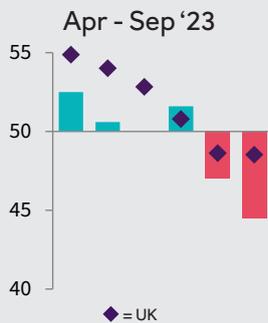




NatWest Yorkshire & Humber PMI®

Yorkshire & Humber business activity falls at fastest pace since January 2021

Yorkshire & Humber Business Activity Index



Key findings

Yorkshire & Humber among the UK's bottom performers in September

The North East the only region to see a stronger fall in business activity

Inflation rates cool; job numbers down at fastest pace since early-2021

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 – signalled another month of falling business activity levels across the region during September, registering 44.5. In fact, this was down from 47.0 in August and indicated the strongest contraction since January 2021. Of the 12 parts of the UK monitored by the survey, only the North East registered a steeper reduction in output.

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

"The private sector economy of Yorkshire & Humber took a turn for the worse during September as business activity fell at the fastest rate since January 2021. Deteriorating demand conditions are clearly weighing on output, and firms are responding by cutting their workforce numbers, only the second time in almost three years in which this has been the case.

"The region is also proving to be a major drag on the UK economy more broadly. Of the 12 parts of the UK tracked by the survey, only the North East recorded a stronger downturn than Yorkshire & Humber in September.

"One area of the survey which moved in a more positive direction was prices, as rates of input cost and output price inflation cooled notably to their weakest since 2020. Falling material costs were cited as a reason for slower price rises, although there continued to be mentions of wage pressures, particularly across the service sector."

Yorkshire & Humber Business Activity Index

sa, >50 = growth since previous month



Contents

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

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

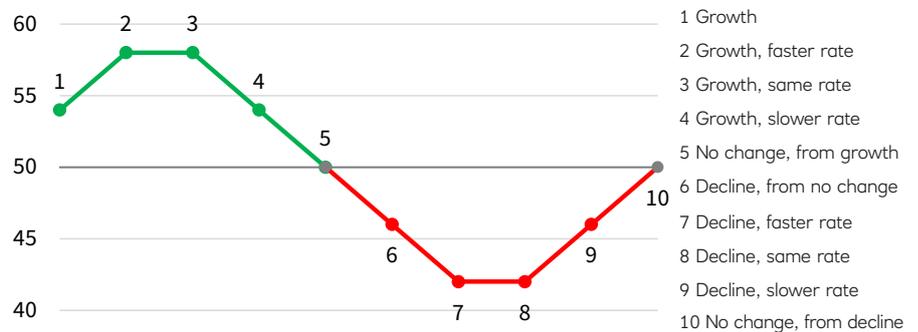
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

The level of incoming new business received by private sector companies in Yorkshire & Humber continued to decrease during September, extending the current sequence of contraction seen since May. Reduced business activity at clients reportedly led to lower intakes of new work.

The rate of decline was strong overall. Of the 12 monitored UK regions, only the North East recorded a faster deterioration in demand.

Firms remain optimistic towards the 12-month outlook

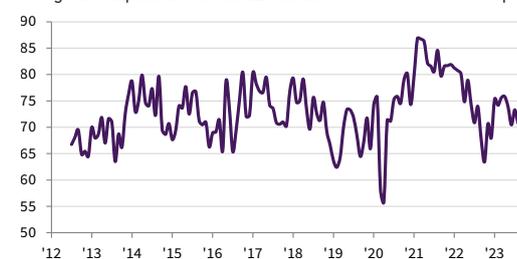
The Future Activity Index continued to record in firm optimistic territory during September. Expectations of sales growth, new product lines and hopes of an economic recovery underpinned confidence, anecdotal evidence showed.

Overall, the level of optimism strengthened since August and was above the UK average.

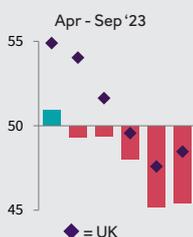
New Business Index
sa, >50 = growth since previous month
45.4
Sep '23



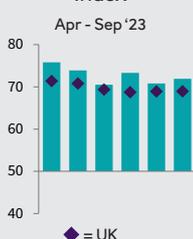
Future Activity Index
>50 = growth expected over next 12 months
71.9
Sep '23



New Business Index



Future Activity Index



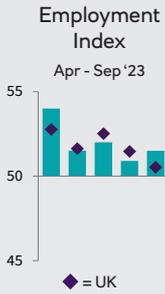
Business capacity

Fastest fall in employment since January 2021

The seasonally adjusted Employment Index registered beneath the no-change mark of 50.0 in September for the first time this year, signalling a renewed fall in workforce numbers across Yorkshire & Humber. The rate at which jobs were cut was modest but the fastest since January 2021.

Panellists cited the non-replacement of voluntary leavers, cuts to temporary staff numbers and redundancies as factors pulling employment lower.

Employment Index
sa, >50 = growth since previous month
47.8
Sep '23

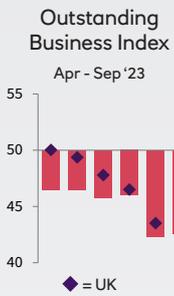


Backlogs of work fall at sharp pace once again

The level of incomplete work at private sector companies in Yorkshire & Humber declined once again during September, signalling a sustained rise in spare capacity. The decrease in backlogs was sharp and only fractionally softer than August's 39-month record.

Where a decrease in work-in-hand was reported, this was linked to reduced order intakes and destocking efforts.

Outstanding Business Index
sa, >50 = growth since previous month
42.6
Sep '23



Prices

Input cost inflation slows to 38-month low in September

Private sector companies in Yorkshire & Humber observed a further increase in their operating expenses during September. Wage pressures were cited as a source of cost inflation, anecdotal evidence showed.

That said, the uptick in costs was the weakest in just over three years and weaker than the series long-run average as some companies commented on lower prices for raw materials.

Input Prices Index
sa, >50 = inflation since previous month
56.0
Sep '23



Input Prices Index
Apr - Sep '23



Prices Charged Index
Apr - Sep '23



Softest rise in output charges for three years

Prices charged by Yorkshire & Humber firms for the provision of goods and services continued to increase at the end of the third quarter. Companies that raised their fees commonly associated this with higher operating costs.

However, the rate of output charge inflation slowed to a three-year low and was well below the UK average.

Prices Charged Index
sa, >50 = inflation since previous month
53.3
Sep '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, Sep 23 ⁺
1	Other Manufacturing	1.54	50
2	Basic Metals	1.46	50
3	Textiles & Clothing	1.32	50
4	Food & Drink	1.22	50
5	Chemicals & Plastics	1.09	50
6	Timber & Paper	1.08	45
7	Mechanical Engineering	0.97	50
8	Electrical & Optical	0.50	45
9	Transport	0.26	50

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Sep 23 ⁺
1	Transport & Communication	1.29	50
2	Hotels, Restaurants & Catering	1.12	50
3	Personal & Community Services	1.07	50
4	Business-to-business Services	0.99	50
5	Financial Intermediation	0.82	50
6	Computing & IT Services	0.62	50

UK sector focus

Business-to-business services

The UK's large Business-to-business services sector contracted during the third quarter. Activity fell at a solid rate that was the fastest for over three years.

The downturn reflected a softening of demand across the sector, with firms recording a notable decline in inflows of new work in the three months to September. Business confidence towards the outlook was at its lowest since the start of the year and subdued by historical standards.

Although employment in the sector continued to rise, the rate of job creation slowed to the weakest in the year-to-date as firms made increasingly rapid inroads into their backlogs of work.

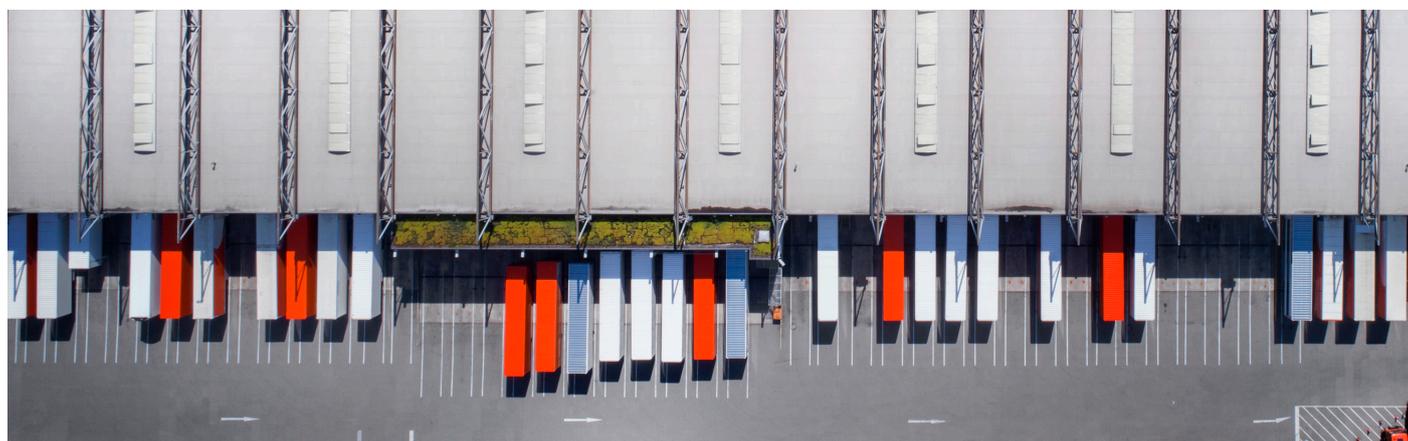
On the price front, input cost inflation remained historically elevated, driven by rising salaries and fuel prices, but it slowed to a two-and-a-half year low. It was a similar story for prices charged.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Business activity fell across all but one of the 12 monitored UK regions and nations, the exception being London. Furthermore, output in the capital increased at an accelerated rate. The North East recorded the sharpest drop in business, its quickest for more than a year, followed by neighbouring Yorkshire & Humber.

Employment

Employment growth was confined to just Northern Ireland* and Scotland in September, albeit with the rates of job creation there slowing to a crawl. Ten of the 12 monitored areas recorded a reduction in staffing levels, the highest number since January 2021. For the third month running, the deepest job cuts were seen in the North East.

Future Activity

As was the case throughout the third quarter, firms in the West Midlands were the most optimistic about future activity in September. Next in the rankings was the South East, which was one of seven regions where confidence improved. The most marked increase in sentiment was in the East of England. Expectations were lowest in the North East.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Sep '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
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
Jun '23	50.0	49.4	50.7	70.5	52.0	45.8	60.3	57.4
Jul '23	51.6	48.0	50.3	73.3	50.9	46.0	61.6	57.1
Aug '23	47.0	45.2	49.3	70.8	51.5	42.3	59.2	54.8
Sep '23	44.5	45.4	49.0	71.9	47.8	42.6	56.0	53.3

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About NatWest

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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.

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.

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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.

About PMI

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.

spglobal.com/products/pmi.html

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