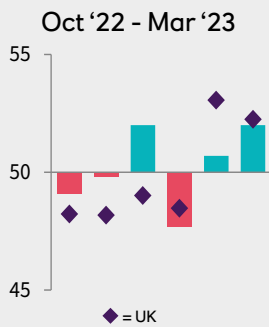


NatWest Wales PMI[®]

Sharpest rise in new business since May 2022

Wales Business Activity Index



Key findings

Output growth quickens amid faster rise in new orders

Input costs and output charges increase at slower rates

Fastest fall in employment since January 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 52.0 in March, up from 50.7 in February, to signal a modest expansion in output across the Welsh private sector. The upturn was often linked to stronger client demand and a renewed rise in new orders. Although slower than the long-run series average, the rate of growth in activity was broadly in line with that seen across the UK as a whole.

Gemma Casey, NatWest Ecosystem Manager for Wales, commented:

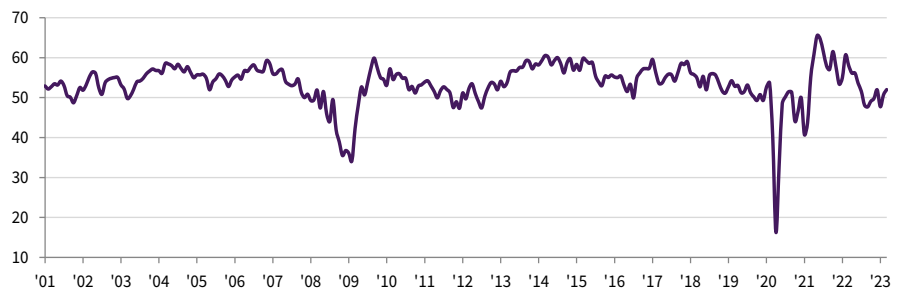
"March data signalled a more upbeat end to the first quarter for Welsh firms. Output grew at a faster pace, as new orders returned to expansion and rose solidly amid stronger client demand. Companies were also much more confident regarding the outlook for output over the coming year, as optimism reached the highest since November 2021.

"Nonetheless, firms engaged in cost-cutting measures as spare capacity expanded. Backlogs fell at a sharper pace, leading firms to reduce their workforce numbers at the quickest rate since early-2021. This contrasted with the wider UK trend, where employment stabilised.

"Although easing, inflationary pressures remained historically elevated. Despite some reports of moderations in material prices, increased wage bills contributed to hikes in input costs, with many passing on rising cost burdens to customers."

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

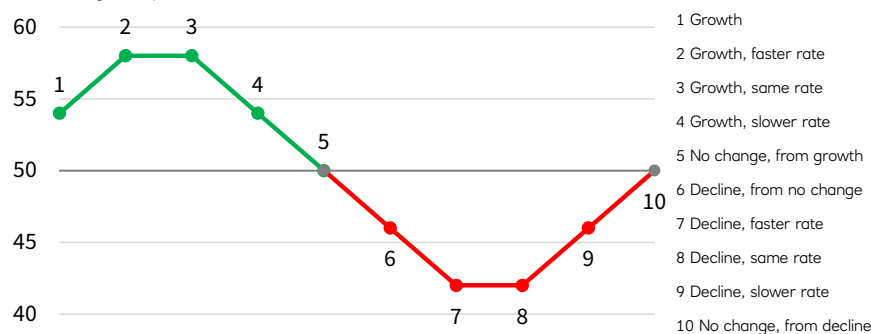
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

Index interpretation

50.0 = no change since previous month

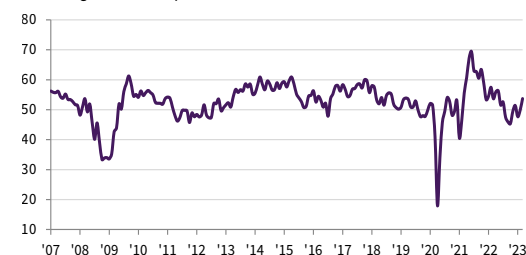


Demand and outlook

Renewed rise in new business in March

Welsh private sector firms registered a return to growth in new orders at the end of the first quarter. The rate of growth was solid overall and the fastest since May 2022. Anecdotal evidence suggested stronger client demand drove the upturn, as client activity increased. The pace of expansion was slower than the UK average, but faster than the long-run series average for Welsh firms.

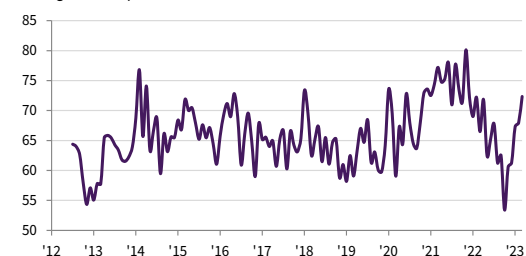
New Business Index
sa, >50 = growth since previous month
53.7
Mar '23



Business optimism reaches highest since November 2021

March data indicated a stronger degree of confidence in the outlook for output over the coming year at Welsh private sector firms. The level of optimism rose for the fifth month running and was the highest since November 2021. Hopes of greater client demand and planned investment in expansion and product development supported greater positive sentiment, which was stronger than the UK average.

Future Activity Index
>50 = growth expected over next 12 months
72.3
Mar '23



Exports

Export conditions improve at strongest rate since June 2022

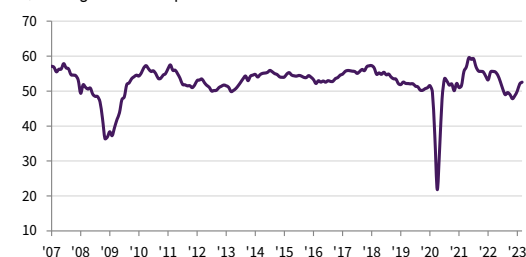
The Wales Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Wales. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index posted 52.6 in March, up from 52.1 in February, to signal the steepest improvement in the export climate for Welsh firms since June 2022.

Contributing to the stronger improvement in export conditions were sharper output expansions in the USA, Germany and France. Firms in the Republic of Ireland continued to record an upturn in activity, but the pace of growth eased to a solid rate.

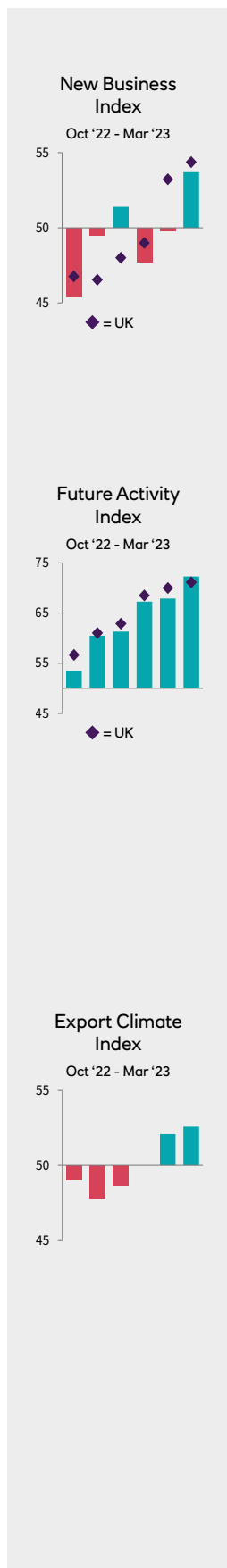
At the same time, companies in the Netherlands registered a renewed fall in output.

Export Climate Index
sa, >50 = growth since previous month
52.6
Mar '23



Top export markets, Wales

Rank	Market	Weight	Output Index, Mar '23
1	USA	19.3%	52.3
2	Ireland	17.4%	52.8
3	Germany	14.5%	52.6
4	France	8.9%	52.7
5	Netherlands	7.4%	48.2

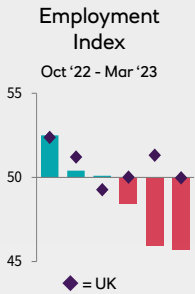
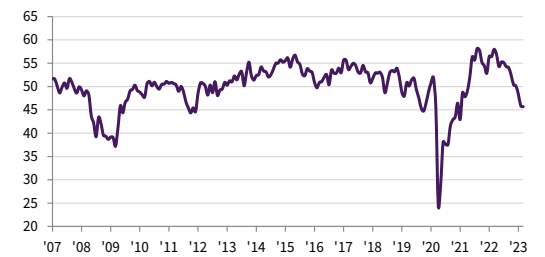


Business capacity

Sharpest fall in employment since January 2021

Welsh private sector firms indicated a third successive monthly decrease in workforce numbers during March. The fall in employment was strong overall, and the fastest since the beginning of 2021. Of the UK areas that registered a decline in staffing numbers, Welsh companies recorded the second-strongest decrease, with only the North East seeing a steeper fall. The non-replacement of voluntary leavers and cost-cutting initiatives drove job shedding.

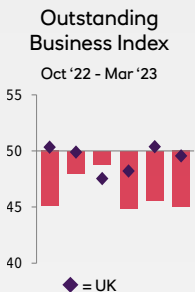
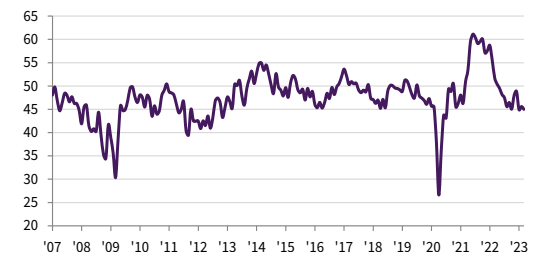
Employment Index
sa, >50 = growth since previous month



Strong decrease in backlogs of work during March

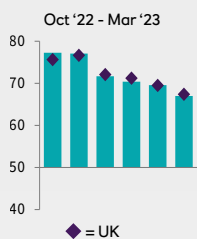
The level of outstanding business at Welsh private sector firms contracted for the eleventh successive month at the end of the first quarter. The rate of decline quickened to a strong pace and was sharper than the UK average. Companies stated that they had sufficient capacity to process incoming new work. Of the monitored UK areas, Welsh firms registered the fastest fall in incomplete business.

Outstanding Business Index
sa, >50 = growth since previous month



Prices

Input Prices Index



Input costs rise at slowest pace since February 2021

Private sector firms in Wales recorded a marked rise in cost burdens in March. Higher wage bills and greater material costs reportedly drove inflation. That said, the pace of increase softened further, with operating expenses rising at the slowest pace since February 2021. The rate of cost inflation also eased across the UK as a whole.

Input Prices Index

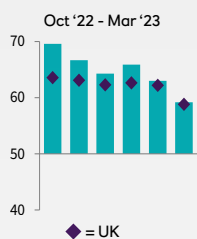
sa, >50 = inflation since previous month

67.0

Mar '23



Prices Charged Index



Softest rise in output charges for almost two years

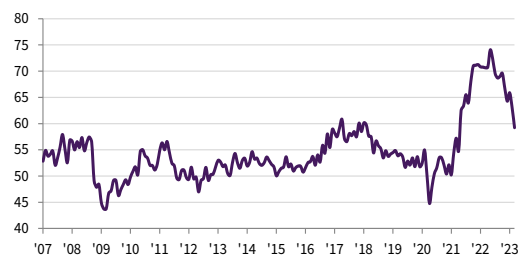
Average selling prices charged by Welsh private sector firms continued to increase at a steep pace in March. Anecdotal evidence stated that higher output charges were due to the pass-through of greater costs to clients. Although marked, the pace of charge inflation slowed to the softest since April 2021. The rate of increase was slightly faster than the UK average.

Prices Charged Index

sa, >50 = inflation since previous month

59.2

Mar '23



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, Mar '23 ⁺
1	Electrical & Optical	1.17	55
2	Transport	1.17	50
3	Other Manufacturing	1.06	55
4	Timber & Paper	1.04	40
5	Basic Metals	0.97	50
6	Chemicals & Plastics	0.97	45
7	Food & Drink	0.96	50
8	Mechanical Engineering	0.88	50
9	Textiles & Clothing	0.44	45

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '23 ⁺
1	Hotels, Restaurants & Catering	1.62	60
2	Personal & Community Services	1.27	50
3	Transport & Communication	1.07	50
4	Financial Intermediation	0.94	55
5	Business-to-business Services	0.87	55
6	Computing & IT Services	0.43	55

UK sector focus

Hotels, Restaurants & Catering

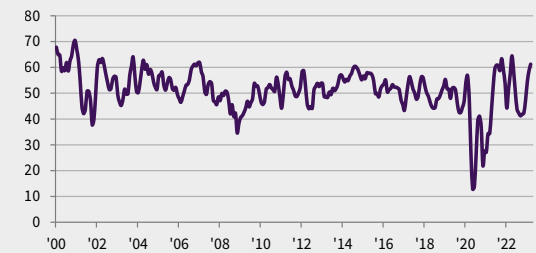
Latest data showed a sharp rebound in business activity across the UK's Hotels, Restaurants & Catering sector in the opening quarter, following a sustained downturn in the second half of last year. The rise in activity was the steepest among the services sub-sectors monitored by the survey and supported by a robust rise in new business.

Prices pressures in the sector meanwhile remained elevated. Although input cost inflation was down from its record peak in 2022, it remained higher than at any time before the pandemic and drove a sustained sharp (and even slightly accelerated) rise in output prices.

Business confidence among Hotels, Restaurants & Catering firms perked up in the three months to March, reaching its highest for almost a year. Nevertheless, data showed a continued fall in sector workforce numbers, in line with the trend since the middle of last year.

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Nearly all areas of the UK recorded a rise in business activity in March, the only exception being the East of England where output was unchanged. However, growth slowed in the majority of cases, including the top-ranked region, London. The most notable upswing in momentum was in Northern Ireland, where business activity rose at the quickest rate for a year.

Employment

March data showed divergent trends in regional employment. Northern Ireland saw a steep and accelerated rise in workforce numbers and was one of only two areas where the pace of job creation quickened, alongside Scotland. At the other end of the scale, the North East and Wales both saw deepening declines in staffing levels. In most other areas, employment was little-changed.

Future Activity

Business expectations were optimistic across the board in March. Furthermore, confidence improved in just over half of the monitored areas, rising sharpest in the North East (although it remained at the foot of the rankings). Firms in the West Midlands were the most upbeat about the outlook, as was the case in both January and February, followed by those in Yorkshire & Humber.

Business Activity Index
sa, >50 = growth since previous month, Mar '23



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



Future Activity Index
>50 = growth expected over next 12 months, Mar '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
Oct '22	49.1	45.4	49.0	53.4	52.5	45.1	77.3	69.6
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

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