

10 December 2024

NatWest Yorkshire & Humber Growth Tracker

Local firms hold on to staff as they prepare for growth in 2025



NatWest

PMI[®]

by **S&P Global**

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Contents

Key findings

Business activity

Comment

Demand and outlook

Export markets

Jobs and capacity

Inflation

UK Regional Growth Tracker

UK sectors

Methodology and data

Further information



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Key findings

November 2024

Local businesses predict expansion in the coming year

Firms keep employment levels unchanged to support growth ambitions

Backlogged work down markedly

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





Local firms hold on to staff as they prepare for growth in 2025

Yorkshire & Humber companies looked towards 2025 with optimism in November, underpinning firms' decisions to maintain employment levels to prepare for activity growth.

Notably, stability in local workforce numbers contrasted with the overall UK trend, with firms at the national level shedding jobs in November.

The headline Yorkshire & Humber PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month

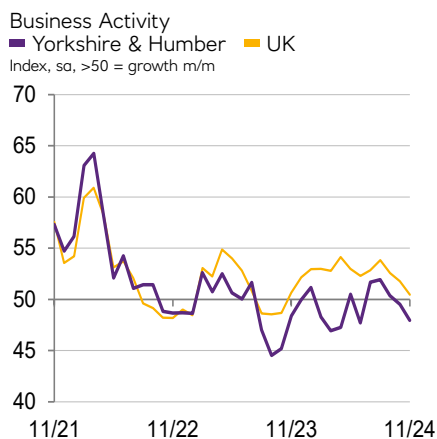
change in the combined output of the region's manufacturing and service sectors – posted 48.0 for the penultimate month of 2024. This compared with a reading of 49.5 in October. The figure was indicative of lower private sector output when compared to the previous month, but the contraction was only modest overall.

NatWest Yorkshire & Humber Business Activity Index, November 2024

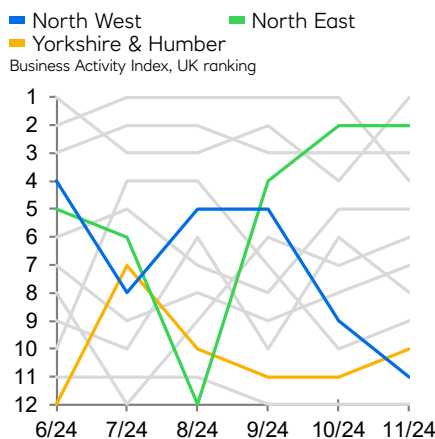
48.0

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 12-27 November



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



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[Return to contents](#)

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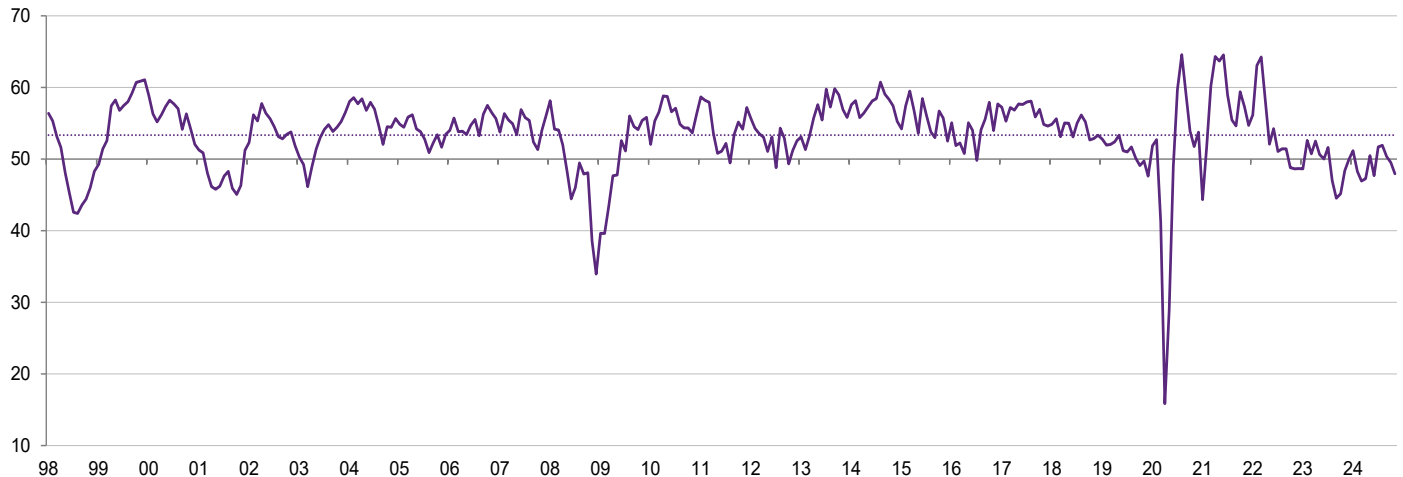
Comment

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

"The Yorkshire & Humber economy has generally ebbed and flowed this year, but one thing that has remained constant is local firms' confidence that their businesses are on track for growth. We saw this again in November, with expectations firmly in positive territory. As such, pressure to cut back staffing capacity was defied, which makes the region stand out as employment actually fell across the UK as a whole in November. One thing to monitor is the uptick in costs, as this may make it more challenging for companies to keep their own charges competitive."

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

Outlook remains robust despite marginal dip in sales

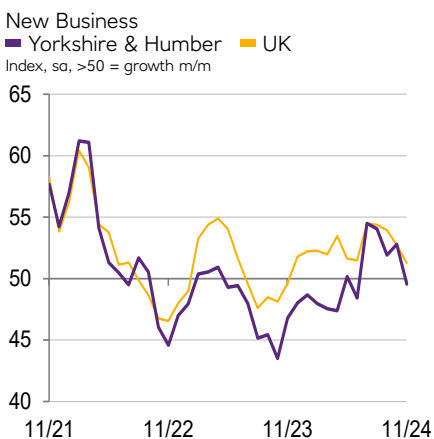
November survey data indicated a modest decline in demand for Yorkshire & Humber goods and services. According to panel member reports, cautious client spending and weakness across European markets dented sales.

Nevertheless, companies in the region looked towards the future with optimism. According to the Growth Tracker, Yorkshire & Humber businesses expect activity levels to rise over the next 12 months.

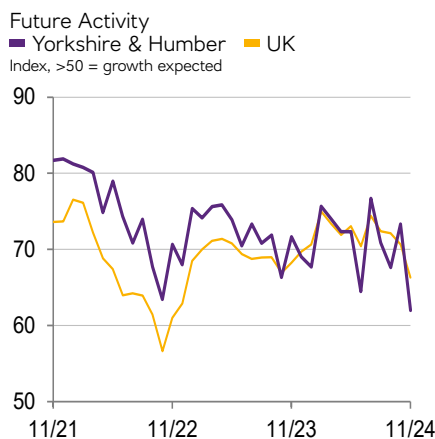
Hopes of new business wins, entry into new markets, strategic changes, investment and stronger economic conditions underpinned positive sentiment.

Although, business confidence slipped to a 55-month low, with Yorkshire & Humber companies ranking tenth out of the 12 monitored parts of the UK for year-ahead growth expectations.

"The Yorkshire & Humber economy has generally ebbed and flowed this year, but one thing that has remained constant is local firms' confidence that their businesses are on track for growth."



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



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



Jobs and capacity

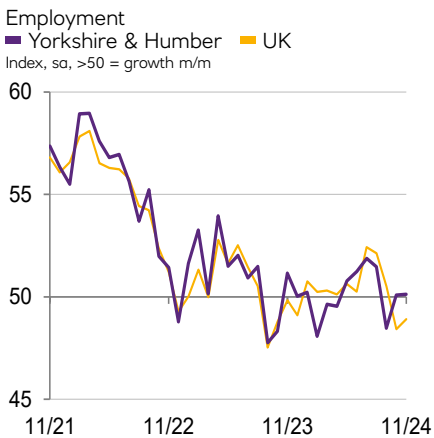
Local labour market shows resilience in November

While private sector employment fell across the UK as a whole in November, the Yorkshire & Humber jobs market once again displayed resilience as workforce numbers held steady.

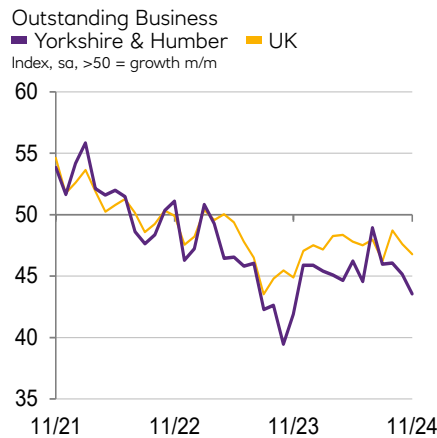
Although some companies lowered staffing capacity in response to employment changes announced in the Autumn Budget, this was offset by other companies carrying out expansion plans.

With employment levels maintained, Yorkshire & Humber companies were able to make considerable progress in clearing backlogged work during November. In fact, of the 12 monitored parts of the UK, only Wales saw a steeper fall in outstanding orders.

"Pressure to cut back staffing capacity was defied, which makes the region stand out as employment actually fell across the UK as a whole in November."



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



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



Inflation

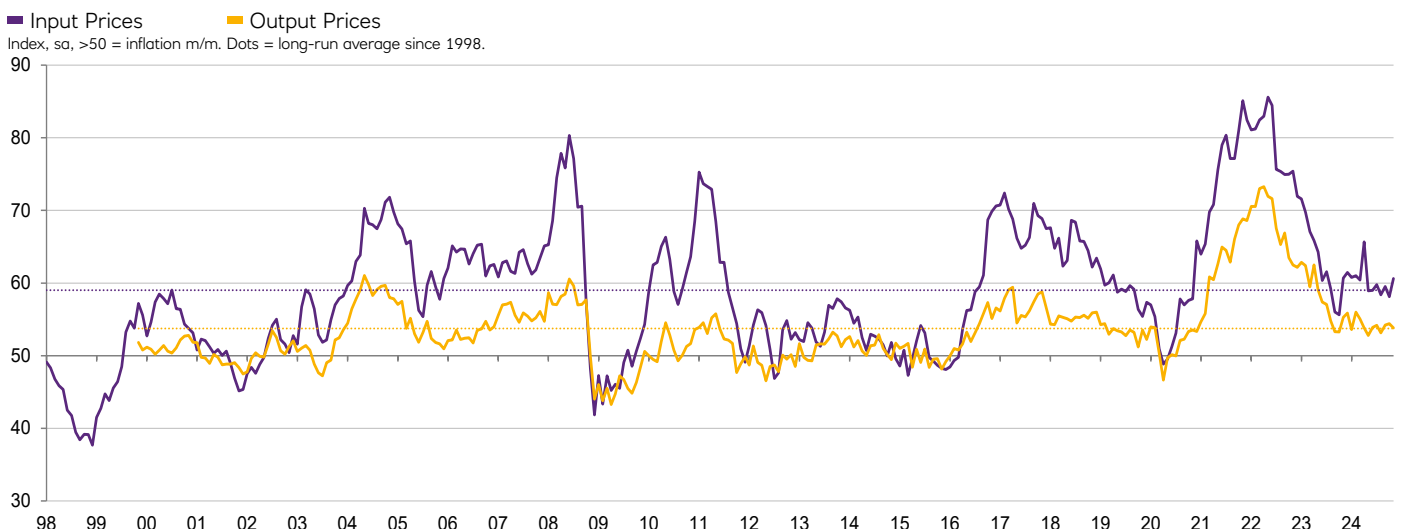
Input cost inflation accelerates to seven-month high

As has been the case in every month since June 2020, private sector companies in Yorkshire & Humber registered an increase in their operating costs during November. Sources of inflation included fuel, transport, insurance, raw materials and labour, anecdotal evidence showed. The extent of the uplift in local firms' expenses was

the quickest in seven months and marginally faster than that seen for the UK overall.

In response to greater input prices, Yorkshire & Humber companies raised their own charges during November. That said, local businesses were less aggressive when setting prices, with the uptick the softest since August.

"One thing to monitor is the uptick in costs, as this may make it more challenging for companies to keep their own charges competitive."



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

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

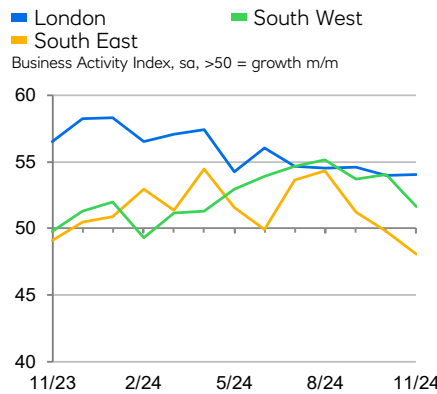
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



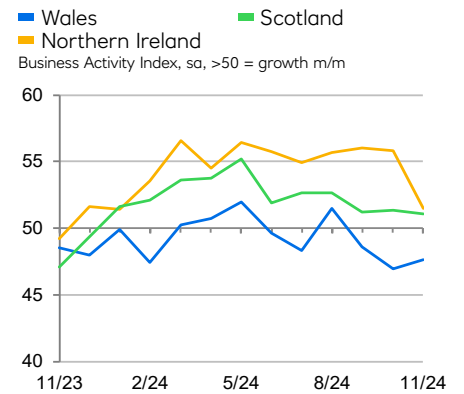
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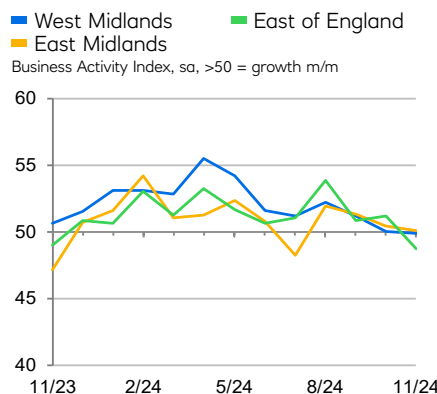
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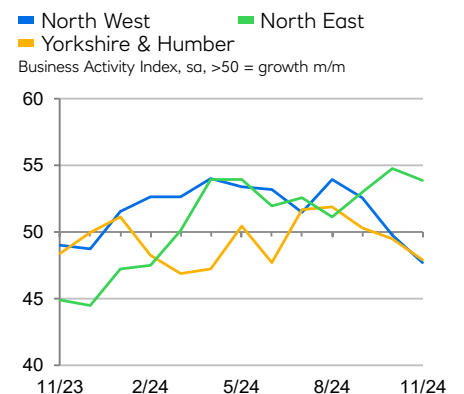
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Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Growth Tracker heat map

November 2024

Darker colour = higher business growth

Yorkshire & Humber

Business Activity Index
sa, >50 = growth m/m

48.0



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

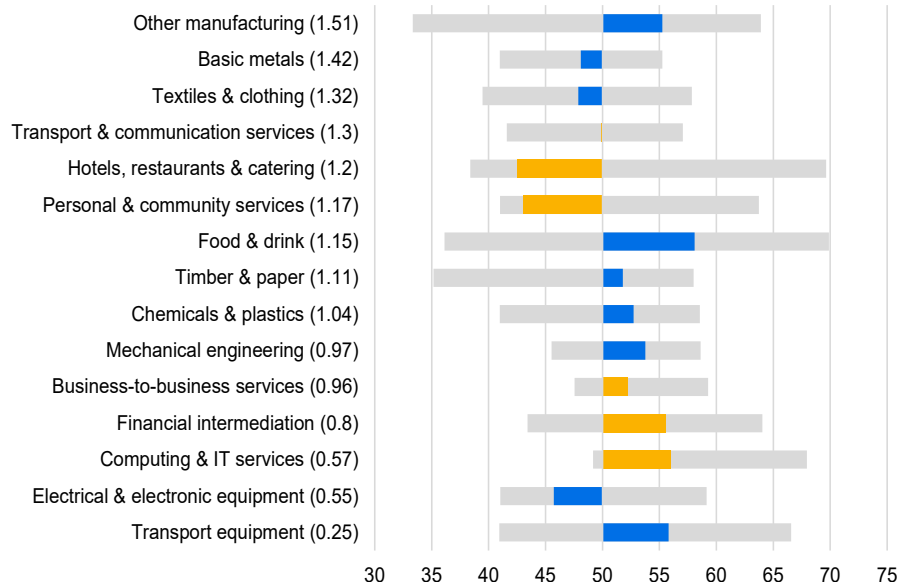
UK sectors

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 Nov '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).

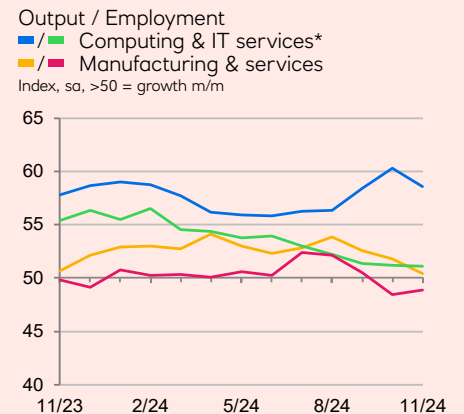
Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



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.

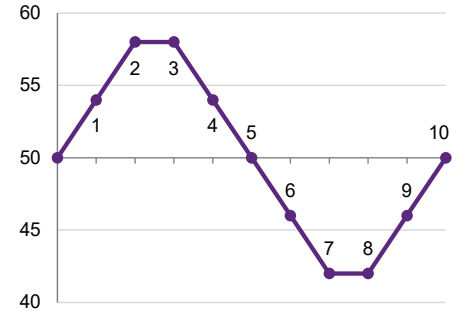
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index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

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
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
8/24	51.9	54.0	51.3	51.5	46.0	70.9	58.4	53.2
9/24	50.4	51.9	50.5	48.5	46.1	67.6	59.5	54.2
10/24	49.5	52.8	50.8	50.1	45.2	73.3	58.1	54.4
11/24	48.0	49.6		50.1	43.6	62.0	60.6	53.8

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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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