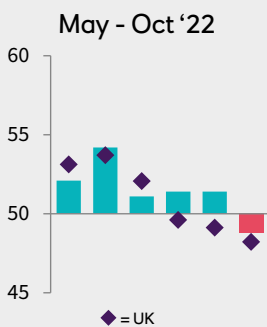




NatWest Yorkshire & Humber PMI®

Yorkshire & Humber business activity falls for first time since January 2021

Yorkshire & Humber Business Activity Index



Key findings

Business activity falls modestly, ending 20-month expansion period

Business confidence slumps, but Yorkshire & Humber tops UK rankings

Survey data signals easing price pressures

Yorkshire & Humber's private sector economy slipped into contraction at the start of the fourth quarter, latest Regional PMI® data from NatWest showed. 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 – fell below the 50.0 no-change mark during October, signalling the first reduction in private sector business activity across Yorkshire & Humber since January 2021. The manufacturing sector provided the biggest drag on the region's performance in October, although a softening trend was also seen across services. Where lower activity levels were reported, companies generally commented on weakness in demand.

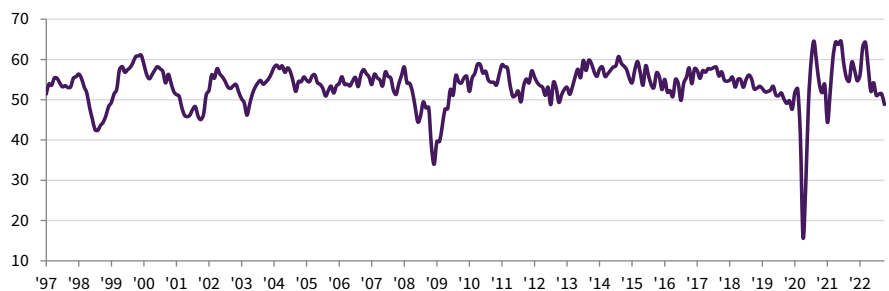
Malcolm Buchanan, Chair of NatWest North Regional Board, commented:

"Yorkshire & Humber's private sector moved into contraction at the start of the fourth quarter. Until October, the region had been one of the UK's top performers and managed to defy the broader national trend, which had shown contraction in both September and August."

"October's weakness was primarily reflective of the softening in demand conditions, with high inflation, recession fears and cost pressures impacting sales volumes. This fed through to business confidence, which fell to its lowest level since April 2020. Nevertheless, business sentiment across Yorkshire & Humber firms was the greatest across the monitored UK areas, signalling some resilience, at least on a relative scale."

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

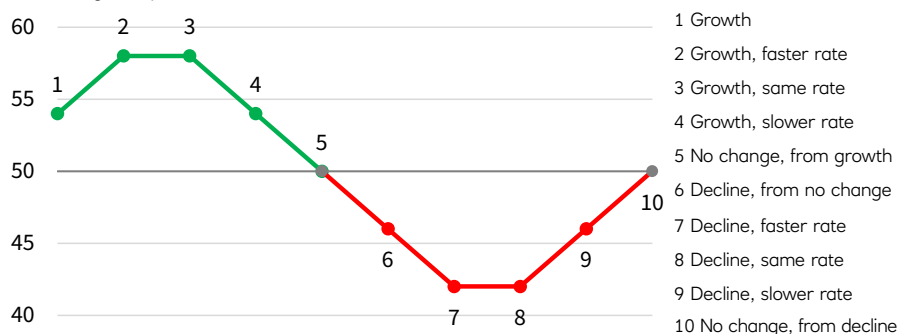
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite 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 fall at quickest pace since May 2020

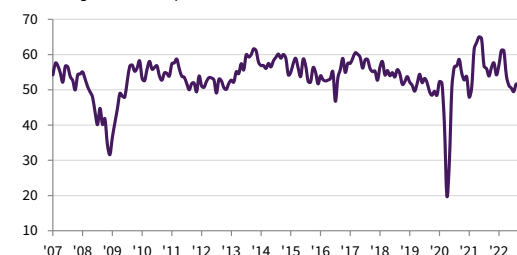
October survey data signalled a drop in new orders received by private sector firms in Yorkshire & Humber. The decrease was solid and the fastest since May 2020. Companies that reported a fall in new business generally commented on subdued underlying demand conditions, in part due to high inflation and weakening economic conditions. The reduction in sales was broad-based across manufacturers and service providers.

New Business Index

sa, >50 = growth since previous month

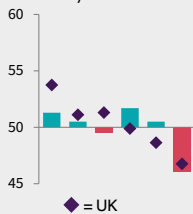
46.1

Oct '22



New Business Index

May - Oct '22



Business confidence slides to two-and-a-half year low, but tops UK rankings

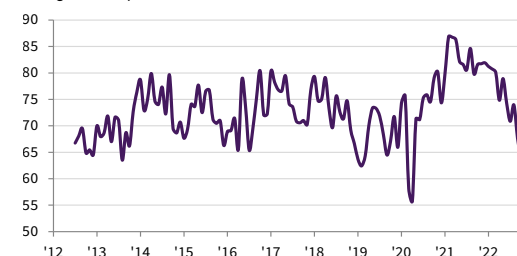
The Yorkshire & Humber Future Activity Index fell to its lowest level since April 2020 during October, signalling a historically weak level of confidence among private sector firms in the region. The prospect of a UK recession, high inflation and weak consumer confidence were among the factors that drove October's downbeat assessment.

Future Activity Index

>50 = growth expected over next 12 months

63.4

Oct '22



Future Activity Index

May - Oct '22



That said, of the 12 parts of the UK monitored by the survey, Yorkshire & Humber firms recorded the strongest level of confidence towards the year ahead.

Exports

Export climate for Yorkshire & Humber firms worsens again

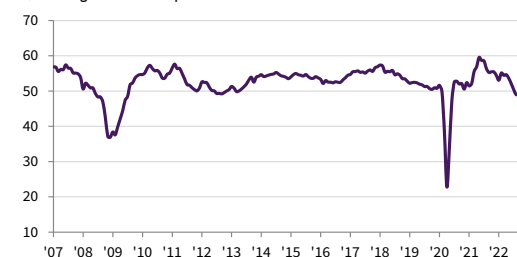
The Yorkshire & Humber Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the Yorkshire & Humber. This produces an indicator for the economic health of the region's export markets.

Export Climate Index

sa, >50 = growth since previous month

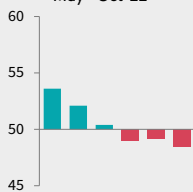
48.5

Oct '22



Export Climate Index

May - Oct '22



The Yorkshire & Humber Export Climate Index posted below the 50.0 no-change mark again in October, signalling a deterioration in conditions across the region's largest export markets. At 48.5, this was down from 49.2 and signalled the strongest decline since June 2020.

Three of the region's top five export markets for goods saw economic activity fall in October, namely Germany, the Netherlands and the USA.

Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Oct '22
1	USA	10.9%	48.2
2	Netherlands	9.6%	45.6
3	Germany	9.1%	45.1
4	Ireland	8.2%	52.1
5	France	6.5%	50.2

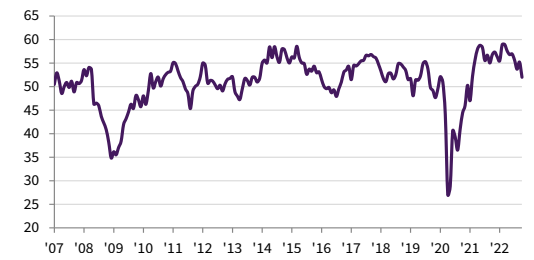
Business capacity

Employment growth at slowest since January 2021

Private sector companies in Yorkshire & Humber continued to expand their workforce numbers in October, although the rate of job creation was the slowest seen across the current expansion sequence which began in February 2021.

While some companies noted the importance of retaining talent and filling vacancies where possible, voluntary leavers, temporary staff reductions and hiring freezes weighed on the upturn.

Employment Index 52.0
 sa, >50 = growth since previous month Oct '22

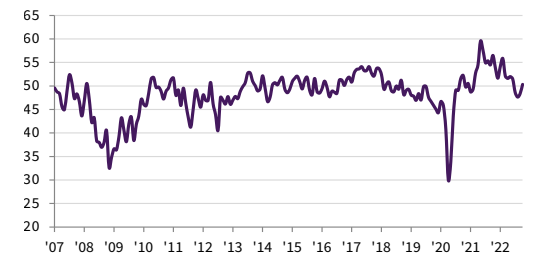


Backlogs of work rise for first time in four months, albeit fractionally

The seasonally adjusted Outstanding Business Index posted above the 50.0 no-change mark in October for the first time since June, signalling a renewed increase in backlogs of work at private sector firms in Yorkshire & Humber. Where capacity pressures were reported, survey respondents mentioned staff shortages and inadequate material supplies.

The rate of backlog accumulation was only marginal overall and in line with that seen at the UK level.

Outstanding Business Index 50.3
 sa, >50 = growth since previous month Oct '22



Prices

Input price inflation remains elevated in October

Private sector businesses in Yorkshire & Humber recorded another month of elevated cost pressures in October. Weakness in the pound, high energy, fuel and labour costs, as well as raw material price hikes were mentioned by survey respondents.

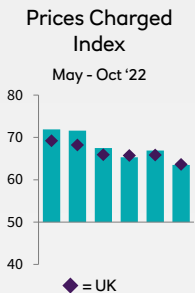
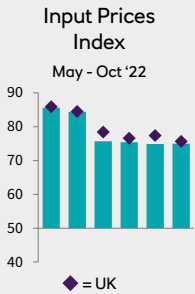
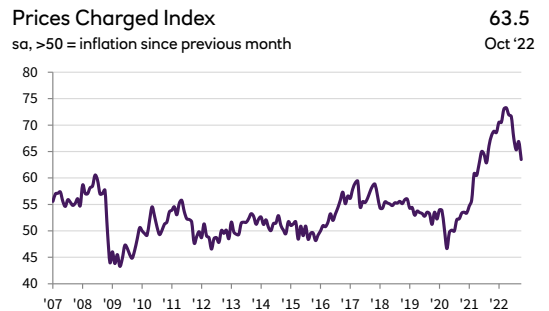
That said, the overall rate of input price inflation was the second-weakest in a year-and-a-half and only marginally ahead of that seen in September.



Output price inflation eases to 14-month low

Prices charged for the provision of goods and services in Yorkshire & Humber rose during October. Higher selling prices generally reflected the pass-through of higher cost burdens to customers.

However, the rate of inflation eased to a 14-month low as some companies refrained from hiking their fees due to stabilising prices for certain raw materials. In some rare cases, discounts were offered.



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, Oct 22 ⁺
1	Other Manufacturing	1.54	50
2	Basic Metals	1.46	45
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.22	48
5	Chemicals & Plastics	1.09	42
6	Timber & Paper	1.08	42
7	Mechanical Engineering	0.97	48
8	Electrical & Optical	0.50	48
9	Transport	0.26	45

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct 22 ⁺
1	Transport & Communication	1.29	48
2	Hotels, Restaurants & Catering	1.12	45
3	Personal & Community Services	1.07	48
4	Business-to-business Services	0.99	48
5	Financial Intermediation	0.82	48
6	Computing & IT Services	0.62	55

UK sector focus

Transport

UK Transport manufacturers reported a steep and accelerated reduction in output levels in the three months to October, latest PMI data showed. The sector's performance was its worst since the initial COVID-related shutdowns in early-2020.

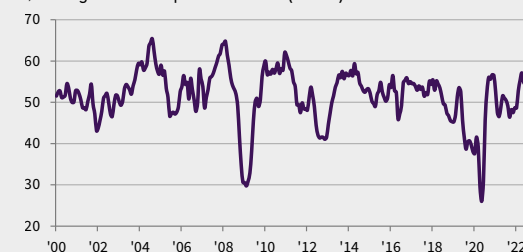
Alongside a softening of demand, which was evidenced by a fall in inflows of new orders, the reduction in production reflected shortages of materials and parts. Surveyed firms continued to report longer lead times on inputs, albeit with the incidence of delays having shown some improvement from the record levels a year earlier.

Cost pressures remained historically high, and even intensified slightly in the three months to October.

Despite these challenges, producers of Transport goods were more upbeat about the outlook for output than those in any other manufacturing sector. As such, they continued to add to workforce numbers.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

October saw a fall in business activity across all 12 monitored regions, the first time this has been the case since the third national lockdown in January 2021. The South West posted the steepest decline, followed by Northern Ireland* and the North East respectively. London's fall in activity was only marginal, but nonetheless its first for over a year-and-a-half.

Employment

Employment continued to rise across almost every region during October, the only exception being the North East where workforce numbers fell for a fifth straight month. However, in most cases, rates of job creation slowed. This included the South East - the region at the top of the rankings for employment growth.

Future Activity

Business expectations, although often still positive, weakened in most cases in October. Firms in Northern Ireland and the North East even noted increased pessimism towards the outlook. Business confidence in the South West was unchanged from September's record low, while Scotland went against the broader trend and registered the strongest optimism for three months.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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
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
Jul '22	51.1	49.5	50.4	70.9	55.6	48.6	75.7	67.5
Aug '22	51.4	51.7	49.0	74.0	53.7	47.6	75.4	65.3
Sep '22	51.4	50.5	49.2	67.7	55.2	48.4	74.9	66.9
Oct '22	48.8	46.1	48.5	63.4	52.0	50.3	75.0	63.5

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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.

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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