

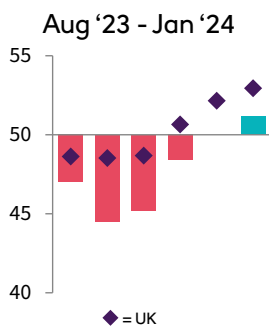


NatWest

# NatWest Yorkshire & Humber PMI<sup>®</sup>

## Yorkshire & Humber activity returns to growth for first time since last July

### Yorkshire & Humber Business Activity Index



### Key findings

Activity growth returns, but new business inflows shrink again

Business confidence remains subdued

Price pressures cool slightly

The headline NatWest Yorkshire & Humber PMI<sup>®</sup> 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 – moved into expansion territory for the first time in six months during January. Up to 51.2, the headline index rose from December’s neutral reading of 50.0 to signal a modest improvement in private sector business activity across Yorkshire & Humber.

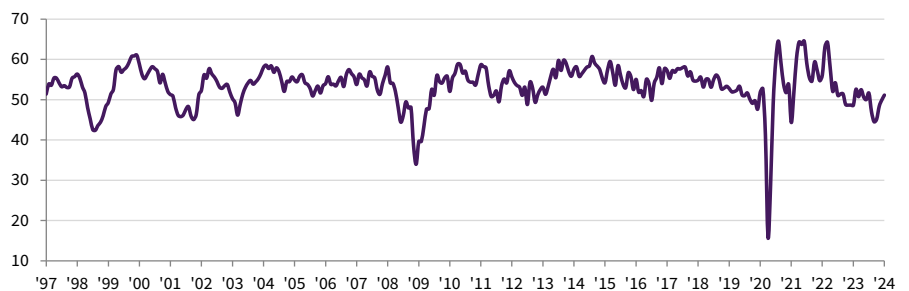
Nevertheless, Yorkshire & Humber firms performed weaker than the national benchmark, with the comparable index for the UK as a whole (52.9) indicative of a solid upturn that was the fastest for eight months.

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

*"The local economy in Yorkshire & Humber is on an upward path. All in all, it seems the slump in the region's activity was short-lived, and business conditions are now steadily improving. Although growth in January was only modest and business confidence remains historically weak, incremental improvements in the underlying data for activity and new business suggest that momentum is at least picking up. Heavy job losses have also been averted, in part supported by backlogs of work. Cooling price pressures and the prospect of falling borrowing costs this year will add further upside for local business."*

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

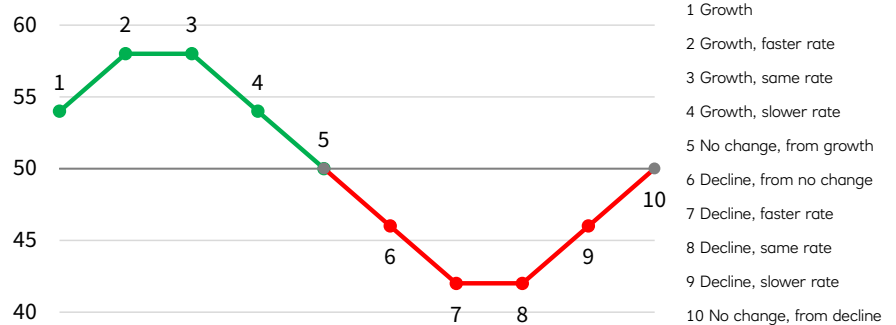
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

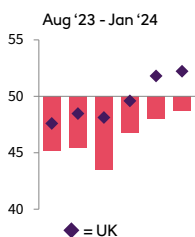
Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New Business Index



### New business weakens, but to softest extent since last June

Private sector companies in Yorkshire & Humber recorded a ninth successive reduction in new business during January. Slowing market conditions and less demand from existing clients led sales performances to worsen, according to anecdotal evidence.

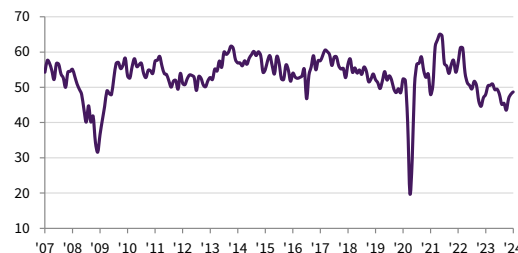
Although the deterioration in new orders was the slowest since June last year, Yorkshire & Humber was the second-worst performer of the 12 monitored UK areas, with only neighbouring North East seeing a sharper decline.

### New Business Index

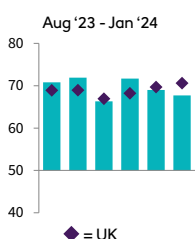
sa, >50 = growth since previous month

48.7

Jan '24



### Future Activity Index



### Year-ahead growth expectations historically weak

Although the Future Activity Index was firmly inside optimistic territory, signalling strong projections of higher output in the next 12 months, it fell to a three-month low and was below its long-run average. Subsequently, this pointed to weak growth expectations by historical standards.

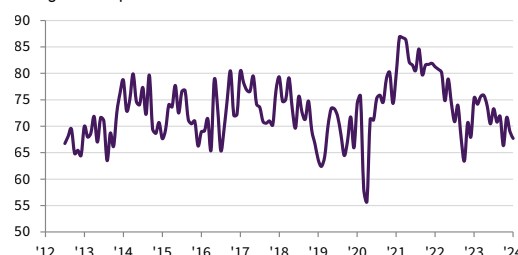
Investment plans, new product development and expected market share gains were reasons given by optimistic firms, although persistent weakness in demand warranted a cautious view, according to others.

### Future Activity Index

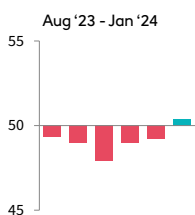
>50 = growth expected over next 12 months

67.7

Jan '24



### Export Climate Index



### Export climate improves for first time in six months

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 posted above the 50.0 no-change mark for the first time since last July, signalling a renewed improvement in economic conditions across the overseas markets that Yorkshire & Humber's firms export to. At 50.4, the index signalled a marginal uplift, compared with a reading of 49.2 in December.

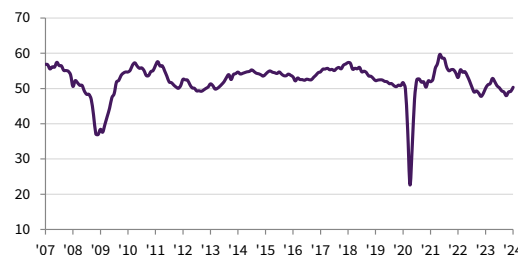
The US was a key area of expansion overseas, as economic activity here rose at the fastest pace in six months. This was partially offset by contractions in European markets.

### Export Climate Index

sa, >50 = growth since previous month

50.4

Jan '24



### Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Jan '24
1	USA	18.1%	52.0
2	Netherlands	14.7%	48.2
3	Germany	9.8%	47.0
4	Ireland	7.9%	50.7
5	France	7.3%	44.6



## Business capacity

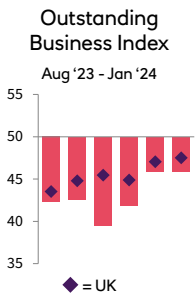
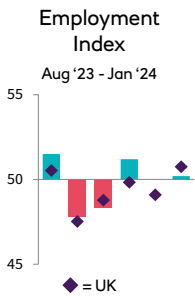
### Employment ticks fractionally higher

The seasonally adjusted Employment Index rose, but held close to the 50.0 no-change threshold at the beginning of the year, indicating a fractional uplift in workforce numbers across Yorkshire & Humber's private sector. Recruitment efforts were broad, with both permanent and temporary staff hired, according to respondents. Some companies opted to not replace voluntary leavers.

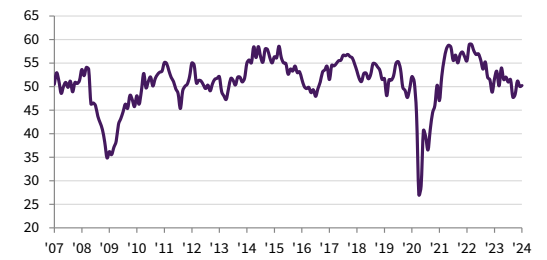
Compared to the UK aggregate, Yorkshire & Humber slightly underperformed, as employment growth recovered to a six-month high.

### Outstanding business falls further

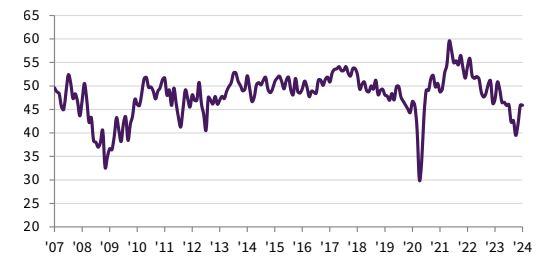
Private sector businesses in Yorkshire & Humber reduced their backlogs of work again in January, extending the current sequence of depletion to nearly a year. The pace of decrease matched that seen in the previous month, and was therefore the joint-softest since last July.



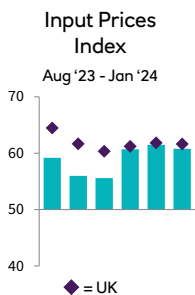
Employment Index  
sa, >50 = growth since previous month  
50.2  
Jan '24



Outstanding Business Index  
sa, >50 = growth since previous month  
45.9  
Jan '24

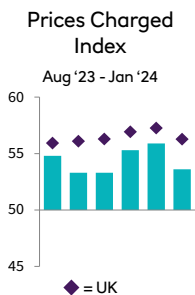
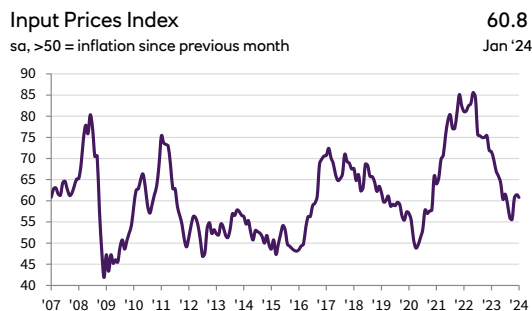


## Prices



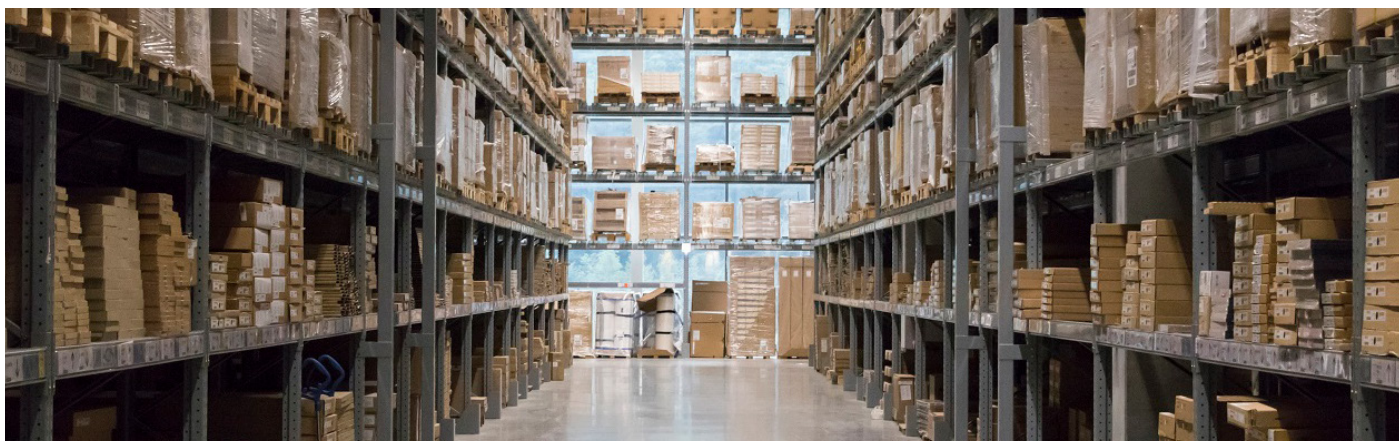
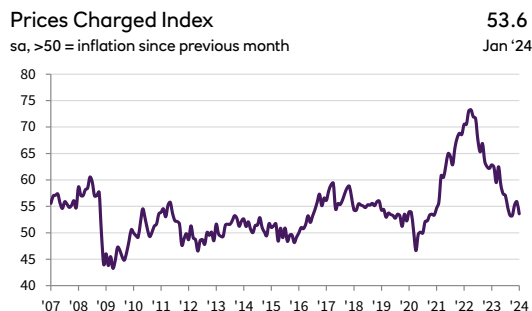
### Input costs rise sharply in January

Operating expenses faced by private sector businesses in Yorkshire & Humber rose at a steep pace during January. Higher shipping costs were mentioned by manufacturers, while service providers linked inflationary pressures to greater wage bills. The overall rate of increase in input prices was slightly softer than the UK average, but nonetheless the fifth-strongest of the 12 monitored parts of the UK.



### Output price inflation among the softest seen in three years

Yorkshire & Humber companies lifted their prices charged for goods and services during the latest survey period. Higher charges often reflected the passing on of higher costs to clients. That said, the overall rate of inflation was one of the slowest recorded since the end of 2020 and was much weaker than seen for the UK as a whole.





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

#### Yorkshire & Humber specialisation: Services

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

## UK sector focus

### Personal & Community Services

Activity across the UK's Personal & Community Services sector fell in the three months to January. It was in fact the only broad category within the UK service sector to record a reduction in activity over that period.

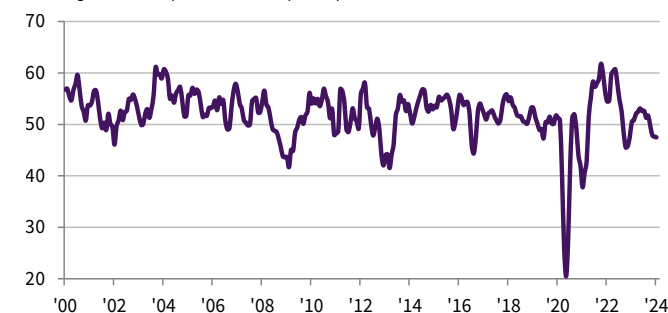
The downturn reflected falling demand, with the decline in new business that began in late-2023 extending into the new year. A lack of pressure on business capacity – as evidenced by falling backlogs of work – led firms in the sector to cut workforce numbers. It continued a run of job losses seen since the middle of last year.

Cost pressures among Personal & Community Services firms meanwhile remained elevated, due in large part to growing wages. Although below the averages in 2022 and 2023, the rate of input price inflation was still above its long-run trend. The increase in prices charged was more subdued by comparison, registering one of the slowest rises in the past two-and-a-half years.

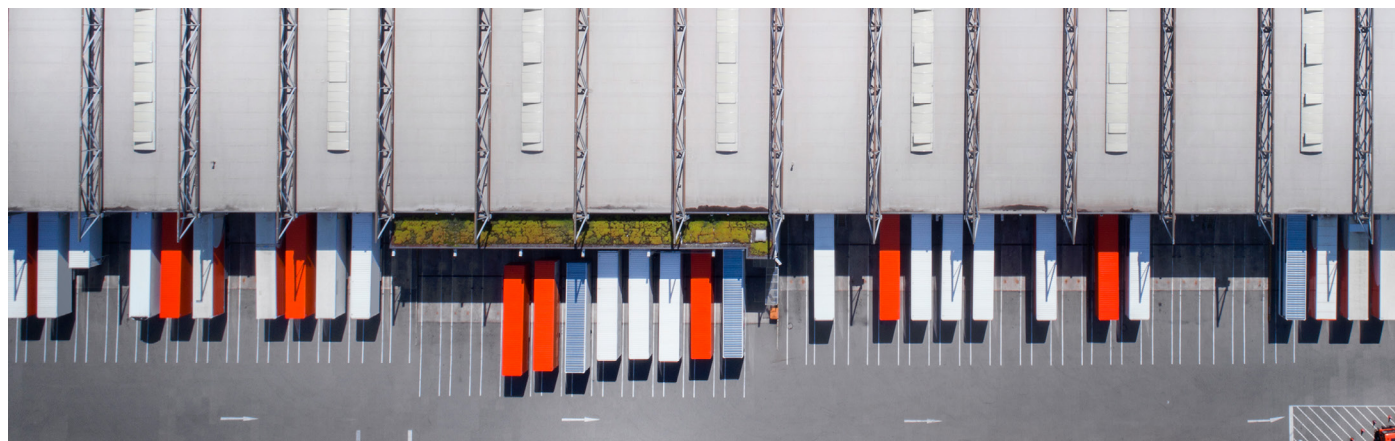
Lastly, latest data showed business expectations in the sector slipping to the lowest for almost a year.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

The majority of UK regions and nations saw a rise in business activity in January. London once again recorded the strongest growth, followed by the West Midlands. Output fell further in the North East, but the rate of contraction slowed notably to the weakest since last August. Activity in Wales was broadly unchanged, following a four-month sequence of decline.

### Employment

January saw a general improvement in labour market trends, with employment either rising more quickly or falling at a reduced rate in almost all cases. London topped the rankings, recording its fastest rate of job creation for six months. Wales recorded the most marked drop in workforce numbers, but the pace of staff shedding did at least ease to the weakest since last October.

### Future Activity

Eight of the 12 monitored regions and nations registered improved business expectations in January. Confidence was highest in the West Midlands, followed by the South East. The greatest upswing in sentiment was seen in Northern Ireland\*. Scotland was one of the areas that went against the trend and recorded the lowest overall degree of optimism.

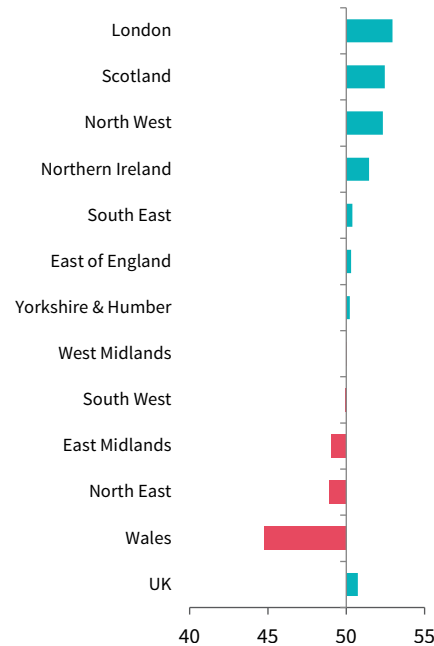
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jan '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
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
Oct '23	45.2	43.5	47.9	66.3	48.3	39.5	55.6	53.3
Nov '23	48.4	46.8	49.0	71.7	51.2	41.9	60.7	55.3
Dec '23	50.0	48.0	49.2	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

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### About NatWest

NatWest serves customers in England and Yorkshire & Humber, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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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Purchasing Managers' Index™ (PMI<sup>®</sup>) 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.

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