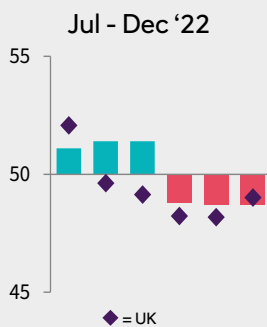


NatWest Yorkshire & Humber PMI®

Yorkshire & Humber business activity falls again in December

Yorkshire & Humber Business Activity Index



Key findings

Business activity down for third straight month as demand weakens

Employment falls for the first time since January 2021

Inflationary pressures ease further, but remain steep

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 – was unchanged from November’s 22-month low of 48.7 in December. This signalled a third successive monthly decline in private sector business activity across Yorkshire & Humber. The latest figure compared with a reading of 49.0 for the UK as a whole.

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

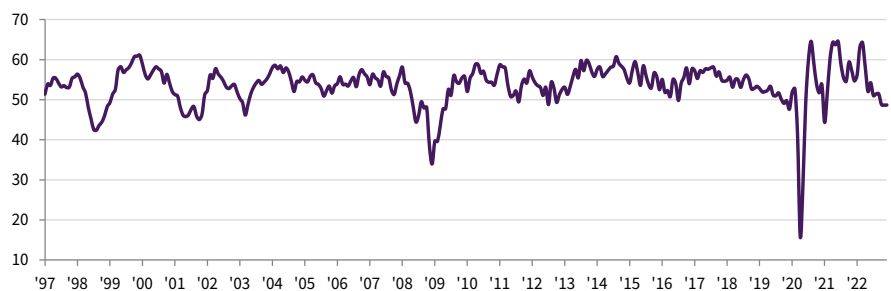
"Yorkshire & Humber's private sector saw activity levels fall once again in December, rounding off a poor quarter as weak demand, uncertainty and elevated inflationary pressures combined to drive the region's economy into contraction."

"Prolonged weakness in demand led companies to reduce their employment for the first time in nearly two years as adjustments were made to the worsening economic environment."

"Nevertheless, we saw businesses across the region remain more optimistic than their peers in most other parts of the UK, while rates of input cost and output price inflation slowed to 20-month lows. These small positives from the December survey provide some hope that the region's economy may improve in 2023."

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

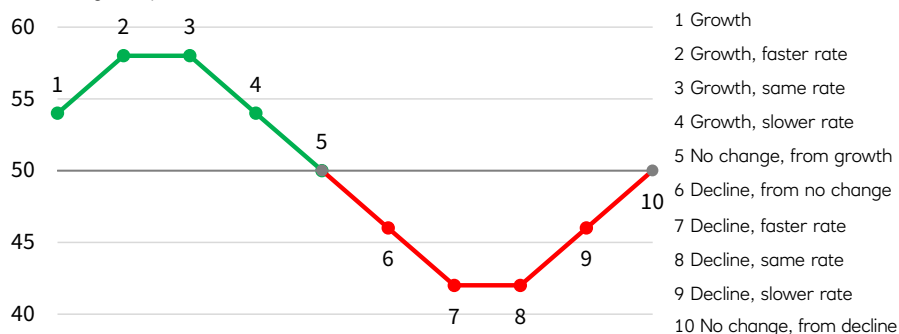
Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Yorkshire & Humber Business Activity Index is comparable to the UK Composite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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Third successive fall in new business intakes

Yorkshire & Humber firms recorded a third straight monthly decline in new order intakes during December. Inflationary pressures and hesitancy among clients reportedly contributed to a weakening in demand. Private sector businesses in the manufacturing sector recorded the more marked drop in new sales.

While the overall rate of decline was the slowest in three months, it was among the strongest seen across the 12 monitored UK regions.

Yorkshire & Humber firms remain optimistic towards the year ahead

Private sector companies in Yorkshire & Humber remained strongly optimistic towards the outlook for the next 12 months, as shown by the Future Activity Index recording well above the 50.0 mark. Business expansion plans, new products and expected market share gains underpinned confidence. On a regional basis, only the South East recorded a stronger level of optimism than Yorkshire & Humber.

That said, the level of positive sentiment was below that seen across the series average (since 2012).

Exports

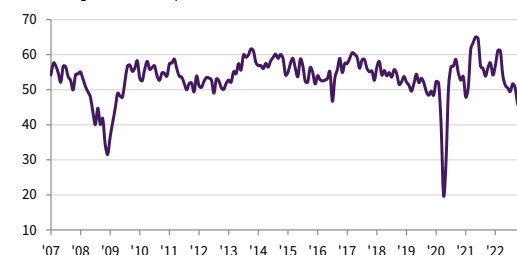
Export climate deteriorates again as other economies shrink

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.

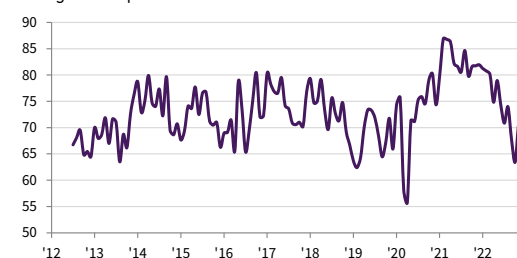
The Yorkshire & Humber Export Climate Index posted 48.5 in December. This was a slight increase from 47.7 in November, but nevertheless was indicative of a fifth successive deterioration in economic conditions across the region's export markets.

The US, which accounts for almost 11% of total goods exports, saw business activity levels contract at the sharpest pace in four months. Subdued performances were also seen across European economies.

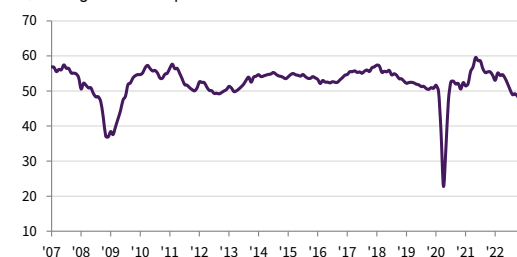
New Business Index
sa, >50 = growth since previous month
Dec '22



Future Activity Index
>50 = growth expected over next 12 months
Dec '22



Export Climate Index
sa, >50 = growth since previous month
Dec '22



Top export markets, Yorkshire & Humber

| Rank | Market | Weight | Output Index, Dec '22 |
|------|-------------|--------|-----------------------|
| 1 | USA | 10.9% | 45.0 |
| 2 | Netherlands | 9.6% | 46.2 |
| 3 | Germany | 9.1% | 49.0 |
| 4 | Ireland | 8.2% | 50.5 |
| 5 | France | 6.5% | 49.1 |



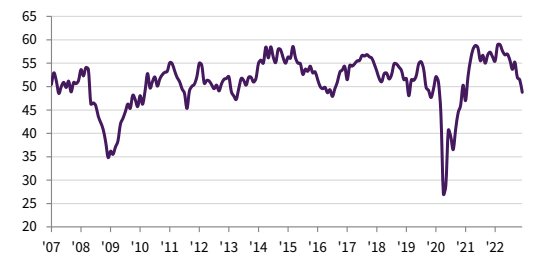
Business capacity

Employment decreases for first time since January 2021

Private sector companies in Yorkshire & Humber reduced their staffing numbers in December, marking the first month of job shedding in almost two years. Some companies opted to not replace voluntary leavers due to reduced demand.

Overall, the decrease in employment was mild, but slightly quicker than that seen for the UK as a whole.

Employment Index 48.8
sa, >50 = growth since previous month Dec '22

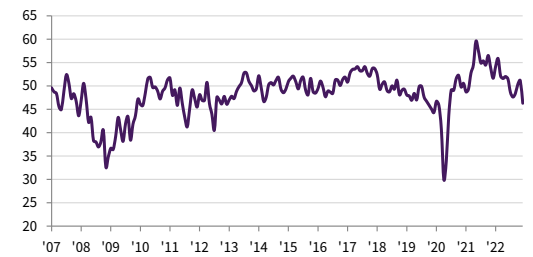


Backlogs of work fall at sharpest pace in two-and-a-half years

Following two successive months of increased capacity pressures, December survey data signalled easing constraints as backlogs of work returned to contraction. Moreover, the reduction in outstanding business was the quickest in two-and-a-half years.

According to panellists, reduced new order intakes allowed firms to work through business pending completion.

Outstanding Business Index 46.3
sa, >50 = growth since previous month Dec '22



Prices

Input Prices Index

Jul - Dec '22



Input cost inflation slows to 20-month low in December

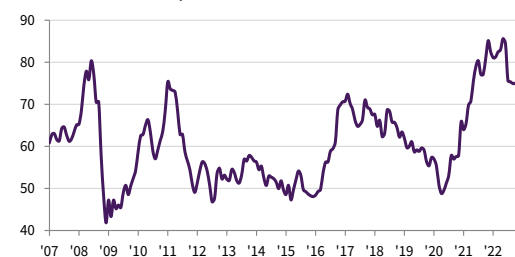
Private sector companies across Yorkshire & Humber registered another steep monthly increase in their operating costs during December. Inflationary pressures were often linked with greater energy and raw material prices. That said, the rate of inflation slowed to a 20-month low amid reports of certain items coming down in price.

Input Prices Index

sa, >50 = inflation since previous month

71.9

Dec '22



Prices Charged Index

Jul - Dec '22



Selling charges rise at softest pace since April 2021

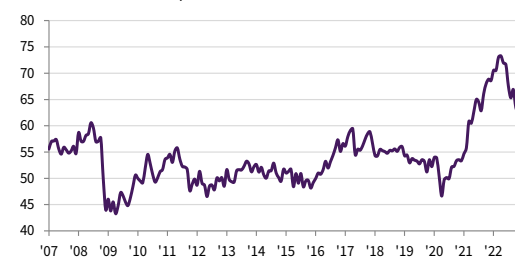
In line with the trend in operating costs, December survey data signalled a softer rate of increase in selling prices. Overall, the rate of output charge inflation was the weakest since April 2021, but sharp nonetheless. Higher prices charged for goods and services generally reflected the pass-through of greater expenses.

Prices Charged Index

sa, >50 = inflation since previous month

62.2

Dec '22



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, Dec 22 ⁺ |
|------|------------------------|------|--------------------------------------|
| 1 | Other Manufacturing | 1.54 | 48 |
| 2 | Basic Metals | 1.46 | 48 |
| 3 | Textiles & Clothing | 1.32 | 48 |
| 4 | Food & Drink | 1.22 | 52 |
| 5 | Chemicals & Plastics | 1.09 | 48 |
| 6 | Timber & Paper | 1.08 | 42 |
| 7 | Mechanical Engineering | 0.97 | 52 |
| 8 | Electrical & Optical | 0.50 | 48 |
| 9 | Transport | 0.26 | 48 |

Yorkshire & Humber specialisation: Services

| Rank | Sector | LQ | UK Business Activity Index, Dec 22 ⁺ |
|------|--------------------------------|------|---|
| 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 | 48 |
| 6 | Computing & IT Services | 0.62 | 52 |

UK sector focus

Chemicals & Plastics

Chemicals & Plastics manufacturing saw a sharp drop in output in the three months to December, making it one of the UK's worst-performing sectors in the final quarter of 2022.

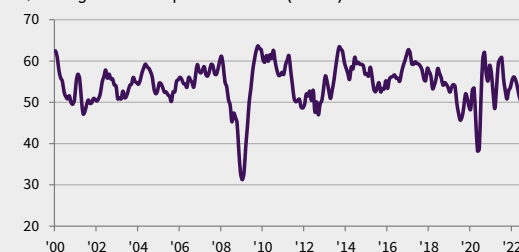
The result reflected a deepening decline in new orders, led by rapidly falling international demand. The trend in new export orders was in fact the weakest in the entire series history stretching back to 1996.

Accordingly, businesses across the sector were firmly in retrenchment mode, scaling down not only workforce numbers but also purchasing activity and inventories. Amid easing supply bottlenecks, input price inflation was at its lowest in over two years.

Looking ahead, expectations among Chemicals & Plastics firms towards future activity were historically subdued.

Output Index

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



⁺3-month moving average



UK Regional PMI overview

Business Activity

Of the 12 UK regions and nations monitored, only Wales and London recorded a rise in business activity in December, while the North West saw no change. This nevertheless represented an improvement from the broad-based decline seen in November. Northern Ireland* meanwhile moved to the bottom of the rankings, having seen a sharp and accelerated fall in output.

Employment

The number of areas of the UK reporting falling employment levels increased from just two in November to seven in December. The steepest reduction in headcounts was in the North East. By contrast, the North West saw the fastest rate of job creation, with the South East, West Midlands and Wales also posting further, albeit marginal, rises in workforce numbers.

Future Activity

Business sentiment towards future activity generally remained subdued in December, with expectations in all regions and nations remaining below their respective historical series averages. That said, confidence improved in most areas. This included the South East, which topped the rankings ahead of Yorkshire & Humber. Only in Northern Ireland did pessimists outnumber optimists.

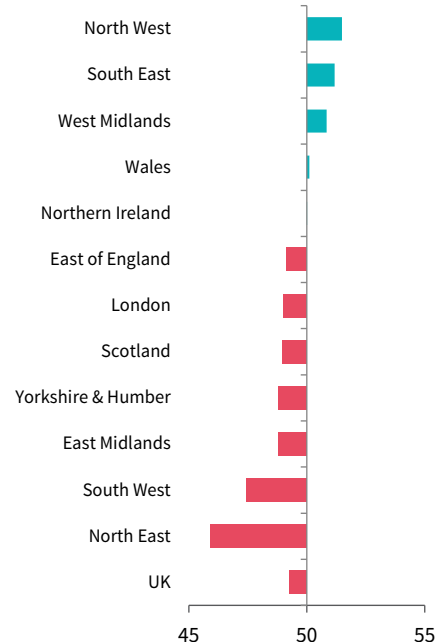
Business Activity Index

sa, >50 = growth since previous month, Dec '22



Employment Index

sa, >50 = growth since previous month, Dec '22



Future Activity Index

>50 = growth expected over next 12 months, Dec '22



* 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 |
|---------|-------------------|--------------|----------------|------------------|------------|----------------------|--------------|----------------|
| Jul '22 | 51.1 | 49.5 | 50.4 | 70.9 | 55.6 | 48.6 | 75.7 | 67.5 |
| Aug '22 | 51.4 | 51.7 | 49.0 | 74.0 | 53.7 | 47.6 | 75.4 | 65.3 |
| Sep '22 | 51.4 | 50.5 | 49.2 | 67.7 | 55.2 | 48.4 | 74.9 | 66.9 |
| Oct '22 | 48.8 | 46.1 | 48.5 | 63.4 | 52.0 | 50.3 | 75.0 | 63.5 |
| Nov '22 | 48.7 | 44.6 | 47.7 | 70.7 | 51.4 | 51.1 | 75.4 | 62.5 |
| Dec '22 | 48.7 | 47.0 | 48.5 | 68.0 | 48.8 | 46.3 | 71.9 | 62.2 |

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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.

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

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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.

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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.

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