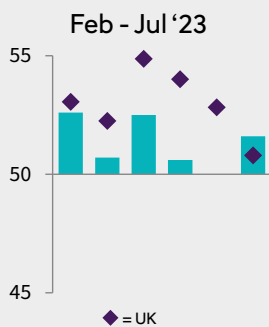




NatWest Yorkshire & Humber PMI[®]

Yorkshire & Humber growth returns in July, outpacing UK average

Yorkshire & Humber Business Activity Index



Key findings

Yorkshire & Humber Business Activity Index rises from 50.0 to 51.6

Only North West and London record faster growth of monitored UK areas

Output prices rise at slowest pace since February 2021

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 – moved back into expansion territory in July, rising from the no-change mark of 50.0 in June to 51.6, signalling a modest increase in business activity across the region. Notably, growth was stronger than seen for the UK as a whole, with only the North West and London recording faster expansions on the month.

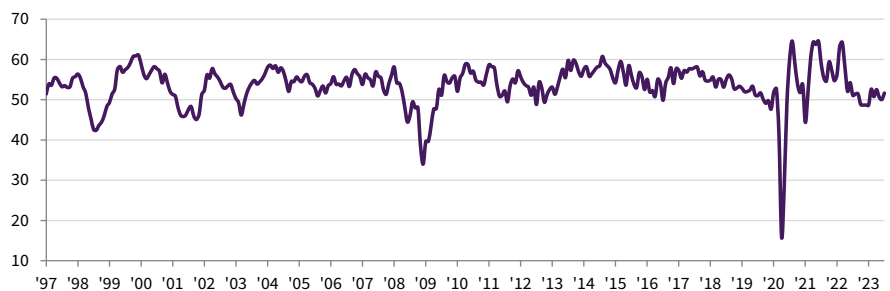
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"After being a laggard relative to the wider UK economy during previous months of 2023, the Yorkshire & Humber economy started the second half of the year as an outperformer, with business activity growth outstripping the UK average and only being bettered by the North West and London."

"That said, question marks remain over the sustainability of growth as new orders fell for the third month running and at a quicker pace, while firms continue to run down their backlogs amid a lack of incoming new work."

"Weakening demand conditions, in tandem with a softening of cost pressures from last year's highs, has however led some companies to offer discounts to their customers, particularly in the manufacturing sector. Subsequently, the rate of output price inflation cooled to its lowest since February 2021."

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

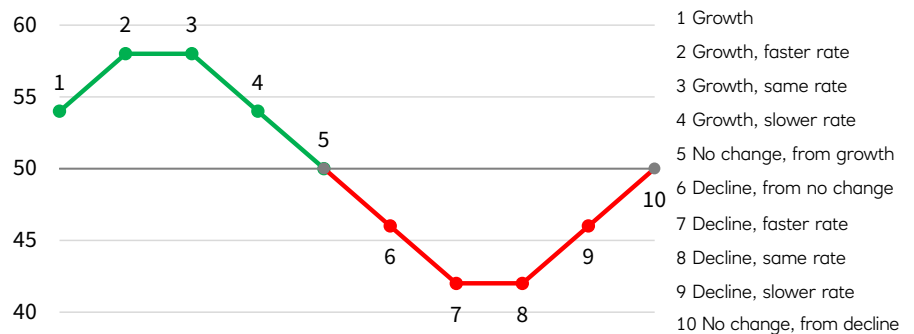
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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



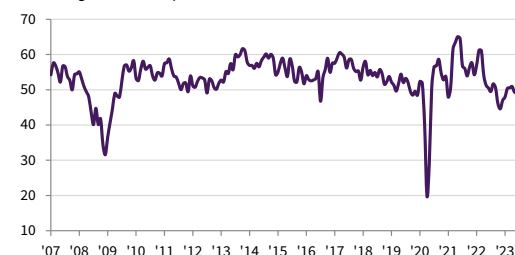
Demand and outlook

New orders fall at quickest pace in six months

Private sector businesses in Yorkshire & Humber recorded a third successive monthly deterioration in demand during July. The decline in new business, albeit moderate, was the quickest for six months and stronger than seen for the UK overall.

Client hesitancy, subdued market conditions and destocking were cited by survey respondents as reasons for weaker sales performances.

New Business Index
sa, >50 = growth since previous month Jul '23

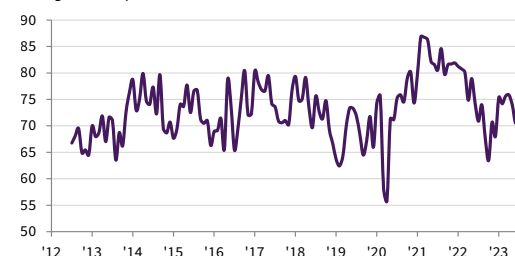


Business confidence strengthens in July

Having slumped to a six-month low in June, business confidence across Yorkshire & Humber ticked higher during the latest survey period. Entry into new markets, new product launches and hopes of stronger demand underpinned the positive outlook, anecdotal evidence showed.

Compared to the 12 monitored parts of the UK, only the South East and West Midlands registered stronger levels of optimism.

Future Activity Index
>50 = growth expected over next 12 months Jul '23



Exports

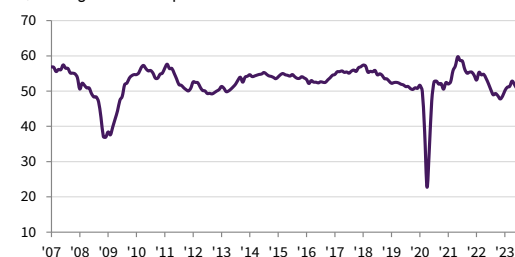
Key export markets move closer to stagnation in July

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 fell for a third successive month in July to 50.3, from 50.7 in June. While the latest reading did signal an improvement in export market conditions, the index was only just above the 50.0 mark of stagnation.

The US, Yorkshire & Humber's largest goods export market, was the major driver of improvement in July as the Netherlands, Germany and France all registered contractions.

Export Climate Index
sa, >50 = growth since previous month Jul '23



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Jul' 23
1	USA	18.1%	52.0
2	Netherlands	14.7%	48.3
3	Germany	9.8%	48.5
4	Ireland	7.9%	50.0
5	France	7.3%	46.6



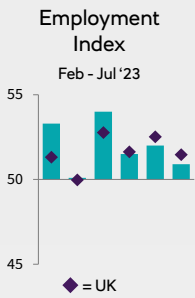
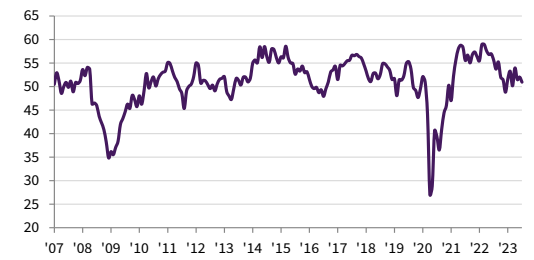
Business capacity

Employment growth sustained, but slows in July

Yorkshire & Humber businesses continued to hire additional staff during July, extending the current sequence of job creation seen since the start of the year. Where a rise in employment was registered, some survey respondents linked this with the filling of long-held vacancies.

That said, the rise in staffing capacity was only marginal and the slowest since March amid reports of redundancies.

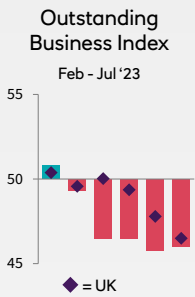
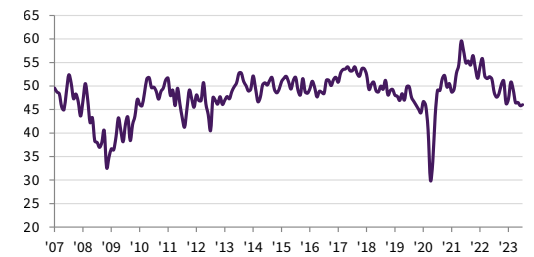
Employment Index 50.9
 sa, >50 = growth since previous month Jul '23



Backlogs of work continue to fall

The seasonally adjusted Outstanding Business Index registered below the 50.0 no-change mark for a fifth month in succession during July, signalling a sustained easing of pressure on Yorkshire & Humber firms' operating capacities. Companies that lowered their backlogs commented on increased productivity and lower incoming new orders. The rate of depletion was solid overall.

Outstanding Business Index 46.0
 sa, >50 = growth since previous month Jul '23



Prices

Input cost pressures remain steep in July

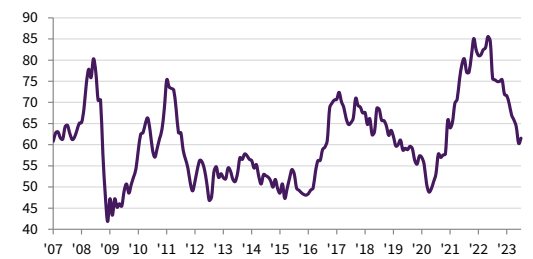
July survey data signalled a further sharp rise in operating costs faced by private sector companies in Yorkshire & Humber. Wage pressures, an uptick in transport costs and general inflation were some of the factors driving the increase in firms' operating expenses. The rate of inflation picked up slightly but was the second-weakest since November 2020.

Input Prices Index

sa, >50 = inflation since previous month

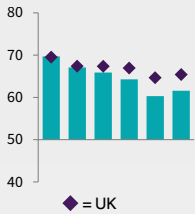
61.6

Jul '23



Input Prices Index

Feb - Jul '23



◆ = UK

Slowest rise in prices charged since February 2021

Prices charged by private sector companies in Yorkshire & Humber continued to rise at a sharp pace in July, with the overall rate of inflation still running well above its long-run average.

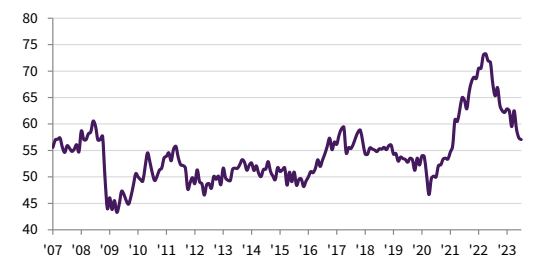
That said, the rise in selling prices was the slowest since February 2021 amid some companies, particularly manufacturers, reducing their charges in line with lower raw material costs.

Prices Charged Index

sa, >50 = inflation since previous month

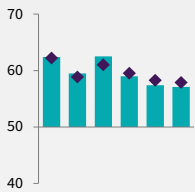
57.1

Jul '23



Prices Charged Index

Feb - Jul '23



◆ = UK



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, Jul 23 ⁺
1	Other Manufacturing	1.54	52
2	Basic Metals	1.46	48
3	Textiles & Clothing	1.32	52
4	Food & Drink	1.22	52
5	Chemicals & Plastics	1.09	48
6	Timber & Paper	1.08	48
7	Mechanical Engineering	0.97	48
8	Electrical & Optical	0.50	45
9	Transport	0.26	52

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul 23 ⁺
1	Transport & Communication	1.29	48
2	Hotels, Restaurants & Catering	1.12	48
3	Personal & Community Services	1.07	52
4	Business-to-business Services	0.99	52
5	Financial Intermediation	0.82	58
6	Computing & IT Services	0.62	52

UK sector focus

Financial Intermediation

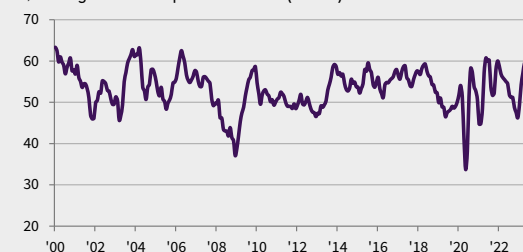
The UK's Financial Intermediation sector displayed strong growth in the three months to July, recording one of the fastest rates of increase in business activity since the global financial crisis. The upturn in performance followed a notable slowdown in the second half of 2022.

Growth was the strongest among the six services sub-sectors monitored by the survey and fuelled by a steep increase in inflows of new business in recent months. With firms' backlogs of work increasing, they continued to take on staff at a historically strong rate and were optimistic about the year-ahead outlook for activity.

Input costs in the sector continued to rise steeply, however, growing at the fastest rate in 2023 so far. This in turn led to a sharp and accelerated increase in prices charged. The rate of output price inflation was surpassed only by that seen in the Hotels, Restaurants and Catering sector.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Only half of the 12 monitored regions and nations recorded growth in business activity in July. London posted the strongest rate of expansion but saw a notable loss of momentum as growth slowed to a six-month low. The South East and Northern Ireland* fell the joint-most places in the rankings as both returned to contraction territory, though the steepest overall decline in activity was recorded in the North East.

Employment

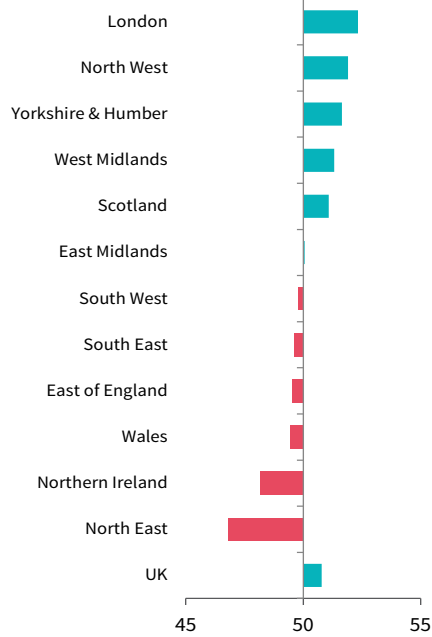
The strongest rate of job creation in July was seen in the South West, followed by the East of England and then London. Northern Ireland also posted a solid rise in workforce numbers. At the other end of the scale, there were renewed declines in staffing levels in both the East Midlands and North East, while no change in employment in the West Midlands ended a 28-month sequence of growth in the region.

Future Activity

Trends in business confidence were mixed, with half of the 12 monitored areas registering an improvement in sentiment and the rest seeing a decline. The West Midlands, South East and Yorkshire & Humber topped the rankings and were among those that saw expectations rise since June. Firms in Scotland were the least optimistic about the year-ahead outlook, with sentiment there hitting a six-month low.

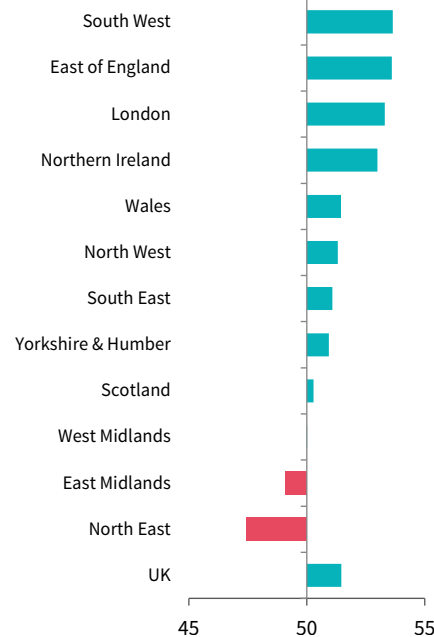
Business Activity Index

sa, >50 = growth since previous month, Jul '23



Employment Index

sa, >50 = growth since previous month, Jul '23



Future Activity Index

>50 = growth expected over next 12 months, Jul '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
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
Apr '23	52.5	50.9	52.9	75.8	54.0	46.5	65.9	62.5
May '23	50.6	49.3	51.9	73.9	51.5	46.5	64.3	59.0
Jun '23	50.0	49.4	50.7	70.5	52.0	45.8	60.3	57.4
Jul '23	51.6	48.0	50.3	73.3	50.9	46.0	61.6	57.1

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

Joe Hayes
Principal Economist
S&P Global Market Intelligence
+44 1344 328 099
joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 7967 447 030
sabrina.mayeen@spglobal.com

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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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