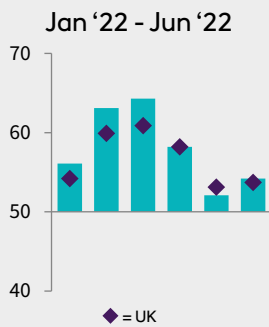




# NatWest Yorkshire & Humber PMI<sup>®</sup>

## Jobs growth boosts business activity, but price pressures curb demand

### Yorkshire & Humber Business Activity Index



### Key findings

Robust job creation underpins quicker expansion in output

New work intakes rise only fractionally...

...reflecting near-record upturn in selling prices

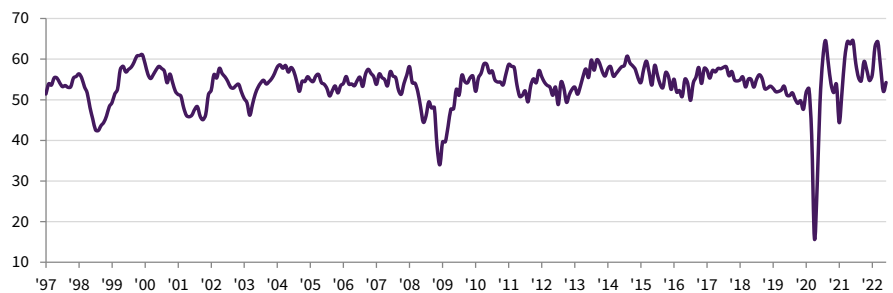
June data pointed to a pick-up in output growth across Yorkshire & Humber, after a substantial slowdown in May, according to the NatWest PMI<sup>®</sup>. Rising from May's 15-month low of 52.1 to 54.2 at the end of the second quarter, the headline Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – was consistent with a marked rate of expansion. According to survey members, hiring and restocking efforts supported the latest increase in business activity. Moreover, the trend for local output was the fourth-best regionally and beat growth at the UK level.

Richard Topliss, Chair of NatWest North Regional Board, commented:

*"The Yorkshire and Humber economy managed to keep its head above water in June, posting a recovery in output growth as firms sought to work through their pending workloads and rebuild their inventories — supported by robust hiring activity. When it comes to the demand side, the picture was more concerning as another steep rise in selling prices almost brought growth to a halt. There was only a fractional upturn in new business, the weakest since February 2021, as consumers reassessed their spending budgets due to the cost-of-living crisis. There were softer increases in both input costs and output charges, but these were nevertheless among the strongest in their respective series histories."*

Yorkshire & Humber Business Activity Index

sa, >50 = growth since previous month



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## About the Yorkshire & Humber PMI<sup>®</sup> report

The NatWest Yorkshire & Humber PMI<sup>®</sup> 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

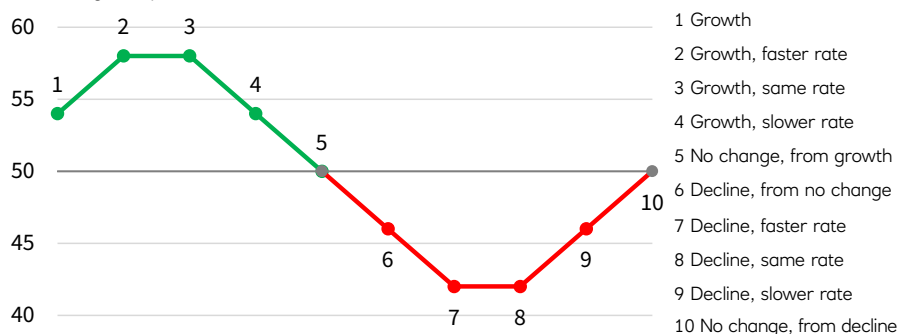
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

### New business heads towards stagnation in June

Growth of new work intakes at Yorkshire & Humber companies softened for the fourth month running in June, reaching its joint-weakest in the current 17-month sequence of expansion and being only fractional overall. Where new business rose, survey participants reported greater market shares and stronger demand for some goods and services. Anecdotal evidence indicated that price pressures and subdued consumer confidence restricted the upturn.

### Business confidence slips to 18-month low in June

Yorkshire & Humber firms remained optimistic that output would increase over the course of the coming 12 months, with around 62% of panellists forecasting expansion and 13% predicting a contraction. However, the overall level of sentiment fell to its lowest mark in one-and-a-half years, as some companies were concerned that inflationary pressures would restrict market demand and trigger a recession.

## Exports

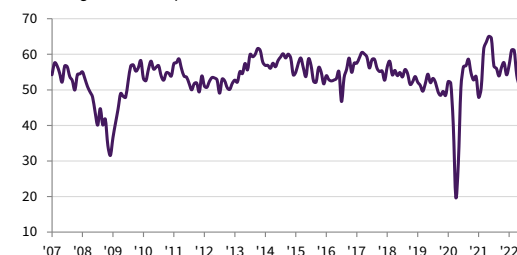
### Weakest improvement in export conditions since February 2021

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.

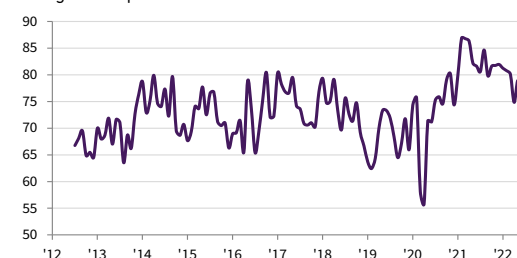
Falling from 53.6 in May to 52.1 in June, the Export Climate Index indicated the slowest improvement in export conditions in close to one-and-a-half years.

The fall in the ECI reflected slower economic growth in all of its top five markets. Among them, the fastest increase in output was noted in Ireland, closely followed by France.

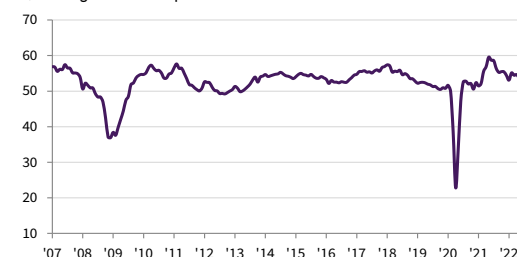
New Business Index  
sa, >50 = growth since previous month  
50.5  
Jun '22



Future Activity Index  
>50 = growth expected over next 12 months  
74.3  
Jun '22

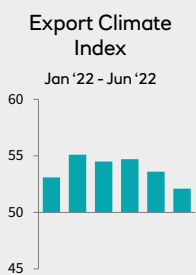
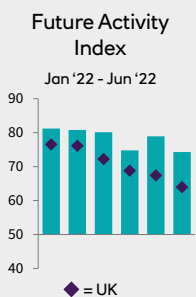
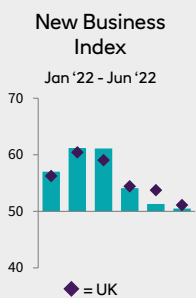


Export Climate Index  
sa, >50 = growth since previous month  
52.1  
Jun '22



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Jun' 22
1	USA	10.9%	52.3
2	Netherlands	9.6%	52.1
3	Germany	9.1%	51.3
4	Ireland	8.2%	52.8
5	France	6.5%	52.5

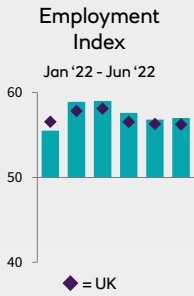
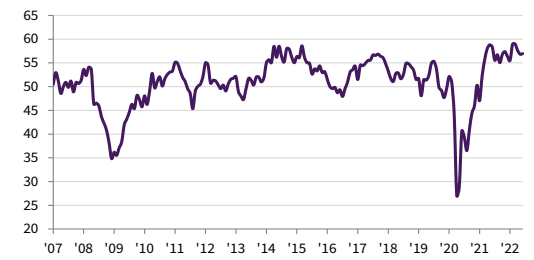


## Business capacity

### Job creation ticks higher at the end of the second quarter

Amid reports of capacity expansion efforts, forecasts of better demand conditions and the replacement of lost staff, private sector firms in Yorkshire & Humber continued to hire extra workers during June. Moreover, the overall rate of job creation was sharp and quickened from May. Around twice as many companies reported higher payroll numbers (23%) as those that signalled a reduction (12%). The local trend for employment was the second-best of all 12 UK regions, behind London.

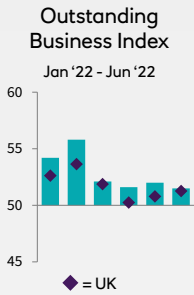
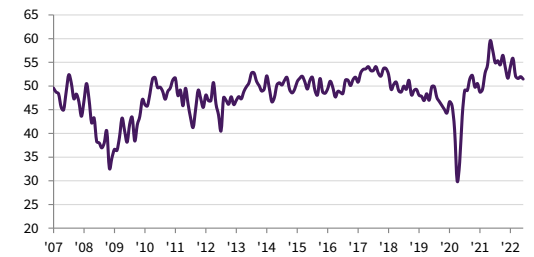
Employment Index  
sa, >50 = growth since previous month  
57.0  
Jun '22



### Rate of backlog accumulation softens

Although private sector companies in Yorkshire & Humber continued to report higher volumes of outstanding business in June, the rate of accumulation eased to the slowest in the current 16-month sequence of expansion. Some panellists indicated that staff and material shortages underpinned the rise in backlogs, but others suggested that subdued demand conditions enabled them to clear pending workloads.

Outstanding Business Index  
sa, >50 = growth since previous month  
51.5  
Jun '22





## Prices

### Operating expenses rise at near-record pace

June data pointed to a softer, but still severe, increase in input costs facing private sector companies in Yorkshire & Humber. The latest rise was in fact the third-fastest since the series started in early-1997. Survey participants suggested that price pressures stemmed from higher energy, fuel, material, transportation and staff costs. In some instances, hikes were attributed to the war in Ukraine, global shortages of inputs, currency weakness and turbulence in commodity markets.

The local rate of cost inflation was broadly in line with the UK average.

### Charge inflation eases marginally from May

There was another substantial increase in prices charged for goods and services across Yorkshire & Humber, as companies reportedly shared part of their additional cost burdens with clients. The overall rate of inflation moderated to a four-month low, but was higher than any seen prior to this (series started in November 1999).

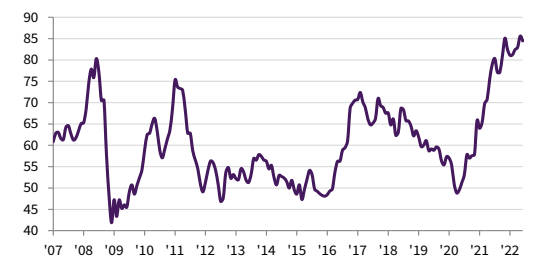
With regards to charge inflation, Yorkshire & Humber came fourth in the regional rankings.

Input Prices Index

sa, >50 = inflation since previous month

84.4

Jun '22

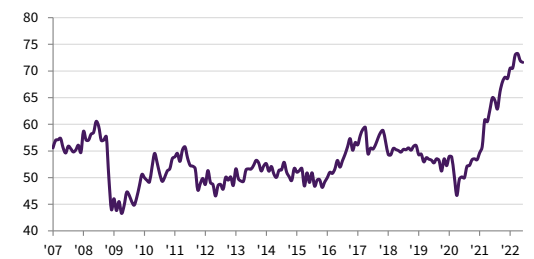


Prices Charged Index

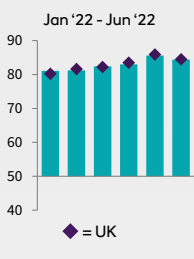
sa, >50 = inflation since previous month

71.6

Jun '22



Input Prices Index



Prices Charged Index



## 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, Jun' 22 <sup>+</sup>
1	Other Manufacturing	1.54	55
2	Basic Metals	1.46	55
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.22	48
5	Chemicals & Plastics	1.09	50
6	Timber & Paper	1.08	48
7	Mechanical Engineering	0.97	55
8	Electrical & Optical	0.50	55
9	Transport	0.26	55

#### Yorkshire & Humber specialisation: Services

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

## UK sector focus

### Textiles & Clothing

Latest data showed a decline in production levels across the UK's Textiles & Clothing sector during the second quarter. It was one of three manufacturing categories (out of nine monitored) to record lower output, alongside Timber & Paper and Food & Drink.

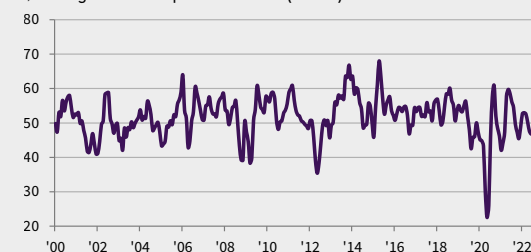
Weaker underlying demand was a driving factor, with inflows of new work falling in the three months to June. This was despite a slight upturn in export sales over the same period.

Cost pressures continued to build across the Textiles & Clothing sector during the second quarter, reaching a near-record high. With many firms looking to pass on at least part of the burden to customers, output price inflation quickened to a rate unseen for over two decades.

Positively, and despite waning business confidence, employment in the sector continued to rise, with the rate of job creation quickening to a 12-month high.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

Regional performances varied markedly in terms of business activity in June. London led the growth rankings by some margin with a steep and accelerated rise in output. However, three areas recorded lower business activity, one being Northern Ireland\*, where output fell for the second month running and at the quickest rate since February 2021.

### Employment

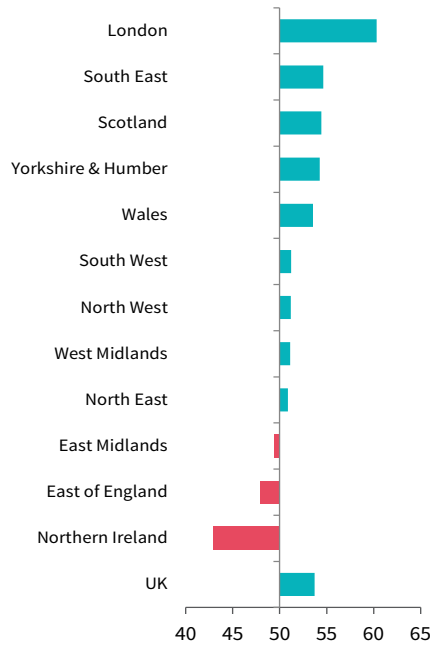
Employment rose in almost every region in June, the only exception being the North East. Here, staffing numbers fell — albeit fractionally — for the second time in the past three months. London recorded the strongest rate of job creation, as has been the case in each month since February. Five areas recorded a slower rate of employment growth than the month before, however.

### Future Activity

Firms' expectations for activity in the year ahead generally worsened in June. Of the 12 monitored areas, only the West Midlands and Wales recorded stronger business confidence. Despite seeing sentiment weaken, Yorkshire & Humber remained the most optimistic region. Expectations were lowest in Northern Ireland, where they turned more pessimistic.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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
Jan '22	56.1	57.0	53.1	81.2	55.5	54.2	81.1	70.5
Feb '22	63.1	61.2	55.1	80.8	58.9	55.8	81.2	70.5
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

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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

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

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

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