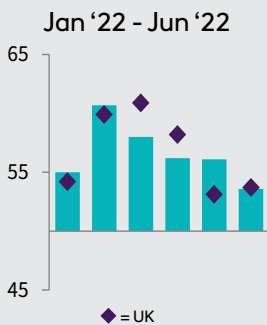


NatWest Wales PMI[®]

Growth in output and new orders slows in June

Wales Business Activity Index



Key findings

Expansion in new business eases to a 16-month low

Input and output price inflation remain among the highest on record

Strong growth in employment levels

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 53.6 in June, down from May’s reading of 56.1. Latest survey data signalled a sixteenth consecutive month of Welsh private sector expansion. Some firms linked growth in business activity to sustained improvements in demand conditions.

That said, the rate of growth eased to a six-month low amid reports of supply constraints and a slowdown in new order growth due to the rising cost of living. Overall, the rate of increase in activity was broadly in line with that recorded for the UK.

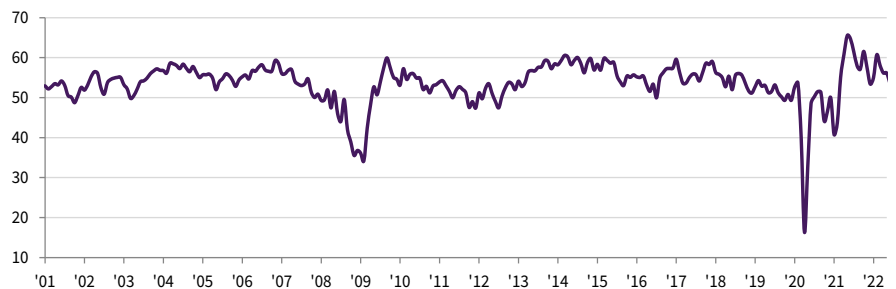
Kevin Morgan, NatWest Wales Regional Board, commented:

"Welsh private sector firms saw growth in output and new orders decelerate in June. Anecdotal evidence suggested that the slowdown was linked to rising costs across the private sector economy. Inflationary pressures across the Welsh private sector, despite easing slightly in June, were among the fastest on record and among the sharpest seen across the UK. As such, demand and output growth may continue to slow should firms continue to pass increasing cost burdens to their clients."

"On the positive side, June data indicated solid growth in employment levels and an optimistic outlook towards future output."

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

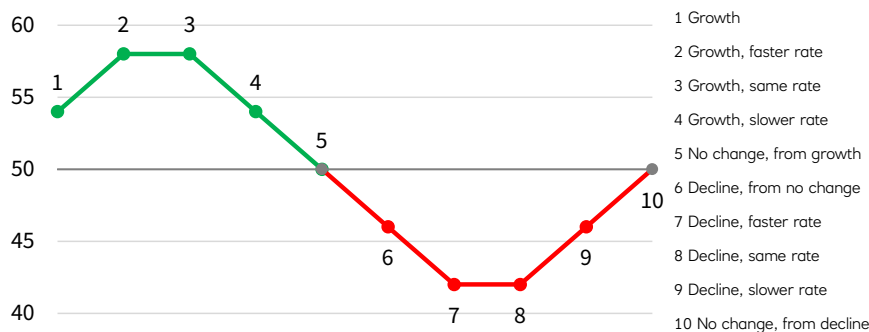
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

Growth in new orders eases to a 16-month low during June

Private sector firms in Wales registered a mild increase in new business in June. Overall, the pace of growth was the slowest in the current 16-month sequence of expansion. Anecdotal evidence suggested that the easing in new order growth stemmed from rising costs and inflationary pressures.

The expansion in new business across Wales was also among the strongest of the 12 monitored UK areas, behind only London and the South East.

Stronger degree of business confidence in June

June data pointed to stronger expectations regarding the 12-month outlook for output across the Welsh private sector. The level of optimism picked up from May amid reports of expansion plans, new product launches and strengthening demand conditions.

Positive sentiment was mainly driven by firms within Wales's manufacturing sector.

Exports

Export condition improvement at the weakest since March 2021

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 52.8 in June, down from 54.5 in May. Despite latest data indicating an upturn in the export climate for private sector firms in Wales, the rate of improvement was the weakest in 16 months.

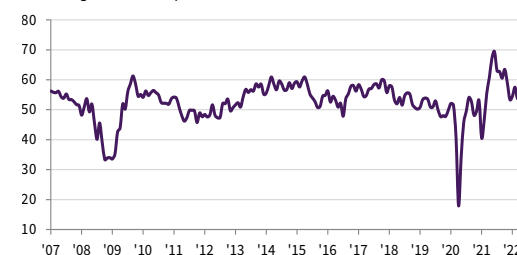
Slower output growth across the top five export markets contributed to the weak upturn in Wales's export climate. Notably, France and Ireland recorded the most significant slowdowns in business activity expansion.

New Business Index

sa, >50 = growth since previous month

51.6

Jun '22

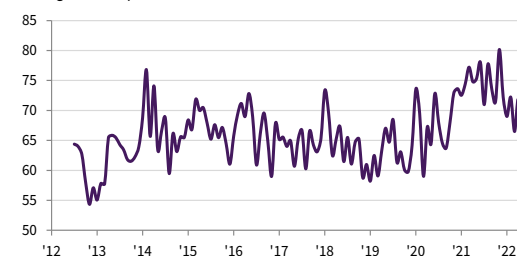


Future Activity Index

>50 = growth expected over next 12 months

65.2

Jun '22

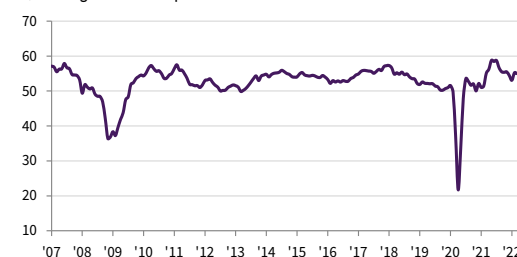


Export Climate Index

sa, >50 = growth since previous month

52.8

Jun '22



Top export markets, Wales

Rank	Market	Weight	Output Index, Jun '22
1	Germany	15.7%	51.3
2	France	14.5%	52.5
3	USA	13.2%	52.3
4	Ireland	8.5%	52.8
5	Netherlands	5.3%	52.1

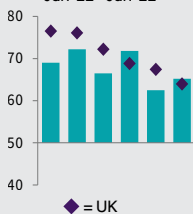
New Business Index

Jan '22 - Jun '22



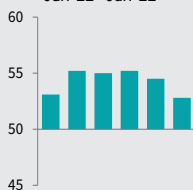
Future Activity Index

Jan '22 - Jun '22



Export Climate Index

Jan '22 - Jun '22

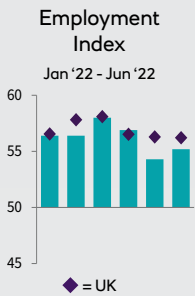
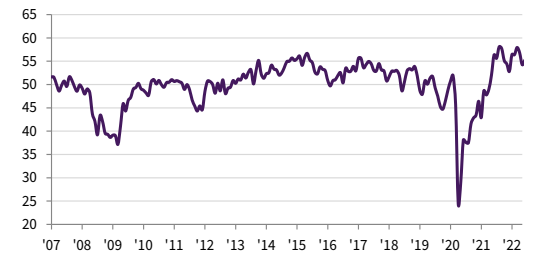


Business capacity

Strong growth in employment levels

Job expansion across the Welsh private sector continued for a fourteenth consecutive month in June. The rate of growth was strong overall and a stark contrast to the stagnation seen on average across the survey history. Welsh private sector firms reported increasing their staffing levels in response to rising demand.

Employment Index 55.2
sa, >50 = growth since previous month Jun '22

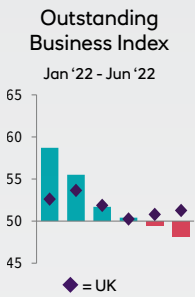
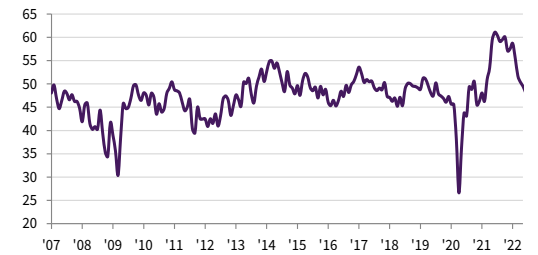


Backlogged work declines for a second consecutive month

June data signalled a second consecutive fall in the level of outstanding work across the Welsh private sector. Moreover, the rate of reduction accelerated from May and was the fastest in 16 months. Some firms linked the decline with the easing of supply chain disruptions. Notably, the fall in backlogged work was largely driven by the manufacturing sector.

Overall, the rate of at which backlogs were cleared was among the strongest of the 12 monitored areas, beaten only by the North East and Northern Ireland.

Outstanding Business Index 48.2
sa, >50 = growth since previous month Jun '22



Prices

Input cost inflation remains among the highest on record

Average input costs faced by Welsh private sector firms increased further in June. Despite easing from the record high in May, the rate of cost inflation remained sharp and the among the highest across survey history. Survey respondents linked higher energy, oil, and raw material costs to the rise in input prices.

Moreover, June data indicated that the rate of inflation in the Welsh private sector was among the sharpest of the 12 monitored UK areas. Only Northern Ireland and the North East recorded steeper rates of cost inflation.

Second-sharpest rate of selling price inflation on record

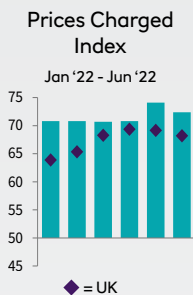
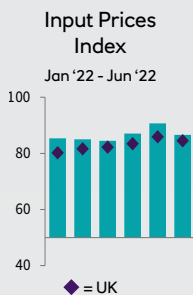
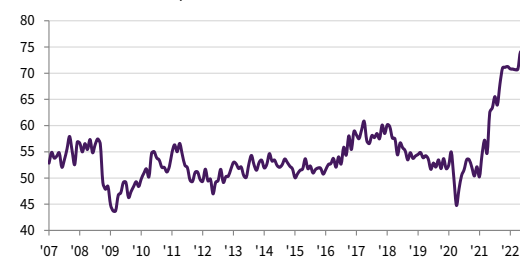
Welsh companies reported a further surge in prices charged across the private sector at the end of the second quarter. The rate of inflation slowed from May but was the second highest in survey history. Anecdotal evidence linked price hikes to firms passing on part of the rise in cost burdens to their clients.

The uptick in output charges across Wales's private sector was the third-fastest seen across the 12 monitored UK areas. In line with the trend of input prices, only Northern Ireland and the North East recorded quicker rates of selling price inflation.

Input Prices Index 86.6
sa, >50 = inflation since previous month Jun '22



Prices Charged Index 72.4
sa, >50 = inflation since previous month Jun '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, Jun '22 ⁺
1	Electrical & Optical	1.17	58
2	Transport	1.17	55
3	Other Manufacturing	1.06	55
4	Timber & Paper	1.04	48
5	Basic Metals	0.97	58
6	Chemicals & Plastics	0.97	50
7	Food & Drink	0.96	48
8	Mechanical Engineering	0.88	58
9	Textiles & Clothing	0.44	48

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jun '22 ⁺
1	Hotels, Restaurants & Catering	1.62	52
2	Personal & Community Services	1.27	58
3	Transport & Communication	1.07	52
4	Financial Intermediation	0.94	55
5	Business-to-business Services	0.87	52
6	Computing & IT Services	0.43	58

UK sector focus

Textiles & Clothing

Latest data showed a decline in production levels across the UK's Textiles & Clothing sector during the second quarter. It was one of three manufacturing categories (out of nine monitored) to record lower output, alongside Timber & Paper and Food & Drink.

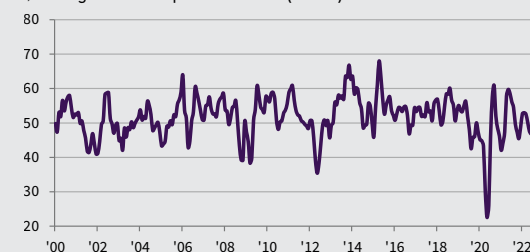
Weaker underlying demand was a driving factor, with inflows of new work falling in the three months to June. This was despite a slight upturn in export sales over the same period.

Cost pressures continued to build across the Textiles & Clothing sector during the second quarter, reaching a near-record high. With many firms looking to pass on at least part of the burden to customers, output price inflation quickened to a rate unseen for over two decades.

Positively, and despite waning business confidence, employment in the sector continued to rise, with the rate of job creation quickening to a 12-month high.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Regional performances varied markedly in terms of business activity in June. London led the growth rankings by some margin with a steep and accelerated rise in output. However, three areas recorded lower business activity, one being Northern Ireland*, where output fell for the second month running and at the quickest rate since February 2021.

Employment

Employment rose in almost every region in June, the only exception being the North East. Here, staffing numbers fell - albeit fractionally - for the second time in the past three months. London recorded the strongest rate of job creation, as has been the case in each month since February. Five areas recorded a slower rate of employment growth than the month before, however.

Future Activity

Firms' expectations for activity in the year ahead generally worsened in June. Of the 12 monitored areas, only the West Midlands and Wales recorded stronger business confidence. Despite seeing sentiment weaken, Yorkshire & Humber remained the most optimistic region. Expectations were lowest in Northern Ireland, where they turned more pessimistic.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Jun '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
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
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

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