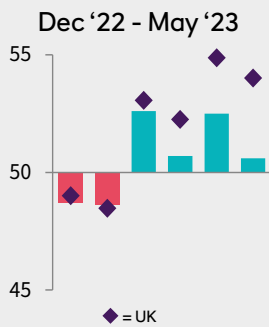


NatWest Yorkshire & Humber PMI[®]

Yorkshire & Humber business activity growth slows in May, falling further behind UK average

Yorkshire & Humber Business Activity Index



Key findings

Business Activity Index at 50.6 compares with 54.0 for UK as a whole

No other part of the UK sees a faster drop in new business intakes in May

Service sector keeps inflation rates running in hot territory

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 – dipped to 50.6 in May, from 52.5 in April, signalling a growth slowdown midway through the second quarter. Of the 12 monitored parts of the UK, only Wales recorded a worse monthly performance in business activity, with Yorkshire & Humber growth lagging behind the UK average by a considerable margin.

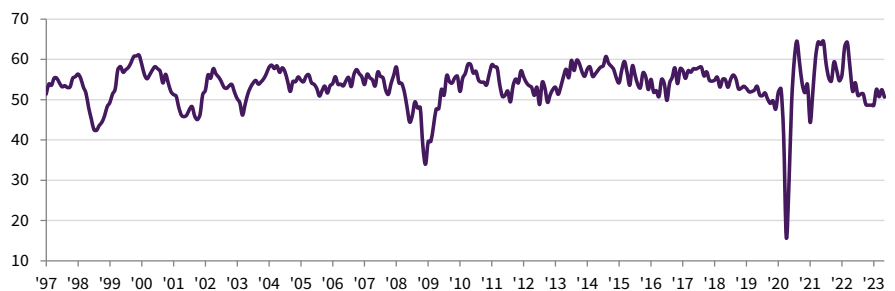
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"The NatWest Regional PMI data suggests Yorkshire & Humber faced a challenging period during May. Not only did growth slow to a marginal pace, but compared to its peers, this part of the UK was one of the worst performers. The region saw demand conditions weaken over the course of the month, affecting the rate of growth and impacting business confidence in some sectors."

"The latest report does offer grounds for optimism. Encouragement can be gleaned from sustained employment growth, which suggests that companies are filling vacancies and preparing themselves for future opportunities. Falling inflationary pressures also bodes well, and we've already seen reports of firms making their prices more competitive. That said, underlying data shows that price pressures are driven by services, with firms in these industries reporting higher wage costs. Therefore, the risk of inflation staying stubborn remains elevated for the time being."

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

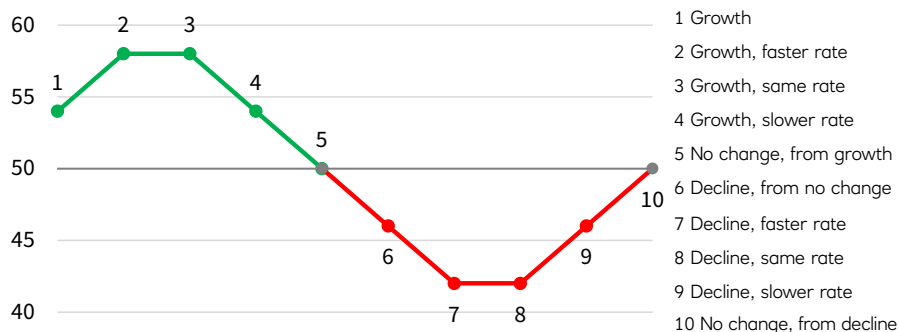
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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



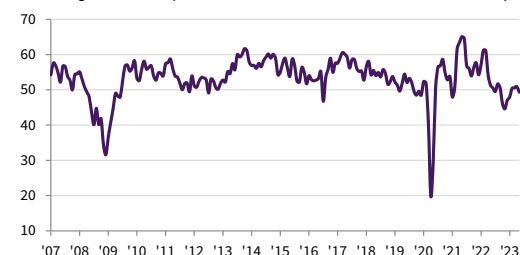
Demand and outlook

New business falls for first time since January

The volume of incoming new business dipped during May, marking the first contraction in demand since January. Weaker conditions in the markets key customers operate in reportedly weighed on new order inflows.

Of the 12 monitored parts of the UK, Yorkshire & Humber was one of three where new business fell. Although the drop in demand across the region was marginal, it was stronger than those seen elsewhere.

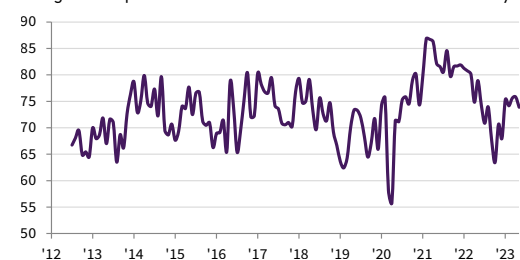
New Business Index
sa, >50 = growth since previous month
49.3
May '23



Firms remain optimistic, but confidence dips to five-month low

Private sector businesses in Yorkshire & Humber remained strongly optimistic towards the 12-month outlook for activity in May. Increased investment, new product launches and entry into new markets, as well as hopes of stronger sales performances underpinned growth forecasts. That said, the level of confidence dipped to a five-month low.

Future Activity Index
>50 = growth expected over next 12 months
73.9
May '23



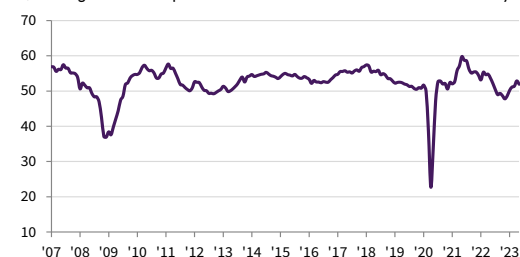
Exports

Improvement in export climate loses momentum in May

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.

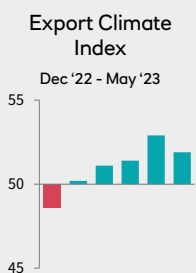
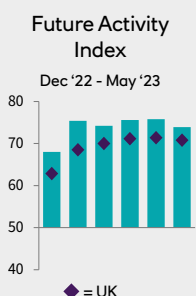
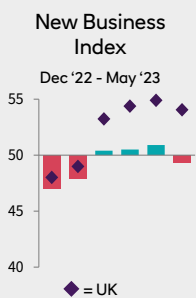
The Yorkshire & Humber Export Climate Index posted 51.9 in May, above the neutral 50.0 level and therefore indicative of an improvement in export conditions for a fifth consecutive month. That said, the uplift weakened for the first time over this sequence as growth momentum waned in key overseas markets such as Germany, Ireland and France. In the Netherlands, activity fell at the sharpest pace in six months.

Export Climate Index
sa, >50 = growth since previous month
51.9
May '23



Top export markets, Yorkshire & Humber

| Rank | Market | Weight | Output Index, May '23 |
|------|-------------|--------|-----------------------|
| 1 | USA | 18.1% | 54.3 |
| 2 | Netherlands | 14.7% | 44.2 |
| 3 | Germany | 9.8% | 53.9 |
| 4 | Ireland | 7.9% | 51.9 |
| 5 | France | 7.3% | 51.2 |

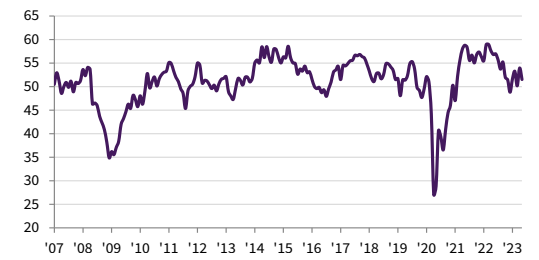


Business capacity

Employment growth sustained in May

The level of employment across the Yorkshire & Humber private sector rose again in May, marking a fifth consecutive expansion in staffing capacity across the region. According to surveyed firms, extra workers were hired to fill vacancies, reduce the strain on existing staff and prepare for future growth. The rate of jobs growth slowed and was modest, but broadly matched that seen for the UK as a whole.

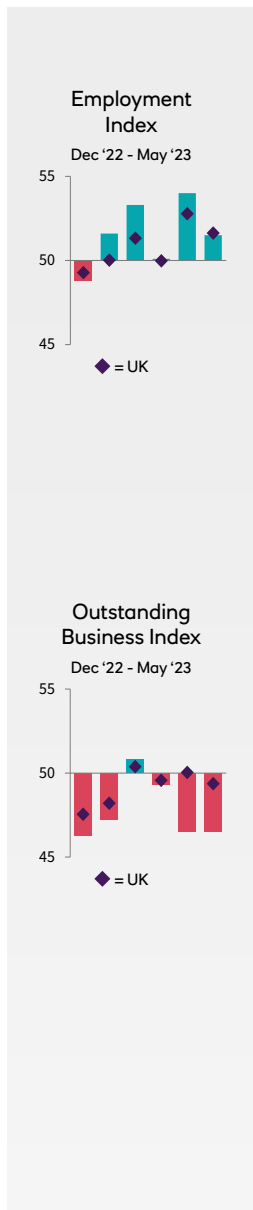
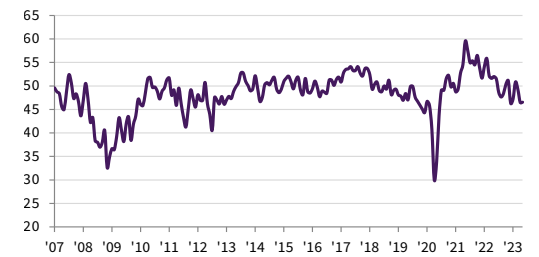
Employment Index
sa, >50 = growth since previous month
51.5
May '23



Backlogs of work fall at solid pace in May

For a third month running, private sector companies across Yorkshire & Humber recorded a drop in the volume of outstanding work during May. The pace of decline was solid and unchanged from April's four-month record. According to survey respondents, the catch-up of incomplete orders was enabled by falling intakes of new business.

Outstanding Business Index
sa, >50 = growth since previous month
46.5
May '23



Prices

Input cost inflation eases to 28-month low in May

Another sharp increase in operating expenses was registered by surveyed companies in Yorkshire & Humber midway through the second quarter, although the rate of inflation eased to a 28-month low.

That being said, trends diverged significantly by sector as a fall in input prices at manufacturers compared with a softer, but still steep rise in costs at service providers. While lower prices for raw materials and energy helped bring factory input costs down, wage pressures were behind the sharp rise in service sector expenses.

Output charges rise at softest pace since February 2021

The seasonally adjusted Prices Charged Index remained well above the no-change mark of 50.0 in May, signalling a further sharp rise in prices charged for goods and services across Yorkshire & Humber. Firms that raised their fees commented on efforts to pass on higher costs to clients.

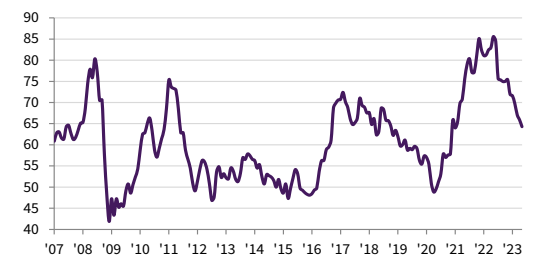
That said, selling prices were raised to the weakest extent since February 2021 as companies, particularly in the manufacturing sector, offered more competitive prices amid falls in their costs and difficult securing new work.

Input Prices Index

sa, >50 = inflation since previous month

64.3

May '23

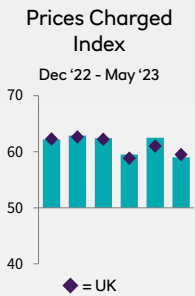
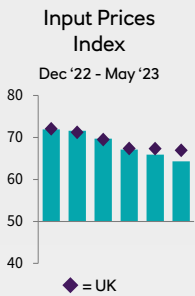
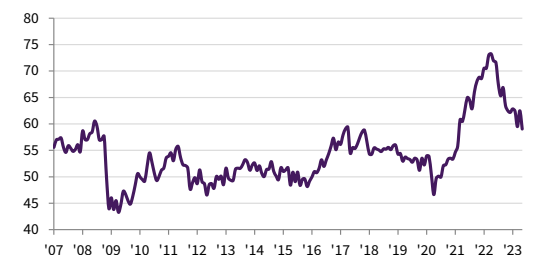


Prices Charged Index

sa, >50 = inflation since previous month

59.0

May '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, May 23 ⁺ |
|------|------------------------|------|--------------------------------------|
| 1 | Other Manufacturing | 1.54 | 52 |
| 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, May 23 ⁺ |
|------|--------------------------------|------|---|
| 1 | Transport & Communication | 1.29 | 48 |
| 2 | Hotels, Restaurants & Catering | 1.12 | 52 |
| 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 | 60 |



UK sector focus

Transport & Communication

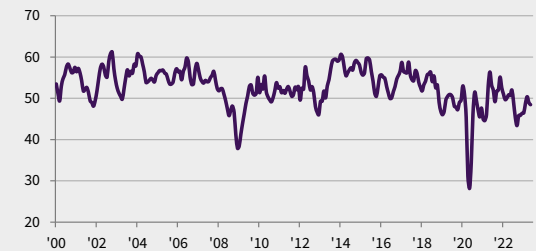
Almost all areas of the UK services economy saw growth in business activity in the three months to May, the only exception being the Transport & Communications sector. Here, activity fell - albeit only slightly - in the latest three-month period, thereby resuming a downward trend after a brief return to growth in Q1.

The survey data pointed to weakness in underlying demand, with inflows of new work in decline. Businesses in the sector reacted to falling workloads by reducing workforce numbers, in line with the trend seen since the end of last year. That said, the latest round of job cuts was only marginal as firms showed greater confidence towards the outlook.

Cost pressures remained historically elevated, although they did at least ease further from the record highs seen in 2022. This was reflected in a slower rise in prices charged, the weakest for almost two-and-a-half years.

Output Index

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



⁺3-month moving average

UK Regional PMI overview

Business Activity

Almost all UK nations and regions saw a rise in business activity in May, the only exception being Wales where output fell marginally and for the first time in four months. London once again recorded by far the strongest growth rate, albeit one that was slightly slower than in April. In fact, only the West Midlands saw an acceleration in the rate of expansion in business activity.

Employment

The vast majority of areas monitored by the survey recorded an increase in private sector employment in May. Scotland topped the rankings for job creation for the first time since June 2018, pushing Northern Ireland* into second position. Only the North East and Wales saw decreases in staffing levels, and even there the declines were modest and marginal respectively.

Future Activity

Business expectations remained positive across the board in May, although they weakened in three-quarters of the areas monitored. The West Midlands went against the trend and recorded the strongest overall optimism for the fifth month running. At the other end of the scale, firms in Northern Ireland were the least upbeat towards the outlook.

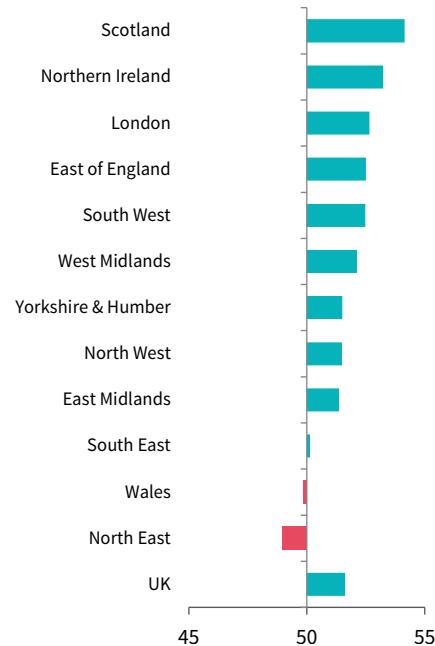
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Dec '22 | 48.7 | 47.0 | 48.6 | 68.0 | 48.8 | 46.3 | 71.9 | 62.2 |
| 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 |

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About NatWest

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

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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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