

10 September 2024

NatWest Yorkshire & Humber Growth Tracker

Strongest improvement in business activity for 16 months amid solid new order growth



NatWest

PMI[®]

by **S&P Global**

10 September 2024

NatWest Yorkshire & Humber Growth Tracker

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

August 2024

Business activity rises for second month running

Sustained increase in employment amid positive outlook

Cost burdens at least pronounced in 10 months

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





Strongest rise in business activity since April 2023

August Regional Growth Tracker survey data from NatWest pointed to a sustained improvement in operating conditions in Yorkshire and the Humber, with growth accelerating slightly from July.

Business activity increased for the second successive month midway through the third quarter. That said, the expansion was modest overall and among the weakest of the

monitored UK regions and nations, ahead of only Wales and the North East.

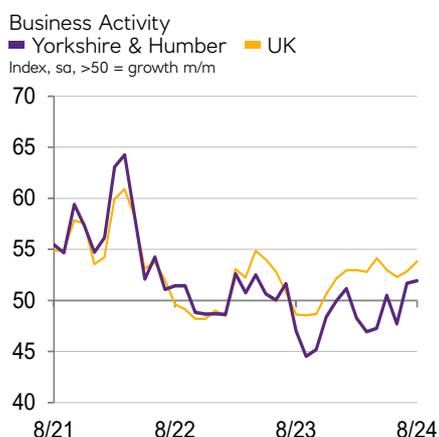
The headline Yorkshire & Humber PMI Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region’s manufacturing and service sectors – rose slightly from 51.7 in July to 51.9 in August to signal the strongest increase in business activity since April 2023.

NatWest Yorkshire & Humber Business Activity Index, August 2024

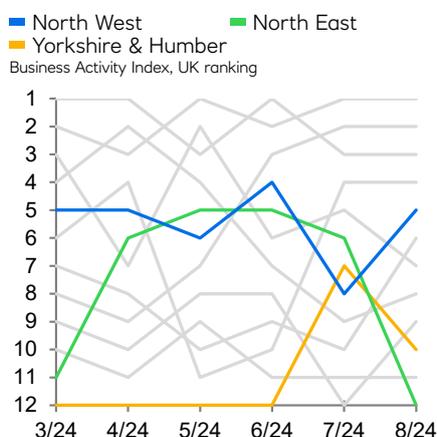
51.9

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 12-28 August



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



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



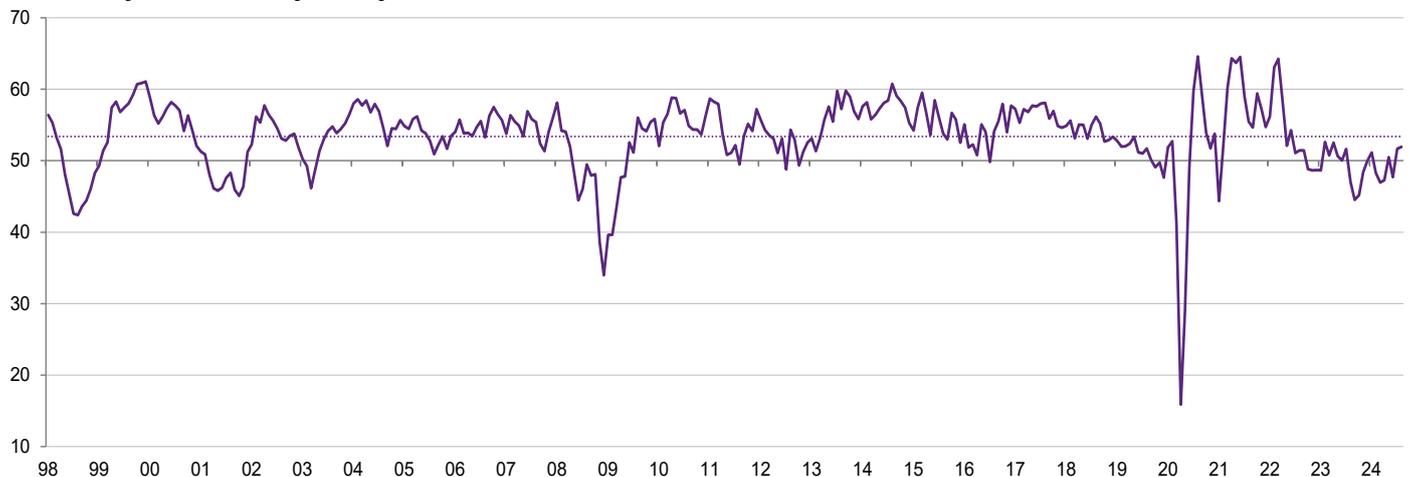
Comment

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

"August marked another positive month for the Yorkshire & Humber private sector, which saw an increase in business activity for the second successive month. Moreover, the rate of growth picked up slightly from that seen in July and reached the strongest for 16 months, while the expansion in new business inflows also remained solid. Concurrently, growth expectations remained robust among private sector companies which buoyed firms to raise employment levels once again. Price pressures meanwhile remained strong in the latest survey period, though the latest rise in cost burdens was the softest since October 2023, and well below the average seen over the past three years."

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

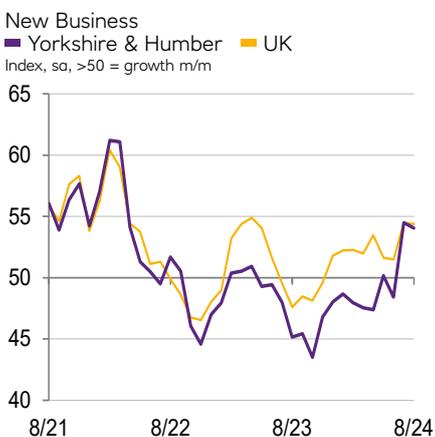
Private sector firms in Yorkshire & Humber saw a second successive increase in new business inflows during August, with the latest increase broadly similar to that seen in the UK as a whole.

Although the rate of new business growth edged down slightly from that seen in July, it was one of the sharpest recorded in the past two-and-a-half years. Surveyed firms commonly linked higher sales this

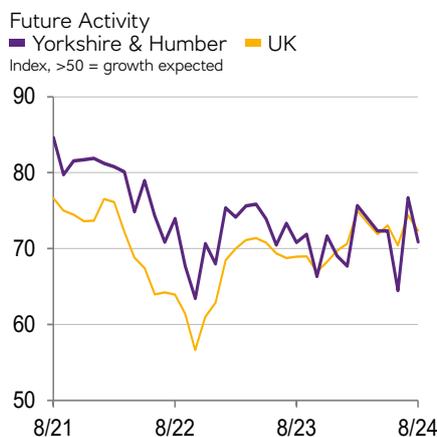
to new contract wins and stronger client confidence.

Firms also remained upbeat regarding the outlook for output over the coming year. The Future Activity Index posted well above the 50.0 no-change mark, signalling robust growth expectations at private sector firms during August. New product launches and strategic business decisions underpinned optimism, according to anecdotal evidence.

"...the expansion in new business inflows also remained solid. Concurrently, growth expectations remained robust among private sector companies..."



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



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Jobs and capacity

Continuing the trend which began in May, private sector businesses in Yorkshire & Humber raised their workforce numbers during the latest survey period.

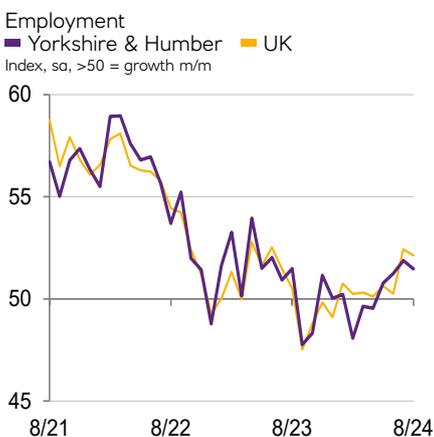
The increase in employment was modest overall, and slightly softer than that seen at the broader UK level. According to survey respondents, higher employment was mostly due to the filling of existing vacancies and efforts to provide additional staff capacity in

preparation for stronger demand.

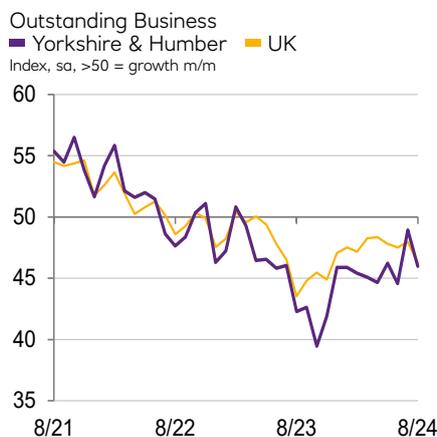
As has been the case for the past year-and-a-half, the seasonally adjusted Outstanding Business Index signalled a sustained reduction in the volume of work pending completion at private sector companies in Yorkshire & Humber.

Furthermore, the latest data pointed to a solid decrease in backlogs of work and one that was in line with the UK average.

"Positive growth expectations buoyed firms to raise employment levels once again."



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



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



Inflation

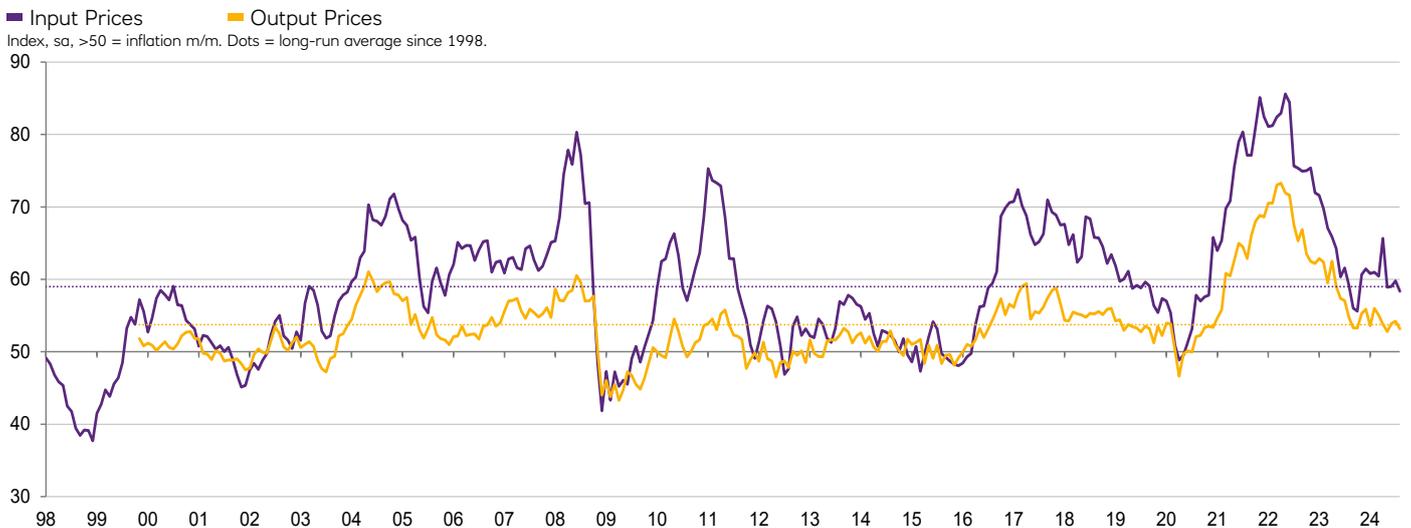
Private sector companies recorded a further steep month-on-month increase in overall operating costs in August, which contributed to a moderate rise in charges.

The rate of input price inflation softened from that seen in the previous survey month to its lowest since October 2023, though it remained robust overall. Greater material, freight and labour costs were reportedly the key factors

behind the latest increase in cost burdens, according to panellists.

Prices charged for the provision of goods and services continued to be raised by companies in Yorkshire & Humber, latest survey data showed. Selling prices were often lifted to offset the impact on margins from greater costs. That said, the extent to which output charges rose was moderate and the slowest for three months.

"...the latest rise in cost burdens was well below the average seen over the past three years."



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

UK Regional Growth Tracker

Business Activity

Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

Future Activity

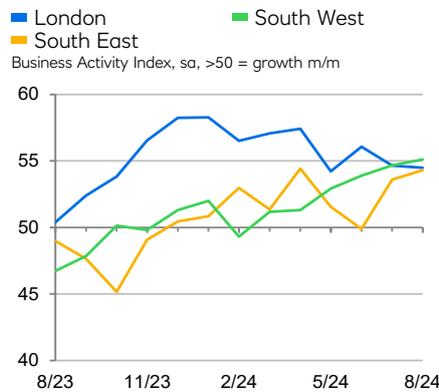
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



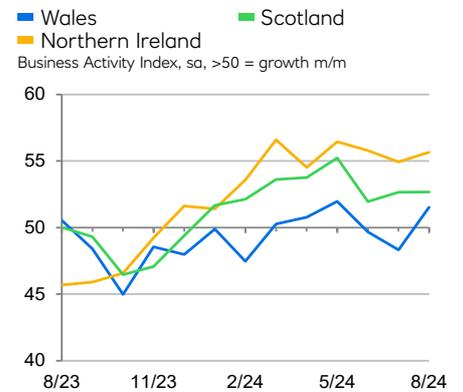
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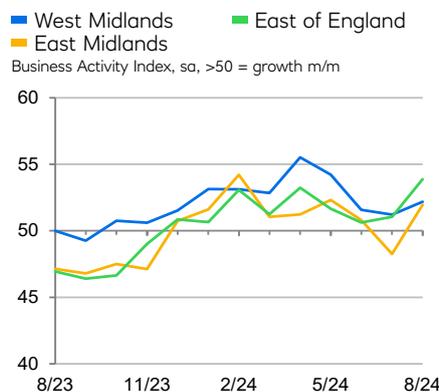
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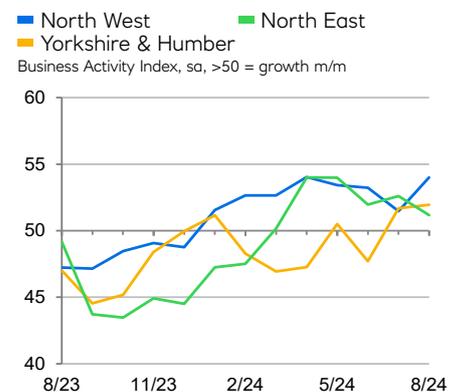
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UK sectors

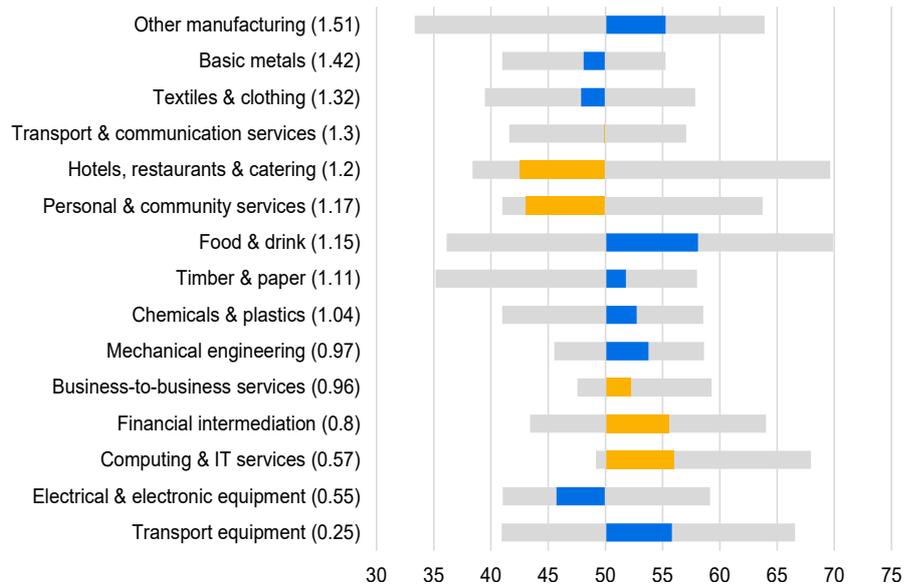
Sector specialisation: Yorkshire & Humber

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 Aug '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: Food & drink

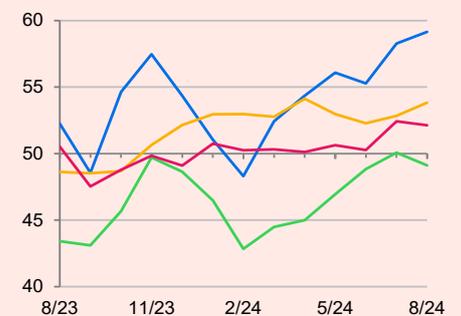
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

Output / Employment
■/■ Food & drink*
■/■ 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.

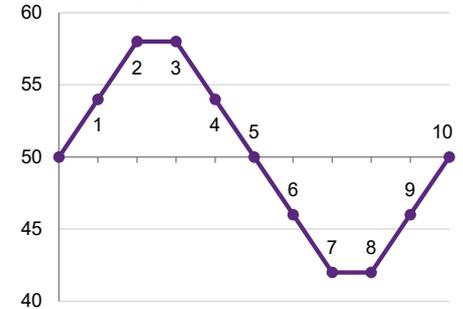
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index 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
3/24	46.9	47.5	51.5	49.6	45.1	74.0	60.4	55.1
4/24	47.3	47.4	51.8	49.5	44.7	72.3	65.7	53.8
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

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