

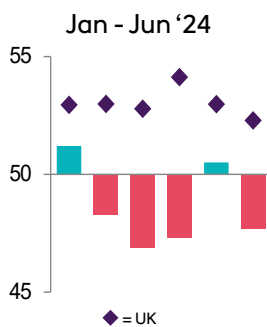


NatWest

NatWest Yorkshire & Humber Growth Tracker

Yorkshire & Humber remains at the foot of the regional rankings in June

Yorkshire & Humber Business Activity Index



Key findings

Private sector business activity and new orders shrink in June

Business confidence slips to 20-month low, but employment rises

Firms raise their prices at fastest pace in three months

The NatWest Regional Growth Tracker revealed that Yorkshire & Humber was once again the worst performer across the UK at the end of the second quarter as private sector output returned to contraction territory after briefly expanding in May. The Headline Yorkshire & Humber 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 from 50.5 in May to 47.7 in June, below the crucial 50.0 mark that separates growth from decline and therefore signalling a renewed downturn in private sector activity across the region.

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

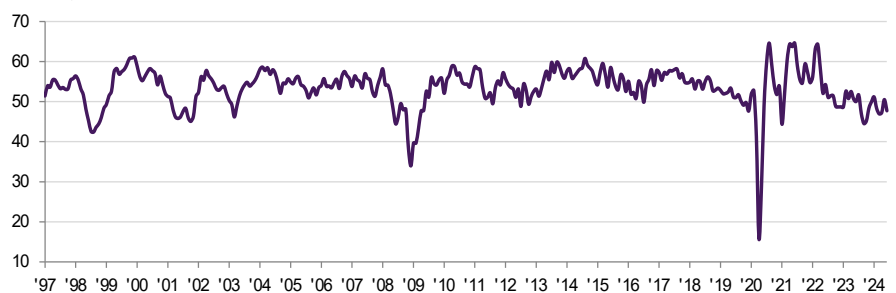
"Our Regional Growth Tracker once again highlighted weakness in Yorkshire & Humber's private sector economy, with business activity and new orders shrinking in June after some improvement in May.

"Whether this could be a temporary blip due to the upcoming general election, which did cause growth momentum to slow across the UK more broadly in June, remains to be seen. However, the region has underperformed consistently for a while now, and business confidence slid to a 20-month low during the latest survey period.

"Nevertheless, there are positive takeaways. Employment growth strengthened to a seven-month high, with panel members citing recruitment drives and company expansion. From this, we can certainly deduce a feel-good factor in some parts of the local economy, which could help spur growth in the second half of 2024."

Yorkshire & Humber Business Activity Index

sa, >50 = growth since previous month



Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sectors](#)
- [UK Regional Growth Tracker](#)
- [Data summary](#)
- [Contact](#)

About the Yorkshire & Humber Growth Tracker

The NatWest Yorkshire & Humber Growth Tracker 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.

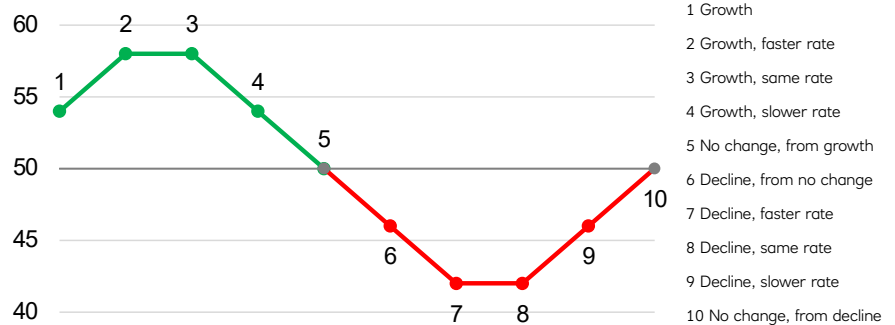
The headline figure is the Business

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. 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@spglobal.com.

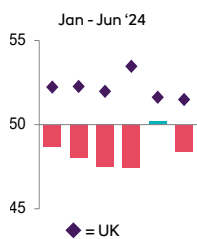
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

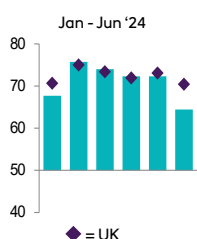


New orders at Yorkshire & Humber firms declines in June

After marginally rising in May, demand for Yorkshire & Humber goods and services returned to contraction at the end of the second quarter, in line with the trend seen in the 12 months to April this year. Survey respondents reported low client confidence and a hesitancy from customers to place orders.

The decline in Yorkshire & Humber sales activity contrasted with a modest expansion across the UK as a whole.

Future Activity Index



Business confidence slumps to 20-month low

Although the Future Activity Index remained well above the neutral 50.0 threshold, therefore signalling optimism on balance among Yorkshire & Humber companies, the level of positive sentiment fell to its lowest since October 2022 and was well below the UK average.

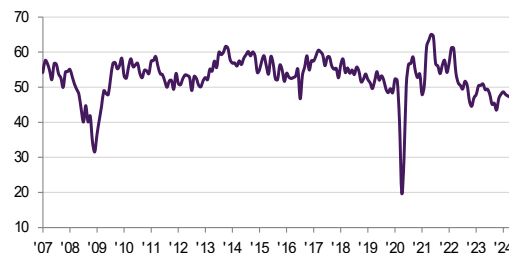
Political uncertainty weighed on confidence, anecdotal evidence showed, although some respondents remained hopeful of a further pick-up in the broader economy.

New Business Index

sa, >50 = growth since previous month

48.4

Jun '24

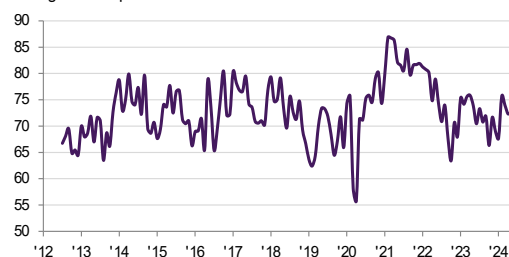


Future Activity Index

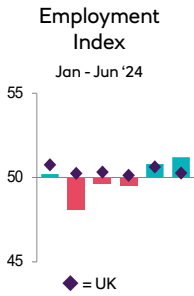
>50 = growth expected over next 12 months

64.4

Jun '24



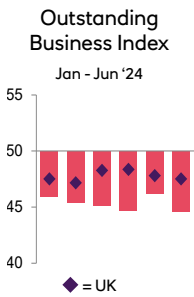
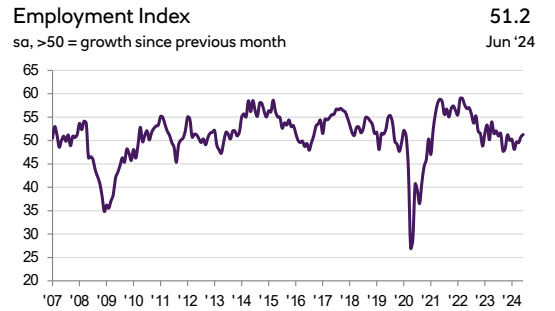
Business capacity



Employment growth quickens to seven-month high

Job creation was sustained across Yorkshire & Humber in June. In fact, the rate of employment growth improved slightly and was the strongest since last November. Recruitment drives, company expansion, and the filling of vacancies underpinned hiring, said survey respondents.

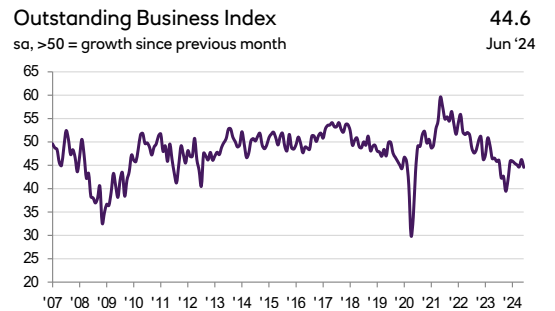
Yorkshire & Humber was among the top performing parts of the UK in terms of workforce growth in June, ranking fourth out of the 12 monitored UK areas.



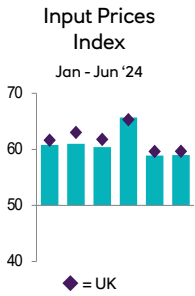
Backlogs of work depleted rapidly in June

The seasonally adjusted Outstanding Business Index recorded below the 50.0 no-change mark at the end of the second quarter, signalling a further reduction in the amount of incomplete work across Yorkshire & Humber's private sector. The decrease was sharp overall and the fastest since the penultimate month of 2023.

While backlog depletion was a theme also seen at the UK level, regional growth tracker data revealed that the strongest reduction was in Yorkshire & Humber.



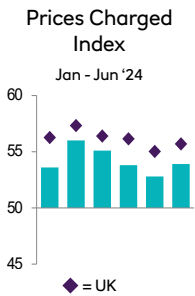
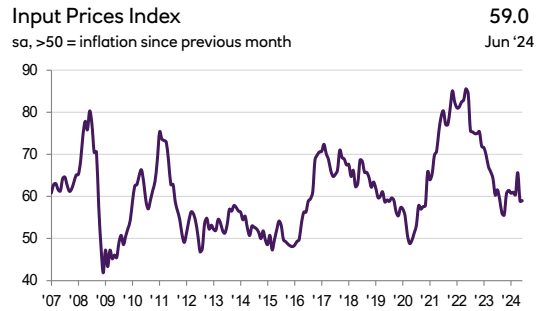
Prices



Input price inflation holds close to May's seven-month low

Operating costs at Yorkshire & Humber firms continued to rise at a sharp pace during June. Anecdotal evidence indicated that companies incurred greater expenses due to increases in commodity and shipping costs.

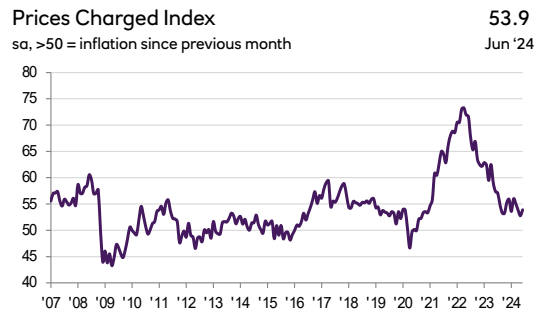
That said, the overall rate of inflation was broadly in line with that seen in May, which was the softest for seven months. The local increase in total costs was slightly below that seen for the UK as a whole.



Output charges rise at fastest rate for three months

Prices charged for Yorkshire & Humber goods and services increased in June, as has been the case in every month for almost four years. The rate of inflation quickened slightly to its strongest since March, but was the second-weakest seen across all 12 monitored parts of the UK.

Where charges were lifted, survey respondents mentioned the passing on of higher costs to their customers.



UK Sector

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 '24 ⁺
1	Other Manufacturing	1.51	55
2	Basic Metals	1.42	45
3	Textiles & Clothing	1.32	50
4	Food & Drink	1.15	55
5	Timber & Paper	1.11	50
6	Chemicals & Plastics	1.04	50
7	Mechanical Engineering	0.97	50
8	Electrical & Optical	0.55	45
9	Transport	0.25	50

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '24 ⁺
1	Transport & Communication	1.30	50
2	Hotels, Restaurants & Catering	1.20	45
3	Personal & Community Services	1.17	50
4	Business-to-business Services	0.96	50
5	Financial Intermediation	0.80	55
6	Computing & IT Services	0.57	50

UK sector focus

Chemicals & Plastics

The UK's Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

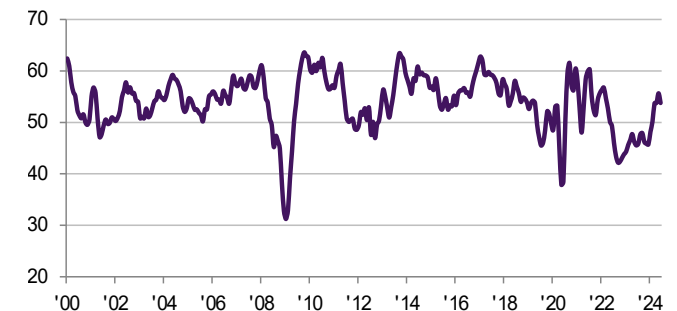
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

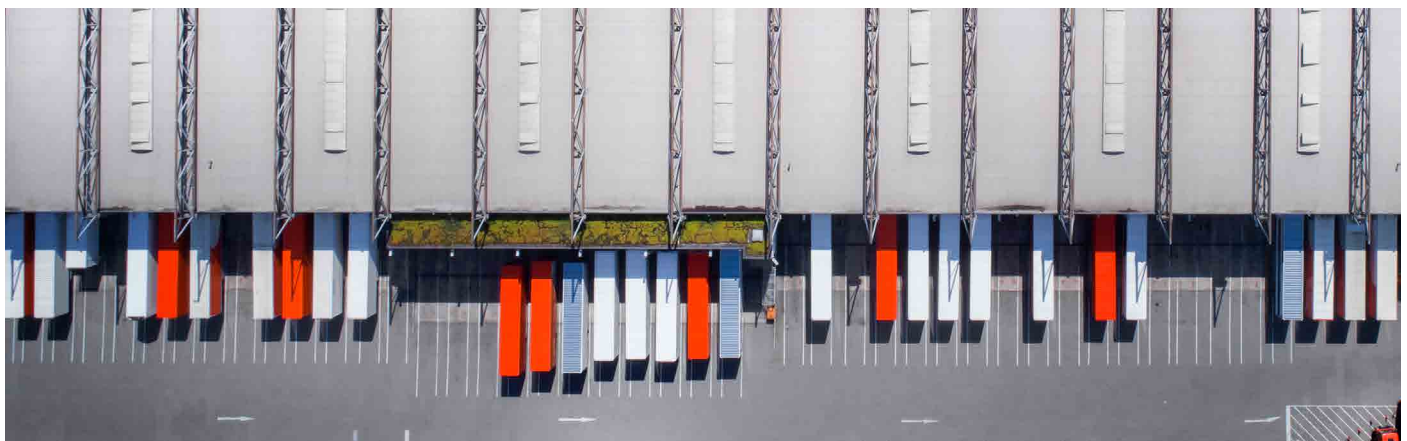
Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

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



⁺ 3-month moving average



UK Regional Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

Business Activity Index

sa, >50 = growth since previous month, Jun '24



Employment Index

sa, >50 = growth since previous month, Jun '24

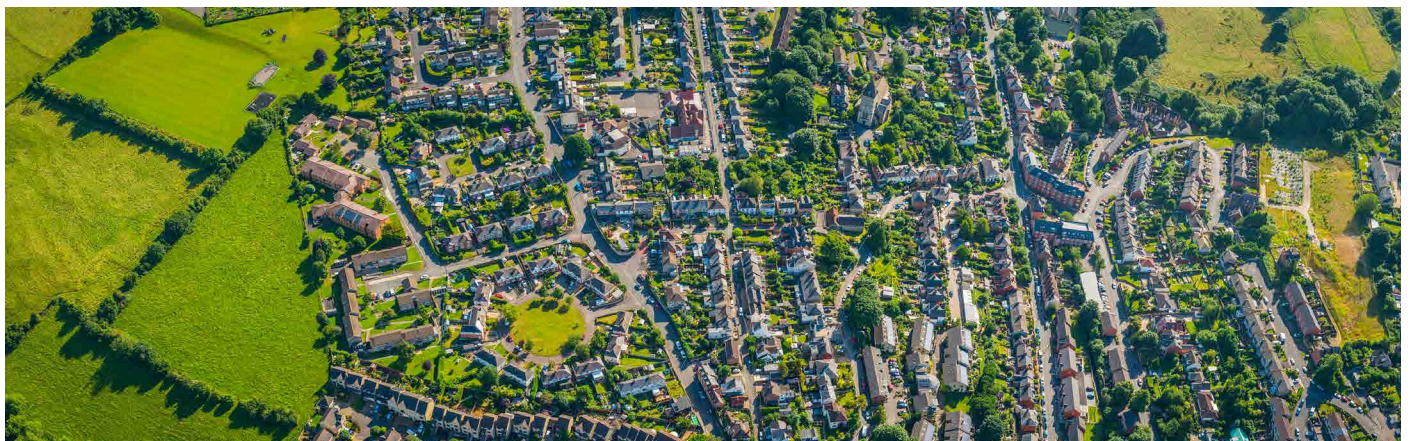


Future Activity Index

>50 = growth expected over next 12 months, Jun '24



* 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 '24	51.2	48.7	50.4	67.7	50.2	45.9	60.8	53.6
Feb '24	48.3	48.0	51.3	75.7	48.1	45.4	61.0	56.0
Mar '24	46.9	47.5	51.5	74.0	49.6	45.1	60.4	55.1
Apr '24	47.3	47.4	51.8	72.3	49.5	44.7	65.7	53.8
May '24	50.5	50.2	53.1	72.3	50.8	46.2	58.9	52.8
Jun '24	47.7	48.4	51.8	64.4	51.2	44.6	59.0	53.9

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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.

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