

11 February 2025

NatWest Yorkshire & Humber Growth Tracker

Growth expectations for Yorkshire and Humber stronger than UK average



NatWest

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by **S&P Global**

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Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



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Key findings

January 2025

Growth expectations remain robust, surpassing UK average

Harsh winter weather affects local markets

Strong sales pipelines and the development of new products underpin firms' confidence

The NatWest Yorkshire & Humber Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





Local growth expectations stronger than UK average

Business activity and new orders fall in January

A slowdown in Yorkshire & Humber's private sector economy in January hasn't dented local businesses' optimism for 2025.

The latest NatWest Growth Tracker data showed the region suffered a slowdown in the New Year, with output levels shrinking moderately. Some companies noted that bad weather conditions dented their performance in January, while others mentioned customer hesitancy and a subsequent hit to sales.

Nonetheless surveyed businesses were confident towards the outlook, with local growth expectations remaining positive and stronger than seen for the UK as a whole.

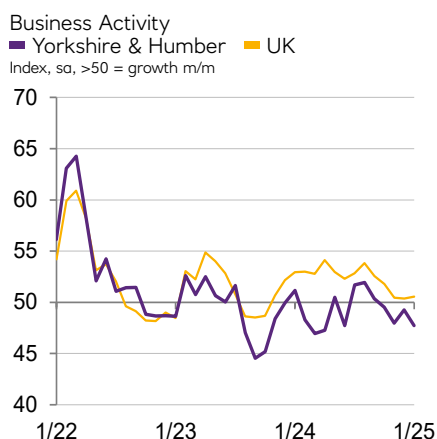
The headline Yorkshire & Humber PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – posted its lowest reading since June 2024, falling to 47.7 in January, from 49.2 in December. Overall, this signalled a moderate and slightly quicker decline in private sector output across the region.

NatWest Yorkshire & Humber Business Activity Index, January 2025

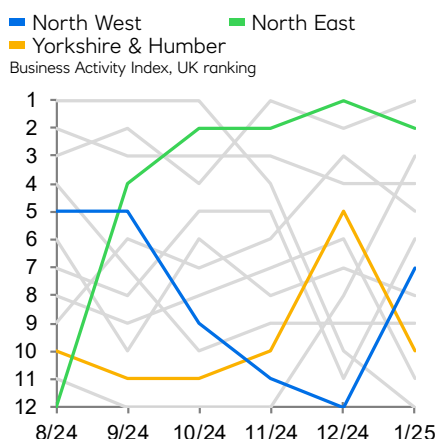
47.7

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 9-29 January



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Comment

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

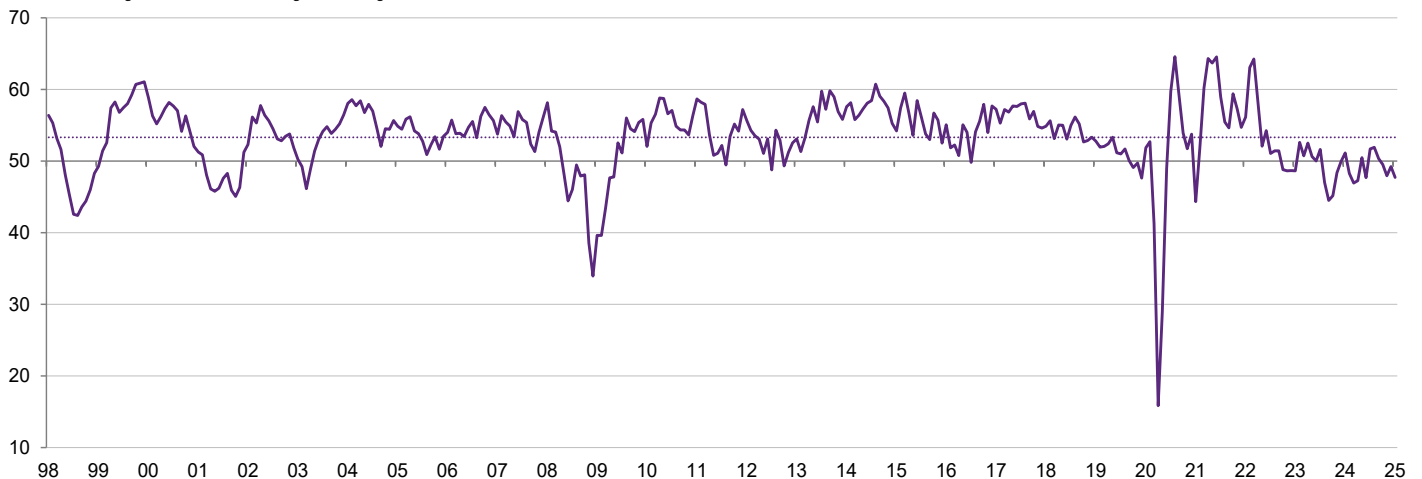
"Harsh weather conditions led to a challenging start for businesses in Yorkshire and Humber in 2025. The local market had to contend with some adverse weather conditions during the month which go beyond normal seasonality, which our data is adjusted for, such as storms and heavy snow. We may therefore see some improvement in February.

"It's encouraging to see that businesses remain high in spirits, with year-ahead growth expectations remaining strong, particularly relative to other parts of the UK.

"The Bank of England's interest rate cut last week means that policy is now less restrictive, with further loosening expected in the year ahead."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Demand and outlook

Local business confidence above UK-wide average

At the beginning of the year, private sector companies in Yorkshire & Humber registered lower levels of incoming new business.

Some companies noted that lower intakes of new work were a result of particularly bad weather during the month. At the same time, other panellists reported hesitancy among their customers, causing them to refrain from placing new orders. The decrease in sales was the quickest seen since April last year and slightly

faster than that recorded for the UK as a whole in January.

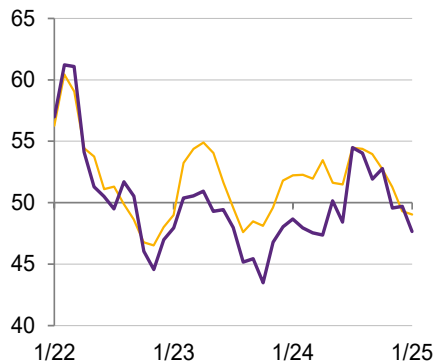
Nevertheless, Yorkshire & Humber companies were optimistic that their business activity levels would rise over the coming year. In fact, of the 12 monitored parts of the UK, local companies ranked fourth for growth expectations, with only London, the West Midlands and the East Midlands placing ahead.

Strong sales pipelines, investment plans and the development of new products were listed as reasons underpinning firms' confidence.

"Activity levels fell at a faster pace than in December amid a further drop in sales numbers."

New Business

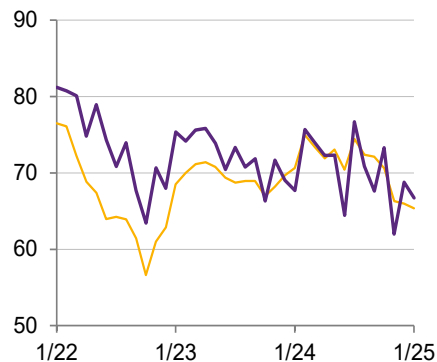
■ Yorkshire & Humber ■ UK
Index, sa, >50 = growth m/m



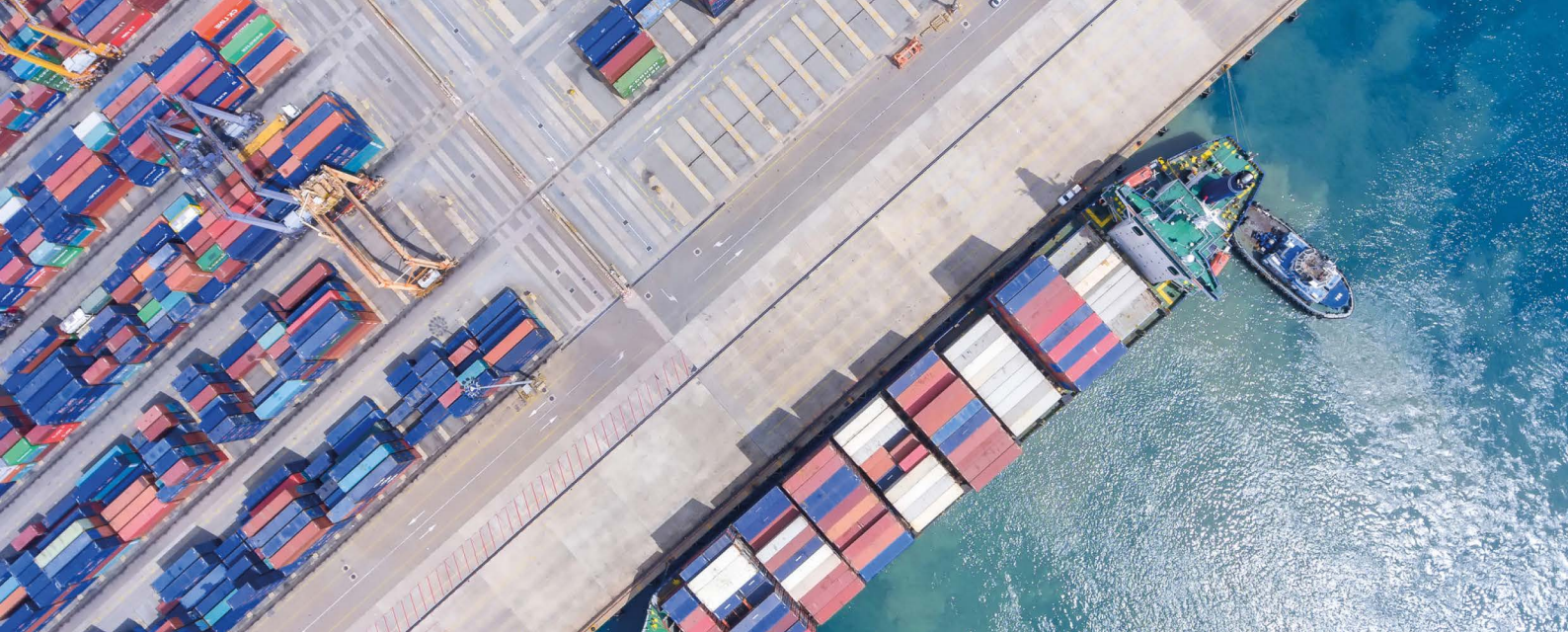
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Future Activity

■ Yorkshire & Humber ■ UK
Index, >50 = growth expected



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



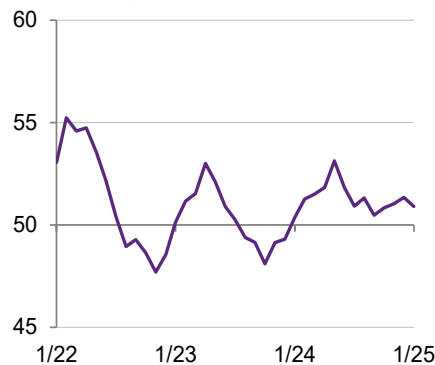
Export markets

Export markets remain supportive for local firms

The Yorkshire & Humber ECI posted above the neutral 50.0 mark in January, signalling rising business activity in the overseas markets that local producers export to. However, at 50.9, the index was down from 51.3 and signalled the softest upturn for three months.

Underlying data revealed a marked slowdown in US growth at the start of 2025, although Germany saw a renewed expansion. The Netherlands and France were drags, with output here falling.

Export Conditions
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

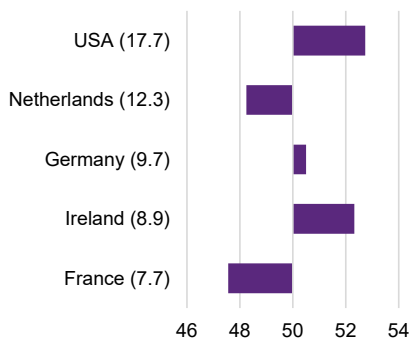
The Yorkshire & Humber Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the Yorkshire & Humber. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, Yorkshire & Humber

% share of exports shown in brackets

Output Index, sa, >50 = growth m/m

Jan '25

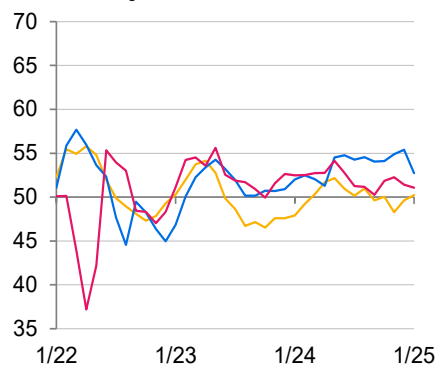


Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output

Legend: Eurozone (yellow), US (blue), China (red)

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Jobs and capacity

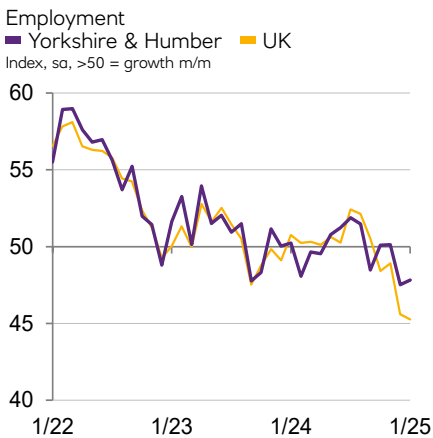
Local labour market under pressure but faring better than other regions

In line with the trend for the UK more broadly, private sector employment levels in Yorkshire & Humber decreased in January. Among the survey respondents that lowered their workforce capacity, redundancies, automation and the non-replacement of leavers were mentioned as reasons for the drop. That said, the rate at which jobs were cut was slightly softer than in December and among the weakest seen across the 12 monitored UK

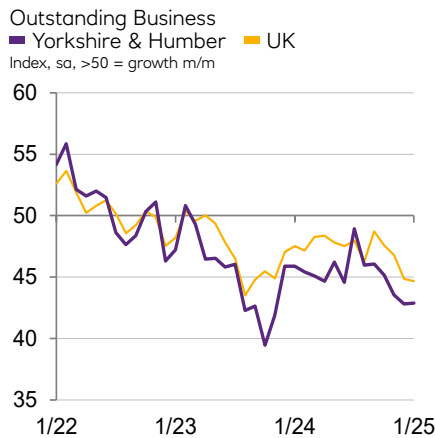
areas.

Despite a further fall in employment, local companies once again made inroads into their backlogs of work at the start of the year. The rate of depletion in outstanding orders was sharp overall and broadly level with December's 13-month record. The extent to which the region's incomplete workloads declined was quicker than that seen for the UK as a whole.

"the local market had to contend with some adverse weather conditions during the month which go beyond normal seasonality"



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Inflation

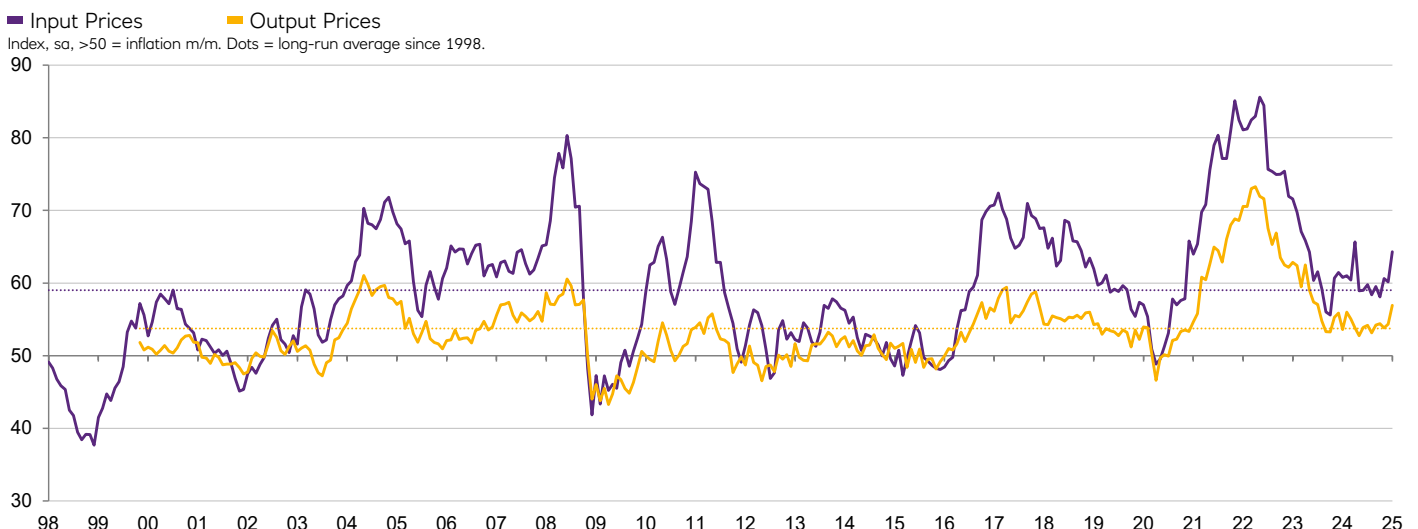
Output price inflation quickens to 18-month high as cost pressures intensify

Regional Growth Tracker data for January revealed a steeper rise in Yorkshire & Humber companies' operating expenses during the first month of 2025. In fact, the rate of input cost inflation accelerated to a nine-month high. Increased charges from suppliers were reported by some panellists, although others linked the uptick to higher

employment costs. However, the local rise in input prices was below that recorded at the national level.

In response, prices charged for Yorkshire & Humber goods and services were lifted as companies sought to pass on at least part of the burden of higher costs to their customers. The extent to which selling prices rose was sharp and the most marked in a year-and-a-half.

"It's encouraging to see that businesses remain high in spirits, [...] despite intensifying cost pressures squeezing margins"



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

UK Regional Growth Tracker

Business Activity

London was the fastest-growing region for business activity in January, followed by the North East. The only other areas to see increases in output were Wales and the South West, although in both cases rates of expansion were only marginal. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity*.

Employment

For the second month running, all but one of the 12 monitored nations and regions recorded a decrease in employment in January. The exception was once again Northern Ireland, although employment there rose only fractionally and at the slowest rate for over two years. The West Midlands saw the steepest drop in workforce numbers, followed closely by East of England.

Future Activity

Expectations towards growth in the coming year remained positive across the board, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the year-ahead outlook ahead of those in the West Midlands, with both regions going against the general trend and seeing sentiment improve.

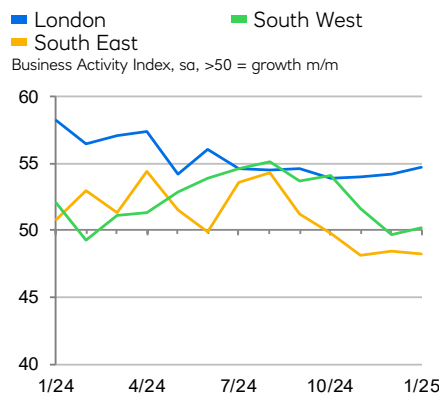
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



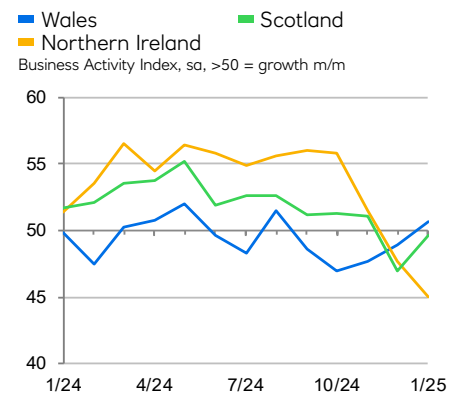
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



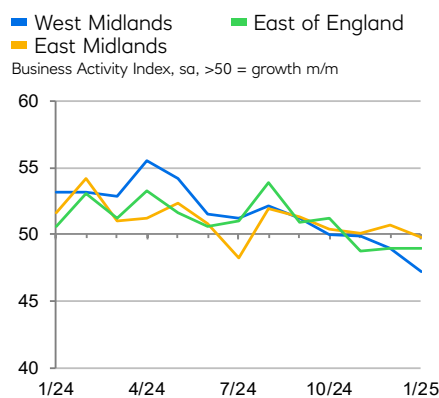
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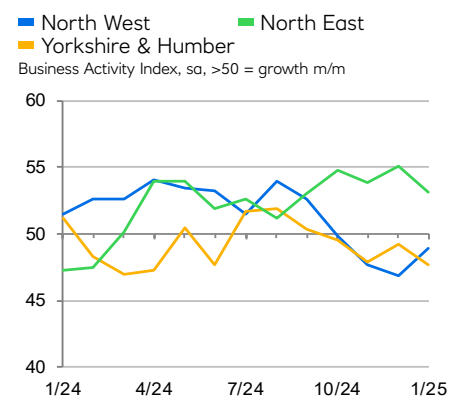
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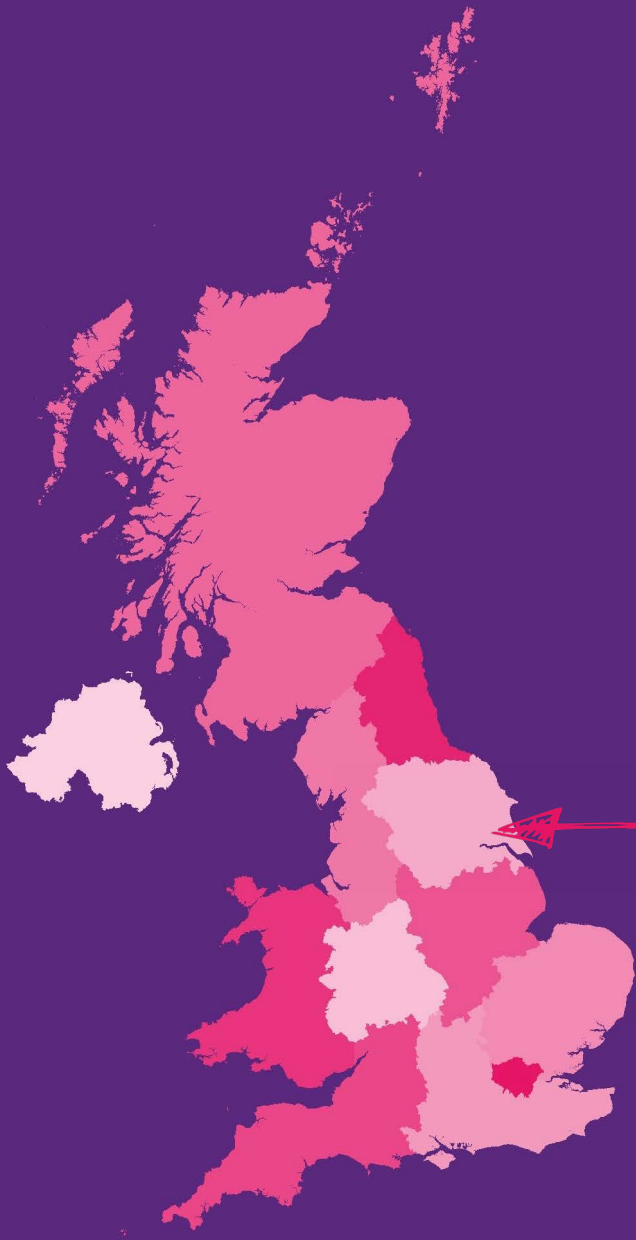
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Growth Tracker heat map

January 2025

Darker colour = higher business growth

Yorkshire & Humber

Business Activity Index
sa, >50 = growth m/m

47.7



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

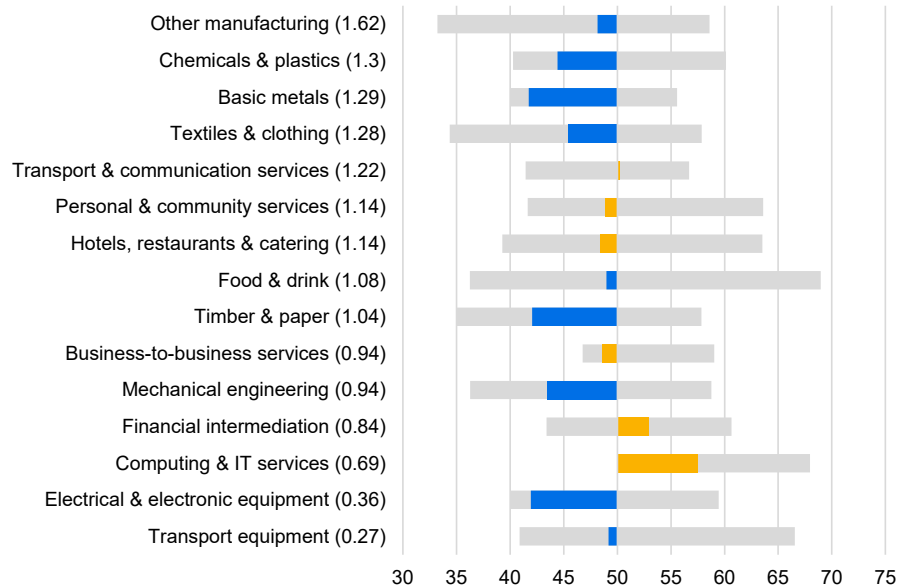
UK sectors

Sector specialisation: Yorkshire & Humber

The chart shows UK output indices by sector, ranked by location quotients for Yorkshire & Humber. Location quotients (LQs) 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.

UK sectors ranked by importance to the Yorkshire & Humber economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Jan '25



Sources: NatWest, S&P Global PMI. ©2025 S&P Global. Location quotients for Yorkshire & Humber are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Personal & community services

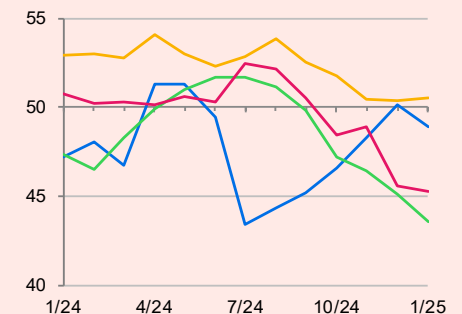
The UK's personal & community services sector underperformed the wider economy in the three months to January. Business activity fell back into contraction following some stability in the latter stages of 2024, weighed down by a marked decline in demand. Qualitative evidence gathered by the PMI surveys highlighted a reduction in confidence and discretionary spending among UK consumers in recent months.

At the same time, businesses in the sector came under pressure from rising costs, including increases in

energy prices and wages. Average prices charged by firms showed a slightly slower rate of inflation, however, pointing to a squeeze on profit margins.

Business confidence towards future growth prospects was meanwhile the lowest on record, excluding the initial phase of the pandemic. The combination of increasing labour costs and muted growth expectations led personal & community services firms to cut workforce numbers at the fastest rate for nearly four years.

Output / Employment
 ■/■ Personal & community services*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global. *Data are smoothed as three-month moving average (3mma).

Methodology

The NatWest Yorkshire & Humber Growth Tracker is compiled by S&P Global from responses to questionnaires sent to companies in Yorkshire & Humber 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.

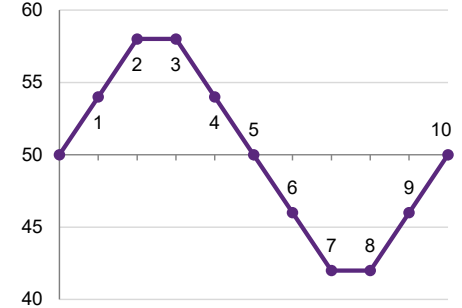
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index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

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 survey methodology, please contact economics@spglobal.com.

Index interpretation

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

Data

Yorkshire & Humber manufacturing and services
 Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
8/24	51.9	54.0	51.3	51.5	46.0	70.9	58.4	53.2
9/24	50.4	51.9	50.5	48.5	46.1	67.6	59.5	54.2
10/24	49.5	52.8	50.8	50.1	45.2	73.3	58.1	54.4
11/24	48.0	49.6	51.0	50.1	43.6	62.0	60.6	53.8
12/24	49.2	49.7	51.3	47.5	42.8	68.8	60.2	54.3
1/25	47.7	47.7	50.9	47.8	42.9	66.7	64.3	56.9

Further information

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