pressures remain steep and companies continue to respond by marking up their charges, suggesting that sellers remain confident in their pricing power."

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

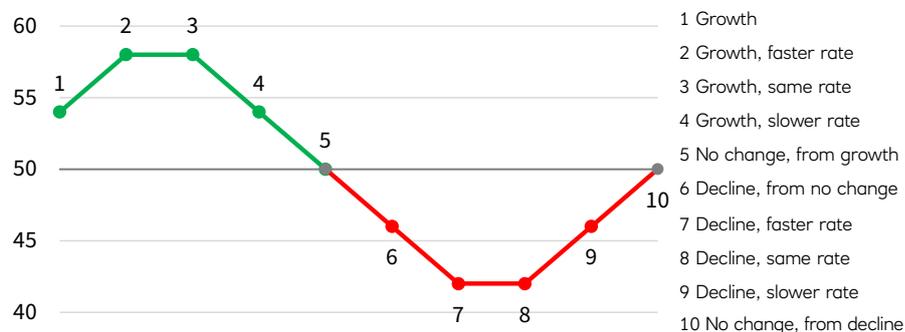
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

Private sector firms in Yorkshire & Humber saw new business intakes rise during February. Although the expansion was only marginal, it was the first since September 2022. The securing of new contracts and customer restocking was reported by some panel members.

That said, the upturn was markedly weaker than seen for the UK overall. Compared to the other ten monitored parts of the UK that saw growth, Yorkshire & Humber was the weakest (new business across Wales declined).

Businesses remain optimistic towards the 12-month outlook

Surveyed businesses across Yorkshire & Humber were optimistic of growth over the next 12 months during February. Although the level of confidence eased slightly, it was stronger than that seen for the UK as a whole.

Expected increases in orders, new product launches and market share gains were noted as reasons to be confident towards the business outlook.

Exports

Export climate improves at fastest pace since June 2022

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 Yorkshire & Humber Export Climate Index posted 51.1 in February, signalling a modest improvement in economic conditions across the region's export markets. This was up from 50.2 in January and its highest since June 2022.

The US, Yorkshire & Humber's largest market for selling goods, saw economic activity increase in February, ending a seven-month contraction sequence. This was also the case in Germany, while trends improved in other key European markets such as France and Ireland.

New Business Index

sa, >50 = growth since previous month

50.4

Feb '23



Future Activity Index

>50 = growth expected over next 12 months

74.2

Feb '23



Export Climate Index

sa, >50 = growth since previous month

51.1

Feb '23



Top export markets, Yorkshire & Humber

| Rank | Market | Weight | Output Index, Feb '23 |
|------|-------------|--------|-----------------------|
| 1 | USA | 18.1% | 50.1 |
| 2 | Netherlands | 14.7% | 50.4 |
| 3 | Germany | 9.8% | 50.7 |
| 4 | Ireland | 7.9% | 54.5 |
| 5 | France | 7.3% | 51.7 |

New Business Index

Sep '22 - Feb '23



Future Activity Index

Sep '22 - Feb '23



Export Climate Index

Sep '22 - Feb '23



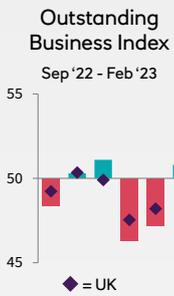
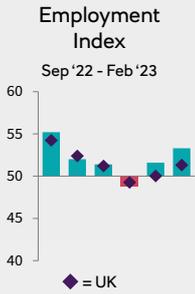
Business capacity

Employment growth accelerates to five-month high

The level of private sector employment across Yorkshire & Humber increased for a second month running midway through the first quarter of the year. Moreover, the rate of job creation was solid and quickened to a five-month high.

According to anecdotal evidence, company expansion plans and efforts to cater for higher workloads supported additional hiring.

Employment Index 53.3
sa, >50 = growth since previous month Feb '23

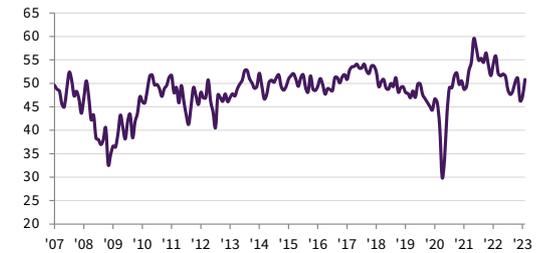


Backlogs increase marginally in February

The seasonally adjusted Outstanding Business Index rose above the 50.0 mark in February, signalling a renewed increase in backlogs of work at private sector firms across Yorkshire & Humber. The region saw the second-fastest rise in incomplete orders of the 12 monitored regions, after London.

Capacity pressures were intensified as a result of improved demand and a lack of staff, according to survey respondents.

Outstanding Business Index 50.8
sa, >50 = growth since previous month Feb '23



Prices

Input cost inflation slows to two-year low in February

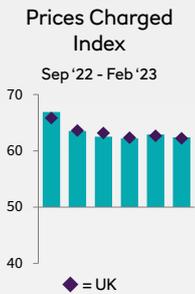
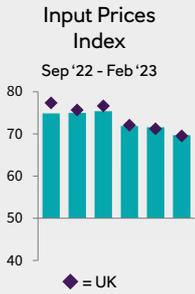
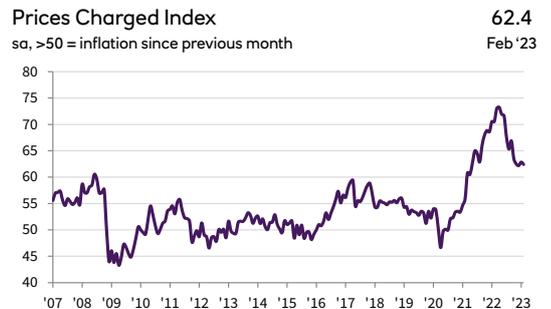
Private sector businesses in Yorkshire & Humber experienced another month of rising input costs during February. Salary increases, elevated energy prices and rises in the price of certain materials put upward pressure on operating expenses, according to firms.

Overall, the rate of inflation eased to a two-year low, but was still higher than seen on average across the survey history.



Output charges continue to rise at historically sharp pace

Prices charged for the goods and services provided by private sector firms in Yorkshire & Humber continued to rise at a historically marked pace in February. The latest increase, albeit weaker than seen on average over the last two years, was well above the series average. Efforts to at least partially share the burden of higher costs with clients was mentioned by some panel members.



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, Feb 23 ⁺ |
|------|------------------------|------|--------------------------------------|
| 1 | Other Manufacturing | 1.54 | 55 |
| 2 | Basic Metals | 1.46 | 50 |
| 3 | Textiles & Clothing | 1.32 | 45 |
| 4 | Food & Drink | 1.22 | 55 |
| 5 | Chemicals & Plastics | 1.09 | 45 |
| 6 | Timber & Paper | 1.08 | 40 |
| 7 | Mechanical Engineering | 0.97 | 50 |
| 8 | Electrical & Optical | 0.50 | 50 |
| 9 | Transport | 0.26 | 45 |

Yorkshire & Humber specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, Feb 23 ⁺ |
|------|--------------------------------|------|---|
| 1 | Transport & Communication | 1.29 | 45 |
| 2 | Hotels, Restaurants & Catering | 1.12 | 55 |
| 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

Other Manufacturing

The UK's 'Other Manufacturing' sector - which comprises mainly consumer goods such as furniture, jewellery, sports items and household ceramics - saw a rise in production levels in the three months to February, following several months of declining output. Production was supported by easing supply constraints - the incidence of delivery delays having fallen sharply compared to the situation a year ago - which enabled businesses to catch up on backlogs of work.

Underlying demand continued to exhibit a weak trend, however, as underscored by a sustained decrease in new orders. That said, the rate of decline slowed in the three months to February and firms became more optimistic about the outlook.

Cost pressures in the sector meanwhile eased from the record high levels observed over the previous two years. Selling price inflation nevertheless remained historically elevated.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

February saw a rise in business activity across all but one of the regions and nations monitored by the survey. The North East was the only exception, although output there did at least stabilise after a seven-month sequence of contraction. London recorded by far the strongest activity growth, registering its best performance since last July, with the South East a distant second place.

Employment

The number of areas recording an increase in employment rose from seven in January to ten in February, with the South West, East of England and Scotland each seeing renewed job creation. Northern Ireland was at the top of the rankings for workforce growth for a second straight month. Further decreases in employment were meanwhile recorded in both Wales and the North East.

Future Activity

There was an improvement in business confidence in two-thirds of areas in February. The most marked upswings in sentiment were in Northern Ireland and Scotland, although these two remained towards the bottom end of the scale for overall levels of optimism. Expectations were highest in the West Midlands, as was the case in January, and lowest in the North East, which saw confidence wane slightly.

Business Activity Index

sa, >50 = growth since previous month, Feb '23



Employment Index

sa, >50 = growth since previous month, Feb '23



Future Activity Index

>50 = growth expected over next 12 months, Feb '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Sep '22 | 51.4 | 50.5 | 49.3 | 67.7 | 55.2 | 48.4 | 74.9 | 66.9 |
| Oct '22 | 48.8 | 46.1 | 48.7 | 63.4 | 52.0 | 50.3 | 75.0 | 63.5 |
| Nov '22 | 48.7 | 44.6 | 47.8 | 70.7 | 51.4 | 51.1 | 75.4 | 62.5 |
| Dec '22 | 48.7 | 47.0 | 48.6 | 68.0 | 48.8 | 46.3 | 71.9 | 62.2 |
| Jan '23 | 48.6 | 47.9 | 50.2 | 75.4 | 51.6 | 47.2 | 71.6 | 62.9 |
| Feb '23 | 52.6 | 50.4 | 51.1 | 74.2 | 53.3 | 50.8 | 69.7 | 62.4 |

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About NatWest

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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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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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