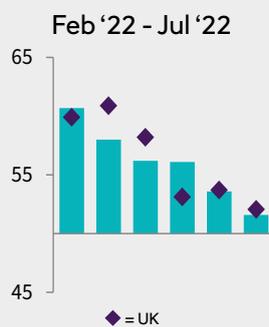


# NatWest Wales PMI<sup>®</sup>

## Business activity increases only marginally amid soft demand conditions

### Wales Business Activity Index



### Key findings

Output rises at slowest pace in 17-month sequence of growth

Inflationary pressures ease to softest in ten months

Business confidence picks up to three-month high

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 51.6 in July, down from 53.6 in June, to signal only a marginal upturn in output across the Welsh private sector. The rise in business activity was the slowest in the current 17-month sequence of growth and slightly softer than the UK average. Greater output was linked to a further uptick in client demand and new order inflows.

Gemma Casey, NatWest Ecosystem Manager for Wales, commented:

*"Welsh firms continued to register output growth during July, as the upturn in new business regained pace. That said, the respective expansions were subdued in the context of those seen over the past year as price pressures softened demand conditions."*

*"Despite signs of spare capacity and a decrease in backlogs of work, companies increased workforce numbers strongly and recorded a greater degree of confidence in the year ahead outlook for output. Amid hopes of greater price stability, firms reported the slowest rise in input costs since September 2021. The rates of increase remained historically marked, however, and faster than any seen before October 2021 as inflationary headwinds endure."*

### Wales Business Activity Index

sa, >50 = growth since previous month



## Contents

- [About the report](#)
- [Demand and outlook](#)
- [Exports](#)
- [Business capacity](#)
- [Prices](#)
- [UK Sector PMI](#)
- [UK Regional PMI](#)
- [Data summary](#)
- [Contact](#)

## 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

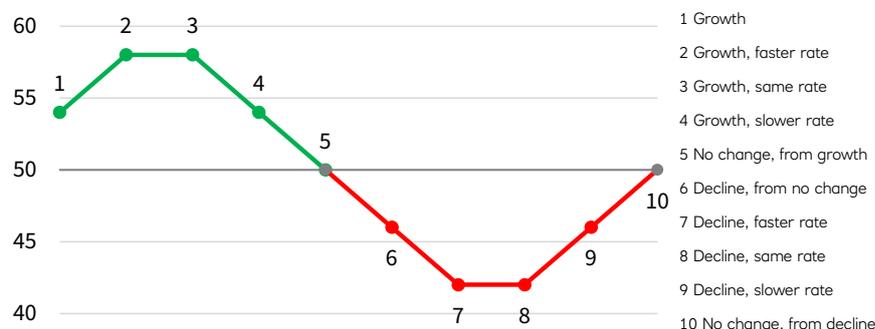
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Further new business growth in July

Welsh private sector firms registered a further expansion in new business during July, with the rate of growth quickening slightly from June's 16-month low. Welsh firms were among only three UK areas to report an upturn in new orders, alongside the South East and London. Anecdotal evidence stated that the increase in new business stemmed from a modest uptick in client demand.

The rise in new orders was broad based, with manufacturers and service providers recording an increase.

### Business optimism ticks up to three-month high

July data signalled a further uptick in business confidence at Welsh private sector firms. Output expectations for the coming 12 months were the strongest for three months and higher than the series trend. Companies attributed greater optimism to hopes of price and supply chain stability, alongside increased client demand.

Welsh firms were also more optimistic regarding the outlook for output than the UK average.

## Exports

### Weakest improvement in export climate since November 2020

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 50.8 in July, down from 52.8 in June. Although still indicating an upturn in export conditions for Welsh firms, the improvement was the least marked in the current 20-month sequence.

Softer improvements in the export climate were linked to renewed contractions in output at key export destinations, including Germany and the USA.

At the same time, the pace of activity growth in France and the Netherlands eased. The rate of expansion in output in Ireland was modest overall.

New Business Index

sa, >50 = growth since previous month

52.6

Jul '22



Future Activity Index

>50 = growth expected over next 12 months

67.8

Jul '22



Export Climate Index

sa, >50 = growth since previous month

50.8

Jul '22



Top export markets, Wales

Rank	Market	Weight	Output Index, Jul '22
1	Germany	15.7%	48.1
2	France	14.5%	51.7
3	USA	13.2%	47.7
4	Ireland	8.5%	52.9
5	Netherlands	5.3%	51.7



## Business capacity

### Workforce numbers rise strongly in July

Welsh private sector firms recorded a strong upturn in employment at the start of the third quarter. The rate of job creation was broadly in line with that seen in June, but slower than the UK average. Companies attributed higher workforce numbers to an uptick in client demand and greater new order inflows.

Manufacturers and service providers registered an increase in employment, with the latter recording a sharper rise.

Employment Index  
sa, >50 = growth since previous month  
55.1 Jul '22



### Steepest drop in backlogs of work since February 2021

The level of outstanding business at Welsh private sector firms fell for the third month running in July. The decrease in work-in-hand quickened to the fastest since February 2021 and contrasted with the UK average which pointed to broadly unchanged levels of incomplete business. Relatively soft demand conditions and sufficient capacity reportedly allowed firms to work through their backlogs.

Outstanding Business Index  
sa, >50 = growth since previous month  
47.5 Jul '22



## Prices

### Rate of cost inflation eases to ten-month low

Welsh private sector firms indicated a softer pace of cost inflation during July. Although the pace of increase remained historically elevated and quicker than in any period before October 2021, it was the slowest since then. Higher input prices were linked to greater energy, fuel, material and wage costs.

The rate of inflation was also substantial in relation to other UK areas, slower than only Northern Ireland and the South East.

Input Prices Index 80.1  
sa, >50 = inflation since previous month Jul '22

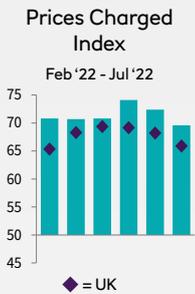
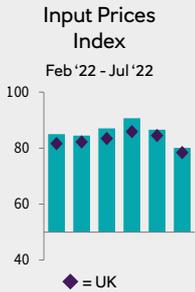


### Softest rise in output charges since September 2021

Average output charges increased markedly at the start of the third quarter, albeit at a softer pace. The rise in selling prices was attributed to the pass-through of higher costs to clients. That said, in line with the trend for slower increases in cost burdens, firms recorded the softest rise in output charges since September 2021.

The rate of charge inflation was, however, among the fastest of the UK areas, slower than only Northern Ireland, the North East and the South East.

Prices Charged Index 69.6  
sa, >50 = inflation since previous month Jul '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, Jul '22 <sup>+</sup>
1	Electrical & Optical	1.17	55
2	Transport	1.17	52
3	Other Manufacturing	1.06	50
4	Timber & Paper	1.04	45
5	Basic Metals	0.97	50
6	Chemicals & Plastics	0.97	48
7	Food & Drink	0.96	48
8	Mechanical Engineering	0.88	55
9	Textiles & Clothing	0.44	45

#### Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '22 <sup>+</sup>
1	Hotels, Restaurants & Catering	1.62	45
2	Personal & Community Services	1.27	55
3	Transport & Communication	1.07	48
4	Financial Intermediation	0.94	50
5	Business-to-business Services	0.87	50
6	Computing & IT Services	0.43	55

## UK sector focus

### Financial Intermediation

The UK's Financial Intermediation sector saw an increase in business activity in the three months to July. However, having been solid throughout the opening half of the year, the rate of growth slowed sharply and was among the softest seen since the current sequence of expansion began in the spring of last year.

The loss of momentum reflected a deepening decline in inflows of new work across the sector, with reports from surveyed firms highlighting the influence market and economic uncertainty, high inflation and rising interest rates. Expectations towards future activity deteriorated accordingly, dropping to their lowest in over two years.

On the price front, Financial Intermediation firms raised charges at a near-record rate in the three months to July, with underlying cost pressures close to the highest seen in over 25 years of data collection.

#### Output Index

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



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



## UK Regional PMI overview

### Business Activity

Eight of the 12 monitored UK regions recorded higher business activity in July, the lowest number since February 2021 (four). London saw by far the strongest growth, but even here the rate of expansion slowed, as was the case in six other areas. Northern Ireland\* remained at the bottom of the rankings, while lower output was also seen in the North East, East of England and East Midlands.

### Employment

Rates of job creation generally remained robust across the UK in July. In fact, four regions even saw slightly faster increases in employment than the month before, including the South East which moved to the top of the rankings. The North East once again went against the broader trend, registering another marginal decline in workforce numbers, its third in the past four months.

### Future Activity

Firms' expectations for future activity remained positive for the most part in July, with only those in Northern Ireland anticipating a decline in output over the next 12 months. Businesses in Yorkshire & Humber were the most optimistic about the outlook, despite confidence in the region have weakened from the previous month. Expectations also fell in the West Midlands, South East, East Midlands and South West.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jul '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
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
May '22	56.1	56.3	54.5	62.5	54.3	49.5	90.7	74.1
Jun '22	53.6	51.6	52.8	65.2	55.2	48.2	86.6	72.4
Jul '22	51.6	52.6	50.8	67.8	55.1	47.5	80.1	69.6

## Contact

Noel Davies  
Regional Campaign Manager  
Natwest  
+44 (0) 7970 332 895  
[noel.davies@natwest.com](mailto:noel.davies@natwest.com)

Siân Jones  
Senior Economist  
S&P Global Market Intelligence  
T: +44-1491-461-017  
[sian.jones@spglobal.com](mailto:sian.jones@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 (0)-7967-447030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

### 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.

### About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.