

14 January 2025

NatWest Wales Growth Tracker

Contractions in output and new orders soften in December



NatWest

PMI[®]

by S&P Global

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Key findings

December 2024

Slower contractions in output and new orders

Inflationary pressures intensify

Fastest fall in employment since September 2020

The NatWest Wales Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics





Contractions in output and new orders soften in December

Latest Growth Tracker data from NatWest indicated slower declines in activity and new business at Welsh companies in December.

At 48.9 in the final month of 2024, the headline 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 – picked up from 47.7 in November, to signal a weaker decrease in output at Welsh firms. The pace of decline was the softest in the current four-month sequence of contraction but contrasted

with a marginal expansion seen at the wider UK level.

Contributing to the slower fall in output was only a fractional drop in new business, with firms continuing to foresee greater activity in the year ahead.

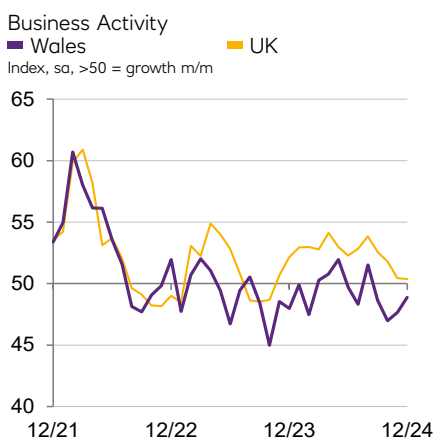
Nonetheless, cost-cutting efforts amid subdued demand, burgeoning spare capacity and greater cost pressures led to the fastest drop in employment since September 2020. Although firms were able to hike selling prices at the quickest rate since May 2024, business confidence slipped to a 13-month low.

NatWest Wales Business Activity Index
December 2024

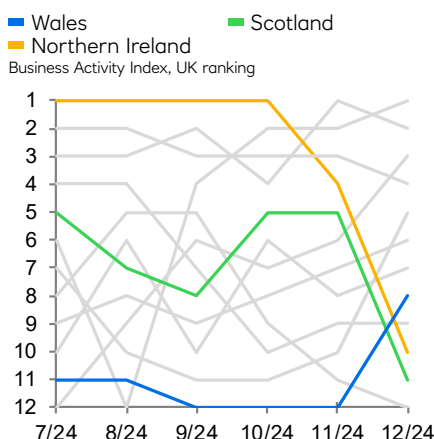
48.9

The Business Activity Index is a diffusion index calculated from companies’ responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 5-19 December



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Comment

Jessica Shipman, Chair, NatWest Cymru Regional Board, commented:

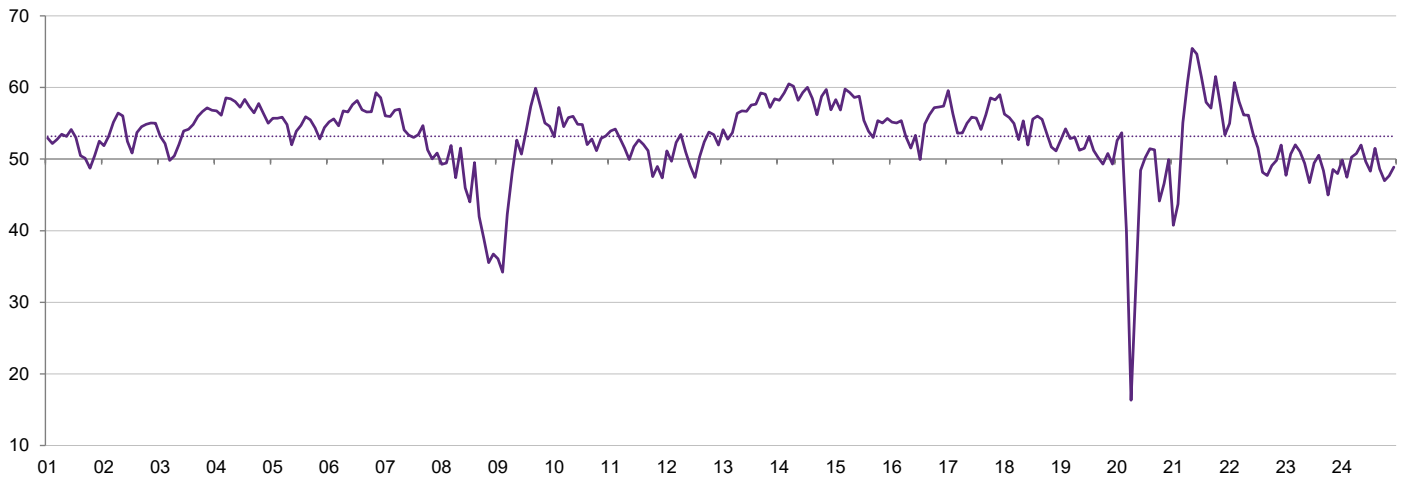
"Welsh businesses signalled a slightly brighter end to 2024 in December as contractions in output and new orders cooled. Reports of some success in engaging new customers in part stymied the decline in new business, with firms expecting growth in activity in the year ahead.

"Companies remained in retrenchment mode, however, as the fall in employment gained pace. Backlogs of work also declined markedly amid signs of spare capacity which dampened confidence in the future outlook.

"Meanwhile, inflationary pressure strengthened. Although input costs rose at a sharper rate, firms were able to also hike their selling prices at a historically elevates pace amid a less marked drop in new orders. Concerns around upcoming increases in wage bills in 2025 were highlighted by firms, which may place additional strain on margins in the coming months."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Demand and outlook

Slower fall in new business, but optimism dampened by subdued demand conditions in December

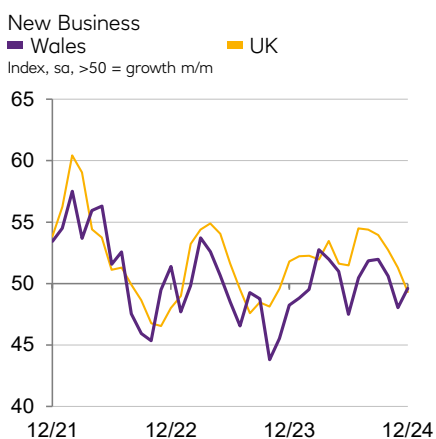
Welsh businesses signalled a second successive monthly decrease in new orders at the end of 2024. The pace of decline eased, however, to only a fractional pace that was among the weakest of the ten monitored UK areas to register a downturn.

Although companies continued to highlight muted demand conditions across key industries, some stated

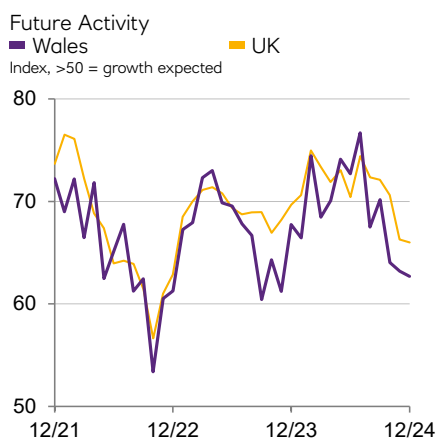
that sales and marketing campaigns were starting to bring in new customers.

Lower new orders weighed on business' level of optimism, meanwhile. The degree of confidence in a rise in output over the coming year dropped to the lowest since November 2023 and was below the series and UK averages. Economic uncertainty and concerns about future increases in costs and selling prices dampened expectations.

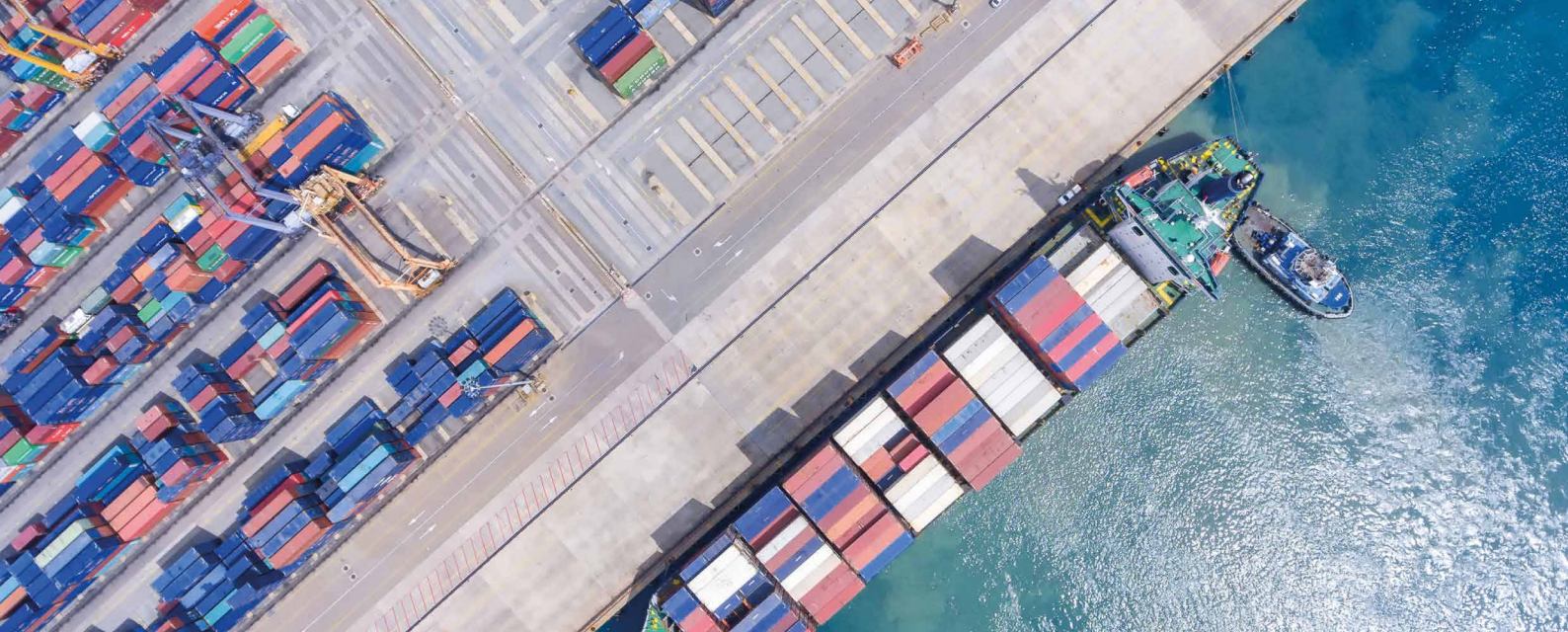
“Reports of some success in engaging new customers in part stymied the decline in new business...”



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Export markets

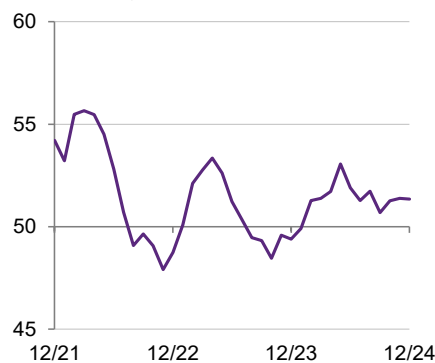
Export conditions improve further in December

The Export Climate Index posted 51.3 in December, broadly in line with 51.4 in November, to signal a modest upturn in export conditions for Welsh firms. The latest data indicated an extension to the current sequence of improvement that spans almost a year.

Further growth in output in the USA and Ireland drove the upturn.

Meanwhile, declines in output seen in Germany, France and the Netherlands weighed on the overall improvement in the export climate, despite rates of contraction easing.

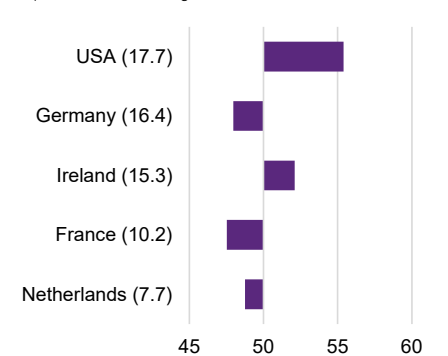
Export Conditions
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

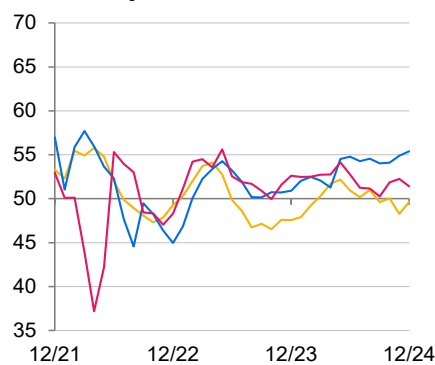
The Wales Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Wales. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, Wales
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Output
Eurozone US China
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



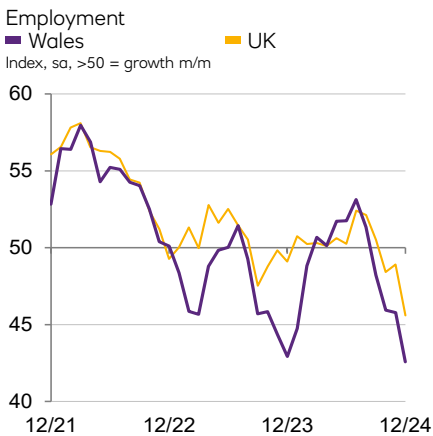
Jobs and capacity

Rate of job shedding quickens amid faster fall in backlogs of work at the end of 2024

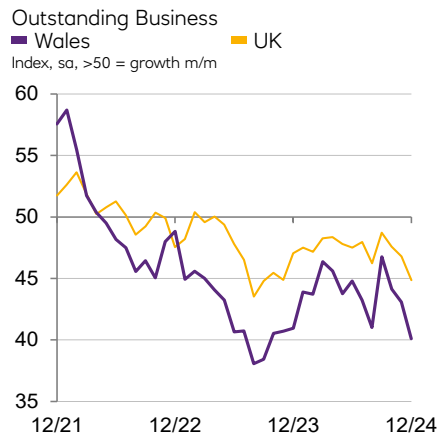
December data signalled a sharper decline in employment at Welsh private sector firms. The rate of job cuts was the quickest since September 2020, as voluntary leavers were not replaced and cost-reduction initiatives and lower new sales drove redundancies. Moreover, the pace of decrease in staffing levels was the steepest of the 12 monitored UK areas.

A lower requirement for staff stemmed in part from greater signs of spare capacity across the private sector. The level of outstanding business declined markedly, and at the fastest pace since September 2023. Firms were reportedly able to process unfinished work amid reduced new order inflows. In line with the trend for employment, Welsh businesses recorded the quickest drop in incomplete work of the 12 UK areas monitored by the survey.

“Companies remained in retrenchment mode, however, as the fall in employment gained pace.”



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



Inflation

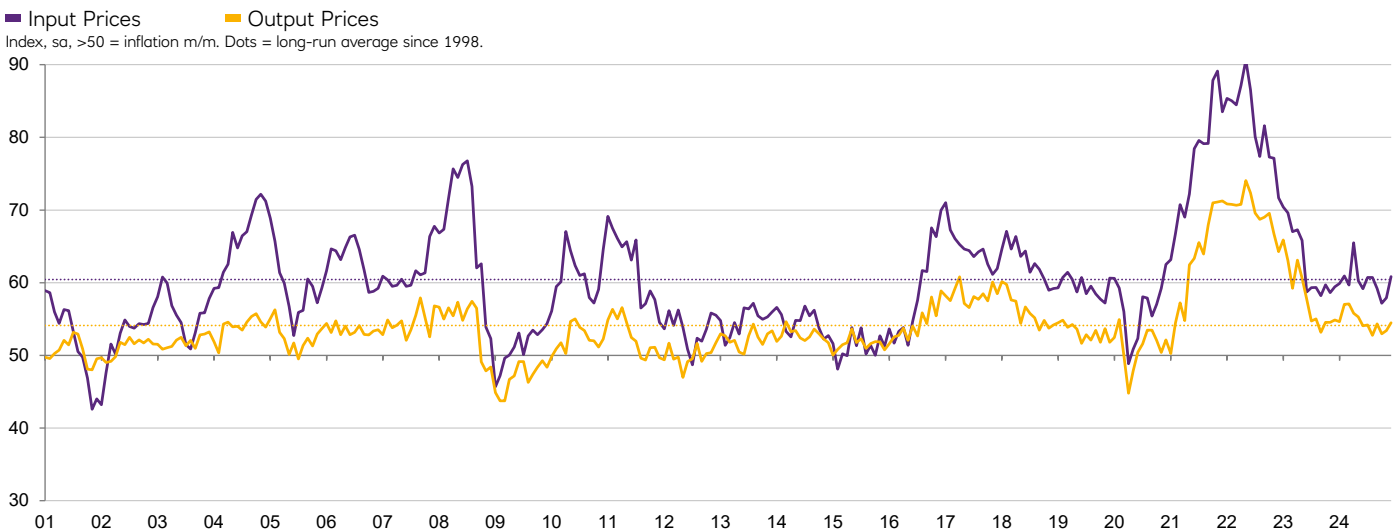
Cost burdens and selling prices rise at quicker rates in December

Average input prices at Welsh firms increased at a sharper pace in the final month of 2024, with the rate of inflation accelerating to the fastest since last April. The historically elevated rise in cost burdens was linked to higher supplier and material prices, alongside greater rent and wage bills. The pace of increase was slightly slower than the UK average,

however.

At the same time, firms sought to pass through higher costs to customers through a rise in selling prices. Here, the pace of charge inflation also quickened to the fastest since May 2024 and was sharper than the series average. Nevertheless, the rate of increase was among the slowest of the 12 monitored UK areas, with only Yorkshire & Humber, Northern Ireland and the West Midlands recording weaker upticks.

“Although input costs rose at a sharper rate, firms were able to also hike their selling prices...”



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

UK Regional Growth Tracker

Business Activity

The North East and London were the two standout performers in terms of regional business activity growth in December. The only other area to see an increase in output was the East Midlands, although the rise there was modest. At the other end of the scale, the North West and Scotland recorded the joint-steepest falls in business activity, followed by Northern Ireland.

Employment

Employment growth in December was confined to just Northern Ireland. Workforce numbers fell in the remaining 11 nations and regions covered by the survey, marking the broadest decline in almost four years. For the fourth month running, companies in Wales recorded the sharpest drop in staffing levels.

Future Activity

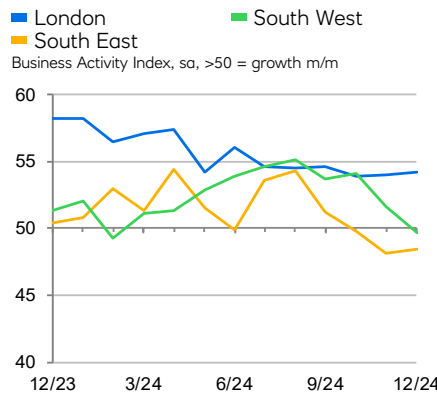
There were varying degrees of optimism towards future activity across the UK's nations and regions in December. Firms in the East Midlands were the most upbeat about the year-ahead outlook, having seen a notable rebound in confidence from the month before. Expectations deteriorated in the majority of areas, however, including Scotland which saw the weakest overall sentiment.



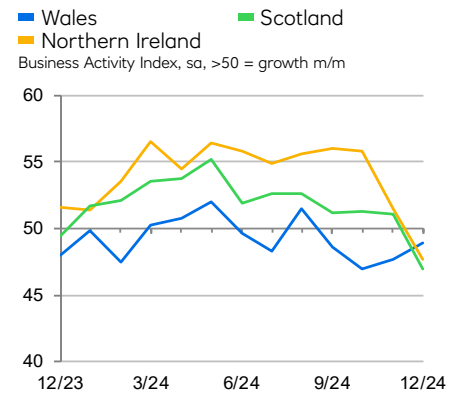
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



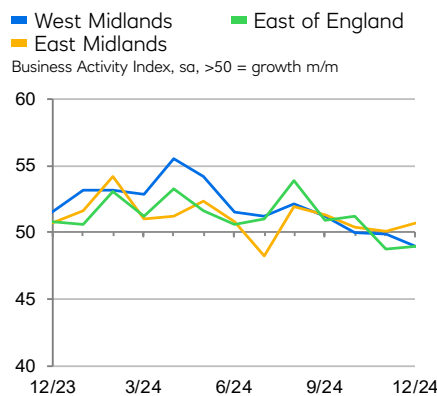
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



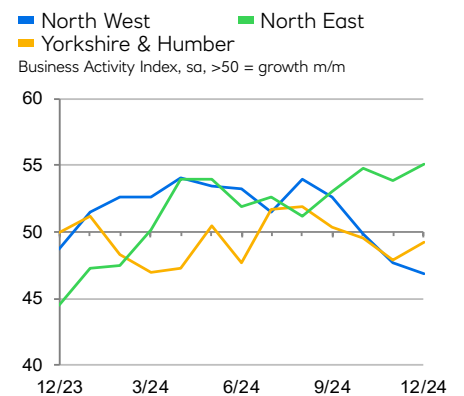
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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Growth Tracker heat map

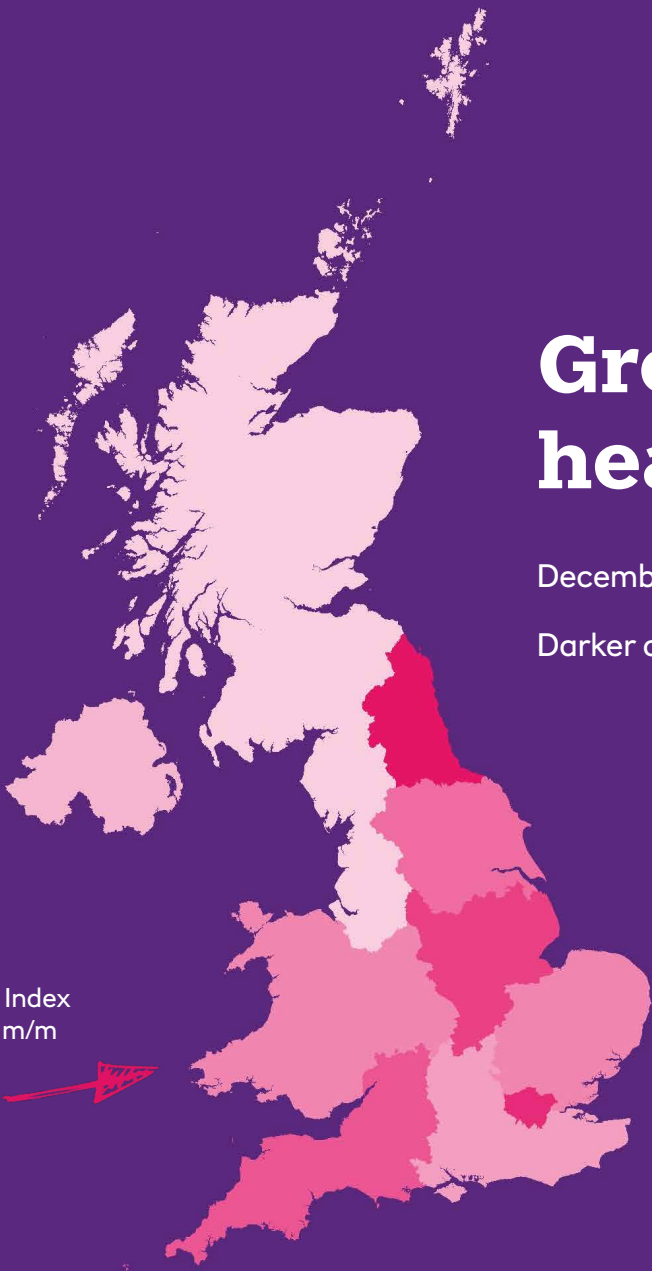
December 2024

Darker colour = higher business growth

Wales

Business Activity Index
sa, >50 = growth m/m

48.9



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

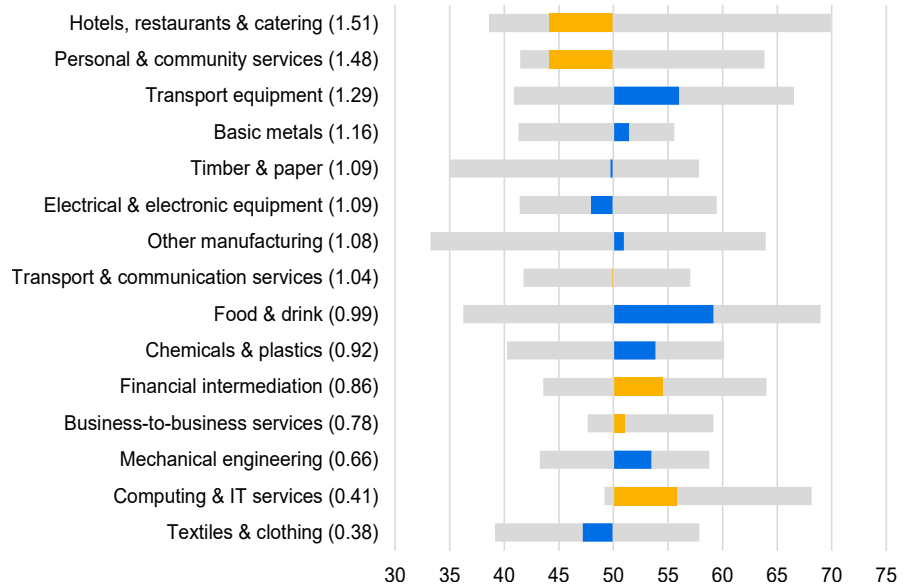
UK sectors

Sector specialisation: Wales

The chart shows UK output indices by sector, ranked by location quotients for Wales. Location quotients (LQs) 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.

UK sectors ranked by importance to the Welsh economy
 ■ Manufacturing ■ Services ■ 3-year range
 UK Output Index, sa, >50 = growth m/m Dec '24



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.
 Location quotients for Wales are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

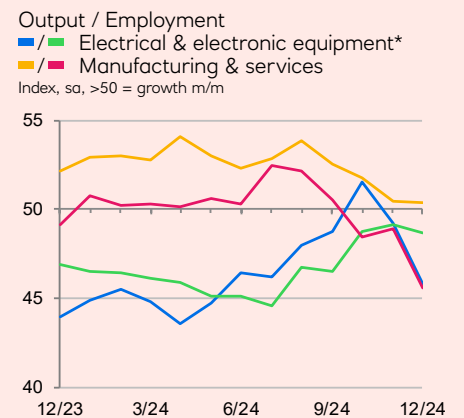
Sector in focus: Electrical & electronic equipment

Business conditions deteriorated across the UK's electrical & electronic equipment sector in the final quarter of 2024. After a brief upturn in the autumn, production fell markedly amid a sustained downturn in new orders. Underlying data showed particular weakness in export sales.

With backlogs of work decreasing sharply, firms in the sector once again trimmed workforce numbers, to extend a sequence of staff retrenchment stretching back to September 2023. Job cuts also

coincided with a deterioration in businesses' growth forecasts to the weakest in almost four-and-a-half years.

Turning to prices, latest data showed average output charges across the UK's electrical & electronic equipment sector increasing at an above-trend rate, and one that was the quickest since Q2 2024. Firms raised selling prices in response to sustained strong growth in average input costs.



*Data are smoothed as three-month moving average
 Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Methodology

The NatWest Wales Growth Tracker 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

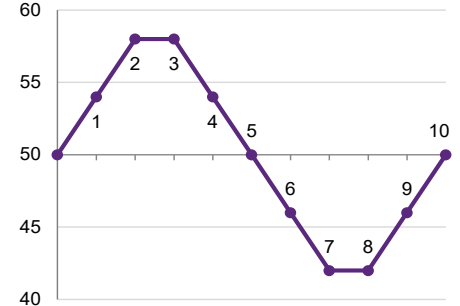
overall decrease. The indices are then seasonally adjusted.

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.

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 survey methodology, please contact economics@spglobal.com.

Index interpretation
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2025 S&P Global.

Key

- 1 Growth, from no change
- 2 Growth, faster rate
- 3 Growth, same rate
- 4 Growth, slower rate
- 5 No change, from growth
- 6 Decline, from no change
- 7 Decline, faster rate
- 8 Decline, same rate
- 9 Decline, slower rate
- 10 No change, from decline

Data

Wales manufacturing and services

Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity*	Input Prices	Output Prices
7/24	48.3	50.5	51.3	53.1	43.2	76.7	60.7	54.2
8/24	51.5	51.9	51.7	51.3	41.0	67.5	60.7	52.8
9/24	48.6	52.0	50.7	48.2	46.8	70.2	59.2	54.4
10/24	47.0	50.6	51.3	45.9	44.1	64.0	57.2	53.0
11/24	47.7	48.0	51.4	45.8	43.1	63.2	57.9	53.4
12/24	48.9	49.6	51.3	42.6	40.1	62.7	60.8	54.5

Further information

NatWest

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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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PMI by S&P Global

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Contact

Jonathan Rennie
Regional Campaign Manager
NatWest
+44 (0) 7769 932102
jonathan.rennie@natwest.com

Siân Jones
Principal Economist
S&P Global Market Intelligence
+44 1491 461 017
sian.jones@spglobal.com

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com

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