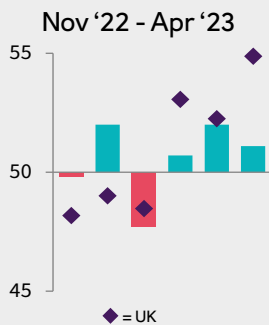


# NatWest Wales PMI<sup>®</sup>

## New business rises further, but cost pressures regain strength

### Wales Business Activity Index



### Key findings

Further but slower growth in output and new orders

Cost burdens and output charges rise at sharper rates

Business confidence ticks up to highest since November 2021

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 51.1 in April, down slightly from 52.0 in March, to signal a marginal expansion in output at Welsh private sector firms. Where an increase in activity was noted, companies stated this was due to a further increase in new orders. The rise in business activity was the third in as many months, but was the slowest of the 12 monitored UK areas.

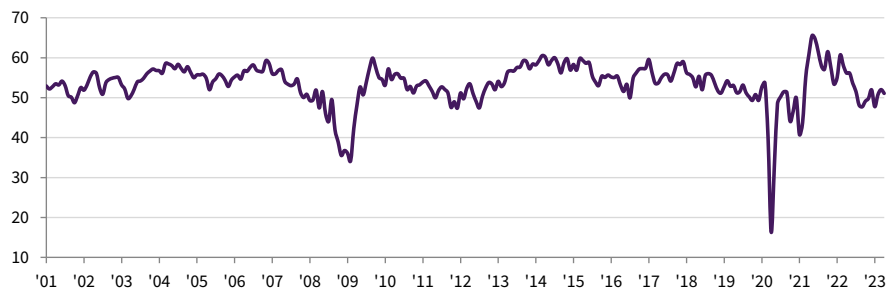
Kevin Morgan, NatWest Wales Regional Board, commented:

*"Welsh firms signalled a drop off in growth momentum during April, as expansions in output and new orders softened. Companies were challenged further as inflationary pressures regathered speed, with selling prices rising at the fastest rate for three months. Hikes in supplier and end-customer prices are likely to exacerbate obstacles to growth as client spending may be squeezed further."*

*"Meanwhile, jobs continued to be cut as voluntary leavers were not replaced in an effort to reduce outgoings amid reports of strong hikes in wages. Firms appeared to absorb the fall in employment with little knock-on impact on capacity, as backlogs dropped again, and at a faster pace. Nevertheless, companies were strongly upbeat in their expectations for the coming year. Optimism improved to the greatest level since late-2021."*

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 Welsh 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

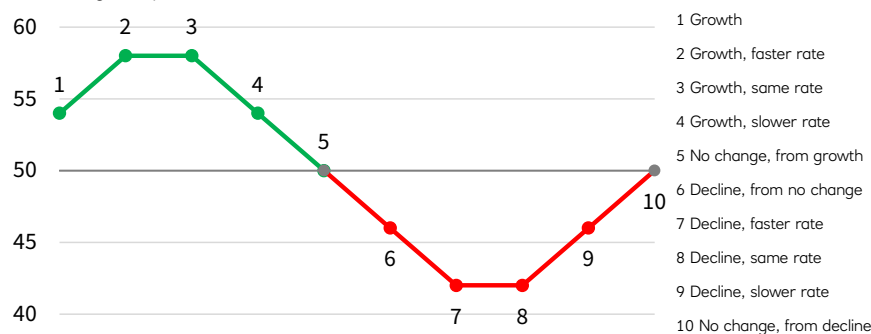
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

Index interpretation

50.0 = no change since previous month

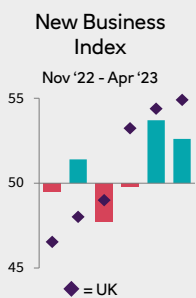
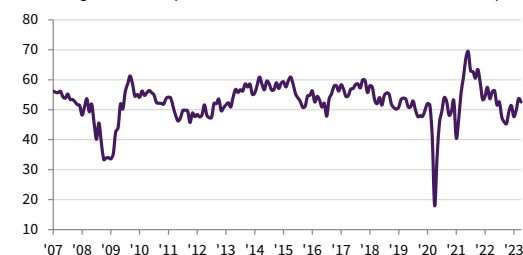


## Demand and outlook

### Modest rise in new business in April

Welsh private sector firms recorded a second successive monthly expansion in new orders in April. Greater new business inflows were linked to higher demand and increased customer activity. That said, the rate of growth slowed from March's 10-month high to only a modest pace. The rate of increase was also weaker than the UK average.

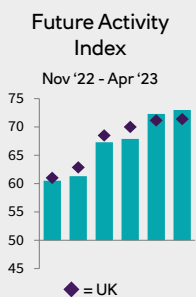
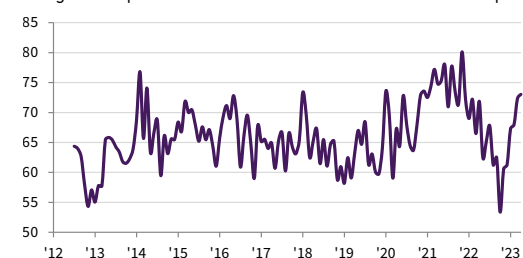
New Business Index **52.6**  
sa, >50 = growth since previous month **Apr '23**



### Business confidence improves further

April data signalled stronger expectations among Welsh firms regarding the outlook for output over the coming 12 months. Optimism reportedly stemmed from planned investment in marketing and sales initiatives, hopes for future upticks in client demand and new product launches. The degree of confidence picked up to the strongest since November 2021 and was greater than the UK trend level.

Future Activity Index **73.0**  
>50 = growth expected over next 12 months **Apr '23**



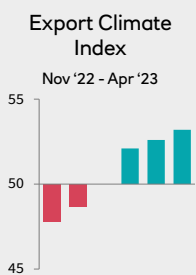
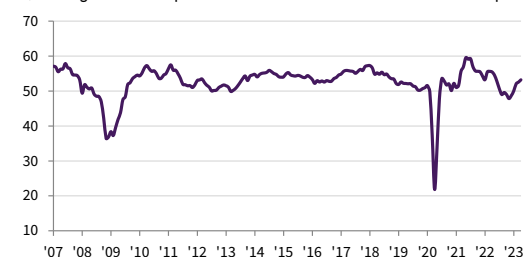
Manufacturers and service providers registered more upbeat expectations for the coming year, with the former the most confident of an increase in output.

## Exports

### Export conditions strengthen 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.

Export Climate Index **53.2**  
sa, >50 = growth since previous month **Apr '23**



The Export Climate Index posted 53.2 at the start of the second quarter, up from 52.6 in March. The latest data indicated the strongest upturn in export conditions since May 2022.

The improvement in the export climate was driven by steeper expansions in output in the USA, Germany and the Republic of Ireland. Germany recorded the fastest uptick in activity for a year, while the US saw the sharpest rise in output for 11 months. France, meanwhile, noted a slightly softer increase in activity.

Output across the Netherlands contracted for a second month running, and at a quicker rate.

#### Top export markets, Wales

Rank	Market	Weight	Output Index, Apr '23
1	USA	19.3%	53.4
2	Ireland	17.4%	53.5
3	Germany	14.5%	54.2
4	France	8.9%	52.4
5	Netherlands	7.4%	47.7

## Business capacity

### Staffing numbers fall at softer rate

Welsh private sector firms recorded a fourth consecutive monthly decline in employment at the start of the second quarter. The decrease in workforce numbers was marginal overall, and eased to the slowest in the aforementioned sequence of contraction. Nonetheless, job shedding was attributed to the non-replacement of voluntary leavers amid cost-cutting efforts.

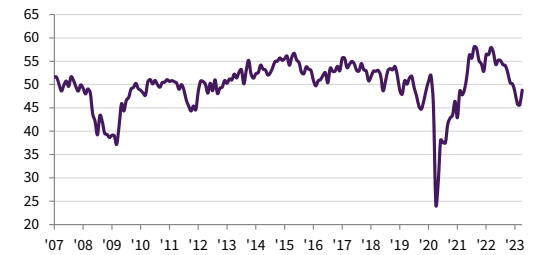
Wales was the only monitored area to register lower employment, with the UK average signalling a solid upturn in staffing numbers.

### Faster decrease in backlogs of work in April

April data indicated a further drop in the level of outstanding business at Welsh private sector firms. The decrease was steep overall, and quickened to the fastest since July 2020. The fall in incomplete business was linked to sufficient capacity to work through new orders in a timely manner.

The decline in backlogs of work contrasted with the UK average which signalled unchanged levels of unfinished business. Welsh businesses registered the sharpest decrease of the 12 monitored UK areas.

Employment Index  
sa, >50 = growth since previous month  
48.8  
Apr '23



Outstanding Business Index  
sa, >50 = growth since previous month  
44.1  
Apr '23



## Prices

### Marked rise in cost burdens

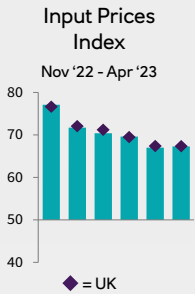
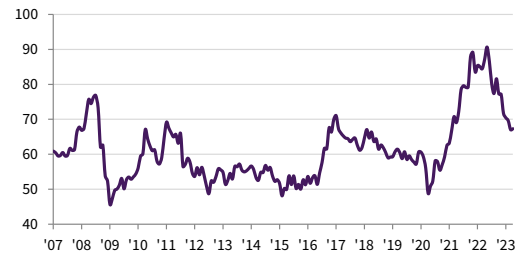
Welsh firms noted another substantial monthly increase in input costs during April. Cost burdens rose following greater material and labour expenses, as wage bills reportedly drove inflation. The rate of increase picked up after easing for six successive months and was broadly in line with the UK average. Nonetheless, the pace of inflation was the second-slowest since February 2021.

### Input Prices Index

sa, >50 = inflation since previous month

67.3

Apr '23



### Output charge inflation quickens to fastest for three months

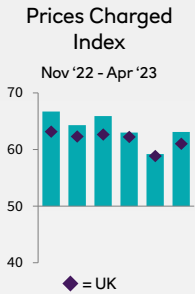
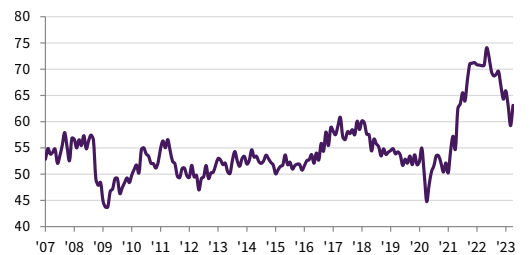
Average prices charged by Welsh private sector firms increased again in April, with the rate of inflation accelerating for the first time since January. The pace of increase was the quickest for three months despite being among the slowest in the last two years. Companies commonly noted that the pass through of higher costs to clients drove up charges.

### Prices Charged Index

sa, >50 = inflation since previous month

63.1

Apr '23



Welsh firms recorded the fastest rise in output charges of the 12 monitored UK areas.



## 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 '23 <sup>+</sup>
1	Electrical & Optical	1.17	55
2	Transport	1.17	55
3	Other Manufacturing	1.06	55
4	Timber & Paper	1.04	45
5	Basic Metals	0.97	50
6	Chemicals & Plastics	0.97	50
7	Food & Drink	0.96	50
8	Mechanical Engineering	0.88	55
9	Textiles & Clothing	0.44	45

#### Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '23 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.62	55
2	Personal & Community Services	1.27	55
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

### Basic Metals

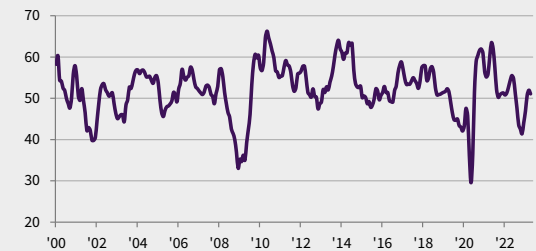
The three months to April saw a modest rise in production levels across the UK's Basic Metals sector. With new orders remaining in contraction territory (albeit falling at a slower rate), output growth was driven by progress on backlogs of work, which fell sharply in the latest three-month period.

The increase in output was further supported by improved material availability. Lead times on inputs shortened substantially, and to the greatest extent for almost 14 years. This easing of supply-demand imbalances also manifested itself in a cooling of price pressures. Input cost inflation was the slowest in over two-and-a-half years. Factory gate prices also increased at a slower rate, although inflation on this front remained comparatively more elevated.

Looking ahead, Basic Metals producers were optimistic about growth prospects in the next 12 months. Expectations were in fact the highest for over a year.

#### Output Index

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



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

All 12 UK nations and regions monitored by the survey saw a rise in business activity in April, the first time this has been the case since February last year. The strongest growth by far was recorded in London, where it hit a ten-month high. Wales sank to the bottom of the rankings for output growth and was one of only two areas (alongside Northern Ireland\*) where the pace of expansion slowed.

### Employment

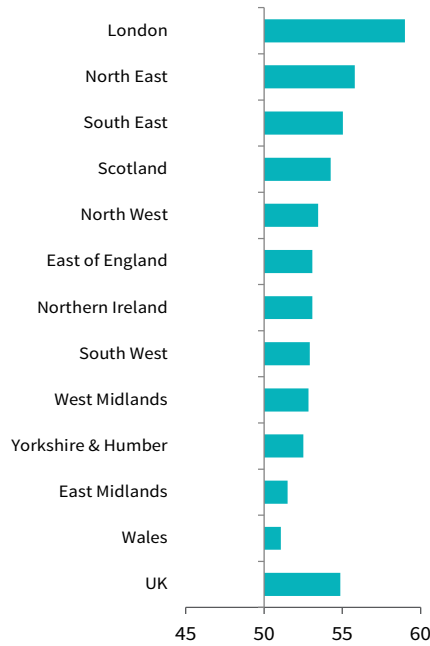
Employment rose across all areas of the UK during April except in Wales. Here, workforce numbers fell for the fourth month running, albeit at the slowest rate in this sequence. Northern Ireland recorded the fastest rate of job creation, as has been the case in each of the past four months, followed by Scotland. Notably, the North East saw staffing levels rise - albeit marginally - for the first time in nearly a year.

### Future Activity

Business expectations were generally positive in April, although trends varied. The West Midlands recorded the highest degree of optimism towards future activity, despite it being one of five areas where sentiment weakened from the month before (alongside the South East, South West, Scotland and Northern Ireland). The greatest uptick in the level of confidence was in the North East.

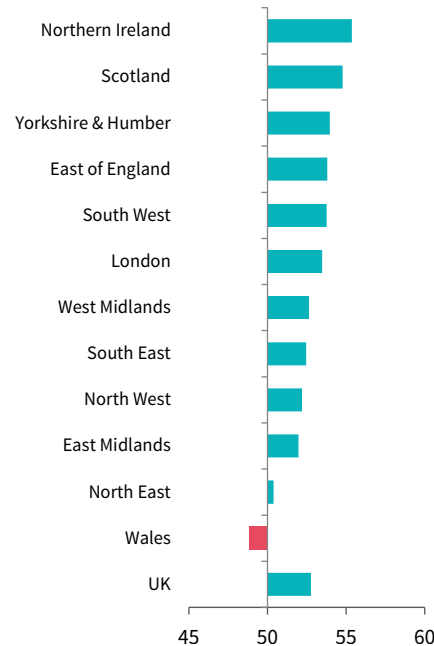
Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Apr '23



\* 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 '22	49.8	49.5	47.8	60.5	50.4	48.0	77.1	66.7
Dec '22	52.0	51.4	48.7	61.3	50.1	48.8	71.7	64.3
Jan '23	47.7	47.7	50.0	67.3	48.4	44.9	70.4	65.9
Feb '23	50.7	49.8	52.1	67.9	45.9	45.6	69.6	63.0
Mar '23	52.0	53.7	52.6	72.3	45.7	45.0	67.0	59.2
Apr '23	51.1	52.6	53.2	73.0	48.8	44.1	67.3	63.1

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### 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.

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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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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