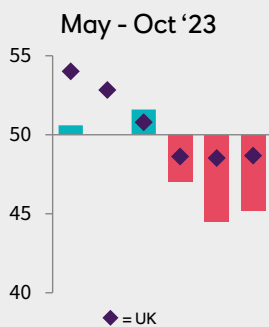


NatWest Yorkshire & Humber PMI®

New business falls at fastest pace since May 2020, denting activity and confidence

Yorkshire & Humber Business Activity Index



Key findings

Activity declines further amid fastest fall in new orders since May 2020

Business confidence slumps to weakest in a year

Output price inflation rate unchanged from September's three-year low

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 – posted 45.2 in October. Although this was up slightly from September’s 32-month low of 44.5, it was still the second-lowest since the start of 2021 and pointed to another solid contraction in business activity across the region.

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

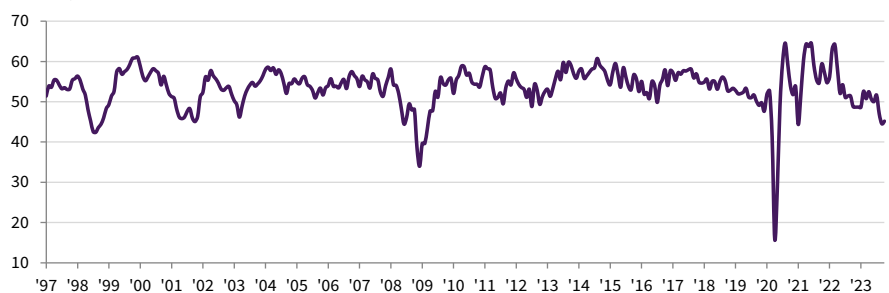
"October PMI data portrayed another month of considerable weakness across the Yorkshire & Humber economy. Most notable was the slump in new business, which was the strongest since lockdown in May 2020. In fact, of the 12 monitored areas of the UK, Yorkshire & Humber saw the fastest deterioration in demand conditions in October."

"Subsequently, it's no surprise to see backlogs of work are falling at an even faster pace, as companies looked to support activity with their orders pending completion. Of concern was a fall in employment, which suggests firms are cutting staff in response to the worsening demand picture. Indeed, business confidence fell to a one-year low in October, also highlighting weaker growth expectations."

"Prices data provided a positive takeaway at least. Output prices rose at the joint-weakest rate since September 2020 as cost pressures cooled further. This should help more companies provide discounts in the coming months."

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

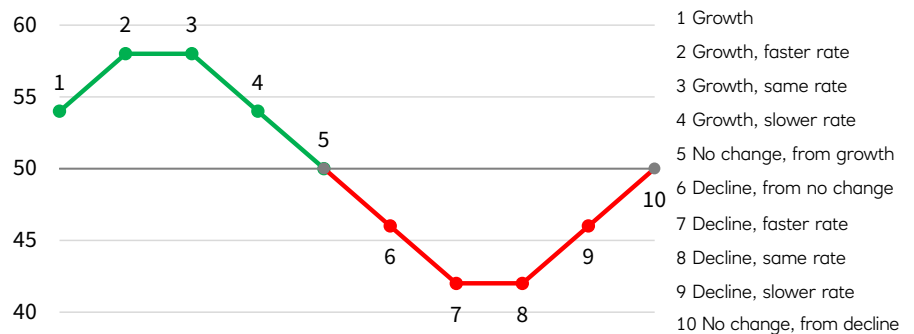
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite 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 business falls at steepest pace since May 2020

Demand conditions facing businesses in Yorkshire & Humber in October were the weakest of the 12 monitored parts of the UK, latest PMI data showed. New orders sank sharply and at the fastest rate since May 2020. This compared with a moderate decline seen for the UK as a whole at the start of the fourth quarter.

According to firms, lower customer confidence, reduced client spending appetite and slowing market conditions all weighed on demand.

Optimism at its weakest in a year

Although the number of optimists within Yorkshire & Humber's private sector in October continued to substantially outweigh those that were pessimistic, the latest survey data highlighted a marked softening of confidence towards the 12-month growth outlook. This was evidenced by the Future Activity Index falling to its lowest level in a year.

While new product launches and expectations of sales growth were cited as reasons to be upbeat towards the year ahead, some companies are anticipating a worsening of economic conditions.

Exports

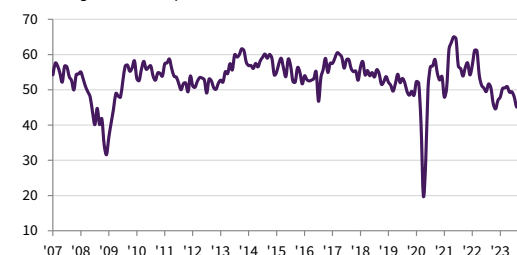
Yorkshire & Humber export climate sees fastest deterioration in nearly a year

The Yorkshire & Humber Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the Yorkshire & Humber. This produces an indicator for the economic health of the region's export markets.

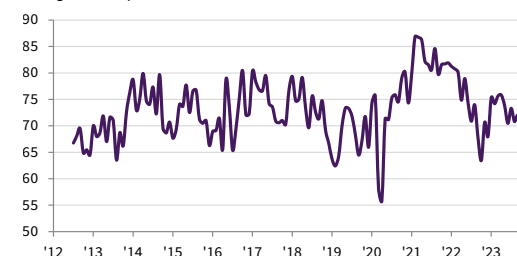
A stronger deterioration in conditions facing Yorkshire & Humber exporters was signalled by the region's Export Climate Index falling to 47.9 in October, down from 49.0 in September and further below the neutral 50.0 threshold. Overall, this signalled the strongest decline for almost a year.

European markets continued to provide the strongest drag, as business activity in the US rose at the fastest pace for three months.

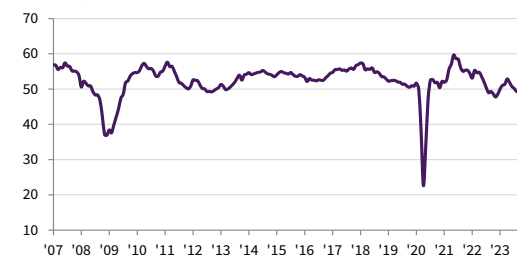
New Business Index
sa, >50 = growth since previous month
43.5
Oct '23



Future Activity Index
>50 = growth expected over next 12 months
66.3
Oct '23

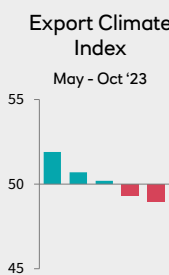
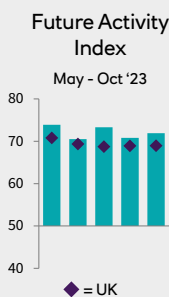
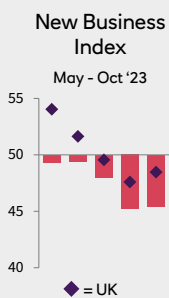


Export Climate Index
sa, >50 = growth since previous month
47.9
Oct '23



Top export markets, Yorkshire & Humber

Rank	Market	Weight	Output Index, Oct '23
1	USA	18.1%	50.7
2	Netherlands	14.7%	42.3
3	Germany	9.8%	45.9
4	Ireland	7.9%	49.7
5	France	7.3%	44.6

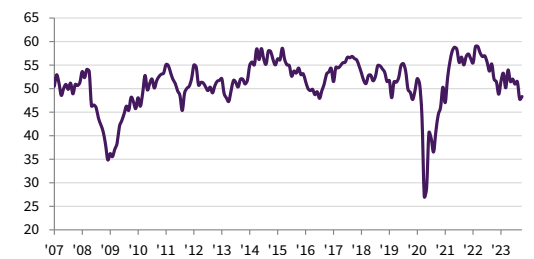


Business capacity

Back-to-back decreases in employment

Workforce numbers across the Yorkshire & Humber private sector fell again in October, marking back-to-back months of job losses. Lay-offs and the non-replacement of leavers were mentioned by survey respondents that cut staffing capacity. The reduction in headcounts was only modest overall, however, and slightly softer than that seen in September.

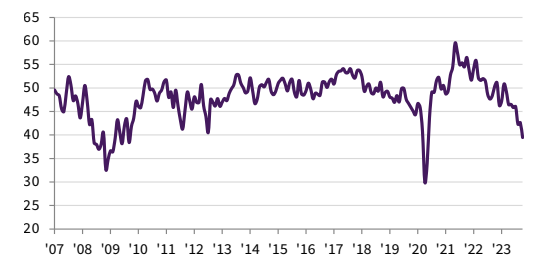
Employment Index 48.3
sa, >50 = growth since previous month Oct '23



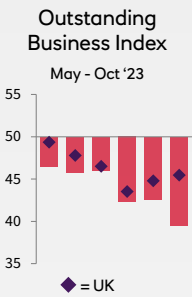
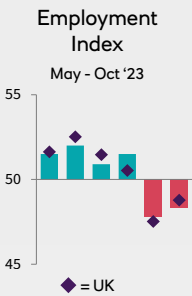
Backlogs of work fall at fastest rate in nearly three-and-a-half years

The volume of work pending completion across Yorkshire & Humber decreased for an eighth month running during October, signalling a sustained alleviation of capacity pressures on companies in the region. Furthermore, the rate of backlog depletion was sharp and the fastest since May 2020. Fewer new orders was a commonly-cited reason behind the fall in outstanding business.

Outstanding Business Index 39.5
sa, >50 = growth since previous month Oct '23



While all 12 monitored parts of the UK recorded lower levels of incomplete orders, Yorkshire & Humber saw the quickest fall.



Prices

Input prices rise at softest rate since July 2020

Operating expenses faced by private sector companies in Yorkshire & Humber rose in October amid reports of increased wage costs. That said, the rate of inflation slowed to a 39-month low. According to anecdotal evidence, pressures were alleviated by reductions in raw material prices.

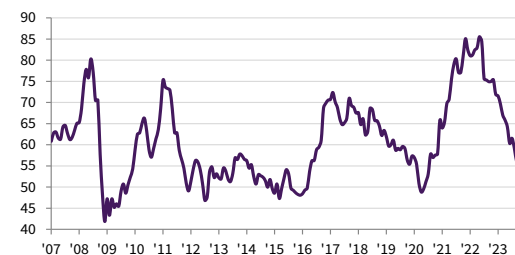
Yorkshire & Humber companies continued to see a much softer uplift in their costs compared to those seen across the UK as a whole. Only companies in the West Midlands registered a slower rate of input price inflation in October.

Output price inflation rate unchanged from September's three-year low

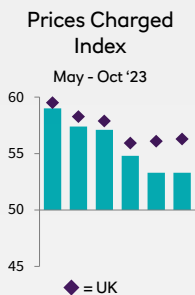
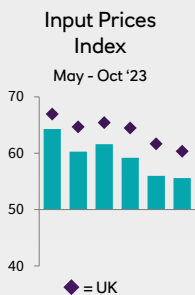
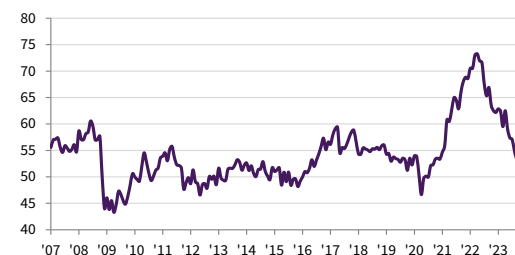
The seasonally adjusted Prices Charged Index was unchanged in October, remaining above the 50.0 mark but matching September's three-year low, thereby signalling another relatively muted rise in output prices by firms in the Yorkshire & Humber region.

While some survey respondents continued to raise prices in line with cost increases, others offered discounts in a bid to become more competitive.

Input Prices Index 55.6
 sa, >50 = inflation since previous month Oct '23



Prices Charged Index 53.3
 sa, >50 = inflation since previous month Oct '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, Oct 23 ⁺
1	Other Manufacturing	1.54	48
2	Basic Metals	1.46	46
3	Textiles & Clothing	1.32	48
4	Food & Drink	1.22	55
5	Chemicals & Plastics	1.09	48
6	Timber & Paper	1.08	42
7	Mechanical Engineering	0.97	48
8	Electrical & Optical	0.50	48
9	Transport	0.26	48

Yorkshire & Humber specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Oct 23 ⁺
1	Transport & Communication	1.29	48
2	Hotels, Restaurants & Catering	1.12	48
3	Personal & Community Services	1.07	48
4	Business-to-business Services	0.99	48
5	Financial Intermediation	0.82	52
6	Computing & IT Services	0.62	55

UK sector focus

Mechanical Engineering

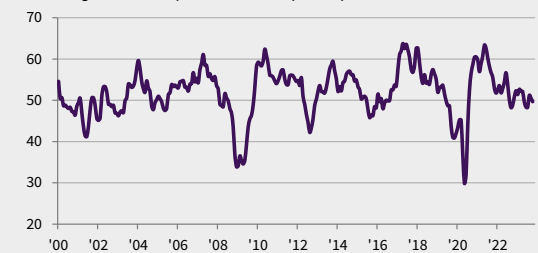
The trend in production across the UK's Mechanical Engineering sector was one of broad stagnation in the three months to October. This was closely aligned with the sector's performance throughout the year so far, which has seen only marginal growth on average.

Output has in fact been largely supported by the clearing of backlogs of work as the supply of inputs has improved, with inflows of new work having been in decline for more than a year. Nevertheless, firms were optimistic about the 12-month outlook and maintained a trend of job creation that stretches back to the start of 2021.

Turning to prices, latest data showed only modest rises in both input costs and factory gate charges across the sector in the three months to October. Cost inflation was in fact at its joint-lowest since mid-2016, having surged throughout 2021 and 2022.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

London remained the UK's top-performing region for activity growth in October. It was one of just three areas (out of 12 monitored) where output rose during the month, alongside the West Midlands and South West. Firms in the North East recorded the most marked decline in business activity, followed by those in Wales.

Employment

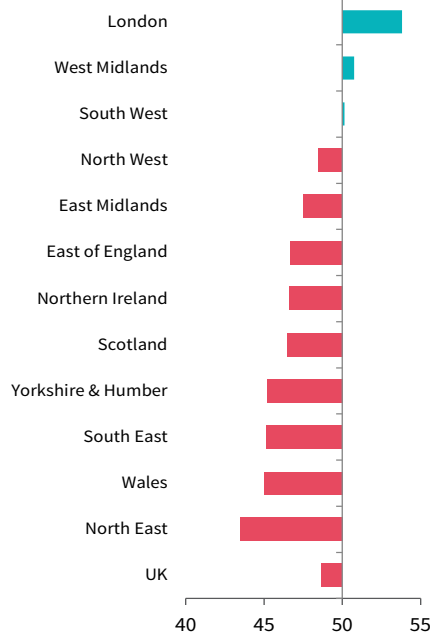
Seven out of the 12 monitored regions and nations posted lower employment in October. However, this was down from ten in September, and where workforce numbers fell, rates of job shedding often eased. Scotland topped the rankings with a modest rise in staffing levels, with the West Midlands, Northern Ireland*, North West and East of England also seeing increases.

Future Activity

Confidence towards future activity weakened across the vast majority of areas in October, with only the South West and Wales going against the trend. Nevertheless, expectations were optimistic across the board, and nowhere more so than in the West Midlands, which topped the rankings for a fourth straight month ahead of the South East.

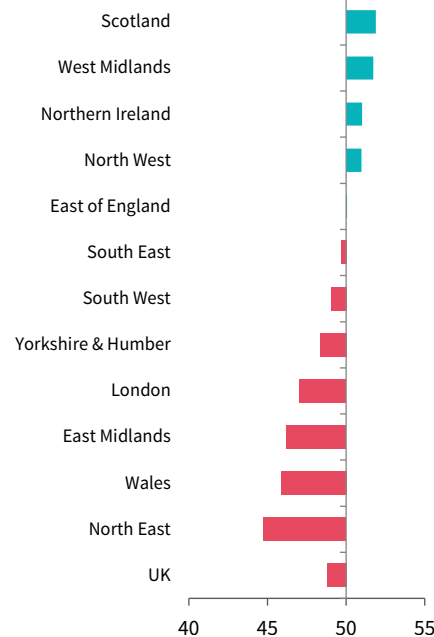
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Oct '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
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	50.2	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
Oct '23	45.2	43.5	47.9	66.3	48.3	39.5	55.6	53.3

Contact

Emily Potts
Regional Campaign Manager
NatWest
+44 (0) 7890 892 748
emily.potts@natwest.com

Joe Hayes
Principal Economist
S&P Global Market Intelligence
+44 1344 328 099
joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
+44 7967 447 030
sabrina.mayeen@spglobal.com

About NatWest

NatWest serves customers in England and Wales, 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.

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.