

12 November 2024

NatWest Yorkshire & Humber Growth Tracker

Business confidence at three-month high across Yorkshire and Humber



NatWest

PMI[®]

by **S&P Global**

12 November 2024

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Key findings

October 2024

Renewed confidence across region as new order growth strengthens

Decline in private sector activity

Business activity shrinks for first time since June

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





Business confidence at three-month high

New business intakes grew at a quicker pace, signalling stronger demand, according to the latest Regional growth tracker data for Yorkshire & Humber.

The latest survey data also revealed a marked uptick in local business confidence. The level of optimism was its greatest for three months and among the highest seen across the monitored UK areas. Positive sentiment stemmed from hopes of a pick-up in confidence, investment activity and new product launches.

However, 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 – fell below the critical 50.0 value to 49.5 in October, from 50.4 in September, signalling a renewed decrease in local output volumes.

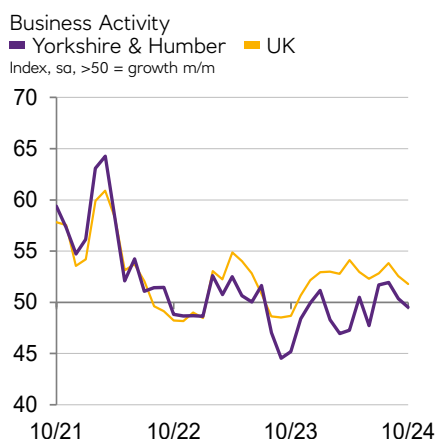
Of the 12 monitored UK regions and nations, only Wales performed worse than Yorkshire & Humber. The UK as a whole registered a modest expansion in business activity during October, although growth slumped to an 11-month low.

NatWest Yorkshire & Humber Business Activity Index, October 2024

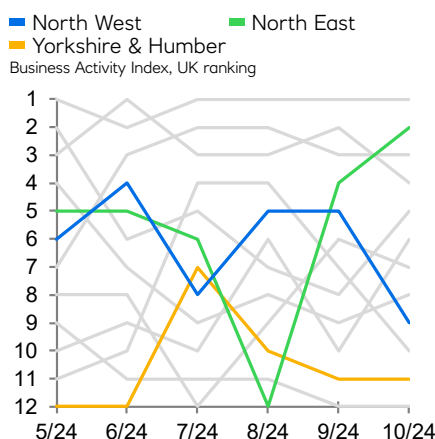
49.5

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 10-29 October



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



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



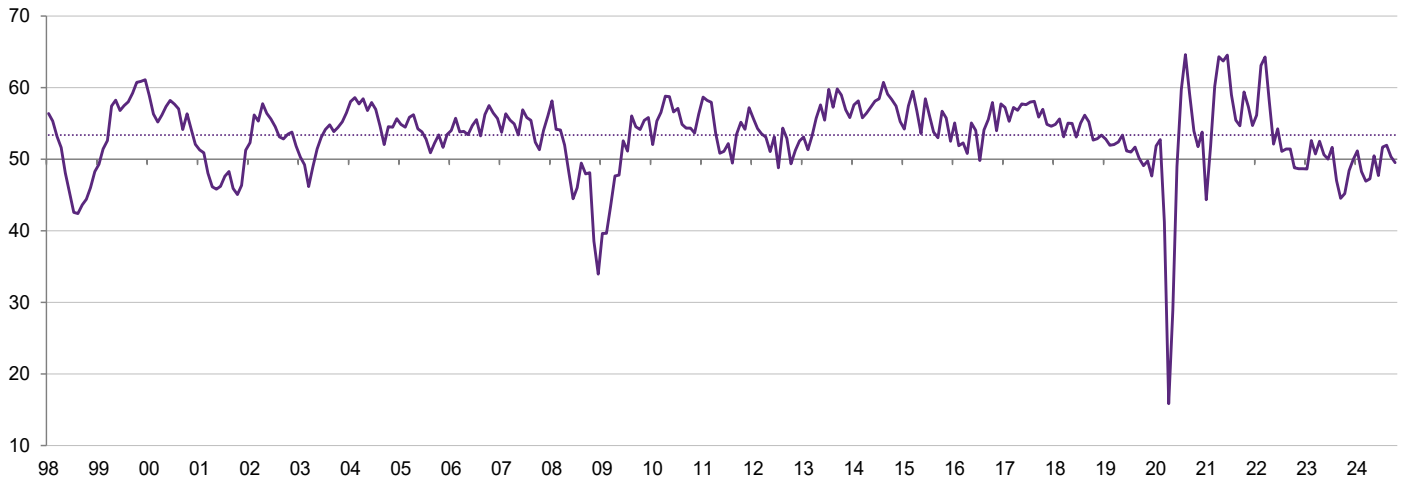
Comment

Sebastian Burnside, chief economist, NatWest Group, commented:

“Indicators within our regional growth tracker offer some reason for optimism. New business growth strengthened, suggesting that demand conditions are in a good spot and should drive activity higher in the near-term. Business confidence also strengthened, while the local labour market showed resilience. A further easing of cost pressures will also be welcomed by local businesses.”

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

Growth expectations improve amid stronger upturn in new business

For the fourth month in a row, demand for Yorkshire & Humber goods and services improved during October. Additionally, the pace of the upturn quickened and was broadly in line with the UK average. Greater customer appetite and increased investment activity underpinned the expansion, anecdotal evidence showed.

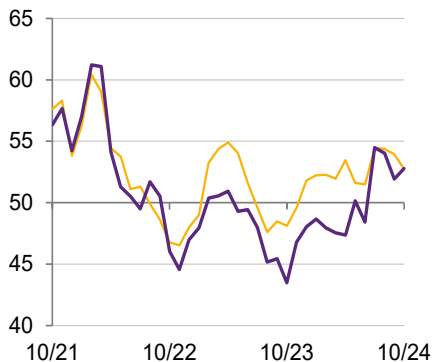
Of the 12 parts of the UK tracked by the survey, Yorkshire & Humber ranked fifth for new order growth during October.

The latest survey data also revealed a marked uptick in local business confidence. The level of optimism was its greatest for three months and among the highest seen across the monitored UK areas. Positive sentiment stemmed from hopes of a pick-up in confidence, investment activity and new product launches.

"New business growth strengthened, suggesting that demand conditions are in a good spot and should drive activity higher in the near-term."

New Business

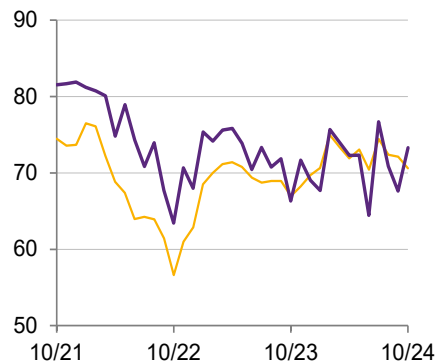
■ Yorkshire & Humber ■ UK
Index, sa, >50 = growth m/m



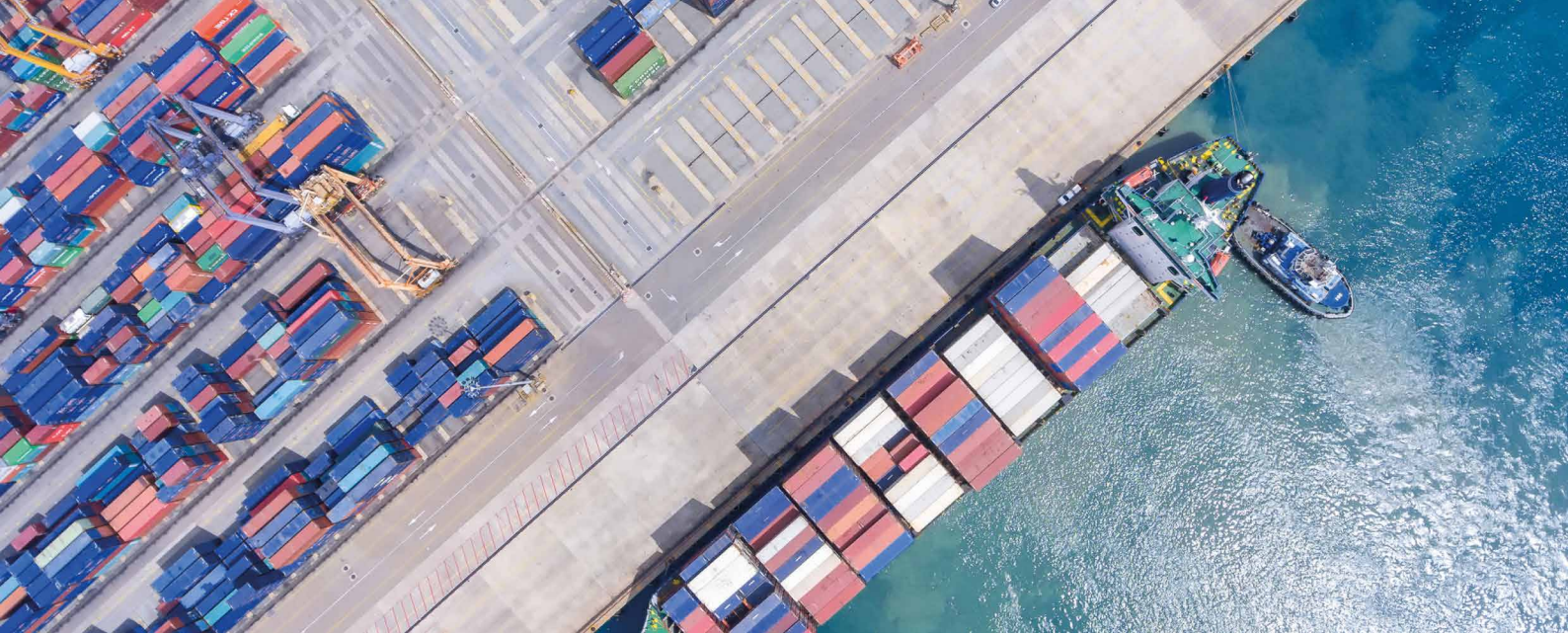
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

Future Activity

■ Yorkshire & Humber ■ UK
Index, >50 = growth expected



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



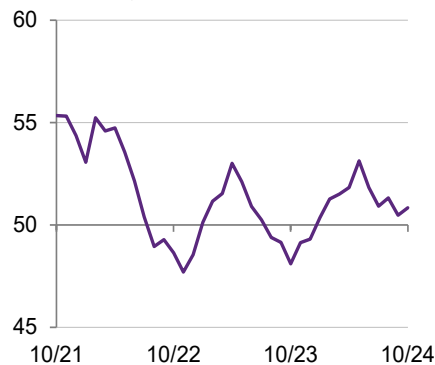
Export markets

Sluggish pick-up in export market conditions for Yorkshire & Humber firms

The ECI once again posted above the critical 50.0 threshold which separates improvement from decline in October, although at 50.8 (compared to 50.5 previously), the index was indicative of just a sluggish pick-up when compared to September. The ECI's long-run average value is 53.0.

Challenging market conditions persisted in Europe, with major markets such as Germany, France and the Netherlands contracting.

Export Conditions
Index, sa, >50 = growth m/m

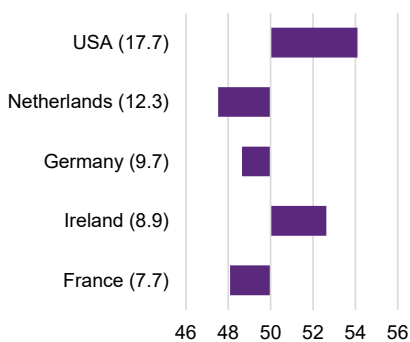


Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

The Yorkshire & Humber Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the Yorkshire & Humber. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

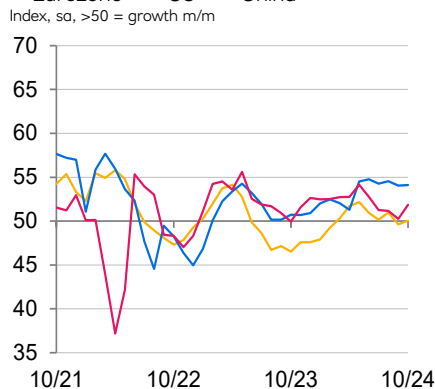
Top export markets, Yorkshire & Humber
% share of exports shown in brackets

Output Index, sa, >50 = growth m/m Oct '24



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

Output
Index, sa, >50 = growth m/m



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



Jobs and capacity

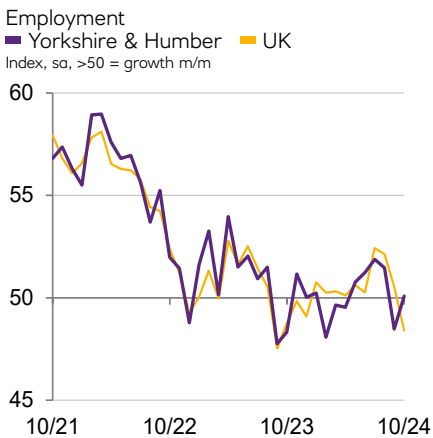
Local employment levels stagnate in October

Private sector companies in Yorkshire & Humber recorded virtually no change to employment numbers at the beginning of the fourth quarter. This contrasted with September, where jobs were cut for the first time since April. While some businesses hired additional staff to bolster their output volumes and prepare for future growth, others lowered staffing capacity via the non-replacement of leavers, anecdotal evidence showed.

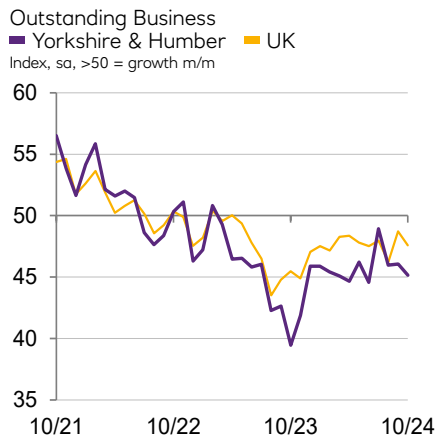
Notably, the local employment trend compared favourably against the UK as a whole, which registered its first month of job shedding since December 2023.

Meanwhile, the latest survey data revealed a strong reduction in the level of work-in-hand (i.e. orders yet to be completed) across Yorkshire & Humber. The depletion was the fastest since June and the third-quickest of the 12 monitored UK areas.

"...the local labour market showed resilience"



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



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



Inflation

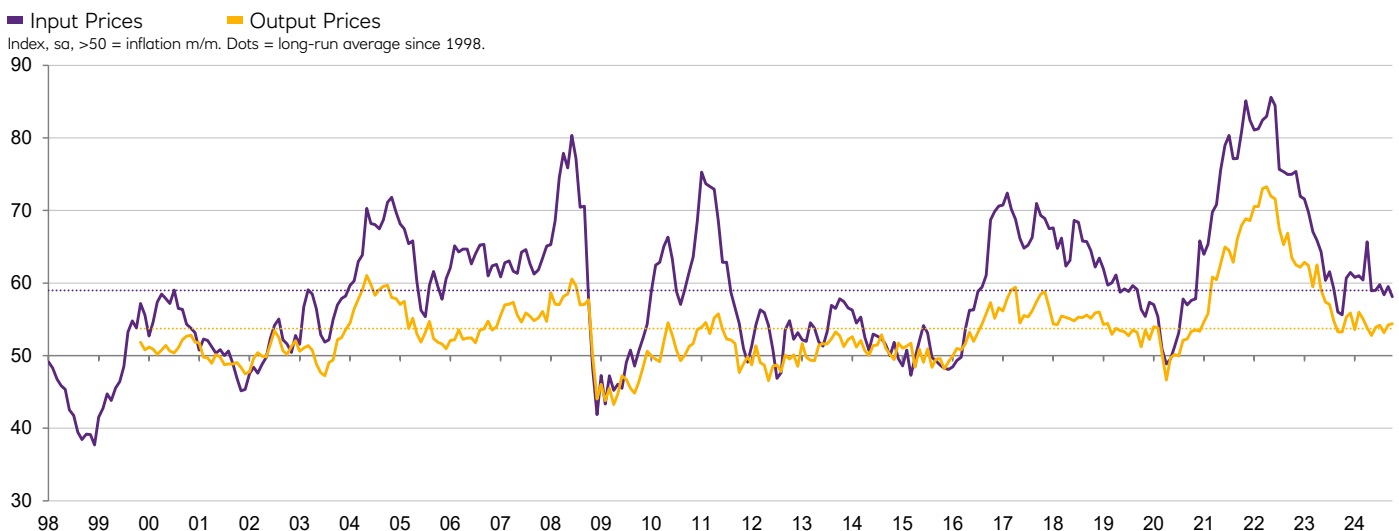
Input price inflation cools to 12-month low

There was a further increase in operating costs for private sector businesses in Yorkshire & Humber during October. Panel members reported higher costs for staff, transportation and certain purchases such as plastics and commodities. However, the overall rate of inflation cooled to a

12-month low and sat just below the UK-wide average.

The pass-through of higher costs to clients was seen by an uptick in output charges during the latest survey period. The extent to which selling prices for local goods and services rose was solid and marginally stronger than that seen in September. It was also broadly in line with that seen nationally.

"A further easing of cost pressures will also be welcomed by local businesses."



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

UK Regional Growth Tracker

Business Activity

Just over half of the 12 UK nations and regions saw a rise in business activity in October, down from 11 in September. Northern Ireland continued to see the strongest growth, while there were also solid increases in output across the North East, South West and London. Wales recorded the steepest drop in activity and was joined in contraction by Yorkshire & Humber, the South East and North West.

Employment

Most areas of the UK recorded a reduction in employment as the final quarter of the year got underway. As was the case with business activity, Wales recorded the most marked decline – its sharpest for nine months. Other notable decreases were seen in the West Midlands, East of England and South East. For the fourth month running, the strongest rate of job creation was registered in Northern Ireland.

Future Activity

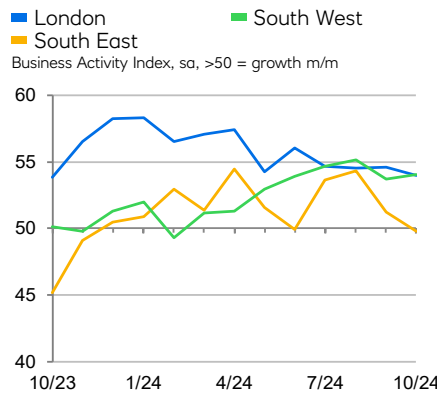
Business expectations remained positive across the board, but in just over half of cases there was a decrease in optimism from the month before. This included Northern Ireland, which saw sentiment weaken to a ten-month low and recorded the lowest degree of business confidence UK-wide. At the other end of the scale, the North West saw expectations improve notably to the highest since July.



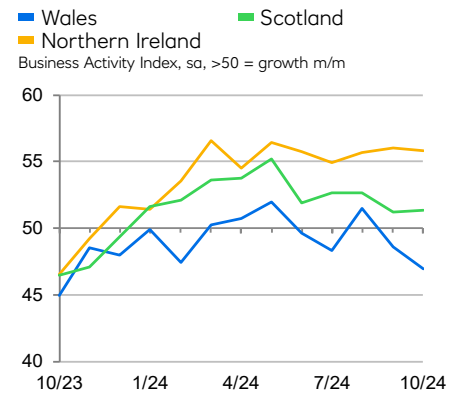
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



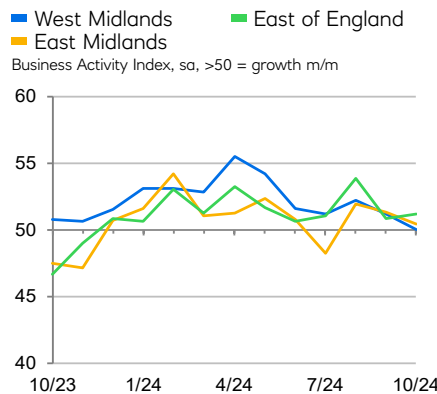
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



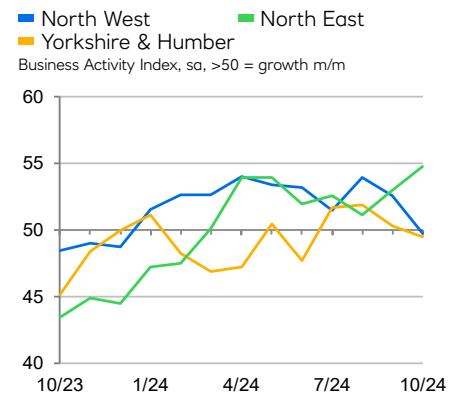
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



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



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

Growth Tracker heat map

October 2024

Darker colour = higher business growth

Yorkshire & Humber

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

49.5



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

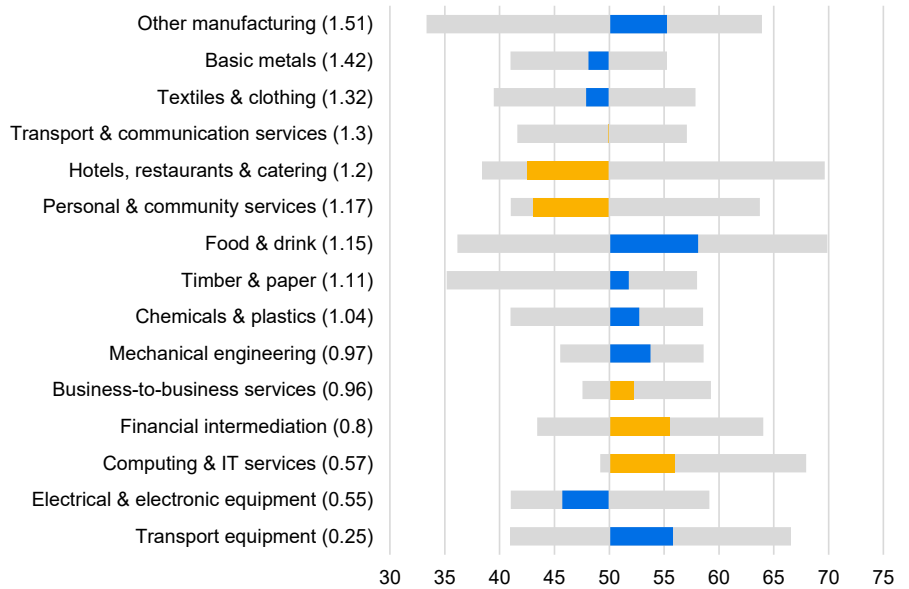
UK sectors

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 Oct '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: Basic metals

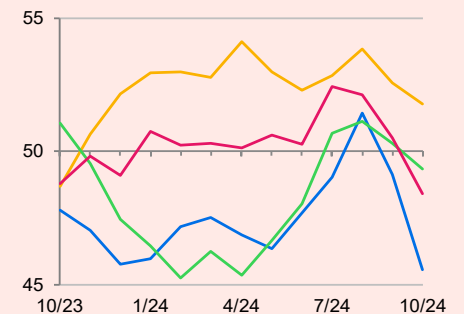
The basic metals sector acted as a notable drag on overall UK economic growth in the three months to October. It recorded the steepest drop in output since Q2 2023 and was the worst-performing sector of those monitored across manufacturing and services.

Basic metals producers reported persistent weakness in demand, with new orders having been in decline for almost two-and-a-half years. A lack of export sales was a contributing factor, underlying data showed.

Employment was also down in the three months to October, following a brief spell of job creation over the summer months. This reversal in recruitment activity coincided with a dip in optimism towards the outlook.

Turning to prices, the basic metals sector saw muted inflationary pressures, with both input costs and output prices rising at rates well below their respective historical averages. Supply-side conditions were relatively stable, as highlighted by only a fractional increase in average lead times on inputs.

Output / Employment
 ■/■ Basic metals*
 ■/■ Manufacturing & services
 Index, sa, >50 = growth m/m



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.

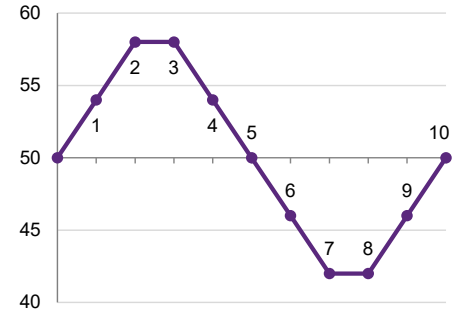
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index 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
5/24	50.5	50.2	53.1	50.8	46.2	72.3	58.9	52.8
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

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