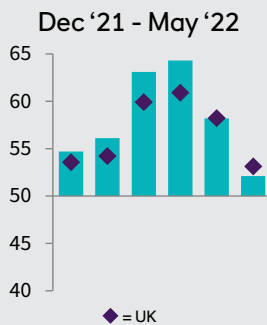


NatWest Yorkshire & Humber PMI®

Yorkshire & Humber business activity growth slumps to 15-month low in May

Yorkshire & Humber Business Activity Index



Key findings

Headline Business Activity Index falls to 15-month low of 52.1

Demand loses further momentum amid substantial price pressures

Hiring trend remains strong as 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 – slumped to 52.1 in May, from 58.2 in April. Since March, the headline index has shed over 12 points, signalling a marked loss of growth momentum across Yorkshire & Humber’s private sector. Overall, while business activity still rose in May, the rate of growth was the weakest in 15 months.

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

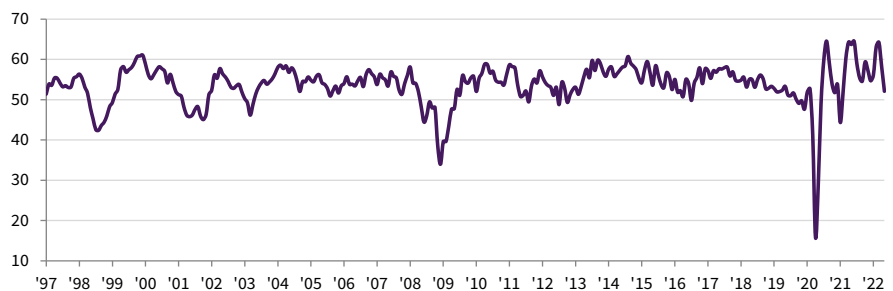
"May survey data highlighted another marked loss of growth momentum across Yorkshire & Humber's private sector economy as business activity rose only modestly and at the slowest pace since February 2021. The weaker upturn is a reflection of softer trends across both manufacturing and services – while the former has to contend with continued supply-side disruptions, momentum is easing in the latter amid the rising cost of living and the fading post-Omicron rebound."

"Price pressures were another notable facet of the latest survey data. Input costs rose at the steepest rate ever seen in over 25 years of data collection in May, leading firms to raise their prices charged to a substantial degree."

"Overall, the direction of travel for the economy seems to be one-way amid substantial downside risks. Activity levels are going to be tested in the coming months as rapid inflation puts demand under pressure."

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

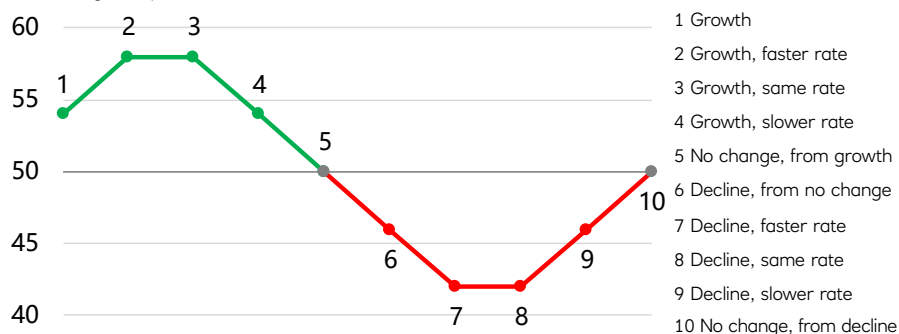
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

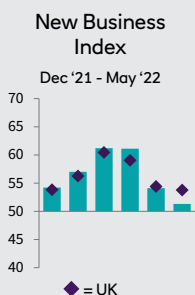
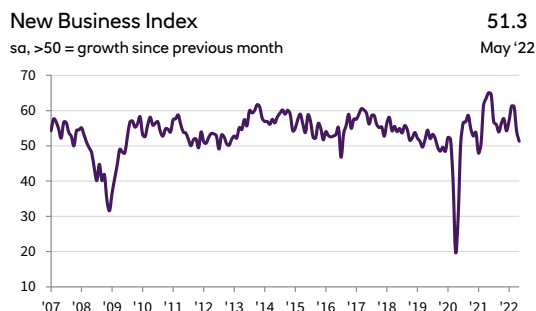
50.0 = no change since previous month



Demand and outlook

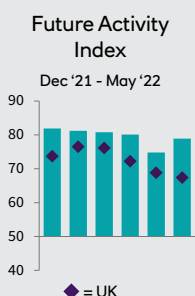
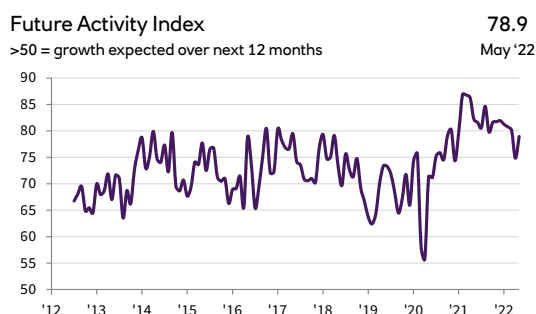
New order growth slows to 15-month low in May

New orders placed for goods and services at private sector firms in Yorkshire & Humber increased in May, but the rate of growth slumped to a 15-month low. Easing underlying demand pressures, customer destocking and price hikes were all cited as drags on new business inflows. Trends across both manufacturing and services deteriorated over the month.



Modest recovery in business confidence during May

While the broader UK trend showed business confidence falling during May, private sector companies in Yorkshire & Humber were more optimistic. In fact, compared to the other 11 monitored UK regions, Yorkshire & Humber firms were the most positive towards the next 12 months.

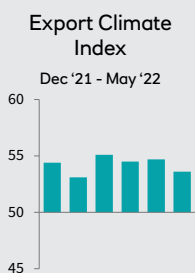
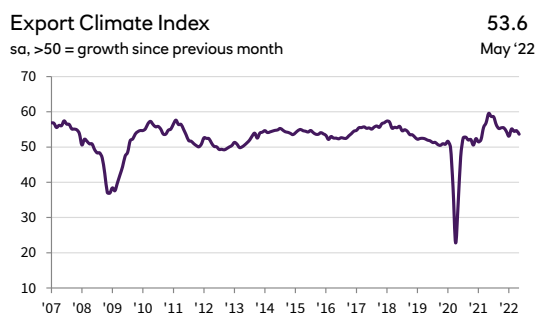


According to anecdotal evidence, planned company expansions through hiring and investment, as well as expectations of stronger demand, underpinned the optimistic outlook.

Exports

Export Climate Index slides to four-month low

The Yorkshire & Humber Export Climate Index 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 fell to 53.6 in May, from 54.7 in April. While still above 50.0 and therefore pointing to a sustained improvement in overall export conditions for manufactured goods, the drop in the index to a four-month low signalled a loss of momentum. Slower rates of growth were seen in each of the region's top five markets during May.

Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, May '22
1	USA	10.9%	53.6
2	Netherlands	9.6%	53.1
3	Germany	9.1%	53.7
4	Ireland	8.2%	57.5
5	France	6.5%	57.0

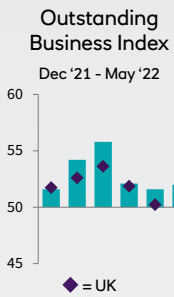
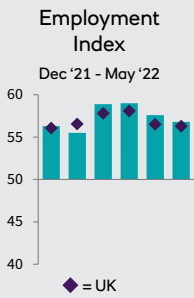
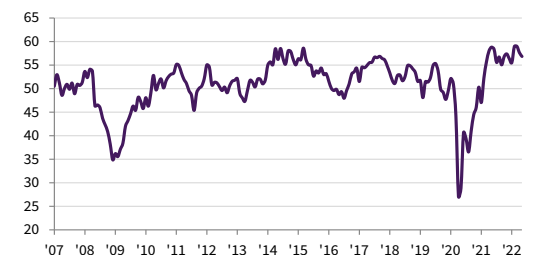
Business capacity

Employment growth stays strong despite easing

Private sector staffing levels continued to increase in May. Furthermore, the rate of job creation was strong overall, despite easing to a four-month low. Survey respondents linked greater hiring activity to capacity expansion efforts.

Of the 12 monitored UK regions, only the South West and London registered stronger rises in workforce numbers than Yorkshire & Humber.

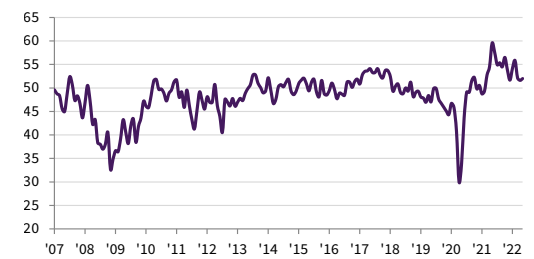
Employment Index 56.8
 sa, >50 = growth since previous month May '22



Backlogs of work rise further in May

The seasonally adjusted Outstanding Business Index posted above the 50.0 no-change mark in May, indicating an increase in backlogs of work at private sector firms across Yorkshire & Humber. Delivery delays from suppliers and labour shortages were cited by firms as reasons for stretched capacities. That said, the rate of backlog accumulation was modest and among the weakest seen over the current 15-month sequence of rising capacity pressures.

Outstanding Business Index 52.0
 sa, >50 = growth since previous month May '22

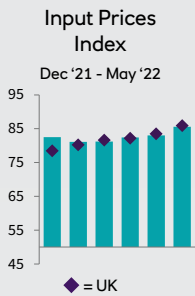
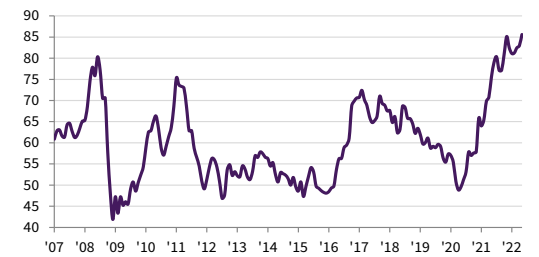


Prices

Input price inflation accelerates to fresh high

Yorkshire & Humber private sector businesses recorded a further intensification of cost pressures in May. In fact, the rate of input price inflation accelerated to a new series high, surpassing last November's previous peak. Increased supplier fees, as well as rising commodity and energy costs, were cited by panel members.

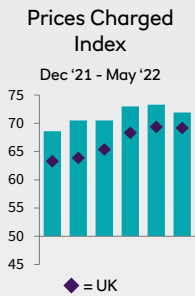
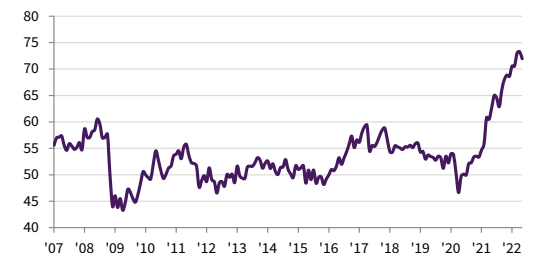
Input Prices Index
sa, >50 = inflation since previous month
85.6
May '22



Further substantial increase in prices charged

Latest survey data signalled a further steep increase in average prices charged by firms in Yorkshire & Humber for goods and services. Although the rate of inflation eased slightly from April's survey record, it was the third-strongest since data on output prices were first collected in 1999. The increase in selling prices reflected the pass-through of rising cost burdens to clients.

Prices Charged Index
sa, >50 = inflation since previous month
71.9
May '22



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

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May' 22 ⁺
1	Transport & Communication	1.29	50
2	Hotels, Restaurants & Catering	1.12	55
3	Personal & Community Services	1.07	55
4	Business-to-business Services	0.99	52
5	Financial Intermediation	0.82	52
6	Computing & IT Services	0.62	55

UK sector focus

Transport & Communication

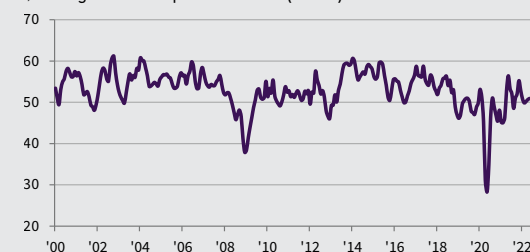
The UK's Transport & Communication sector saw only a modest rise in business activity in the three months to May. Although the rate of growth was the fastest seen since the three months to January, it was the slowest among the six services-related sectors monitored by the survey.

Businesses in the Transport & Communication sector faced subdued demand conditions, with latest data showing a slight decline in inflows of new work, in line with the trend seen throughout most of 2022 so far. A marginal drop in employment in the three months to May contrasted with jobs growth elsewhere across the service sector and partly reflected comparatively low business confidence.

Cost pressures meanwhile remained elevated, with the rate of input price inflation staying close to its recent peak. Businesses looked to offset some of the burden via an unprecedented rise in output prices.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Latest data showed a general slowdown in growth across the UK regions in May, with nine out of the 12 monitored areas recording a weaker rise in business activity. London once again topped the rankings in terms of business activity growth, ahead of Wales and Scotland. Elsewhere, output declined in the West Midlands, Northern Ireland* and the North East.

Employment

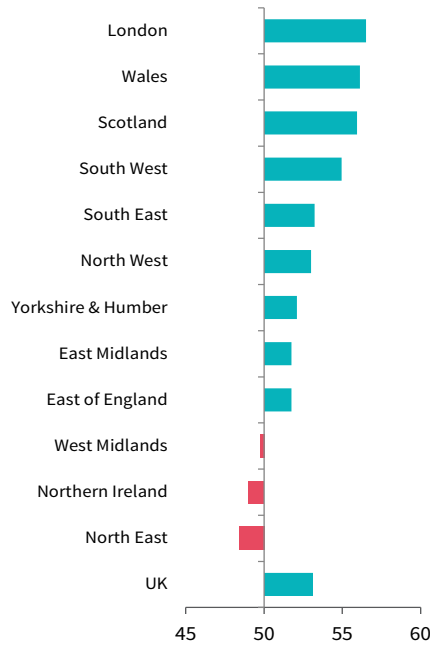
London led a broad-based rise in employment in May. The rate of job creation in the capital even ticked up slightly, as was the case in four other areas (namely the South East, West Midlands, Scotland and Northern Ireland). The North East remained at the bottom of the rankings, although it did see a fractional increase in workforce numbers, following a decline in April.

Future Activity

Firms in Yorkshire & Humber recorded the strongest optimism towards future activity. Here, business confidence recovered somewhat since April, as was also the case for the North West, which ranked second overall. Seven of the 12 monitored areas saw a decline in expectations, however, including Northern Ireland where sentiment turned negative for the first time since October 2020.

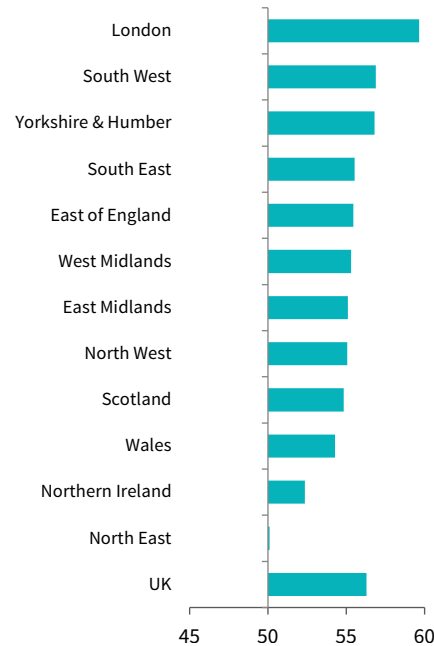
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '21	54.7	54.2	54.4	81.9	56.3	51.6	82.5	68.6
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

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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.

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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

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