

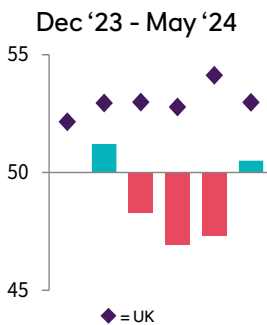


NatWest

NatWest Yorkshire & Humber PMI[®]

Renewed rise in Yorkshire & Humber business activity in May

Yorkshire & Humber Business Activity Index



Key findings

Output and new orders return to growth

Firms take on extra staff

Slowest rise in output prices since September 2020

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 – posted back above the 50.0 no-change mark in May, rising to 50.5 from 47.3 in April. The index therefore signalled a renewed expansion of output in the region’s private sector, ending a three-month sequence of reduction. That said, the rate of growth was only marginal and the slowest of the 12 regions and nations of the UK covered by the report.

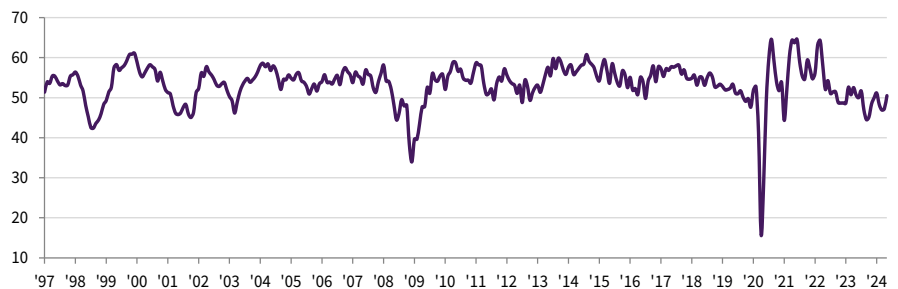
The increase in business activity was in line with the picture for new orders, which also returned to growth during May. In turn, a renewed rise in employment was signalled. Meanwhile, input costs continued to rise sharply, albeit at a softer pace. Moreover, the rate of output price inflation was the slowest since September 2020.

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

"The latest PMI data for the Yorkshire & Humber region make for encouraging reading, with local firms seeing renewed increases in output, new orders and employment during the month. The hope will be that the recent soft patch is behind us and that growth can start to solidify and speed up over the coming months. One other development of note was that selling prices increased at the slowest pace in approaching four years, potentially providing a further boost to demand conditions."

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

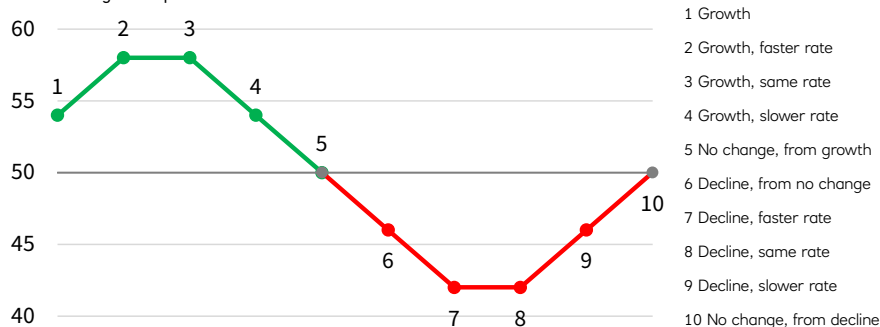
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

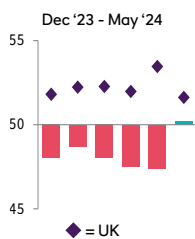
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index



New orders return to growth in May

May data signalled a renewed expansion in new orders at companies in the Yorkshire & Humber region, thereby ending a one-year sequence of decline. Greater sales volumes were reported by a number of companies, in some cases linked to successful advertising and improved market confidence.

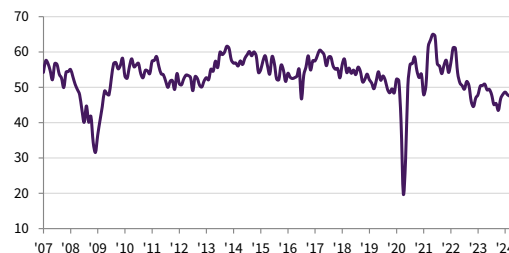
That said, the rate of growth in new business was only fractional and weaker than the UK average.

New Business Index

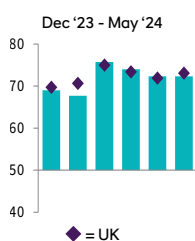
sa, >50 = growth since previous month

50.2

May '24



Future Activity Index



Companies remain confident in year-ahead outlook

Business sentiment was unchanged in May, remaining solid but just below the series average. More than half of respondents predicted a rise in output over the coming year, linked to business investment plans, plus expected improvements in new orders and economic conditions.

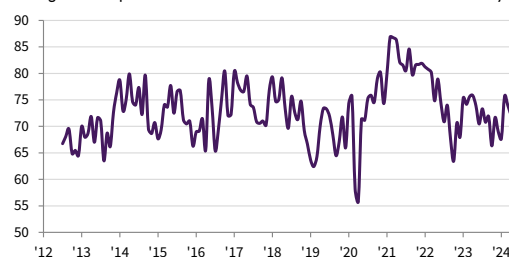
Manufacturers were more optimistic than their service sector counterparts.

Future Activity Index

>50 = growth expected over next 12 months

72.3

May '24



Export Climate Index



Exports

Solid improvement in export demand conditions

The Yorkshire & Humber Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Yorkshire & Humber. This produces an indicator for the economic health of the region's export markets.

The ECI rose to 53.1 in May, up from 51.8 in April. The index pointed to a fifth consecutive monthly strengthening of the export climate. Moreover, the latest improvement was the most marked in two years.

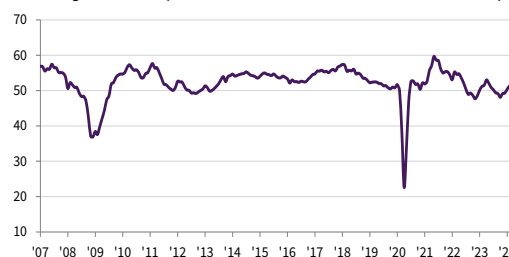
Stronger increases in business activity were seen in the USA, the Netherlands, Germany and Ireland during May. Of the five largest export destinations for Yorkshire & Humber firms, only France posted a reduction in output.

Export Climate Index

sa, >50 = growth since previous month

53.1

May '24



Top export markets, Yorkshire & Humber

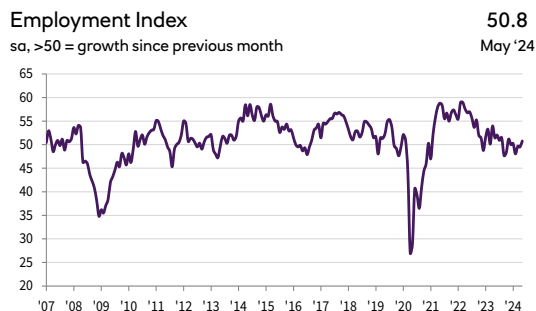
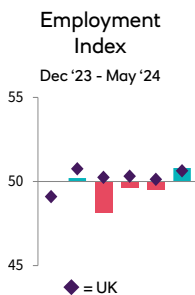
Rank	Market	Weight	Output Index, May '24
1	USA	17.7%	54.5
2	Netherlands	12.3%	55.1
3	Germany	9.7%	52.4
4	Ireland	8.9%	52.5
5	France	7.7%	48.9

Business capacity

Renewed rise in staffing levels

Companies in Yorkshire & Humber responded to the return to growth of new orders by taking on additional staff in May. The slight rise in staffing levels ended a three-month sequence of job cuts.

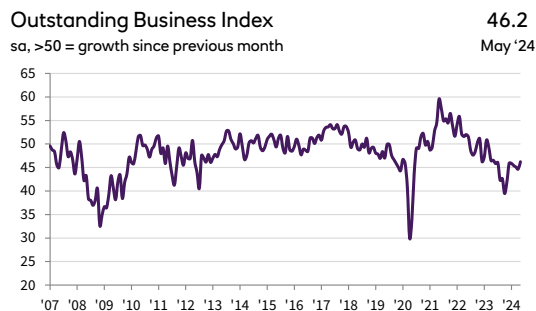
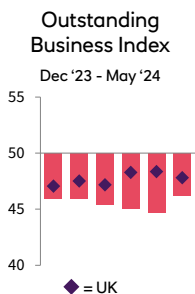
Firms in the region increased employment to a slightly stronger degree than the UK average.



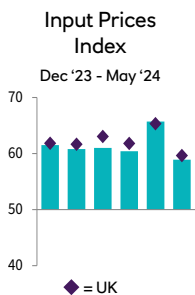
Outstanding business continues to fall

Although new orders increased in May, the marginal expansion was not strong enough to erase evidence of spare capacity in the region's private sector. As such, backlogs of work decreased for the fifteenth consecutive month. The latest fall was solid, albeit the least marked for a year.

Outstanding business was down across both monitored sectors.



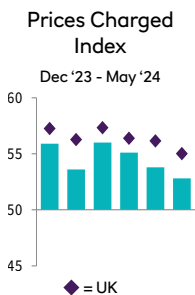
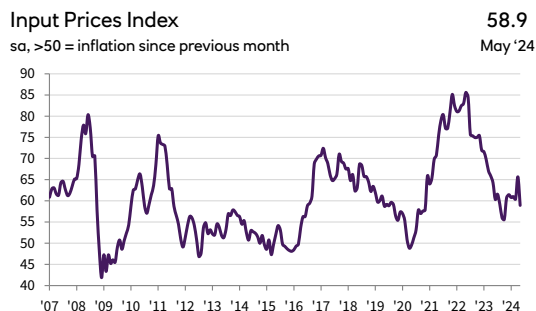
Prices



Input price inflation slows sharply

After hitting a one-year high in April, the rate of input cost inflation slowed sharply during May and was at a seven-month low. That said, input prices continued to rise at a marked pace. Where input costs increased, panellists reported higher wages and rises in prices for raw materials such as aluminium.

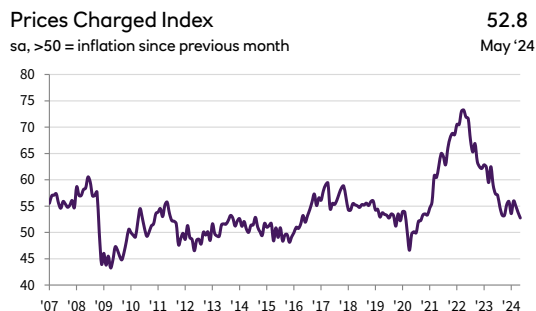
Service providers posted a much faster increase than manufacturers.



Slowest rise in charges since September 2020

Although output prices continued to rise in May, the rate of inflation eased for the third consecutive month to the weakest since September 2020. In fact, the increase in charges in the region was the second-slowest of the 12 UK areas covered, faster only than the North West.

Some firms increased selling prices in line with higher input costs, but others indicated that muted demand had reduced their pricing power.



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 '24 ⁺
1	Other Manufacturing	1.51	55
2	Basic Metals	1.42	48
3	Textiles & Clothing	1.32	50
4	Food & Drink	1.15	55
5	Timber & Paper	1.11	52
6	Chemicals & Plastics	1.04	55
7	Mechanical Engineering	0.97	55
8	Electrical & Optical	0.55	45
9	Transport	0.25	50

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '24 ⁺
1	Transport & Communication	1.30	48
2	Hotels, Restaurants & Catering	1.20	48
3	Personal & Community Services	1.17	50
4	Business-to-business Services	0.96	52
5	Financial Intermediation	0.80	55
6	Computing & IT Services	0.57	55

UK sector focus

Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

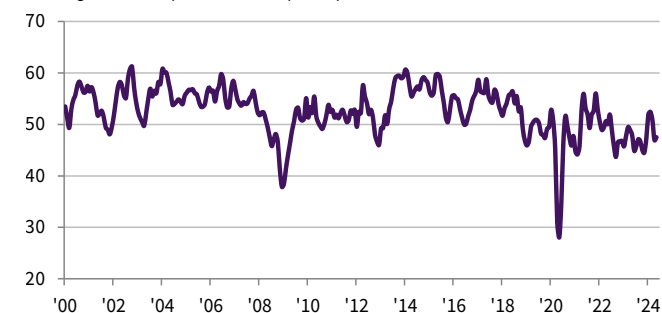
Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

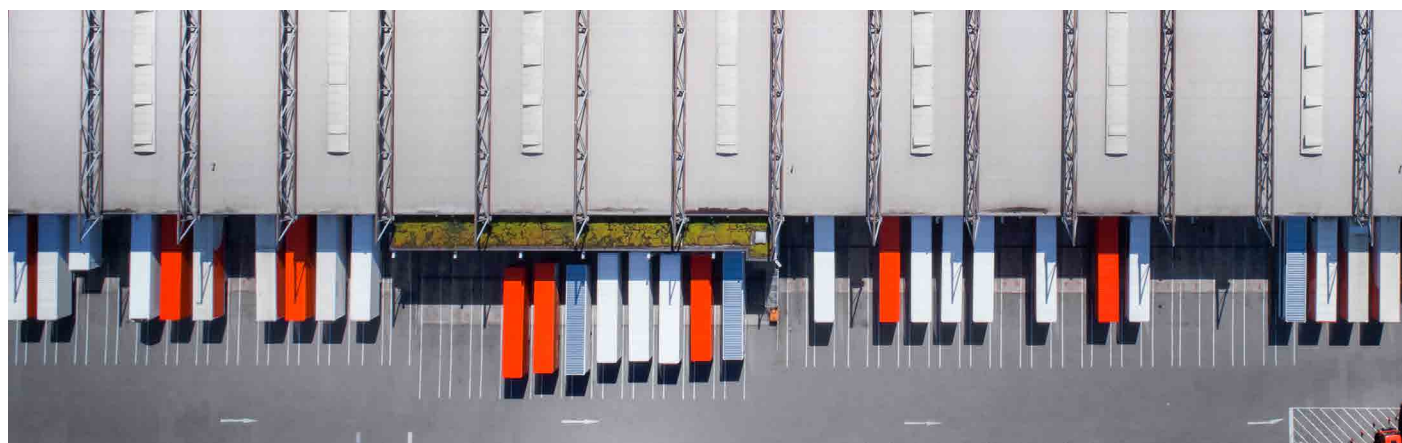
Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

Business Activity Index

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



Employment Index

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

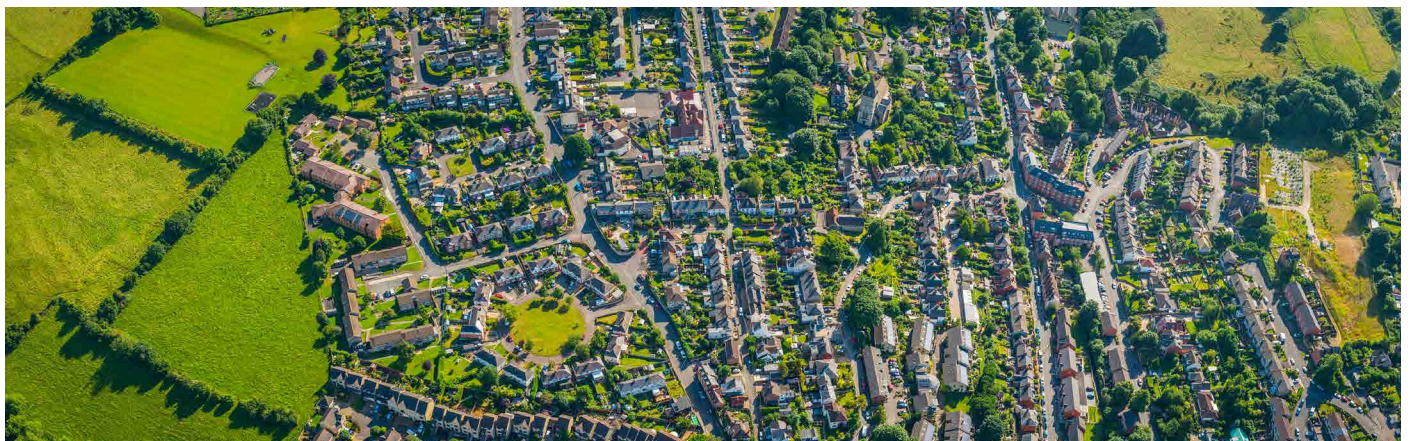


Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '23	50.0	48.0	49.3	69.0	50.0	45.9	61.5	55.9
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

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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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