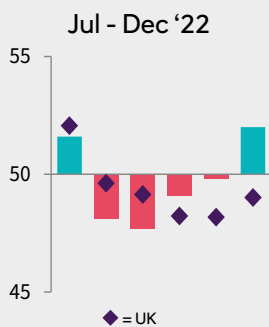


# NatWest Wales PMI<sup>®</sup>

## Business activity rises at quickest rate since June

### Wales Business Activity Index



### Key findings

Output increases at modest rate amid renewed rise in new business

Employment broadly unchanged in December

Cost pressures soften

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 52.0 in December, up from 49.8 in November. The latest data signalled a modest uptick in business activity across the Welsh private sector at the end of the year. The rise in output was the fastest since June, with companies linking the expansion to greater client demand and a renewed increase in new business. Welsh firms were the best performing of the 12 monitored UK areas and bucked the wider UK trend, which indicated a marginal contraction in output.

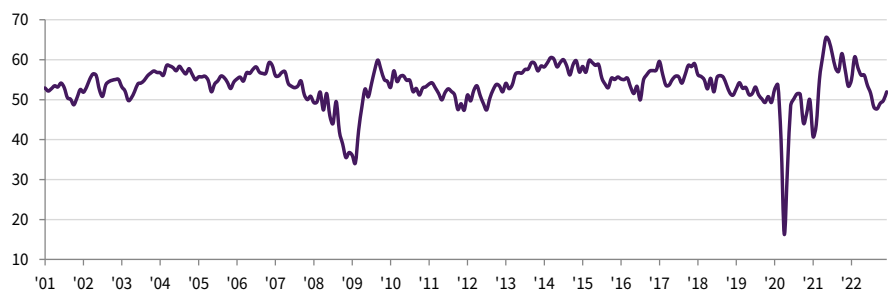
Kevin Morgan, NatWest Wales Regional Board, commented:

*"Welsh firms ended the year on a promising note, as business activity and new orders returned to expansion territory in December. Modest upturns followed stronger demand conditions, with Wales the strongest performing monitored area of the UK. Nonetheless, cost pressures continued to impact business decisions, as employment was broadly unchanged amid cost cutting initiatives and reductions in temporary labour."*

*"Cost burdens and output charges continued to rise at historically elevated rates, as energy price hikes were passed through to customers. Inflationary pressures eased, however, amid reports of reductions in some key input prices."*

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

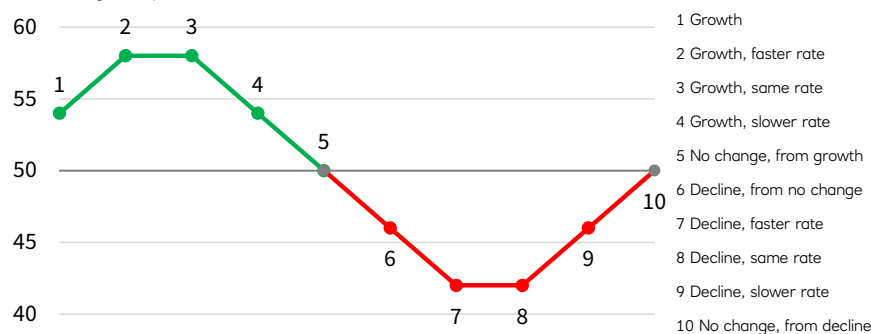
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

### Renewed uptick in new business in December

Welsh private sector firms recorded a return to growth in new business at the end of 2022, thereby ending a four-month sequence of contraction. Welsh businesses bucked the UK trend, with the average across the UK as a whole signalling a modest decline in new orders. Firms often stated that increased new business was due to stronger client demand. The rise in new orders was only marginal, however.

### Business confidence strongest for three months

Output expectations for the year ahead at Welsh private sector firms strengthened for the second month running in December. Confidence reportedly stemmed from hopes of a pick up in client demand and investment in new products. The level of optimism was lower than the series and UK averages, however. Firms noted that efforts to keep costs down amid inflation concerns harmed expectations.

## Exports

### Marginal decline in export climate in December

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 48.8 in December, up slightly from 48.0 in November. The latest data indicated a marginal deterioration in export conditions for Welsh firms.

The fifth successive monthly decline in the export climate stemmed from further contractions in business activity in key export markets including Germany, France, the Netherlands and the US. The fall in output in the latter accelerated.

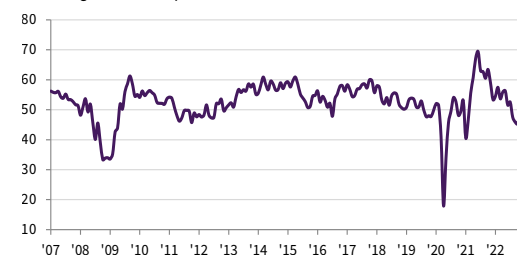
Firms in Ireland recorded an expansion in business activity, albeit only marginal.

New Business Index

sa, >50 = growth since previous month

51.4

Dec '22

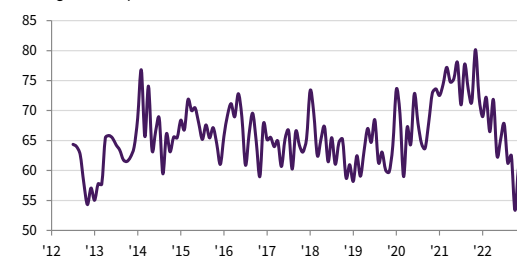


Future Activity Index

>50 = growth expected over next 12 months

61.3

Dec '22

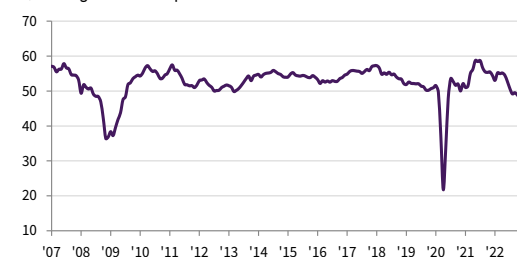


Export Climate Index

sa, >50 = growth since previous month

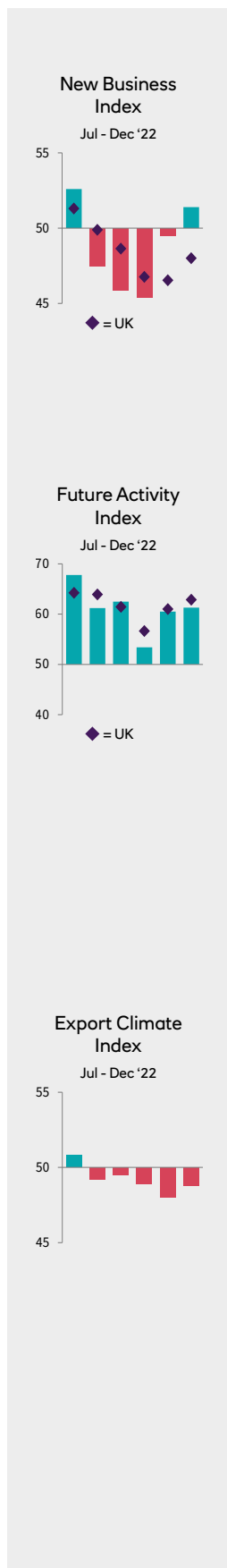
48.8

Dec '22



Top export markets, Wales

Rank	Market	Weight	Output Index, Dec '22
1	Germany	15.7%	49.0
2	France	14.5%	49.1
3	USA	13.2%	45.0
4	Ireland	8.5%	50.5
5	Netherlands	5.3%	46.2

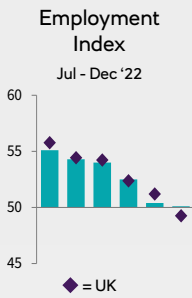
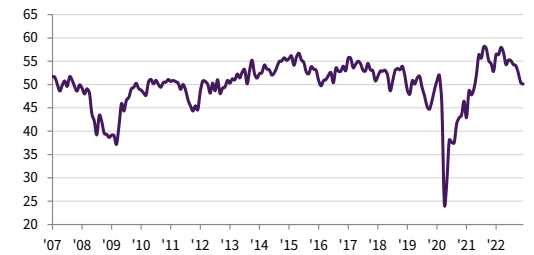


## Business capacity

### Employment broadly unchanged in December

December data signalled broadly unchanged levels of employment across the Welsh private sector, as the respective seasonally adjusted index posted fractionally above the 50.0 no change mark. A fall in manufacturing staffing numbers was offset by job creation in the service sector. The UK average indicated a marginal contraction in workforce numbers.

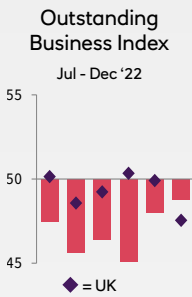
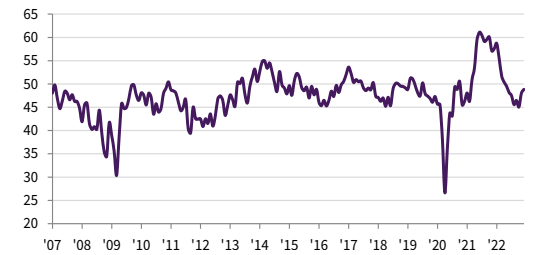
Employment Index  
sa, >50 = growth since previous month  
50.1  
Dec '22



### Backlogs of work fall only marginally

Welsh private sector firms registered a slower fall in the level of outstanding business at the end of the year. The rate of decline was only marginal and the softest since May. The decrease in backlogs of work was largely linked to greater stability in supply chains which allowed firms to process incoming new business. That said, increased new order inflows led to the slower contraction.

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



The fall in incomplete business was slower than the UK average.





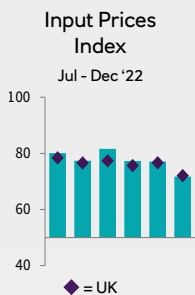
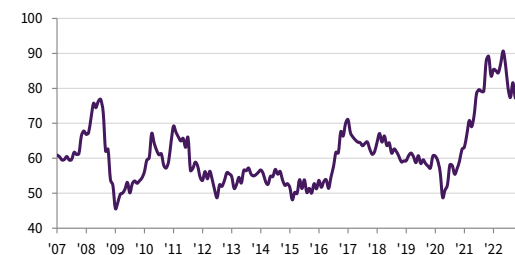
## Prices

### Slowest uptick in input prices since April 2021

December data signalled another historically elevated rate of cost inflation at Welsh private sector firms. Increased cost burdens were linked to higher energy and material prices. Nonetheless, the pace of inflation eased for the third month running to the slowest since April 2021. Service sector firms recorded sharper price rises than their manufacturing counterparts.

Welsh private sector firms indicated a slightly slower uptick in costs compared to the UK average.

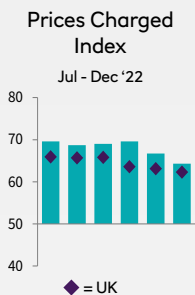
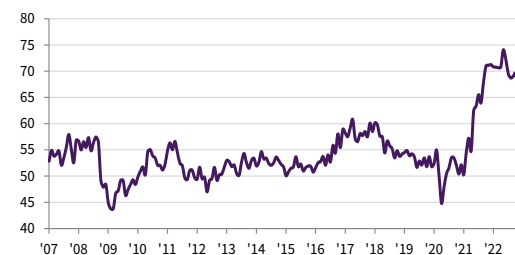
Input Prices Index 71.7  
sa, >50 = inflation since previous month Dec '22



### Selling prices rise at softer rate in December

Welsh private sector firms signalled a marked rise in output charges at the end of 2022. Higher selling prices were often due to the pass-through of greater costs to clients, according to panellists. Although sharper than the long-run series average, the rate of charge inflation was the slowest since August 2021. That said, Welsh companies recorded the second-fastest rise in output prices of the 12 monitored UK areas, slower than the West Midlands only.

Prices Charged Index 64.3  
sa, >50 = inflation since previous month Dec '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, Dec '22*
1	Electrical & Optical	1.17	50
2	Transport	1.17	48
3	Other Manufacturing	1.06	48
4	Timber & Paper	1.04	42
5	Basic Metals	0.97	48
6	Chemicals & Plastics	0.97	46
7	Food & Drink	0.96	52
8	Mechanical Engineering	0.88	52
9	Textiles & Clothing	0.44	46

#### Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Dec '22*
1	Hotels, Restaurants & Catering	1.62	48
2	Personal & Community Services	1.27	48
3	Transport & Communication	1.07	48
4	Financial Intermediation	0.94	48
5	Business-to-business Services	0.87	48
6	Computing & IT Services	0.43	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.

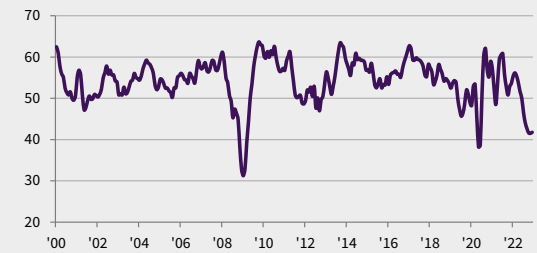
The result reflected a deepening decline in new orders, led by rapidly falling international demand. The trend in new export orders was in fact the weakest in the entire series history stretching back to 1996.

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

sa, >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.

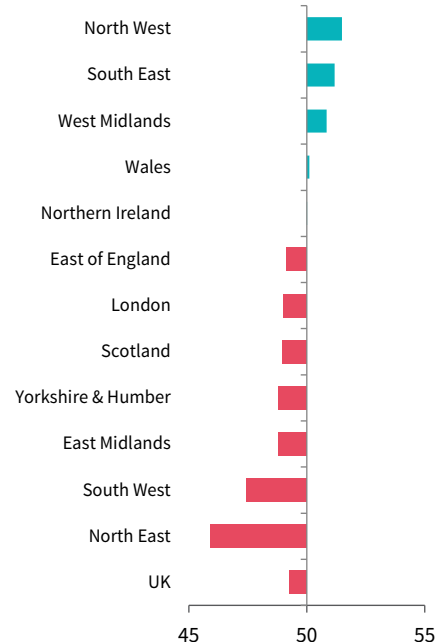
Business Activity Index

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

### 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
Jul '22	51.6	52.6	50.8	67.8	55.1	47.5	80.1	69.6
Aug '22	48.1	47.5	49.2	61.2	54.3	45.6	77.4	68.7
Sep '22	47.7	45.9	49.5	62.5	54.0	46.4	81.6	69.0
Oct '22	49.1	45.4	48.9	53.4	52.5	45.1	77.3	69.6
Nov '22	49.8	49.5	48.0	60.5	50.4	48.0	77.1	66.7
Dec '22	52.0	51.4	48.8	61.3	50.1	48.8	71.7	64.3

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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.

### 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.

### 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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