

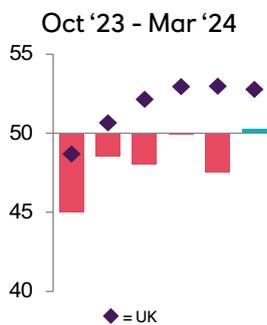


NatWest

NatWest Wales PMI[®]

Renewed growth in output as demand conditions strengthen

Wales Business Activity Index



Key findings

Fractional rise in business activity amid fresh increase in new orders

Job creation renewed

Selling prices tick up at faster pace

The headline NatWest Wales PMI[®] 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 – rose from 47.5 in February to 50.3 in March, to signal a renewed expansion in output at Welsh businesses. Although only fractional and well below the UK average, the rise in activity was the first since August last year. Anecdotal evidence suggested that stronger demand conditions and a return to growth in new orders drove the latest upturn in business activity.

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

"Welsh firms signalled a stronger end to the opening quarter of the year, as output and new orders returned to growth following improved demand conditions. This therefore ended a nine-month sequence of a subdued sales environment, with new business rising at the sharpest pace in a year. Subsequently, firms sought to expand capacity, hiring new workers for the first time since last July. Backlogs fell at the slowest pace since December 2022 amid signs of pressure on capacity."

"Inflationary pressures remained elevated in March. Costs rose at a slower pace, but one that was still marked as transportation fees increased following disruption to Red Sea shipping routes. Selling prices increased at a faster rate, however, as firms were better able to pass through higher costs amid stronger demand conditions."

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

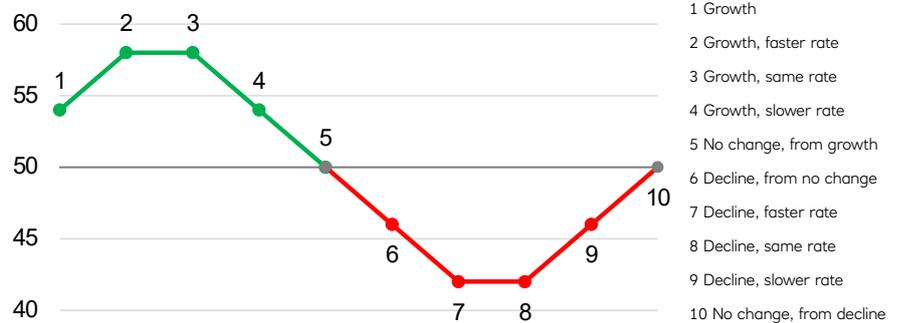
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

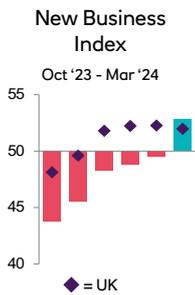
For further information on the PMI survey methodology, please contact economics@spglobal.com.

Index interpretation

50.0 = no change since previous month



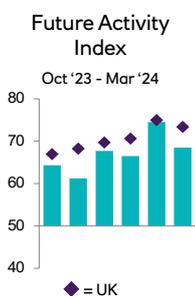
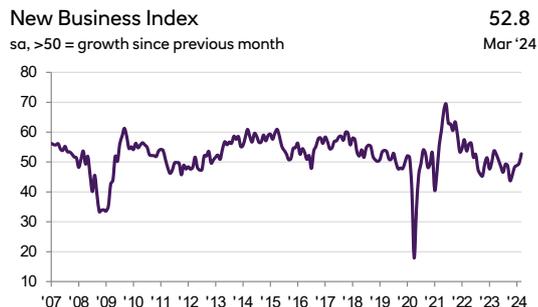
Demand and outlook



New business returns to growth in March

Welsh private sector businesses signalled a renewed rise in new orders at the end of the first quarter, thereby ending a nine-month sequence of decline. The expansion was solid overall and the fastest in a year, with firms linking growth to stronger customer confidence and improved demand conditions.

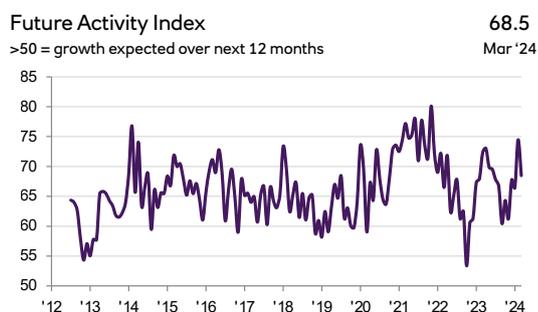
Of the 12 monitored UK areas, only London and Northern Ireland posted stronger upturns in new business.



Business confidence remains elevated

Output expectations among Welsh businesses remained upbeat with regards to the year-ahead outlook in March. Confidence was reportedly underpinned by new product launches, the commencement of new projects and hopes of stronger demand conditions.

The degree of optimism slipped from February's recent high and was lower than the UK average. Nonetheless, it remained elevated in the context of the series history.



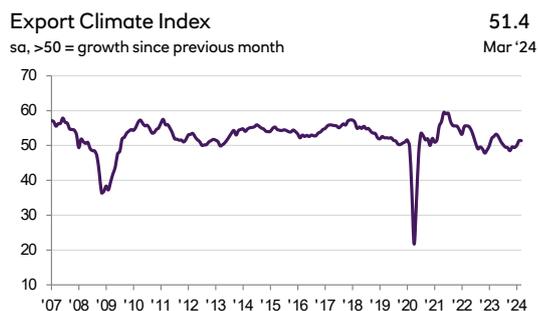
Further improvement in export climate

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 51.4 in March, unchanged from February, to signal the joint-fastest improvement in export conditions for Welsh businesses since May 2023.

Supporting the upturn were further expansions in output in key export destinations including the USA and Ireland. The Netherlands, meanwhile, registered a renewed rise in production.

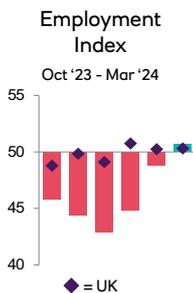
France and Germany, however, saw another monthly drop in output levels.



Top export markets, Wales

Rank	Market	Weight	Output Index, Mar '24
1	USA	19.3%	52.1
2	Ireland	17.4%	53.2
3	Germany	14.5%	47.7
4	France	8.9%	48.3
5	Netherlands	7.4%	50.3

Business capacity



First rise in employment since July 2023

March data indicated a renewed increase in workforce numbers at Welsh firms, thereby ending a seven-month sequence of job shedding. The rise in employment was marginal overall, but the second-fastest in almost a year-and-a-half. Job creation was attributed to greater new order inflows and efforts to expand capacity. The pace of employment growth was quicker than the UK average.



Slowest fall in backlogs of work since December 2022

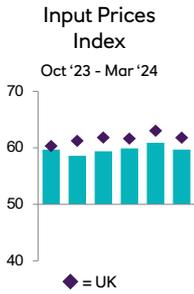
Outstanding business at Welsh private sector firms continued to decrease in March, thereby extending the current sequence of contraction that began in May 2022. Lower backlogs of work were linked to sufficient capacity to process incoming business. That said, the pace of decline softened to the slowest since December 2022 amid a renewed rise in new orders.



Nonetheless, Welsh firms saw one of the quickest depletions of incomplete business of the 12 monitored UK areas.



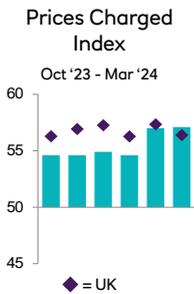
Prices



Slowest rise in cost burdens for three months

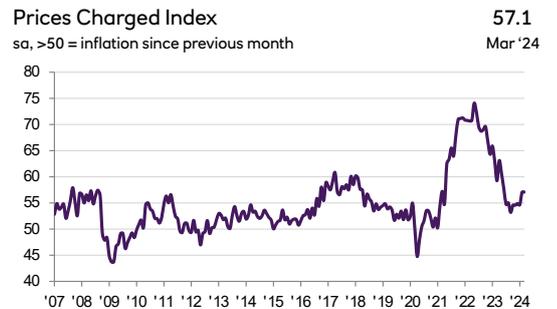
Average input prices increased at a marked pace during March, albeit with the pace of inflation softening to the slowest in 2024 so far. Higher input prices were reportedly due to increased raw material, fuel and wage costs. At the same time, greater transportation fees due to disruption to Red Sea shipping routes also pushed up operating expenses.

The rate of cost inflation was weaker than the long-run series average, with Welsh firms recording the slowest uptick in input prices of the 12 monitored UK areas.



Pace of charge inflation quickens again

Welsh businesses recorded a further sharp rise in output charges during March. The pace of inflation quickened slightly from February and was the steepest since June last year. Buoyed by stronger demand conditions, firms were better able to pass through higher costs to customers. With the exception of London, Welsh firms registered the quickest rise in selling prices across the UK.



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 '24
1	Transport	1.29	48
2	Basic Metals	1.16	48
3	Timber & Paper	1.09	52
4	Electrical & Optical	1.09	48
5	Other Manufacturing	1.08	50
6	Food & Drink	0.99	52
7	Chemicals & Plastics	0.92	52
8	Mechanical Engineering	0.66	52
9	Textiles & Clothing	0.38	48

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Mar '24
1	Hotels, Restaurants & Catering	1.51	58
2	Personal & Community Services	1.48	48
3	Transport & Communication	1.04	50
4	Financial Intermediation	0.86	52
5	Business-to-business Services	0.78	52
6	Computing & IT Services	0.41	52

UK sector focus

Hotels, Restaurants & Catering

The Hotels, Restaurants & Catering sector was one of the UK economy's strongest growth areas in the opening quarter of 2024. Business activity rose sharply, building on a solid end to 2023 and marking a reversal of fortunes following a sharp decline in activity last summer.

Furthermore, businesses in the sector looked to the future with increasing optimism, with confidence towards the 12-month outlook for activity reaching the highest for nearly two years. It did however remain just below the long-run series average.

Input prices continued to rise sharply across the Hotels, Restaurants & Catering sector in the three months March, linked to wage pressures and increased fuel and transportation costs. The rate of inflation was faster than in any other broad services sub-sector monitored by the survey, albeit below the averages in 2022 and 2023. Firms raised their output prices accordingly, although the increase was likewise among the weakest in the past three years.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

Business activity rose almost universally across the UK in March. Growth was recorded in 11 of the 12 monitored nations and regions, led by London. Close behind was Northern Ireland, which gathered considerable momentum to post its steepest rise in output for over two years. Yorkshire & Humber went against the trend and saw a second straight monthly contraction.

Employment

The fastest rate of job creation in March was recorded in Northern Ireland where it reached the quickest since August last year. Six other nations and regions saw staffing levels rise during the month, although employment growth was generally only modest. The West Midlands meanwhile registered the most marked drop in workforce numbers, the fastest there in over three years.

Future Activity

Business expectations remained positive in all areas in March, with confidence levels generally exceeding their long-run series averages. The West Midlands returned to the top of the rankings as the degree of optimism in the region reached the strongest since the start of 2022. In the majority of cases, however, sentiment slipped from the highs seen in February.

Business Activity Index

sa, >50 = growth since previous month, Mar '24



Employment Index

sa, >50 = growth since previous month, Mar '24



Future Activity Index

>50 = growth expected over next 12 months, Mar '24



* 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 '23	45.0	43.8	48.5	64.3	45.8	40.5	59.7	54.6
Nov '23	48.5	45.5	49.6	61.2	44.4	40.7	58.6	54.6
Dec '23	48.0	48.3	49.4	67.7	42.9	41.0	59.4	54.9
Jan '24	49.9	48.8	50.0	66.5	44.8	43.9	59.9	54.6
Feb '24	47.5	49.5	51.4	74.5	48.8	43.7	60.9	57.0
Mar '24	50.3	52.8	51.4	68.5	50.7	46.4	59.7	57.1

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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.

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