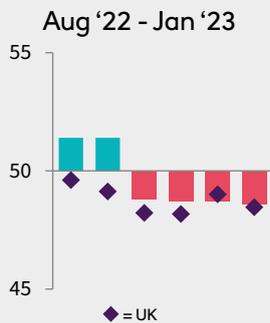




# NatWest Yorkshire & Humber PMI®

## Shallow private sector downturn continues across Yorkshire & Humber in January

### Yorkshire & Humber Business Activity Index



### Key findings

Activity levels fall, but pace of decline remains marginal

Business confidence picks up; jobs growth returns

Cost pressures abate but firms raise charges at faster rate

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 – was little-changed in January, falling fractionally from 48.7 in December to 48.6. Overall, this signalled a fourth successive monthly reduction in private sector business activity, although the pace of decline was once again marginal, suggesting the downturn in Yorkshire & Humber’s private sector has been shallow thus far.

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

*"Yorkshire & Humber business activity continued to fall in January, extending the region's contraction that began last October. The region's economy is being pulled lower by challenging demand conditions, with firms commenting on generally subdued order intakes as clients retrench.*

*"That said, overall activity levels have fallen only marginally in each month of the current downturn, despite the survey data showing stronger declines in new order intakes over the same period. Backlogs of work have helped bridge the gap, with firms working through their incomplete business.*

*"Nevertheless, there are encouraging signs. An improvement in business confidence was accompanied by a return to employment growth. Meanwhile, easing cost pressures adds to evidence that inflation may have peaked."*

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

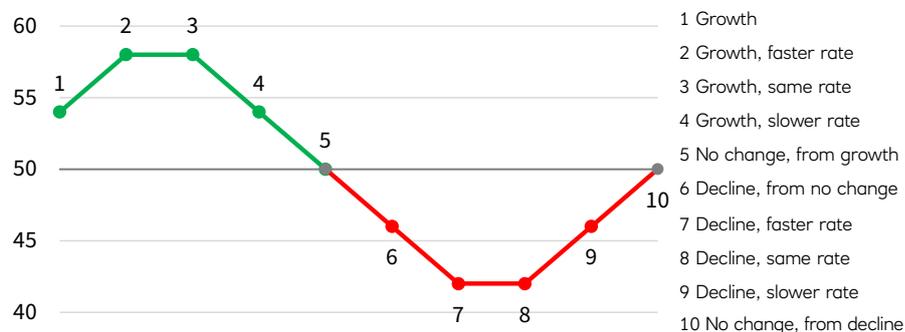
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite 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](mailto:economics@ihsmarkit.com).

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Private sector new business intakes fall again in January

The level of incoming new work placed with private sector companies in Yorkshire & Humber fell at the start of the year. Economic weakness reportedly contributed to the slump in demand. That said, the decline was moderate and the weakest seen over the current four-month sequence of contraction.

### New Business Index

sa, >50 = growth since previous month

47.9

Jan '23



### New Business Index

Aug '22 - Jan '23



### Optimism improves to eight-month high

The Future Activity Index rose to an eight-month high during January, posting further above the 50.0 mark to signal a strengthening of optimism among Yorkshire & Humber firms. In addition, the region posted the second-strongest level of confidence when compared against the other eleven monitored parts of the UK.

### Future Activity Index

>50 = growth expected over next 12 months

75.4

Jan '23



### Future Activity Index

Aug '22 - Jan '23



According to survey respondents, new product launches and the acquisition of new customers were cited as reasons to be upbeat towards the 12-month outlook.

## Exports

### Export climate improves for first time since July 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.

### Export Climate Index

sa, >50 = growth since previous month

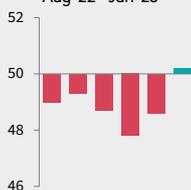
50.2

Jan '23



### Export Climate Index

Aug '22 - Jan '23



The Yorkshire & Humber Export Climate Index rose above the 50.0 no-change mark in January to 50.2, from 48.6 in December, signalling a renewed upturn in economic activity across the region's export markets. This marked the first improvement in export conditions since July 2022, albeit one that was only marginal.

Economic conditions in top export markets such as the Netherlands and Ireland improved, while Germany's economy stabilised.

### Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Jan '23
1	USA	18.1%	46.8
2	Netherlands	14.7%	50.7
3	Germany	9.8%	49.9
4	Ireland	7.9%	52.0
5	France	7.3%	49.1

## Business capacity

### Employment returns to growth in January

Following a marginal decline at the end of 2022, the latest survey data highlighted a return to growth in private sector staffing levels across Yorkshire & Humber. Where an increase in jobs was reported, this was linked to expansion efforts.

The Yorkshire & Humber trend contrasted with that seen for the UK as a whole, which showed stagnant employment levels in January. Only Northern Ireland and the West Midlands posted faster jobs growth than Yorkshire & Humber.

Employment Index  
sa, >50 = growth since previous month  
51.6  
Jan '23

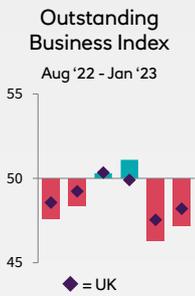
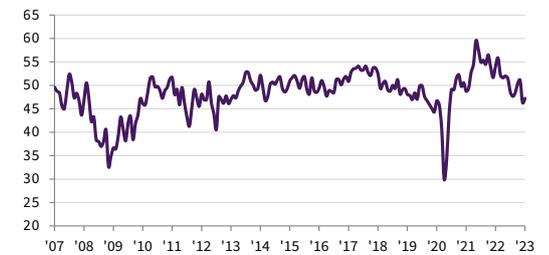


### Backlogs of work fall for a second successive month

The seasonally adjusted Outstanding Business Index posted below the 50.0 no-change mark in January for a second month in a row, signalling a sustained reduction in backlogs of work at private sector firms in Yorkshire & Humber. The decrease was moderate and slightly softer than seen previously.

Where a reduction in capacity pressures was reported, this was often linked with weak demand.

Outstanding Business Index  
sa, >50 = growth since previous month  
47.2  
Jan '23



## Prices

### Input cost inflation eases to 21-month low

Private sector companies in Yorkshire & Humber continued to face intense cost pressures in January, with input prices rising sharply and at a pace that remained well above its long-term average. Increases in costs were primarily linked with greater salary and energy expenses, although some firms remarked on supplier price hikes. However, the rate of inflation eased to a 21-month low.

### Input Prices Index

sa, >50 = inflation since previous month

71.6

Jan '23



### Input Prices Index

Aug '22 - Jan '23



◆ = UK

### Yorkshire & Humber firms raise charges sharply

Prices charged for goods and services provided by private sector companies in Yorkshire & Humber rose sharply in January. The rate of increase edged up slightly and was the strongest in three months. According to panellists, fees were lifted in line with increases in costs.

### Prices Charged Index

sa, >50 = inflation since previous month

62.9

Jan '23



### Prices Charged Index

Aug '22 - Jan '23



◆ = UK



## 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, Jan 23 <sup>+</sup>
1	Other Manufacturing	1.54	48
2	Basic Metals	1.46	48
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	48
9	Transport	0.26	45

#### Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jan 23 <sup>+</sup>
1	Transport & Communication	1.29	45
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	45
6	Computing & IT Services	0.62	50

## UK sector focus

### Personal & Community Services

After seeing activity levels decline in the latter stages of last year, the UK's Personal & Community Services sector started 2023 on a more stable footing. Key to this was a renewed, albeit marginal, upturn in inflows of new businesses in the three months to January.

However, with survey data showing a lack of pressure on operating capacity, as evidenced by a marked and accelerated reduction in backlogs of work, firms reduced workforce numbers.

On the cost front, the rate of input price inflation eased only slightly and remained close to the record highs seen in 2022. Of the services sub-sectors mentioned, it was second only to that recorded by Hotels, Restaurants & Catering. Prices charged by Personal & Community Services firms meanwhile rose to the greatest extent since mid-2022.

Positively, expectations towards the year ahead improved, although they remained subdued by historical standards.

#### Output Index

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



<sup>+</sup>3-month moving average



## UK Regional PMI overview

### Business Activity

London was alone among the 12 UK regions monitored by the survey in recording higher activity in January. The rate of growth in the capital remained only marginal, however. There were renewed downturns in output in both Wales and the North West, while the steepest decrease in activity was once again recorded in Northern Ireland.

### Employment

Seven of the 12 regions and nations monitored posted a rise in employment in January, up from just four in December. Northern Ireland topped the rankings, registering its steepest rise in workforce numbers for six months, ahead of the West Midlands. The most marked fall in employment was in the North East, as had been the case in the previous survey period.

### Future Activity

January data showed a broad-based improvement in business expectations. The greatest increase in confidence was recorded in the West Midlands, which also saw the strongest overall optimism. Sentiment in Northern Ireland turned positive for the first time in nine months, although it remained lower than in any other region or nation.

#### Business Activity Index

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



#### Employment Index

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



#### Future Activity Index

>50 = growth expected over next 12 months, Jan '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
Aug '22	51.4	51.7	49.0	74.0	53.7	47.6	75.4	65.3
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

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### About NatWest

NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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.

### About S&P Global

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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.

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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.

[ihs.com/products/pmi.html](https://ihs.com/products/pmi.html)

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