

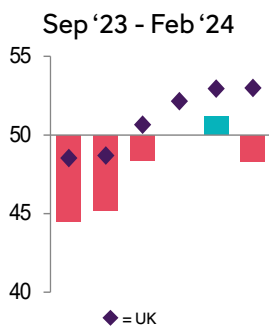
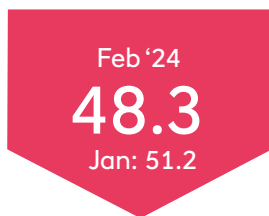


NatWest

NatWest Yorkshire & Humber PMI[®]

Yorkshire & Humber economy dealt fresh setback as activity declines

Yorkshire & Humber Business Activity Index



Key findings

After returning to growth in January, activity falls during February

Region's order books shrink, contrasting with growth at UK level

Inflationary pressures remain stubbornly elevated

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 – fell below the crucial 50.0 mark which separates growth from contraction in February, signalling a renewed drop in business activity across the region. At 48.3, the index was down from January's six-month high of 51.2. The fresh deterioration in private sector output contrasted with the overall UK trend, which was of sustained growth.

Notably, Yorkshire & Humber companies underperformed its regional peers on key barometers of economic health in February. For both new orders and employment, the region saw the fastest rate of decline out of the 12 monitored parts of the UK.

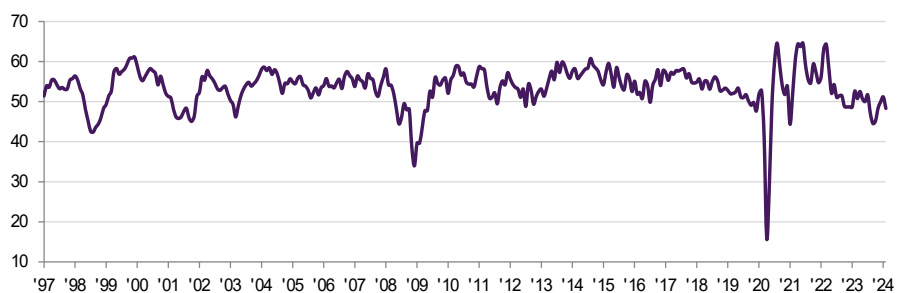
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"After a promising rebound at the start of the year, Yorkshire & Humber's economy has slipped into contraction again. What's noteworthy is the region's divergence from the wider UK trend, which was of robust expansion in February, and suggests the national recovery from recession will be a disjointed one at the regional level."

"Of concern are trends in employment and new business, which were the weakest seen across the 12 monitored parts of the UK. Companies are also struggling with still-elevated inflation and are passing this on to customers despite the weakness in their sales performances. That said, a rebound in business confidence suggests companies are expecting this setback to be temporary."

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

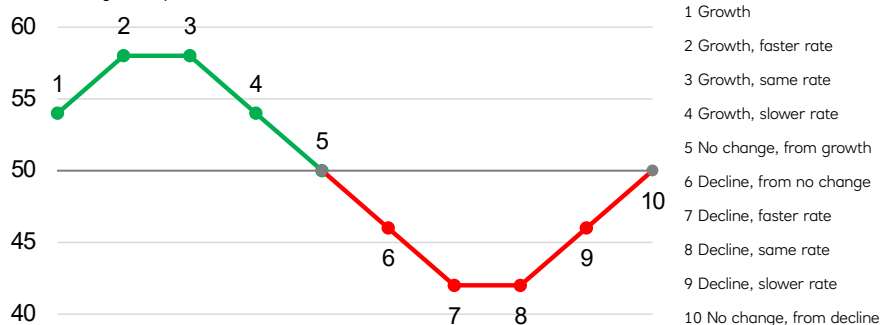
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Demand for goods and services falls further

The seasonally adjusted New Business Index posted below the 50.0 no-change mark in February, signalling a tenth successive month of falling demand for Yorkshire & Humber goods and services. The rate of decline was modest, but worsened slightly. Sluggish market conditions reportedly weighed on customers' appetite for new orders, anecdotal evidence showed.

Notably, of the 12 monitored UK regions, Yorkshire & Humber registered the fastest slump in sales.

Business confidence rebounds to ten-month high

After retreating in both December and January, Yorkshire & Humber firms' 12-month growth expectations rebounded in February to a ten-month high. New product launches, strategic changes and efficiency improvements were all noted as reasons to be optimistic, according to survey respondents.

The overall level of optimism was slightly stronger than seen for the UK as a whole.

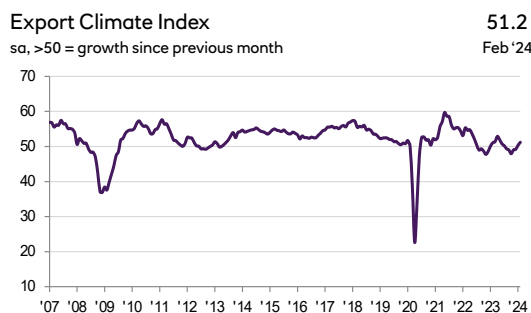
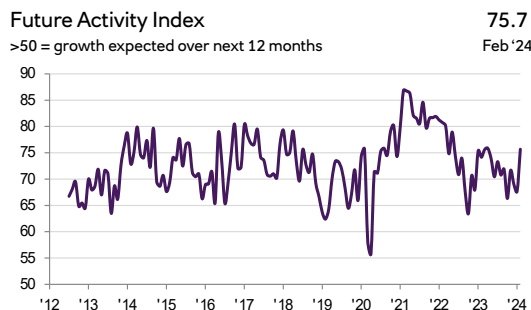
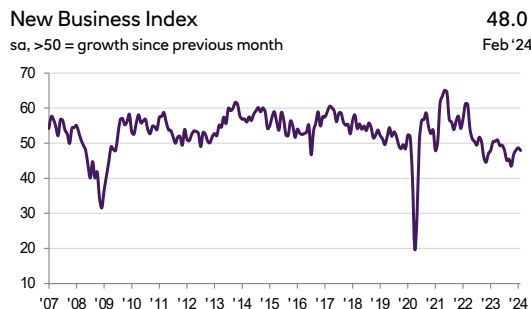
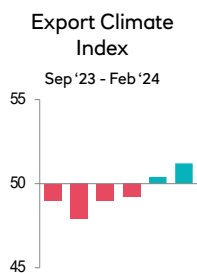
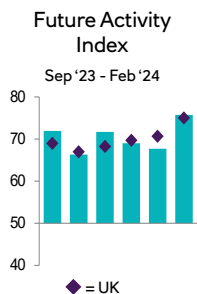
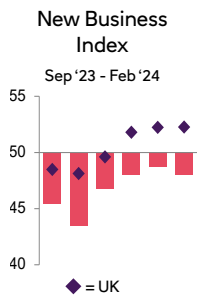
Exports

Strongest improvement in export climate since May 2023

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 Export Climate Index moved further into improvement territory in February, rising from 50.4 in January to a nine-month high of 51.2, thereby signalling a stronger upturn in economic conditions within Yorkshire & Humber's export destinations.

The US was a key driver of February's accelerated improvement, as economic growth here quickened. Ireland, another key overseas market, also contributed as business activity expanded at the sharpest rate in a year.



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Feb '24
1	USA	18.1%	52.5
2	Netherlands	14.7%	49.7
3	Germany	9.8%	46.3
4	Ireland	7.9%	54.4
5	France	7.3%	48.1

Business capacity

Employment slips back into contraction

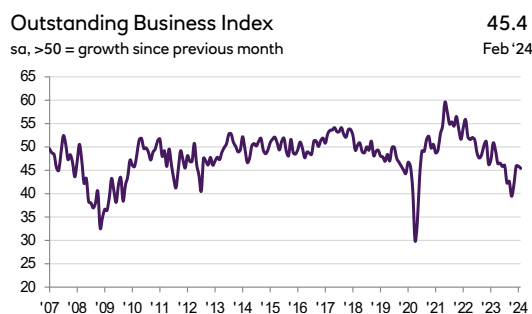
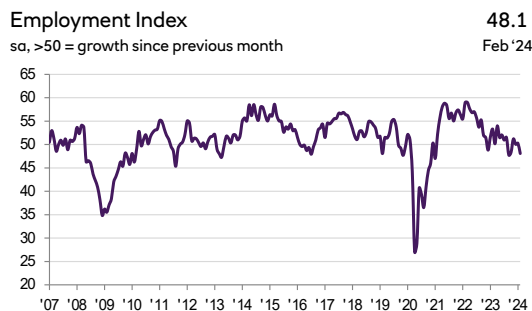
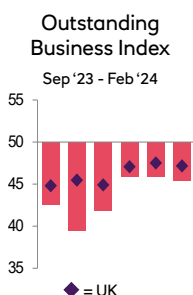
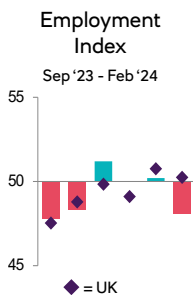
There was a renewed decline in private sector employment across Yorkshire & Humber during February. The respective seasonally adjusted index recorded below the 50 no-change mark for the first time in four months and pointed to a modest rate of job shedding.

As was the case with new orders, Yorkshire & Humber registered the strongest pace of decline in staffing levels of the 12 monitored UK regions. Redundancies and the non-replacement of leavers were methods through which employers cut their headcounts.

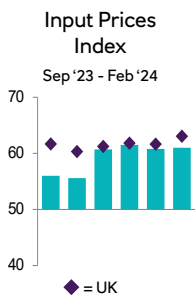
Backlogs of work continue to decrease

Softening capacity pressures within Yorkshire & Humber were evidenced by another month of falling backlogs of work in February. The seasonally adjusted Outstanding Business Index posted below the neutral 50.0 threshold for a twelfth successive month.

Overall, the rate of reduction in orders pending completion was solid and the fastest for three months. Some survey respondents noted that demand conditions were too weak to drive backlogs higher.



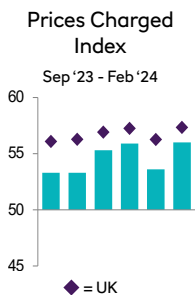
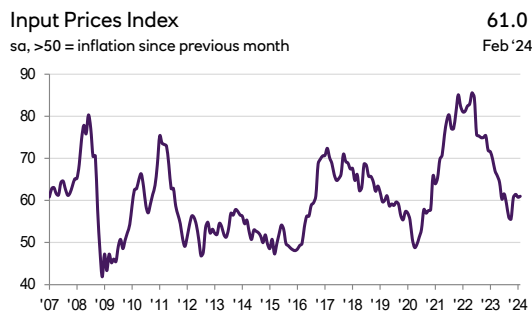
Prices



Cost pressures remain elevated

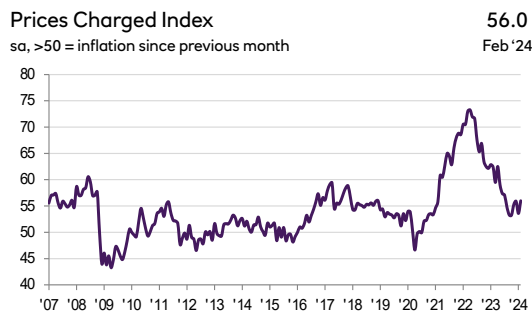
The latest PMI data showed a persistence of stubborn cost pressures for companies in Yorkshire & Humber midway through the first quarter. This was signalled by the seasonally adjusted Input Prices Index, which held firmly above both the 50.0 no-change mark and its long-term average (58.5 since 1997).

Where a rise in operating expenses was reported, increased transport costs were mentioned, while others noted greater wage pressures.



Output charge inflation quickens to seven-month high

With input price pressures remaining steep, private sector firms in Yorkshire & Humber responded by lifting their selling fees in February. The rate of increase was strong and the fastest since July last year. Higher selling prices reflected the passing on of greater costs, anecdotal evidence showed.



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, Feb '24 ⁺
1	Other Manufacturing	1.51	48
2	Basic Metals	1.42	47
3	Textiles & Clothing	1.32	46
4	Food & Drink	1.15	45
5	Timber & Paper	1.11	50
6	Chemicals & Plastics	1.04	51
7	Mechanical Engineering	0.97	52
8	Electrical & Optical	0.55	44
9	Transport	0.25	53

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Feb '24 ⁺
1	Transport & Communication	1.30	52
2	Hotels, Restaurants & Catering	1.20	53
3	Personal & Community Services	1.17	48
4	Business-to-business Services	0.96	51
5	Financial Intermediation	0.80	54
6	Computing & IT Services	0.57	55

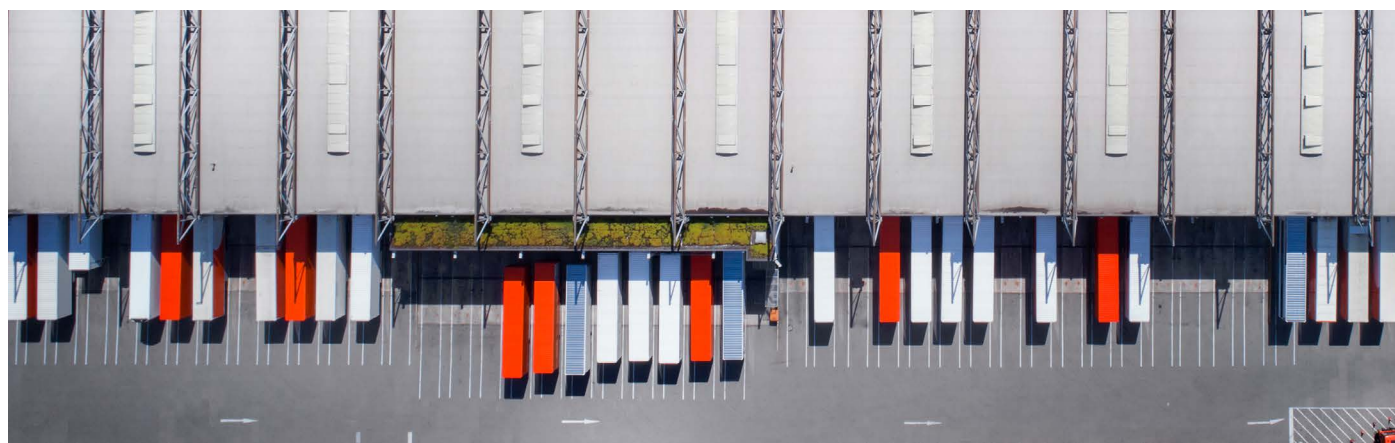
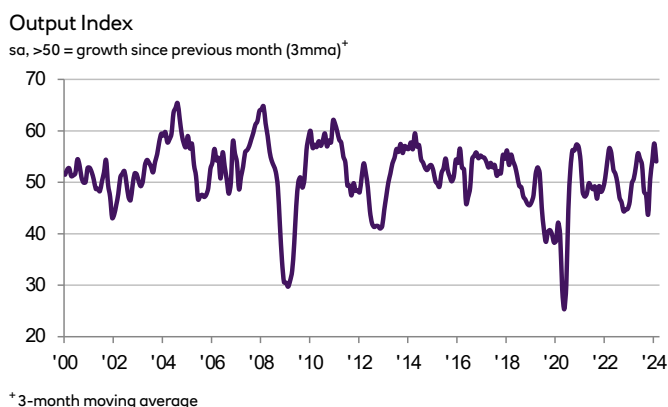
UK sector focus

Transport Manufacturing

Transport manufacturers recorded solid output growth in the three months to February. This was in contrast to the sustained downturn in overall UK goods production over the same period.

That said, the upturn in Transport output merely represented a rebound from the decline seen last autumn, and underlying demand in the sector remained weak. New orders continued falling in line with the trend throughout the second half of last year, albeit with the rate of decline easing. Lower sales from abroad were a factor. The disparity between rising output and shrinking order books contributed to a marked rise in stocks of finished goods in the three months to February.

Production expectations in the Transport manufacturing sector were close to the lowest seen over the past three years. Latest data meanwhile showed employment falling – albeit marginally – for the first time since the first quarter of 2023, with firms also cutting back on purchasing activity.



UK Regional PMI overview

Business Activity

Two-thirds of the monitored UK nations and regions recorded business activity growth in February. London remained out in front despite seeing its pace of expansion ease to a three-month low. At the other end of the scale, Wales posted a solid and accelerated fall in output, while declines were also seen in the North East, Yorkshire & Humber and South West.

Employment

Scotland topped the rankings for employment growth for the fourth time in the past five months in February, pushing London back down into second place. The East of England, Northern Ireland*, South West and South East all saw slight increases in workforce numbers, while the North West recorded no change. Job cuts were seen everywhere else.

Future Activity

Business expectations improved in the majority of areas midway through the opening quarter. The South East recorded the highest degree of optimism, the first time this has been the case for eight months. Confidence was lowest in the North East, which was one of just two areas where sentiment weakened from the month before (along with the West Midlands).

Business Activity Index

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



Employment Index

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

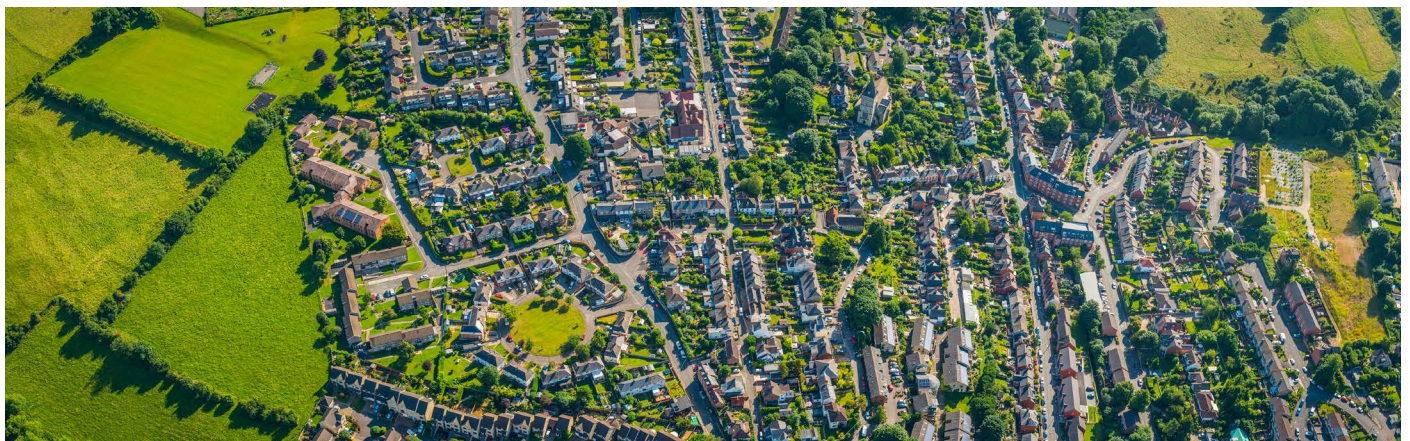


Future Activity Index

>50 = growth expected over next 12 months, Feb '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
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
Feb '24	48.3	48.0	51.2	75.7	48.1	45.4	61.0	56.0

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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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