

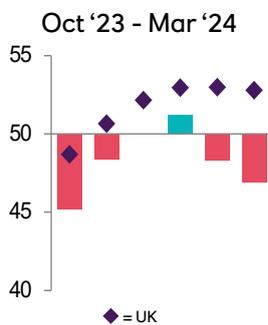


NatWest

NatWest Yorkshire & Humber PMI[®]

Yorkshire & Humber the worst performing UK area in March as activity decline quickens

Yorkshire & Humber Business Activity Index



Key findings

Downturn in business activity at its strongest since last October

Declines in output and new business the fastest of 12 UK areas

Employment falls but business confidence remains robust

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 an intensified slump in the local economy at the end of the first quarter. Falling to 46.9 in March, from 48.3 in February, the headline index signalled a second straight monthly decrease in business activity across Yorkshire & Humber, and one that was the quickest since October last year.

Notably, Yorkshire & Humber was the worst-performing part of the UK, both in terms of business activity and new orders during March. In fact, the region was the only monitored UK area where output levels shrank at the end of the first quarter.

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

"The latest survey data mark a particularly grim end to the first quarter of 2024 for the Yorkshire & Humber economy, being the only part of the UK where business activity shrank in March. Order books and employment are key reasons for this, with both declining once again.

"That said, despite a disappointing month, this has not served to knock business confidence, which remains at a strong level. This should provide some assurance that these weak figures are temporary, and activity and demand indicators should hopefully pick up as we move towards the summer."

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

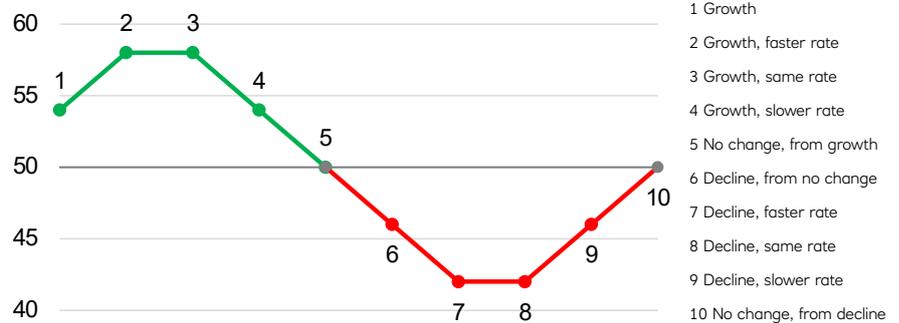
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

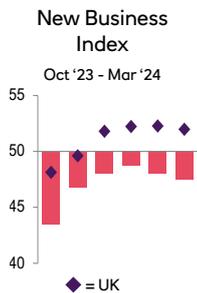
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



Demand and outlook



Quickest fall in new business since November 2023

The amount of new business secured by private sector companies in Yorkshire & Humber continued to decrease in March, in line with the trend since May last year. The rate of decline also gathered pace and was the quickest in four months. Weak market conditions were commonly noted as a reason for fewer sales.

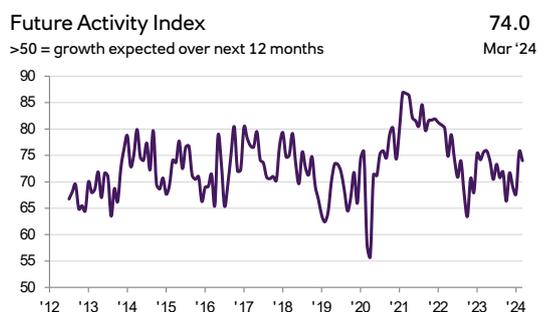
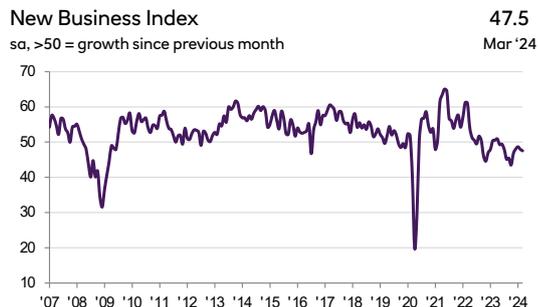
The contraction seen locally contrasted markedly with expansion for the UK as a whole. Of the 12 monitored UK areas, Yorkshire & Humber registered the steepest slump in new orders during March.



Business confidence remains strong in March

March survey data signalled a strong level of optimism towards Yorkshire & Humber business activity for the next 12 months. According to respondents, new client wins, investment and expectations of a pick-up in the UK economy supported confidence.

The growth outlook across the region was stronger than seen for the UK overall.



Exports

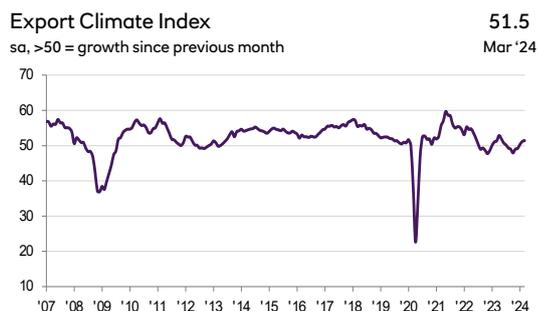


Yorkshire & Humber ECI rises to 10-month high

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 recorded above 50.0 and therefore in improvement territory for a third month running in March. At 51.5, the ECI was up slightly from 51.2 in February and signalled a further modest uptick in export conditions.

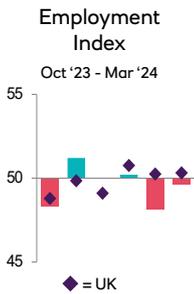
The US remained a key area of overseas expansion in March, as well as Ireland. Notably, the Netherlands' manufacturing sector saw growth for the first time in over a year.



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Mar '24
1	USA	18.1%	52.1
2	Netherlands	14.7%	50.3
3	Germany	9.8%	47.7
4	Ireland	7.9%	53.2
5	France	7.3%	48.3

Business capacity



Workforce numbers decline again, albeit fractionally

The seasonally adjusted Employment Index remained in sub-50.0 contraction territory during March, signalling back-to-back months of job cutting across Yorkshire & Humber. Redundancies and the non-replacement of voluntary leavers were linked to headcount reductions.

Although the decrease in staffing numbers was marginal, Yorkshire & Humber was one of just five parts of the UK to record job losses in March.

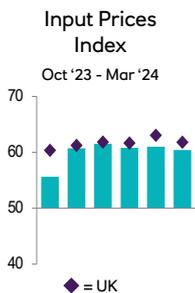


Quickest fall in backlogs of work for four months

With new business intakes continuing to fall in March, private sector companies across Yorkshire & Humber cleared more outstanding orders. Overall, this marked the thirteenth consecutive month of backlog depletion. Furthermore, the decrease was the strongest in four months and the fastest of all 12 monitored parts of the UK.

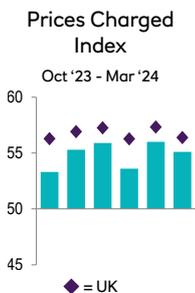


Prices



Cost pressures cool, but remain historically steep

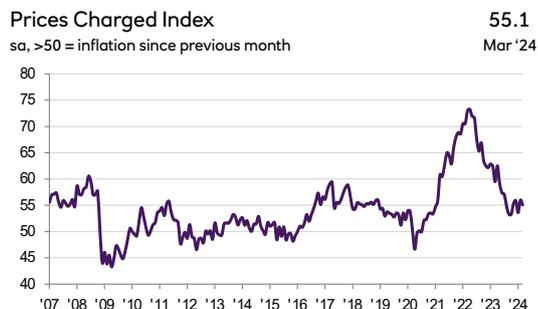
Although the seasonally adjusted Input Prices Index for Yorkshire & Humber fell to a five-month low in March, it remained well in excess of both the 50.0 no-change mark and its long-term average, signalling a further steep monthly rise in firms' operating expenses. According to panel members, supplier fees and salaries were sources of inflation.



Prices charged for Yorkshire & Humber goods and services rise again

In response to persistent cost pressures, private sector companies in Yorkshire & Humber charged higher prices for their goods and services at the end of the first quarter.

The local rate of output price inflation was strong overall but eased slightly since February and was below that 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, Mar '24 [†]
1	Other Manufacturing	1.51	52
2	Basic Metals	1.42	48
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.15	52
5	Timber & Paper	1.11	52
6	Chemicals & Plastics	1.04	52
7	Mechanical Engineering	0.97	52
8	Electrical & Optical	0.55	48
9	Transport	0.25	48

Yorkshire & Humber specialisation: Services

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

UK sector focus

Hotels, Restaurants & Catering

The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

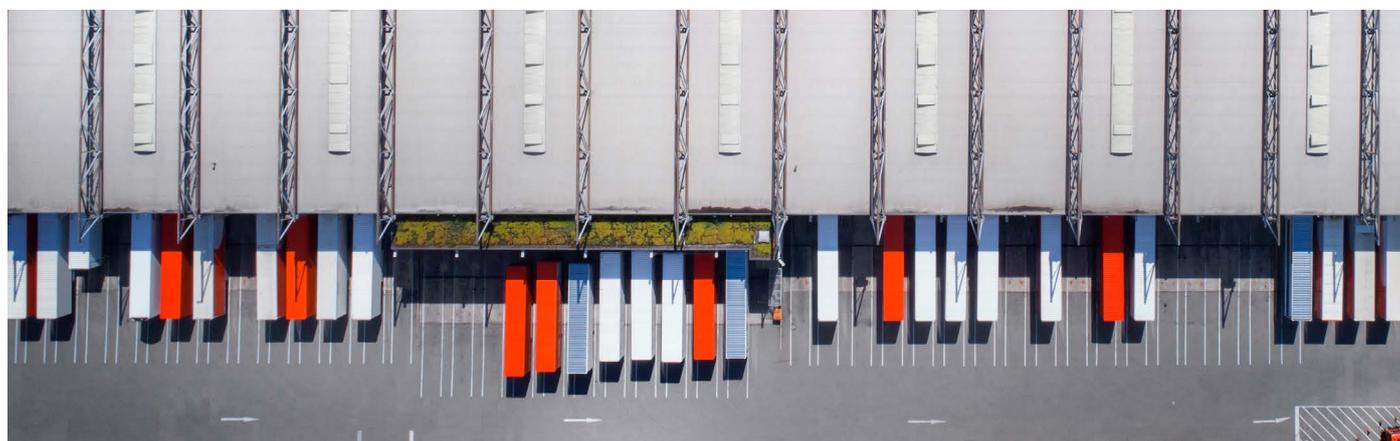
Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

sa, >50 = growth since previous month (3mma)[†]



[†] 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Mar '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
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
Mar '24	46.9	47.5	51.5	74.0	49.6	45.1	60.4	55.1

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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.

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About PMI

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