

11 March 2025

# NatWest Wales Growth Tracker

## Welsh business activity continues to rise in February



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11 March 2025

# NatWest Wales Growth Tracker

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# Key findings

February 2025

Growth in activity expands

Expansion at its highest in six months

Inflationary pressures post-pandemic averages

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](http://www.natwest.com/business/insights/economics)





# Welsh private sector activity continues to rise in February

Latest Cymru Growth Tracker data from NatWest noted a stronger uptick in business activity midway through the opening quarter.

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 – rose to 51.5 in February, up from 50.7 in the month prior. Expansions have now been seen for a second straight month, with the latest uptick in activity the most marked in six months.

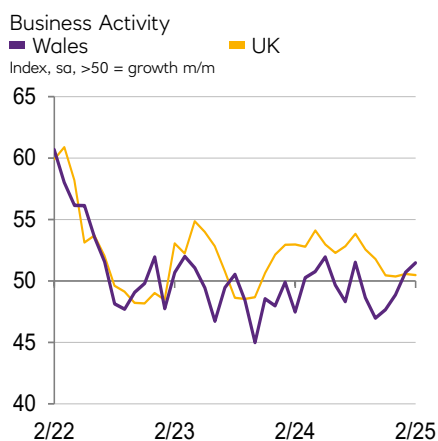
Companies expressed greater confidence in their forecasts for the upcoming year, anticipating that activity growth can be maintained over the next 12 months. Positive sentiment was underscored by planned strategic growth initiatives, with businesses expecting to expand sales and improve their productivity. Additionally, introduction of new projects and acquisition of new customers were also cited as underlying reasons.

NatWest Wales Business Activity Index  
February 2025

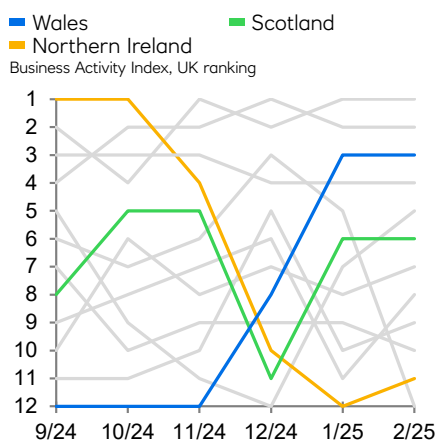
## 51.5

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 10-26 February



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



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



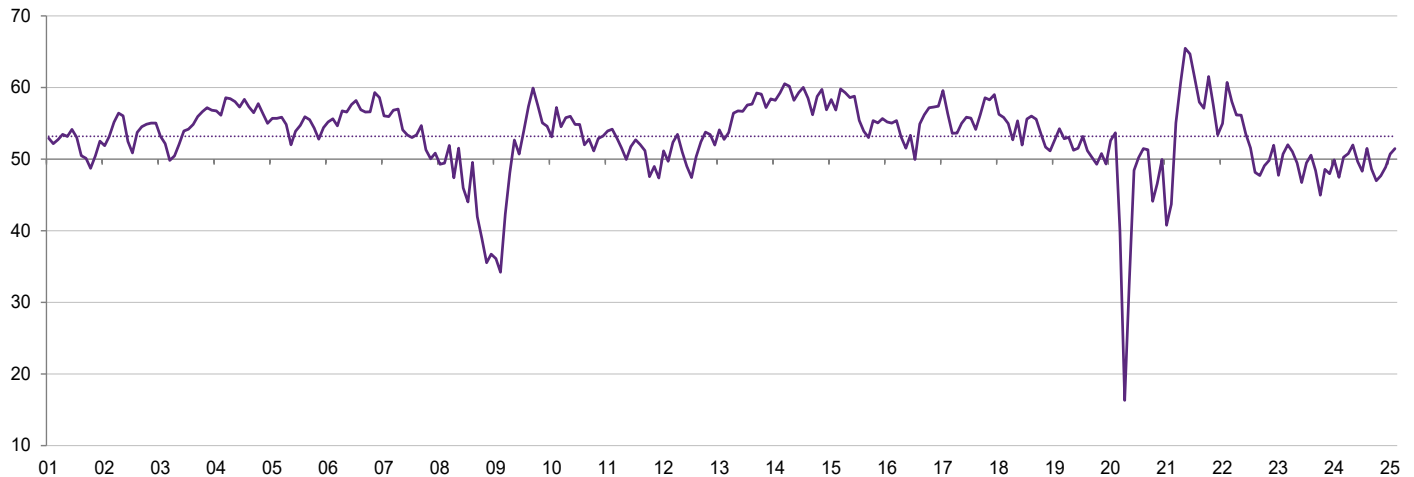
# Comment

"Welsh private sector activity grew at a stronger pace in February, buoyed by improved demand in specific sectors. Furthermore, output growth is anticipated to be sustained over the next 12 months, as companies express greater optimism.

"However, firms continued to adopt conservative hiring practices. Additionally, price pressures remained rapid and largely consistent with those observed in January, although the rates of inflation were below post-pandemic levels and weaker than the UK-wide averages."

## 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

## Modest decline new business in February, but Welsh firms express greater confidence in the year-ahead outlook

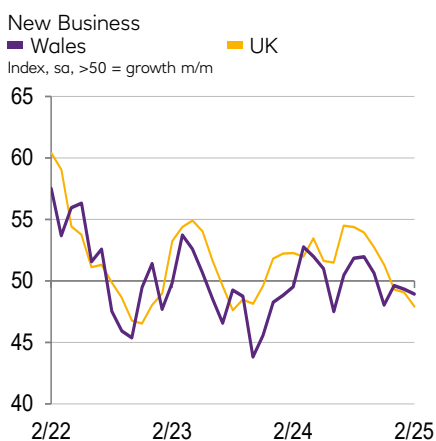
Private sector firms across Wales noted a fourth consecutive monthly drop in new business during February. The rate of decrease was the fastest in three months, but modest overall. Challenges in securing new business were linked to sluggish domestic demand, reduced confidence in government policies, and lower demand from the EU, as noted by survey responders.

Of the ten tracked regions and nations to record a decline in new

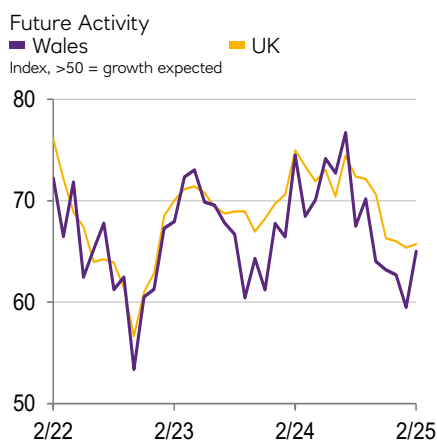
orders, the downturn was the softest in Wales, however.

Moreover, Welsh firms displayed a higher degree of optimism in February in the year-ahead outlook for activity. The level of confidence improved to a five-month high, albeit slightly less upbeat when compared to the UK-wide average. Positive sentiment was underscored by planned strategic growth initiatives, with businesses expecting to expand sales and improve their productivity. Additionally, introduction of new projects and acquisition of new customers were also cited as underlying reasons.

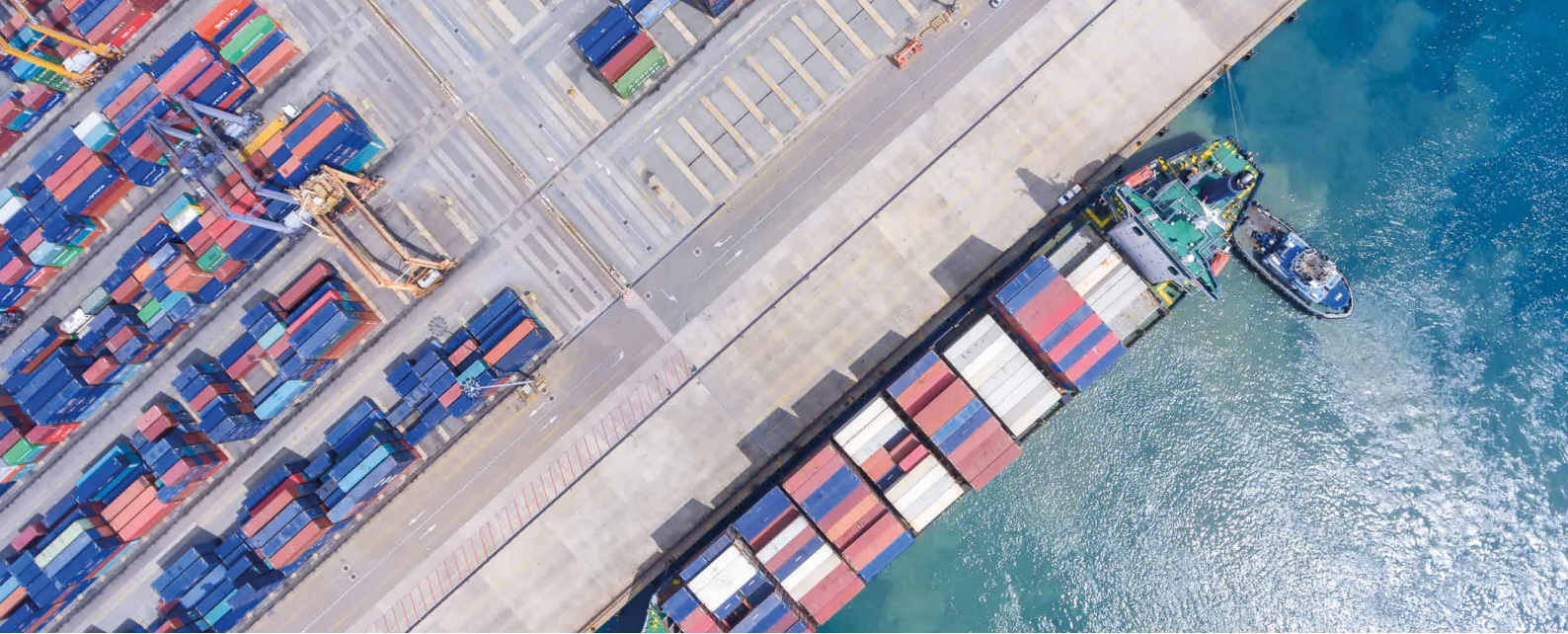
"... output growth is expected to be sustained in the next 12 months, with companies expressing greater optimism."



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



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



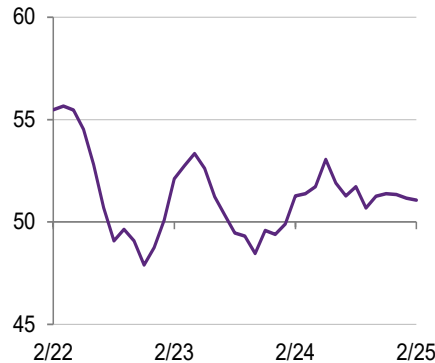
# Export markets

## Modest improvement in export market conditions

At 51.1 in February, the Export Climate Index, though largely unchanged from January's 51.2 and still signalling modest improvement in Welsh export markets, has continued trend down further since November 2024.

Of the top five export destinations for Welsh goods and services, the US, Germany and Ireland recorded upticks in output. Meanwhile, France and the Netherlands reported further reductions.

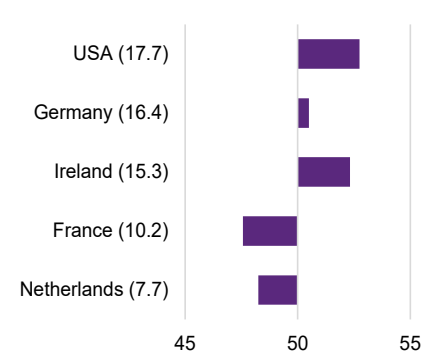
Export Conditions  
Index, sa, >50 = growth m/m



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

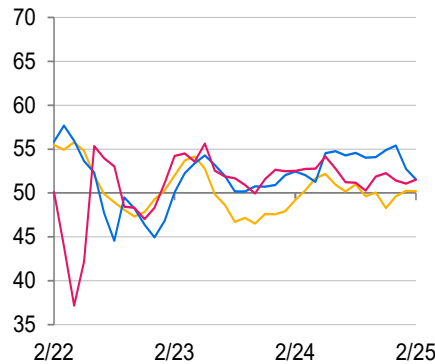
The Wales Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Wales. A reading above 50 signals an improvement in export conditions,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



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



# Jobs and capacity

## Sharp reductions in payroll numbers and backlogs noted in February

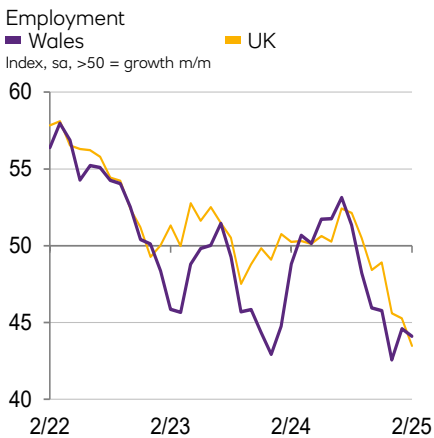
A sixth straight monthly decline in payroll numbers was recorded across Wales in February. The rate of job shedding quickened from that seen in January and was sharp overall. Staffing levels were downsized as a result of a number of factors including non-replacement of voluntary leavers, redundancies, changes to labour market policies, and decreased demand.

That said, the rate at which

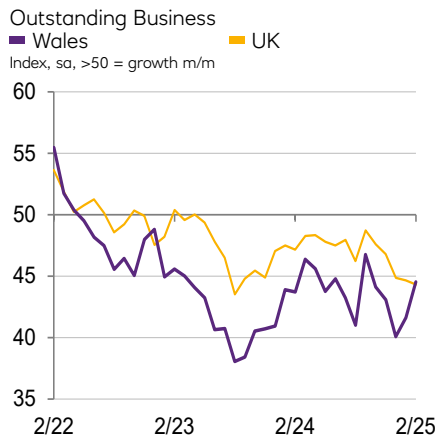
employment fell across the UK was more pronounced than seen for Wales.

Despite a decline in employment, a reduction in new business and rising activity levels allowed Welsh firms to make inroads into their backlogs, as has been the case in each month for nearly three years. Although the rate of contraction was the least pronounced in five months and softer than the UK-wide average, it remained sharp overall.

"...firms continued to adopt conservative hiring practices."



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



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





# Inflation

## Cost pressures intensified slightly in February, feeding through to a marginally stronger rise in the rate of charge inflation

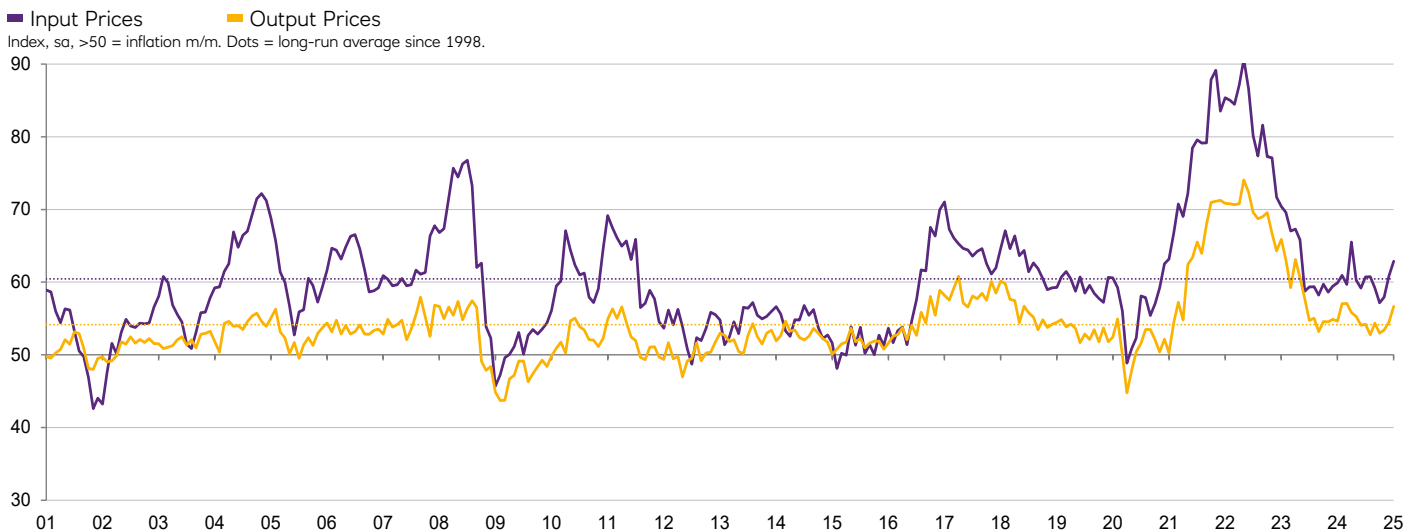
Welsh firms noted that cost burdens rose at a rapid and slightly accelerated pace midway through the opening quarter of the year. The rate of input price inflation was the most marked in ten months. Surveyed respondents attributed this to rising labour costs, higher import prices, as well as increasing prices

for raw materials.

Input prices across Wales rose at the weakest pace of the 12 monitored UK regions and nations, however.

In February, charges for goods and services increased among Welsh private companies. The rate of output charge inflation accelerated slightly compared to the previous month, reaching its highest level in nearly a year, although it still fell short of the average recorded for the UK as a whole. This rise in charges was attributed to the passing on of costs.

"...rates of inflation were below post-pandemic levels and weaker than the UK-wide averages."



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

# UK Regional Growth Tracker

## Business Activity

London topped the rankings for business activity growth in February, having enjoyed another robust expansion, ahead of the North East, Wales and South West, respectively. Lower output was seen in several nations and regions, however. The steepest falls were registered in the East Midlands and Northern Ireland\*.

## Employment

Workforces numbers were streamlined across each of the 12 UK nations and regions monitored by the survey in February, the first time this has happened for a little over four years. Employment fell only slightly in the likes of the North East and Scotland, however. The most marked decreases were seen in the East of England and West Midlands.

## Future Activity

Year-ahead growth expectations improved in the majority of areas in February. Firms in the West Midlands were the most optimistic about future activity, while those in the North East reported the greatest upswing in confidence since January. At the other end of the scale, Northern Ireland recorded the weakest business sentiment, although it did pick up somewhat from the low seen at the start of the year.

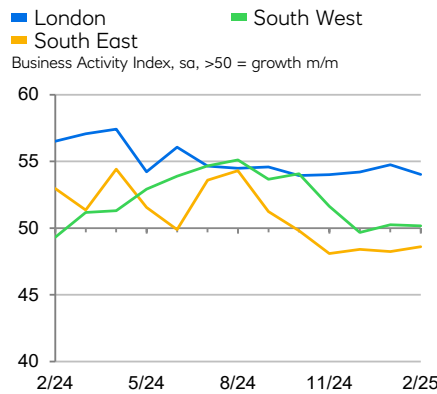
\*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



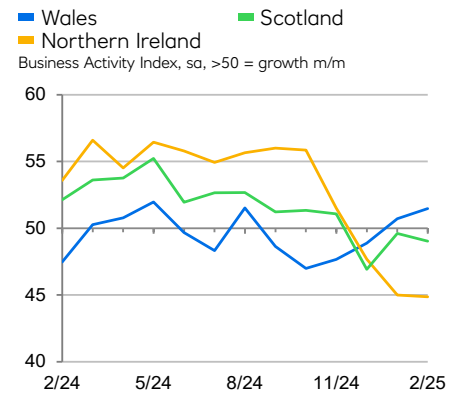
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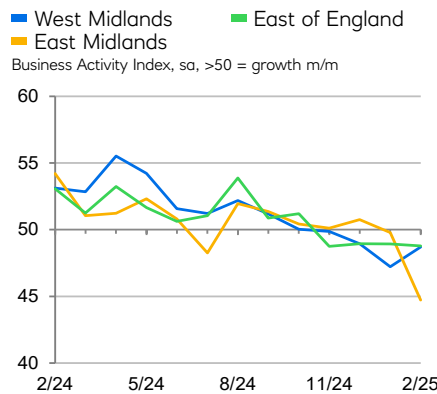
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



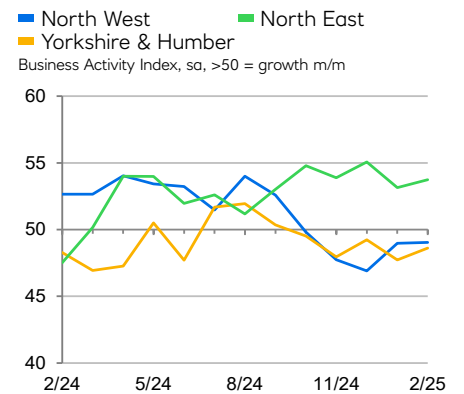
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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

# Growth Tracker heat map

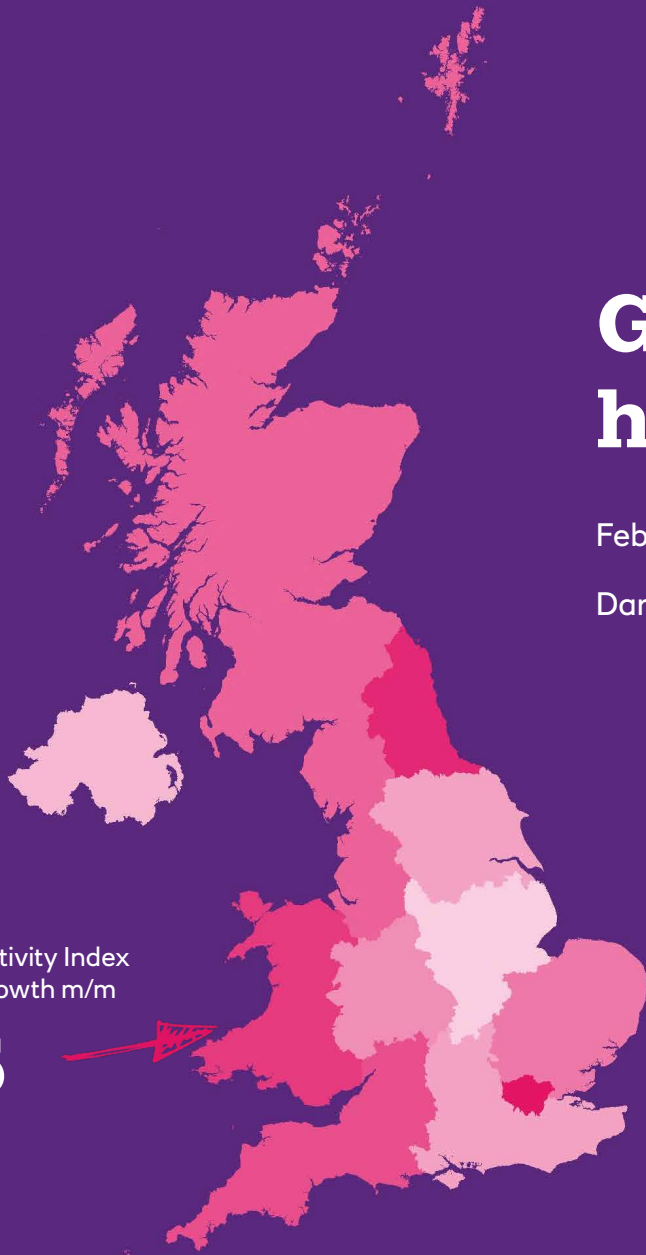
February 2025

Darker colour = higher business growth

## Wales

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

**51.5**



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

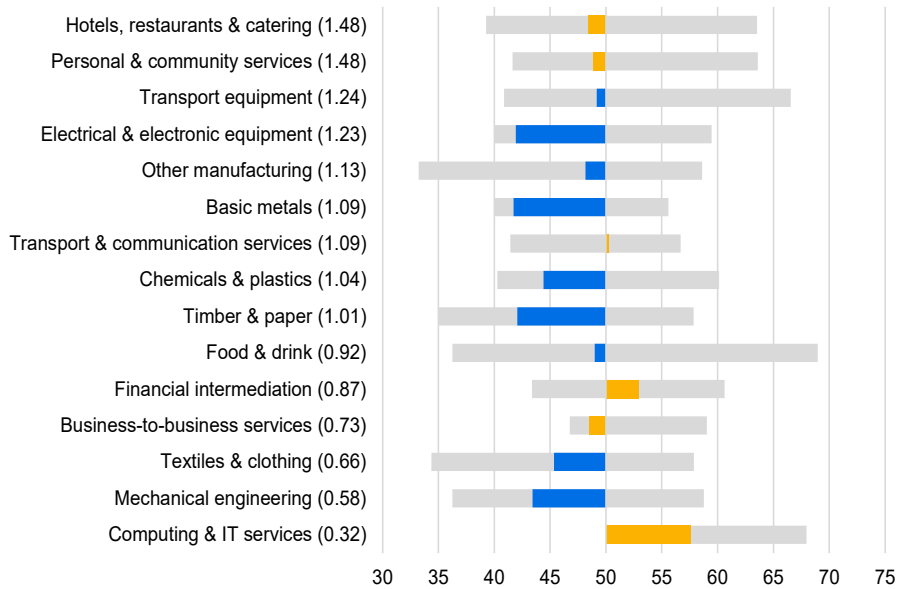
# UK sectors

## 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 Feb '25



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: Mechanical engineering

Output in the UK's mechanical engineering sector contracted in the three months to February, according to underlying PMI data. The decline was steep and followed growth throughout most of 2024. A lack of new orders, particularly from abroad, was the defining factor behind the sector's recent downturn.

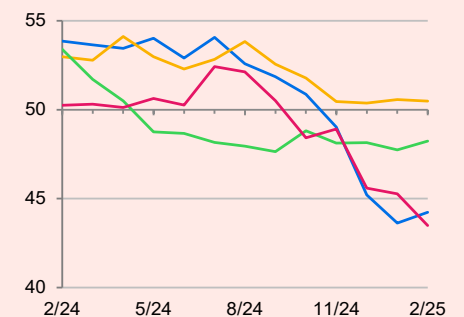
Shrinking backlogs of work at mechanical engineering companies led to further job losses. This extended the current sequence of job shedding seen since spring last year. Inventories were also scaled

back, especially stocks of inputs.

Prices paid for purchases rose at a steady rate that was below the long-run series average. Firms managed to pass on a sizeable proportion of the cost increases they faced, with the pace of output price inflation ticking up to its highest for almost a year and running above its historic trend level.

Looking ahead, firms in the sector were optimistic about growth prospects in the coming year, though less so than at almost any time since the pandemic.

Output / Employment  
 ■/■ Mechanical engineering\*  
 ■/■ Manufacturing & services  
 Index, sa, >50 = growth m/m



\*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

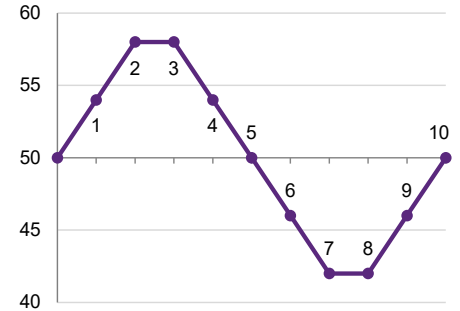
overall decrease. The indices are then seasonally adjusted.

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](mailto: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
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
1/25	50.7	49.3	51.2	44.6	41.6	59.5	62.9	56.7
2/25	51.5	48.9	51.1	44.1	44.5	65.0	63.0	56.8

# Further information

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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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