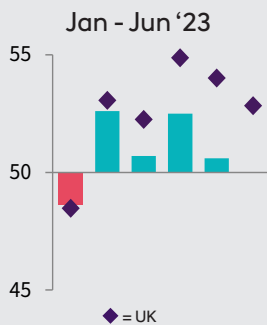




# NatWest Yorkshire & Humber PMI<sup>®</sup>

## Yorkshire & Humber private sector stagnates in June

### Yorkshire & Humber Business Activity Index



### Key findings

Yorkshire & Humber Business Activity Index falls to 50.0 no-change mark

Growth expectations slip to six-month low as demand weakens

Input cost inflation cools but strong wage pressures reportedly persist

The headline NatWest Yorkshire & Humber PMI<sup>®</sup> 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 – recorded 50.0 in June, down from 50.6 previously and signalling a stagnation of business activity following four consecutive monthly expansions between February and May. Unchanged private sector activity levels across the region compared notably with the UK-wide trend, which indicated sustained growth. London, the South East and Scotland were the strongest drivers of expansion at the end of the second quarter.

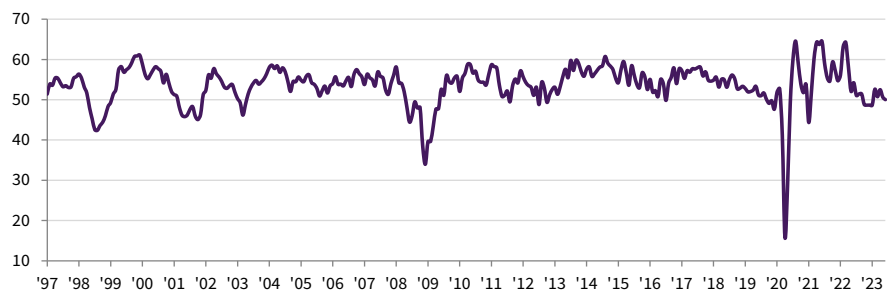
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

*"It was a disappointing end to the second quarter for Yorkshire & Humber as business activity stagnated, ending a four-month sequence of expansion. The region has been a laggard across the UK for the majority of 2023 and this continued in June.*

*"Activity was constrained by weak demand, with confidence across the market reportedly deteriorating. Indeed, growth expectations dropped to a six-month low in June as concerns around persistently high inflation dampened the outlook. Price pressures remained steep across the region, with rising wage costs a key driver of firms' operating expenses. Nevertheless, rates of input cost and output price inflation cooled and were among the weakest seen across the monitored parts of the UK."*

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

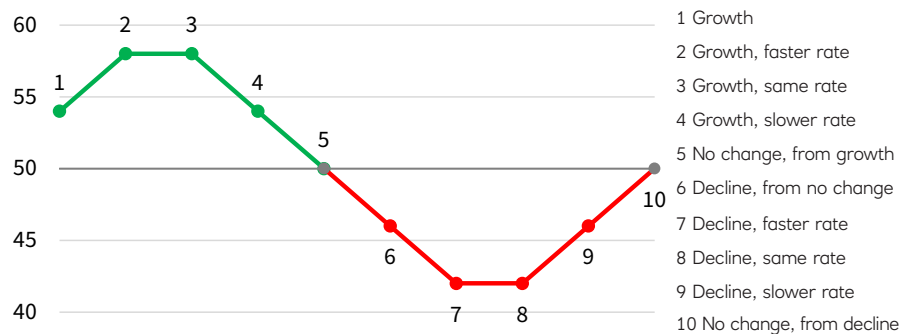
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Back-to-back declines in new orders seen in June

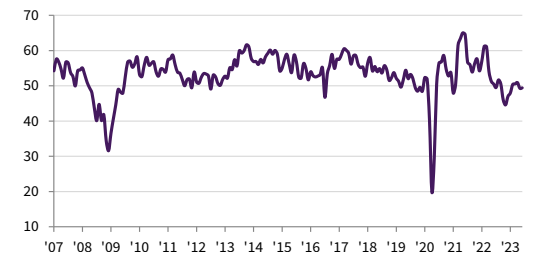
Private sector companies in Yorkshire & Humber recorded a second successive monthly deterioration in demand for their goods and services in June. According to surveyed companies, subdued market conditions and falling client activity weighed on sales. However, the decline was only marginal overall and broadly unchanged from that seen in May.

### New Business Index

sa, >50 = growth since previous month

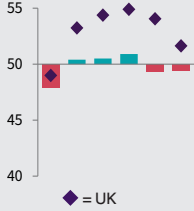
49.4

Jun '23



### New Business Index

Jan - Jun '23



◆ = UK

### Business confidence dips to six-month low

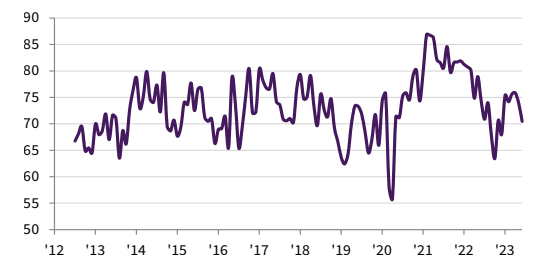
Although Yorkshire & Humber businesses' growth expectations remained strong at face value, the overall level of business confidence dipped to a six-month low in June and was weaker than seen on average across the series history (since July 2012). While some companies anticipate higher activity in the next 12 months due to investment plans and robust budgeting, others were downbeat due to high inflation and the impact of higher interest rates.

### Future Activity Index

>50 = growth expected over next 12 months

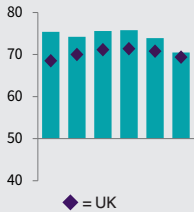
70.5

Jun '23



### Future Activity Index

Jan - Jun '23



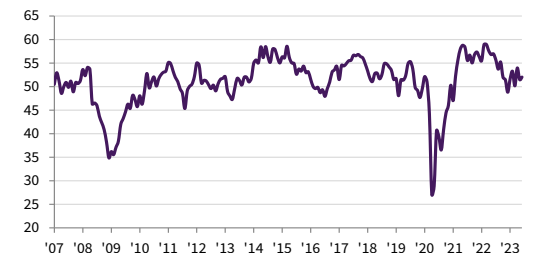
◆ = UK

## Business capacity

### Employment growth improves slightly in June

Private sector businesses across Yorkshire & Humber raised their staffing levels in June, extending the current sequence of job creation seen since January. The rise in employment was modest and strengthened slightly since May. The replacement of leavers and efforts to fill vacancies were cited by some survey respondents.

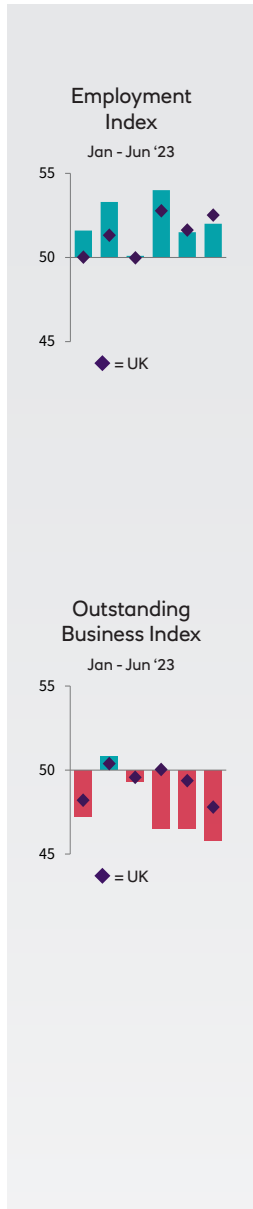
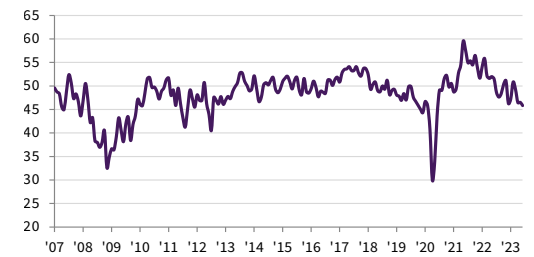
Employment Index 52.0  
 sa, >50 = growth since previous month Jun '23



### Backlogs of work fall at quickest pace in three years

The seasonally adjusted Outstanding Business Index fell further below the 50.0 no-change threshold in June, pointing to a faster decline in backlogs of work across Yorkshire & Humber. The decrease was solid overall and the fastest in three years. The drop in orders pending completion was generally linked to weaker intakes of new work.

Outstanding Business Index 45.8  
 sa, >50 = growth since previous month Jun '23

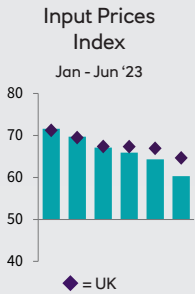
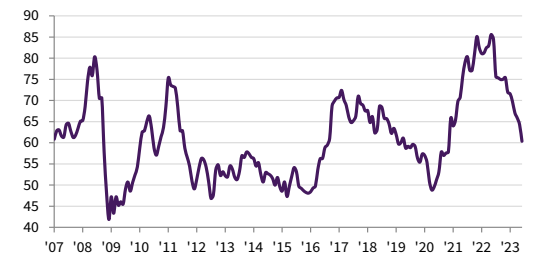


## Prices

### Input price inflation cools to 31-month low

Private sector companies in Yorkshire & Humber recorded another steep monthly rise in their operating expenses in June. Higher input costs were largely attributed to wage pressures as the price of raw materials and energy reportedly fell. Overall, the rate of input price inflation was still above its long-run average, but it eased noticeably to the slowest since November 2020.

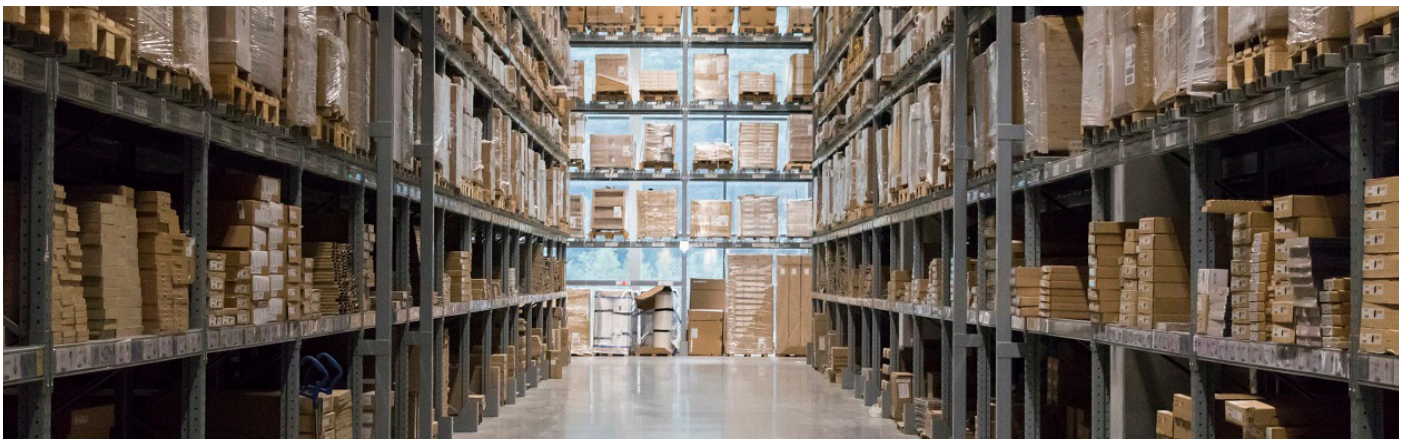
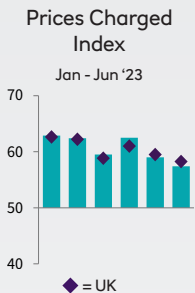
Input Prices Index 60.3  
sa, >50 = inflation since previous month Jun '23



### Prices charged rise at weakest pace since February 2021

Prices charged for goods and services by firms in Yorkshire & Humber continued to rise in June. According to survey respondents, charges were lifted in line with higher costs. The overall rate of output price inflation, albeit sharp, slowed since May to the weakest in nearly two-and-a-half years.

Prices Charged Index 57.4  
sa, >50 = inflation since previous month Jun '23



## 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, Jun 23 <sup>+</sup>
1	Other Manufacturing	1.54	50
2	Basic Metals	1.46	48
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.22	50
5	Chemicals & Plastics	1.09	48
6	Timber & Paper	1.08	42
7	Mechanical Engineering	0.97	48
8	Electrical & Optical	0.50	50
9	Transport	0.26	55

#### Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun 23 <sup>+</sup>
1	Transport & Communication	1.29	48
2	Hotels, Restaurants & Catering	1.12	50
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	58

## UK sector focus

### Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

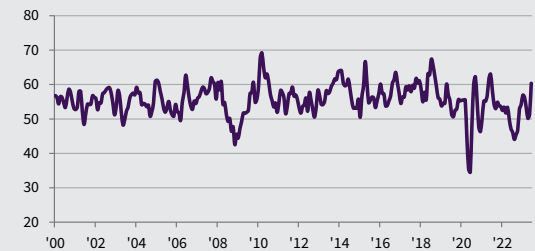
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

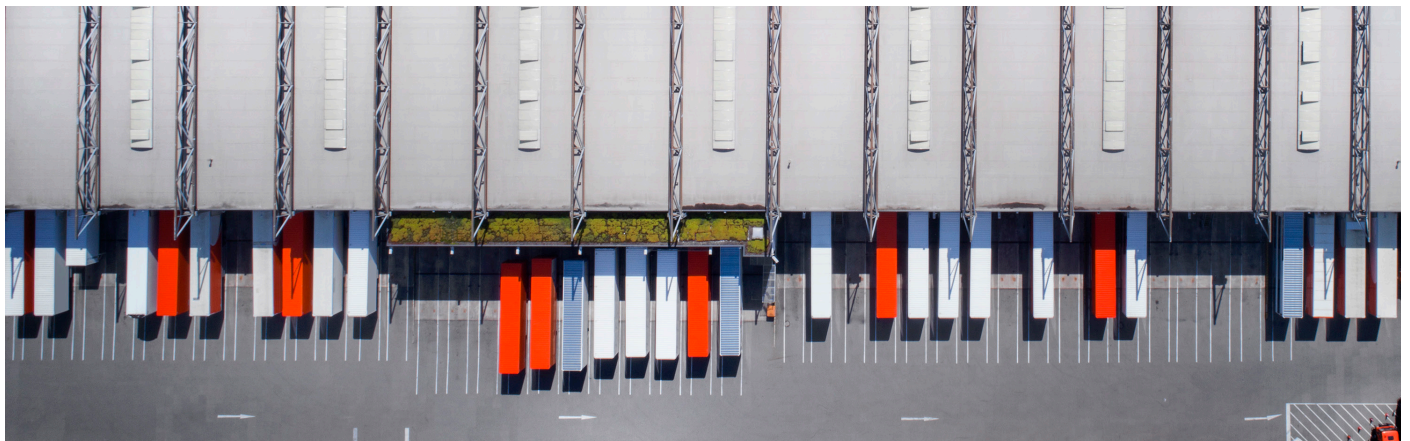
With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

#### Output Index

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



<sup>+</sup>3-month moving average



## UK Regional PMI overview

### Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland\* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

### Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

### Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index

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



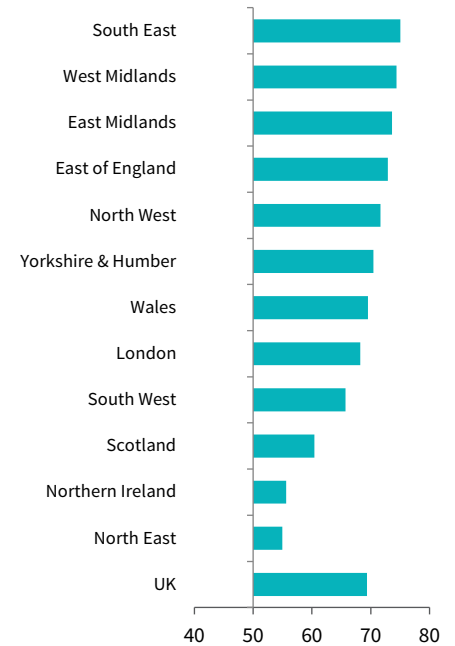
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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
Jan '23	48.6	47.9	50.2	75.4	51.6	47.2	71.6	62.9
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

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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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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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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