

NatWest Wales PMI[®]

Business activity growth softest for three months in April

Wales Business Activity Index



Key findings

Output expansion eases, but remained sharp overall

Fastest increase in costs for five months

Steep rise in employment

The headline NatWest Wales 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 – registered 56.2 in April, down from 58.0 in March, to signal a sharp upturn in business activity. Although the slowest for three months, output growth was linked to greater client demand and a further uptick in new business. The rate of growth was steeper than the series average but slower than that seen across the UK as a whole.

Kevin Morgan, NatWest Wales Regional Board, commented:

“Welsh private sector firms continued to signal a recovery in business activity ad client demand following the easing of COVID-19 restrictions. Although April data indicated a softer expansion in output, firms reported robust demand conditions as business confidence strengthened and employment rose at a sharp pace.

“That said, inflationary pressures remained substantial at the start of the second quarter. The rate of increase in cost burdens accelerated to the fastest for five months amid soaring energy, fuel and material costs, exacerbated by rising wage bills and challenges retaining staff. In response, companies sought to pass through higher costs to clients, as charges increased markedly.”

Wales Business Activity Index

sa, >50 = growth since previous month



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About the Wales PMI® report

The NatWest Wales PMI® is compiled by S&P Global from responses to questionnaires sent to East of England 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

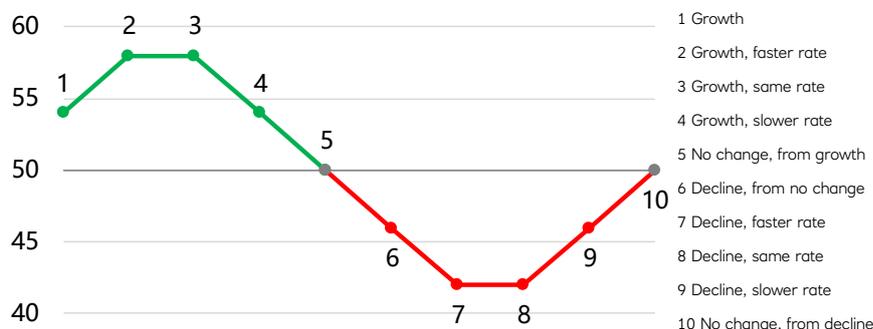
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales 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

Sharp expansion in new business in April

Private sector firms in Wales signalled a steep upturn in new business at the start of the second quarter. The rise in new orders quickened from March and was faster than the UK average. Panellists stated that the increase was due to stronger client demand.

The sharper pace of growth in new business stemmed from a quicker manufacturing sector expansion.

New Business Index

sa, >50 = growth since previous month

56.0

Apr '22



Stronger degree of business confidence in April

April data indicated stronger output expectations regarding the 12-month outlook across the Welsh private sector. Companies noted that hopes of greater client demand and further upticks in new orders, alongside investment in new product lines, supported optimism. The level of positive sentiment was among the highest of the 12 monitored UK areas, weaker than only the South East and Yorkshire & Humber.

Future Activity Index

>50 = growth expected over next 12 months

71.8

Apr '22



Exports

Export climate improves strongly in April

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

The Export Climate Index posted 55.2 in April, up slightly from 55.0 in March, to signal a strong uptick in export conditions across the Welsh private sector.

The improvement in the export climate was largely due to sharp expansions in output across Wales's key export markets. Firms in France and the Netherlands registered quicker increases in activity.

Although rates of output growth in Germany, the US and Ireland eased slightly, they remained steep overall.

Export Climate Index

sa, >50 = growth since previous month

55.2

Apr '22



Top export markets, Wales

Rank	Market	Weight	Output Index, Apr '22
1	Germany	15.7%	54.3
2	France	14.5%	57.6
3	USA	13.2%	56.0
4	Ireland	8.5%	59.6
5	Netherlands	5.3%	55.7

New Business Index



Future Activity Index



Export Climate Index

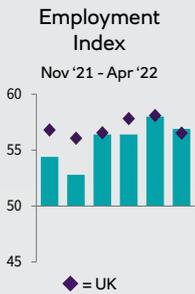


Business capacity

Employment growth sharp, despite easing

Workforce numbers across the Welsh private sector expanded for the twelfth successive month during April. Employment rose following a further increase in new business and challenges retaining staff. Although the rate of job creation softened slightly from March, it was sharp overall and quicker than the UK average. Welsh service providers continued to record a faster rise in staff numbers than manufacturers.

Employment Index 56.9
 sa, >50 = growth since previous month Apr '22



Backlogs of work rise at only a fractional rate in April

Private sector businesses across Wales continued to register an expansion in backlogs of work at the start of the second quarter. That said, the rate of growth in outstanding business was only fractional overall, and was the slowest in the 14-month sequence of increase. Firms noted that a softer rise in new business and a further uptick in employment led to a slower upturn in work-in-hand.

Outstanding Business Index 50.4
 sa, >50 = growth since previous month Apr '22



Prices

Rate of cost inflation accelerates to five-month high in April

Welsh firms indicated a further and faster increase in cost burdens in April. The rise in input prices was the second-fastest of the 12 monitored UK areas, behind only Northern Ireland. Alongside higher wage bills, firms stated that greater material, fuel and energy costs drove inflation.

The rate of increase in costs was the sharpest for five months, with manufacturers and service providers signalling steeper upticks in costs.

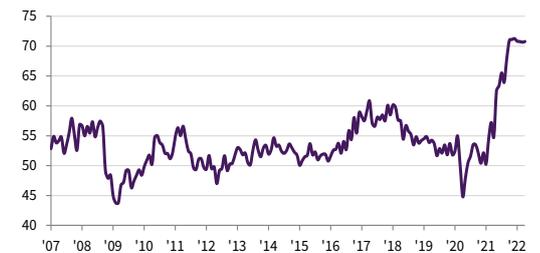
Marked increase in output charges in April

Welsh firms indicated a substantial increase in output prices at the start of the second quarter. The rate of charge inflation was the joint-fastest in the year-to-date and quicker than the UK average. Anecdotal evidence suggested that hikes in output prices were due to the pass-through of greater costs to clients.

Input Prices Index 87.1
sa, >50 = inflation since previous month Apr '22



Prices Charged Index 70.8
sa, >50 = inflation since previous month Apr '22



UK Sector PMI

Sector specialisation: Wales

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 Wales, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

Wales specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Apr ' 22 ⁺
1	Electrical & Optical	1.17	55
2	Transport	1.17	55
3	Other Manufacturing	1.06	55
4	Timber & Paper	1.04	50
5	Basic Metals	0.97	55
6	Chemicals & Plastics	0.97	55
7	Food & Drink	0.96	55
8	Mechanical Engineering	0.88	55
9	Textiles & Clothing	0.44	50

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr ' 22 ⁺
1	Hotels, Restaurants & Catering	1.62	65
2	Personal & Community Services	1.27	60
3	Transport & Communication	1.07	55
4	Financial Intermediation	0.94	55
5	Business-to-business Services	0.87	55
6	Computing & IT Services	0.43	55

UK sector focus

Mechanical Engineering

The UK's Mechanical Engineering sector saw sustained growth in output levels in the three months to April, albeit at a relatively subdued pace that was below the average for manufacturing as whole. The upturn was supported by rising inflows of new work.

Although easing from the record levels seen last year, supply chain bottlenecks remained a key issue facing businesses in the sector, leading to longer lead times on inputs, whilst also helping to fuel a continued surge in purchase prices. Higher costs were increasingly passed on to customers, with factory gate charge inflation reaching a survey-record high.

Still, Mechanical Engineering companies maintained a strongly positive outlook for output in the coming year and, as such, continued to add to workforce numbers at a rapid pace.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

In terms of business activity, April saw a general loss of momentum across the UK, with nine regions recording slower growth and the North East seeing a renewed contraction. London recorded the fastest overall rate of expansion, followed by the South West, while only the North West and Scotland registered quicker increases in business activity than the month before.

Employment

A rise in employment was recorded in 11 of the 12 regions monitored by the survey in April. The only exception was the North East, where workforce numbers fell for the first time in 14 months, albeit only slightly. Elsewhere, rates of job creation generally remained solid, although they eased in all cases bar the West Midlands. London recorded the strongest growth ahead of Yorkshire & Humber.

Future Activity

Although firms in all areas remained optimistic about the year-ahead outlook for activity in April, expectations eased in the majority of cases. Only Wales (ranked third out of 12), the South West (sixth), East of England (seventh) and Northern Ireland (twelfth and last) recorded improved confidence. Overall, businesses in the South East were the most upbeat, followed by those in Yorkshire & Humber.

Business Activity Index

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



Employment Index

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



Future Activity Index

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



* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.



Index summary

Wales

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
Nov '21	57.6	59.1	55.5	80.2	54.4	57.1	89.1	71.1
Dec '21	53.4	53.4	54.4	72.3	52.8	57.6	83.5	71.3
Jan '22	55.0	54.5	53.1	69.0	56.4	58.7	85.4	70.8
Feb '22	60.7	57.5	55.2	72.2	56.4	55.5	85.0	70.8
Mar '22	58.0	53.7	55.0	66.5	58.0	51.7	84.5	70.7
Apr '22	56.2	56.0	55.2	71.8	56.9	50.4	87.1	70.8

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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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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.

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