

13 August 2024

# NatWest Yorkshire & Humber Growth Tracker

Business activity rebounds in July, rising at fastest pace since April 2023



NatWest

PMI<sup>®</sup>

by S&P Global

13 August 2024

# NatWest Yorkshire & Humber Growth Tracker

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# Key findings

July 2024

**Business activity recovers, but growth lags behind UK overall**

**Fastest rise in demand for region's goods and services since March 2022**

**Growth expectations jump to 26-month high**

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](http://www.natwest.com/business/insights/economics)







# Business activity rebounds in July

Latest Regional PMI<sup>®</sup> survey data from NatWest showed a turnaround in the fortunes of the Yorkshire & Humber private sector, as business activity rose at the strongest pace since April 2023.

After decreasing in June and placing at the bottom of the regional rankings for output across the UK, local activity levels rose for just the

third month in the year-to-date.

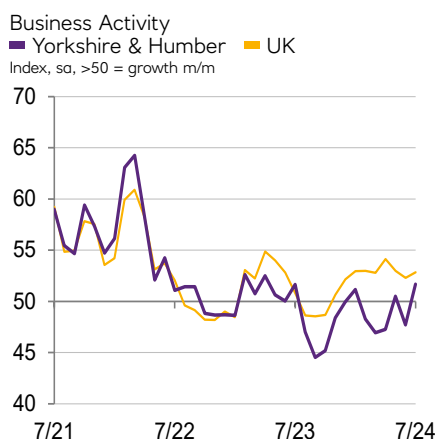
The headline Yorkshire & Humber PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – increased by four points from 47.7 in June to 51.7 in July, a 15-month high and signalling a modest expansion in private sector business activity.

NatWest Yorkshire & Humber Business Activity Index, July 2024

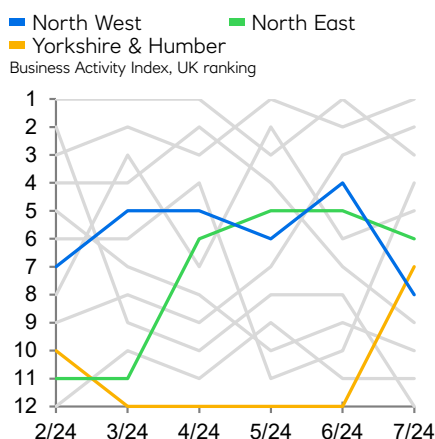
## 51.7

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 11-29 July



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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# Comment

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

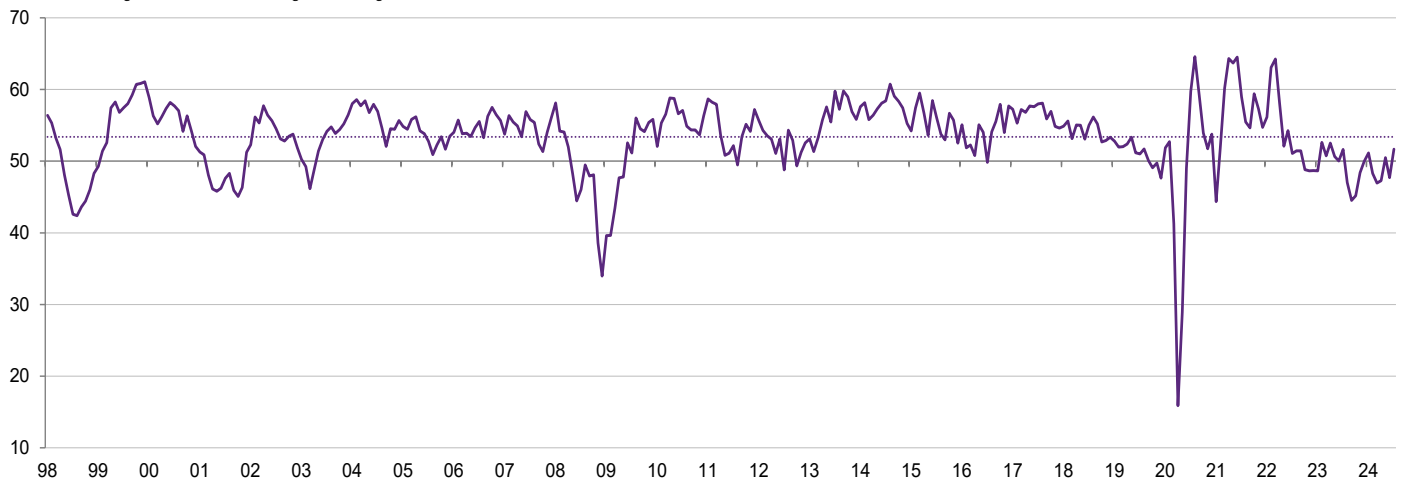
"After a difficult start to 2024, which saw Yorkshire & Humber consistently rank as one of the weakest-performing parts of the UK, our regional tracker for July finally brought with it a slew of positive trends. Not only did business activity rise at its quickest pace in over a year, but demand for Yorkshire & Humber goods and services also expanded at a strong pace and business confidence surged to its highest level in over two years. Local employment benefited from the region's economic upturn, with the rate of job creation accelerating. The hope will be that this new-found momentum can carry on through the second half of the year, although the resurgence of stronger price pressures is something to monitor closely, as this could scupper the recovery."

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### Business Activity

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



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Demand and outlook

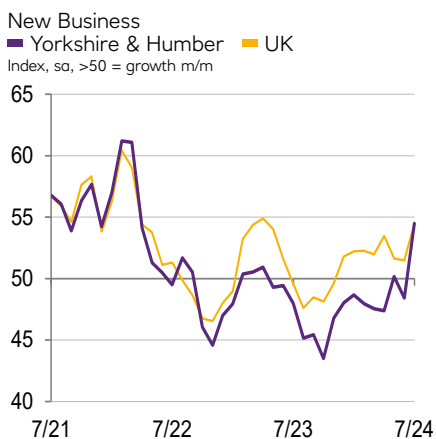
Yorkshire & Humber businesses reported a strong influx of new work at the start of the third quarter, with new order growth aligned with the UK average after a sustained period of underperformance by the region.

The seasonally adjusted New Business Index rose sharply above the 50.0 no-change mark, signalling a rejuvenation of demand for local goods and services. In fact, the

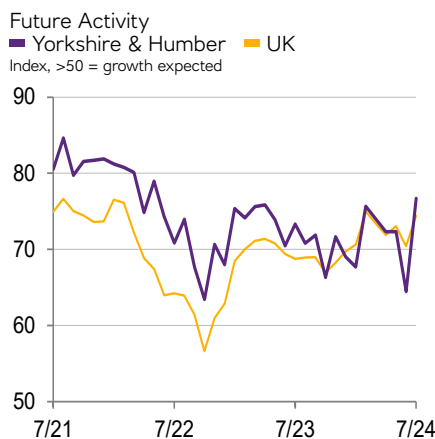
expansion in sales was the most marked since March 2022.

There was also a sharp rebound in business confidence, as signalled by the Future Activity Index rising by over 12 points from June's 20-month low to its highest level in just over two years. Company investment plans, confidence in the economy, new product launches and forecasts of strengthening sales performances underpinned optimism, anecdotal evidence revealed.

"Not only did business activity rise at its quickest pace in over a year, but demand for Yorkshire & Humber goods and services also expanded at a strong pace and business confidence surged to its highest level in over two years."

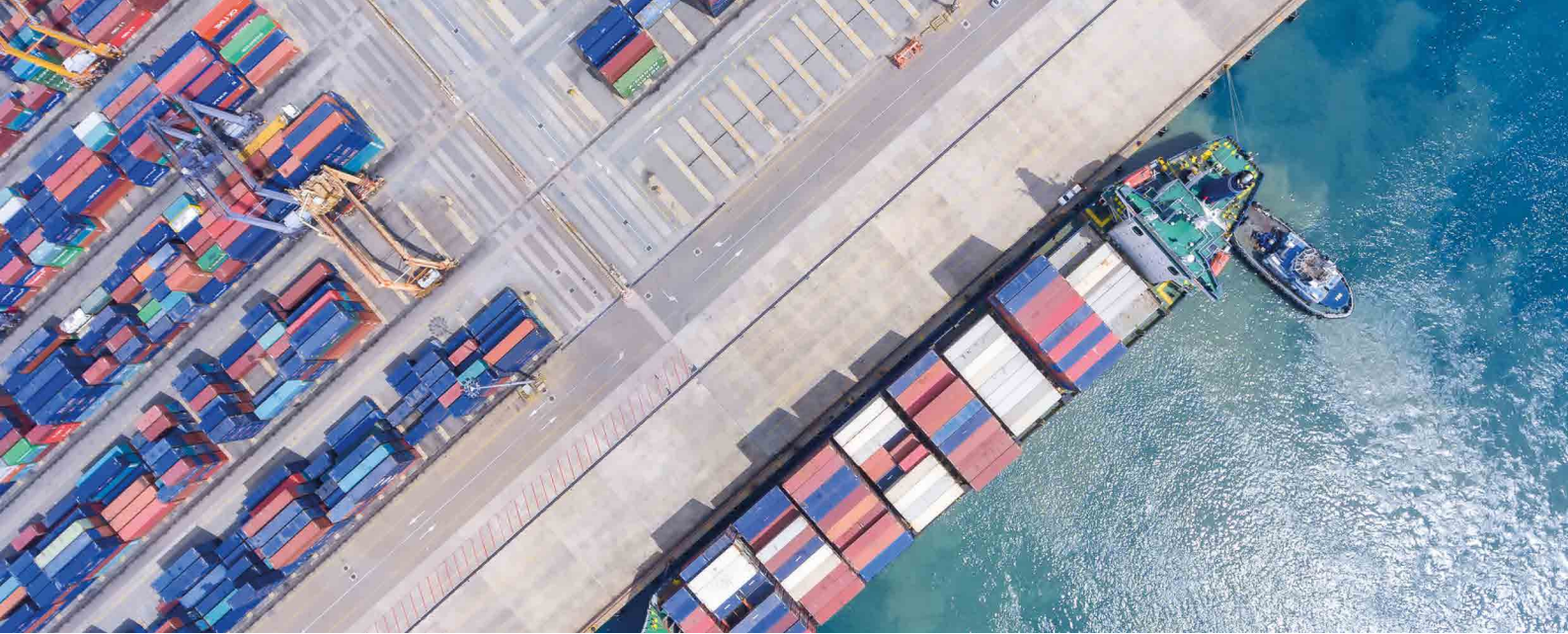


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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



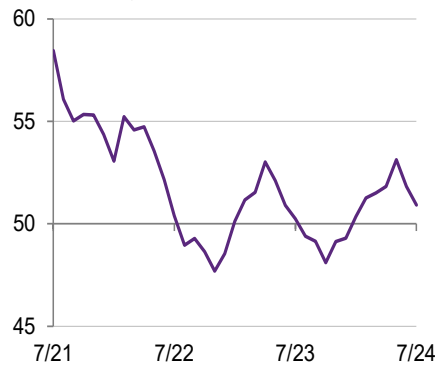


# Export markets

Weakness across European markets weighed on the export climate for Yorkshire & Humber companies in July, although conditions continued to improve overall due to growth in major markets like the US and Ireland.

The Yorkshire & Humber ECI fell to 50.9 in July, its lowest level since January, down from 51.8 in June. Overall, this signalled a marginal improvement in economic activity across the region's export partners (on a trade-weighted basis).

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

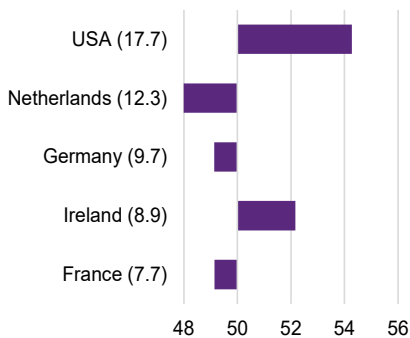


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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.

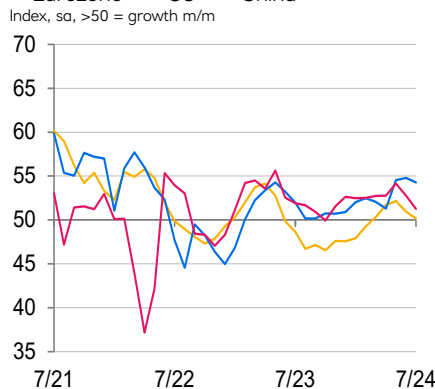
Top export markets, Yorkshire & Humber  
% share of exports shown in brackets

Output Index, sa, >50 = growth m/m Jul '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

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



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Jobs and capacity

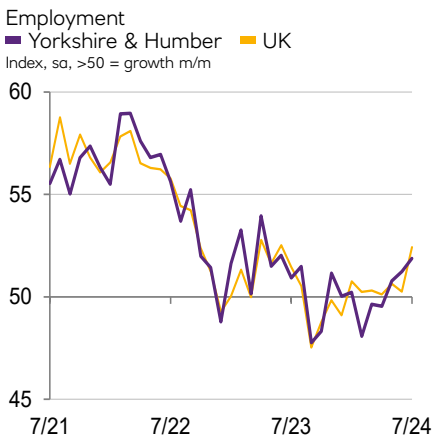
July survey data signalled further gains for the local labour market, as net private sector employment increased for a third month in a row.

The rate of job creation across Yorkshire & Humber accelerated slightly to the quickest since June 2023 and was well above the survey average. Where workforce numbers grew, this was linked to stronger

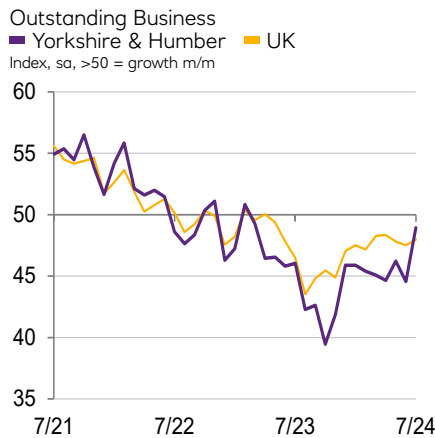
demand, the filling of vacancies and efforts to raise output potential.

Backlogs of work decreased in July, suggesting efficiency gains and adequate operating capacities to process workloads in a timely fashion. The decrease was only mild, however, and the slowest seen in 16 months.

"Local employment benefited from the region's economic upturn, with the rate of job creation accelerating."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.





# Inflation

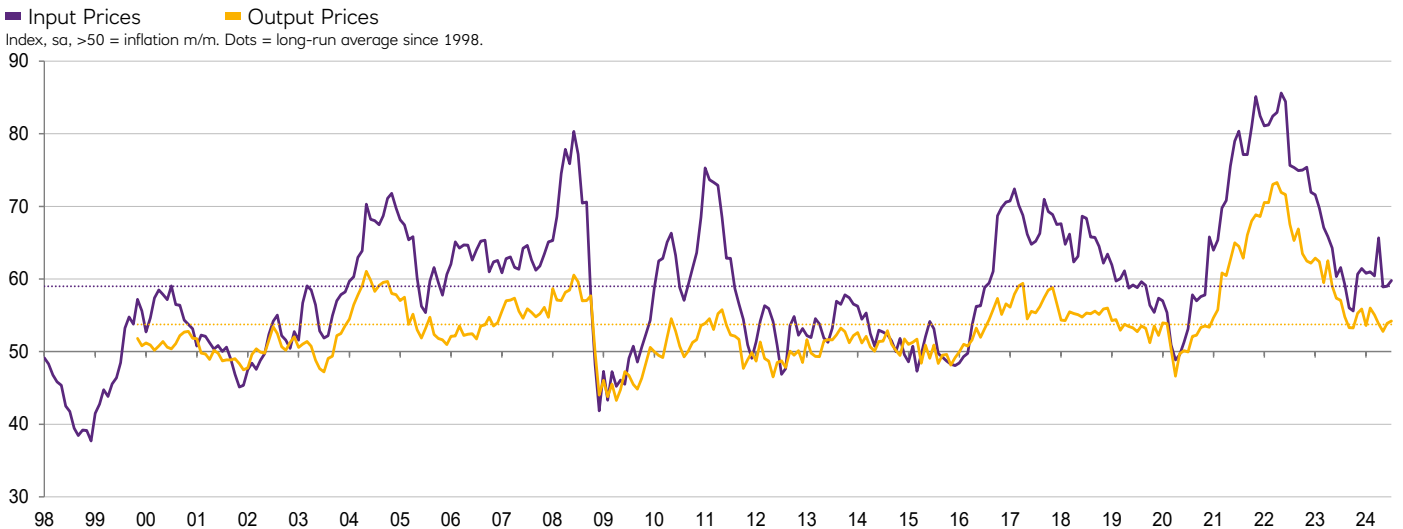
Sharp cost pressures persisted for Yorkshire & Humber companies in July, with prices charged subsequently rising further as firms endeavoured to protect margins.

The seasonally adjusted Input Prices Index remained well above the 50.0 no-change mark in July, signalling a further steep rise in operating costs. The rate of increase signalled by the data was the strongest for

three months. Higher shipping costs and wage pressures were cited by panellists.

Prices charged for Yorkshire & Humber goods and services subsequently rose as firms shared cost inflation with their customers. The overall extent to which selling prices were marked up was the greatest in four months, but below the UK average.

"...the resurgence of stronger price pressures is something to monitor closely, as this could scupper the recovery."



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

# UK Regional Growth Tracker

## Business Activity

Business activity growth was led by Northern Ireland for the second time in the past three months in July. Just behind was the South West, which continued to gain momentum and recorded its steepest rise in output for more than two years. At the other end of the scale, Wales and the East Midlands both recorded modest reductions in business activity.

## Employment

Northern Ireland also topped the rankings for employment growth at the start of the third quarter, recording its fastest rate of job creation since April 2023. The North East posted the next-steepest rise in employment, followed by Wales. As was the case for business activity, the East Midlands was one of just two areas to see a decrease in employment, this time alongside the West Midlands.

## Future Activity

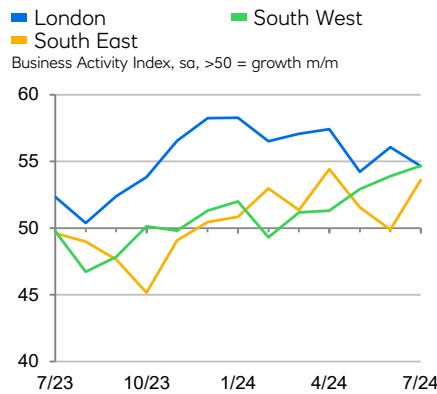
Growth expectations generally improved across the UK in July. The only exception was Northern Ireland, which saw business confidence slip to a six-month low. Firms in the South East were the most upbeat about the outlook, as has been the case in three of the past four months, followed by those in South West. The biggest upswing in optimism was recorded in Yorkshire & Humber.



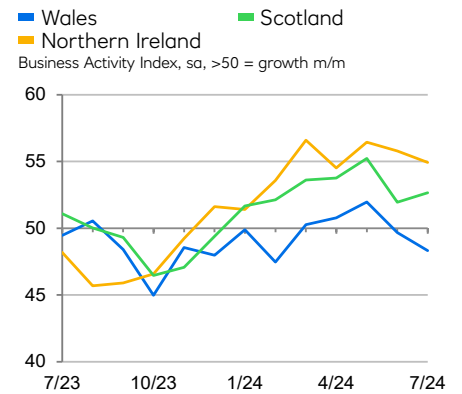
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



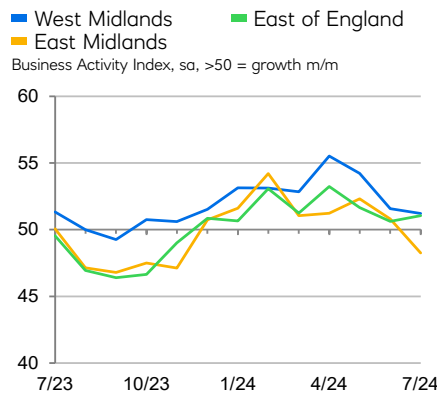
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



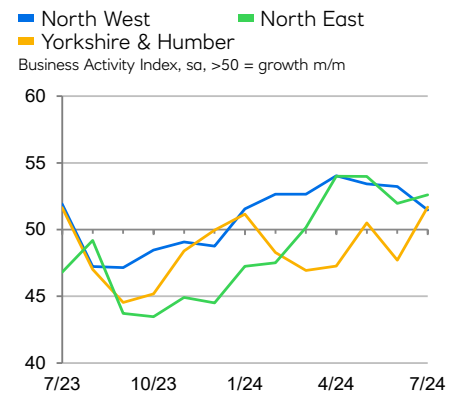
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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# UK sectors

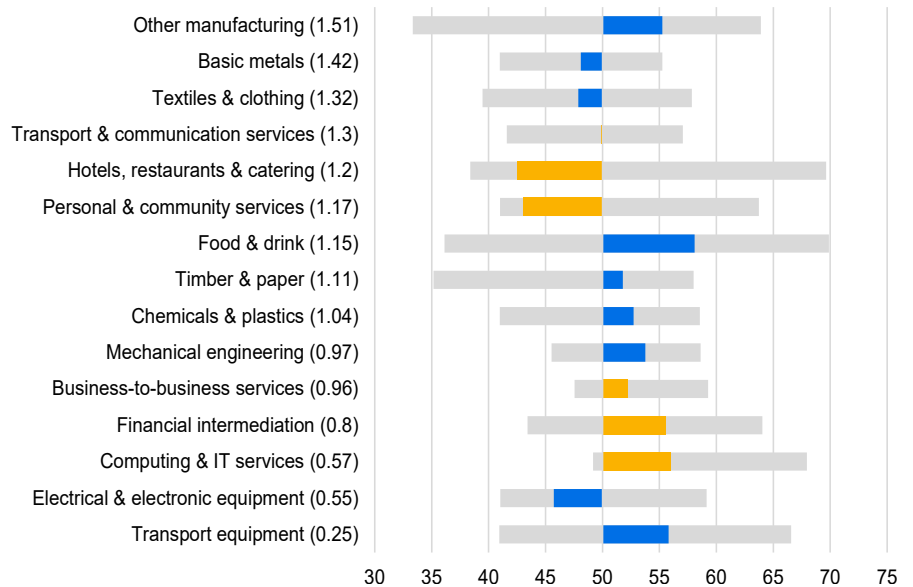
## Sector specialisation: Yorkshire & Humber

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 Jul '24



Sources: NatWest, S&P Global PMI. ©2024 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: Financial intermediation

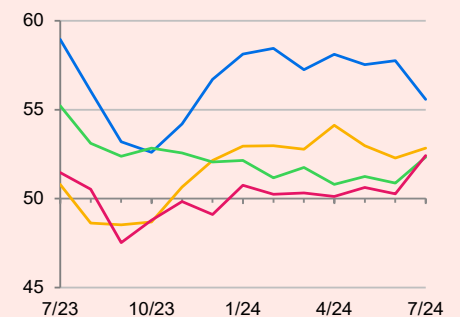
The Financial Intermediation sector was a key growth engine for the UK economy in the three months to July. Business activity rose markedly and at one of the quickest rates recorded among the detailed sectors covered by PMI data. This was despite a loss of momentum that saw growth ease to the weakest since late last year.

Buoyed by strong inflows of new work and high expectations for growth in the coming year, financial intermediation firms upped the rate of job creation in the three months

to July. Employment has risen continuously in the sector since early 2021.

Input prices faced by financial intermediation firms meanwhile rose at the slowest rate for just over three years. Cost pressures were still elevated by historical standards, however, which contributed to another steep rise in average prices charged by businesses in the sector. The rate of output price inflation remained well above the average over the series history stretching back to 1996.

Output / Employment  
■/■ Financial intermediation\*  
■/■ Manufacturing & services  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 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.

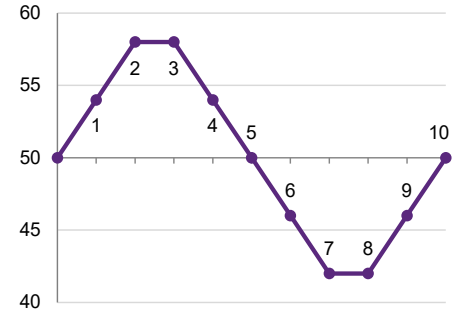
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index 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](mailto:economics@spglobal.com).

Index interpretation

Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 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
2/24	48.3	48.0	51.3	48.1	45.4	75.7	61.0	56.0
3/24	46.9	47.5	51.5	49.6	45.1	74.0	60.4	55.1
4/24	47.3	47.4	51.8	49.5	44.7	72.3	65.7	53.8
5/24	50.5	50.2	53.1	50.8	46.2	72.3	58.9	52.8
6/24	47.7	48.4	51.8	51.2	44.6	64.4	59.0	53.9
7/24	51.7	54.5	50.9	51.9	48.9	76.7	59.8	54.2

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