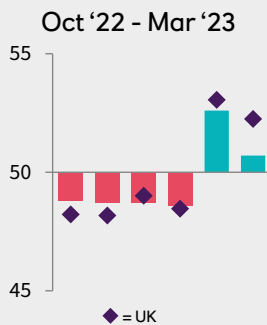


NatWest Yorkshire & Humber PMI®

Yorkshire & Humber activity growth continues to lag behind the UK average

Yorkshire & Humber Business Activity Index



Key findings

Business Activity Index at 50.7, below UK reading of 52.2

Demand for goods and services rises only marginally

Inflationary pressures subside; business confidence improves

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 – once again recorded above the crucial 50.0 no-change mark in March, signalling back-to-back monthly expansions in private sector business activity across Yorkshire & Humber. However, at 50.7, this was down from 52.6 in February to signal a slowdown in growth. It also compared with a reading of 52.2 for the UK as a whole, with the region ranking as one of the weakest-performing at the end of the first quarter.

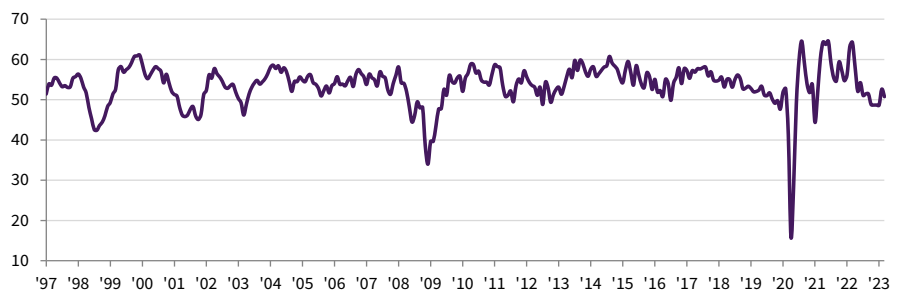
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"A sustained upturn in private sector output in March is good news, rounding off a positive opening quarter of the year despite January's decline. However, activity and new order growth across the region lagged behind that seen across the UK as a whole in March, with Yorkshire & Humber firms ranking among the bottom performers on both counts.

"Encouragingly, a strengthening of business confidence to a ten-month high suggests that companies are looking beyond March's slowdown and are optimistic of growth in the coming year."

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

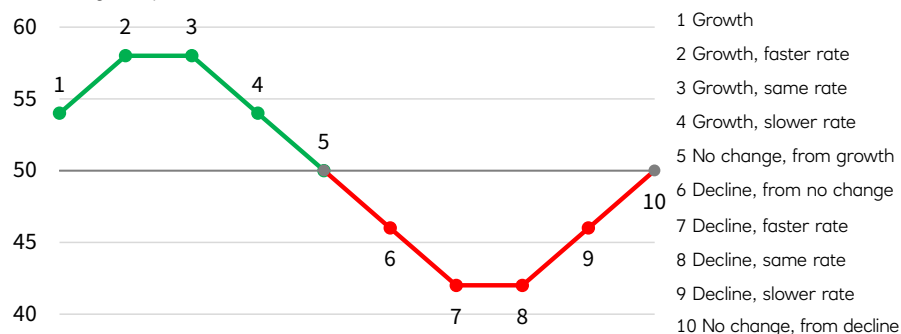
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

Demand for goods and services rises marginally in March

The seasonally adjusted New Business Index registered only slightly above the 50.0 no-change mark once again in March, signalling a further marginal uptick in demand for Yorkshire & Humber goods and services. Nevertheless, this signalled the best improvement in order books for six months.

Compared to the other 11 monitored parts of the UK, Yorkshire & Humber firms recorded the weakest rise in new business and lagged behind the national average by a notable margin.

Business confidence improves to ten-month high

Private sector companies in Yorkshire & Humber were strongly optimistic towards the 12-month outlook for business activity in March. The level of confidence also improved, rising to its highest in almost a year. New product launches, increased demand and expansion plans were reasons given by companies that were upbeat on their prospects.

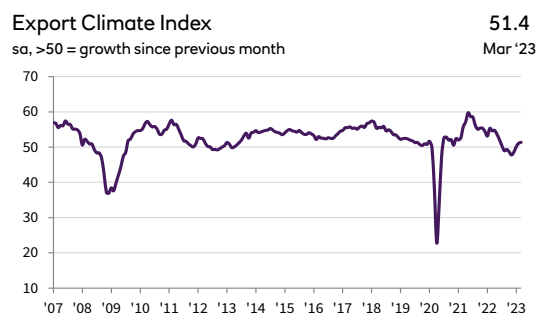
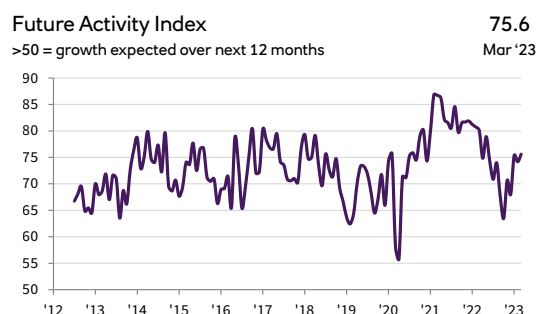
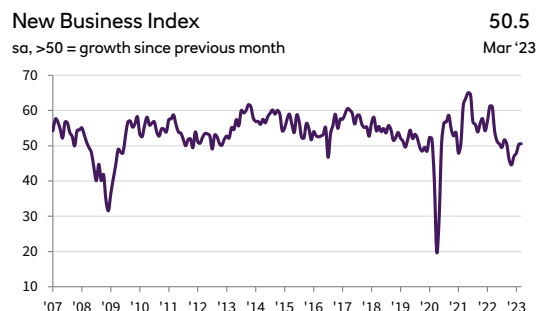
Exports

Export climate improves again in March

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.

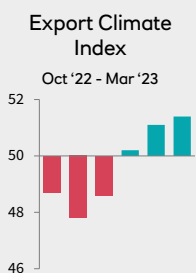
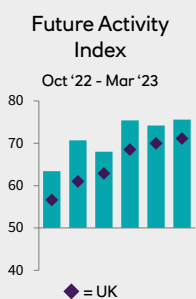
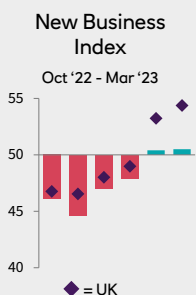
The Yorkshire & Humber Export Climate Index rose to 51.4 in March, up from 51.1 in February, signalling a third successive month of growth across Yorkshire & Humber's key overseas markets. Although indicative of only a modest expansion, it was nonetheless the strongest since June 2022.

Stronger performances were seen across Europe and the US during March. However the Netherlands, the region's second-largest export market, weakened.



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Mar '23
1	USA	18.1%	52.3
2	Netherlands	14.7%	48.2
3	Germany	9.8%	52.6
4	Ireland	7.9%	52.8
5	France	7.3%	52.7



Business capacity

Employment Index



Employment levels broadly stagnate in March

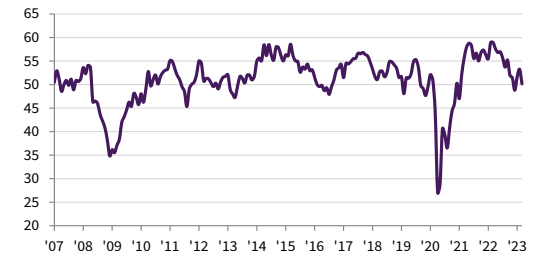
Private sector staffing levels across Yorkshire & Humber were broadly unchanged during the latest survey period, as evidenced by the respective seasonally adjusted index recording close to the 50.0 no-change mark.

While some companies expanded their workforce numbers to boost capacity and accommodate higher sales, others opted to not replace voluntary leavers.

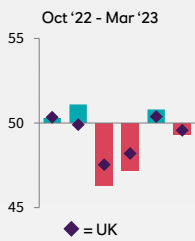
Employment Index

sa, >50 = growth since previous month

50.1
Mar '23



Outstanding Business Index



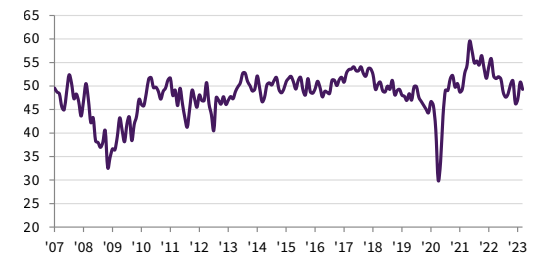
Backlogs of work decline marginally

Adjusted for seasonal influences, the Outstanding Business Index fell below the 50.0 no-change mark in March, signalling a decrease in backlogs of work across the Yorkshire & Humber private sector. The rate at which pending orders were cleared was marginal and slightly faster than seen across the UK as a whole in March.

Outstanding Business Index

sa, >50 = growth since previous month

49.3
Mar '23



Prices

Input cost inflation slows to 25-month low

Private sector companies across Yorkshire & Humber continued to observe rapid increases in their operating costs during March. According to respondents, higher expenses relating to transport were seen, although others remarked on general price increases for a variety of items and services.

That said, the rate of inflation eased to a 25-month low during March, partly reflecting a drop in the price of certain raw materials.

Output prices rise at softest pace in just over two years

Following the trend seen in input costs, private sector companies across Yorkshire & Humber raised their selling charges sharply, but to the weakest extent in just over two years during March. In many cases, higher output prices reflected efforts to pass on greater cost burdens to clients.

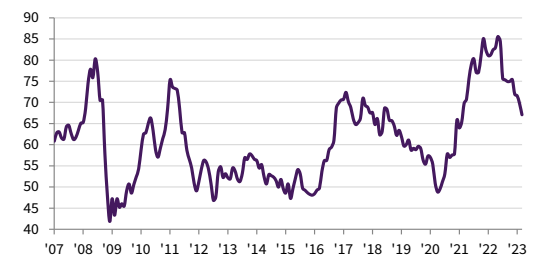
In comparison to the other 11 monitored parts of the UK, only Northern Ireland, the West Midlands and South East saw faster increases in selling charges.

Input Prices Index

sa, >50 = inflation since previous month

67.1

Mar '23

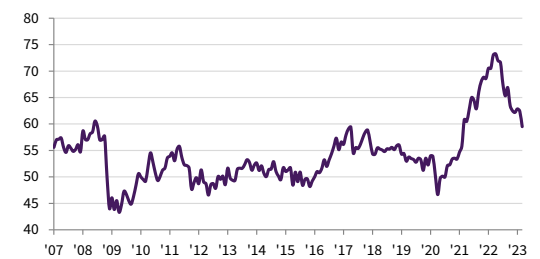


Prices Charged Index

sa, >50 = inflation since previous month

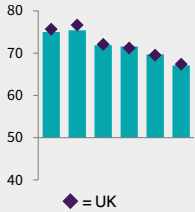
59.5

Mar '23



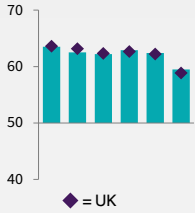
Input Prices Index

Oct '22 - Mar '23



Prices Charged Index

Oct '22 - Mar '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, Mar 23 ⁺
1	Other Manufacturing	1.54	55
2	Basic Metals	1.46	52
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.22	52
5	Chemicals & Plastics	1.09	48
6	Timber & Paper	1.08	42
7	Mechanical Engineering	0.97	52
8	Electrical & Optical	0.50	52
9	Transport	0.26	50

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar 23 ⁺
1	Transport & Communication	1.29	52
2	Hotels, Restaurants & Catering	1.12	58
3	Personal & Community Services	1.07	52
4	Business-to-business Services	0.99	55
5	Financial Intermediation	0.82	55
6	Computing & IT Services	0.62	55

UK sector focus

Hotels, Restaurants & Catering

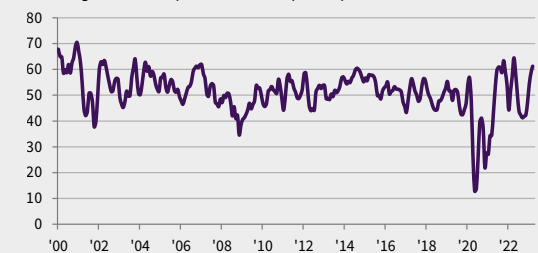
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

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



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



Future Activity Index
>50 = growth expected over next 12 months, Mar '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
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
Mar '23	50.7	50.5	51.4	75.6	50.1	49.3	67.1	59.5

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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.

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