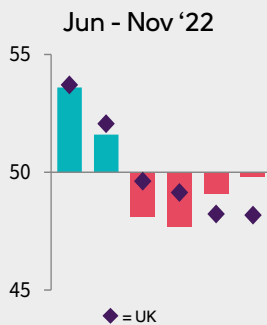


NatWest Wales PMI®

Business activity decline eases amid softer fall in client demand

Wales Business Activity Index



Key findings

New order contraction softens to only a fractional pace

Inflationary pressures ease, but remain marked

Employment growth slowest in 19-month sequence of job creation

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 49.8 in November, up from 49.1 in October to signal broadly unchanged levels of output. The slower downturn was linked to a less marked contraction in new business during the month. Alongside firms in the North East, Welsh companies registered the joint-highest headline index reading, with the UK average indicating a modest decrease in business activity.

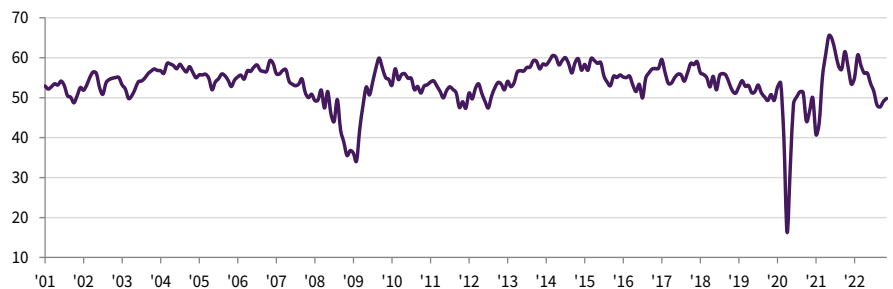
Gemma Casey, NatWest Ecosystem Manager for Wales, commented:

"Firms in the Welsh private sector signalled a moderation in contractions in output and new orders during November. Demand conditions remained subdued, but the pace of decline eased notably from October. Nonetheless, firms were cautious in their expectations for the future. Business confidence was historically muted, and employment rose at only a fractional pace that was the slowest in over a year-and-a-half of job creation."

"More encouragingly, however, were downwards adjustments to inflation figures as input prices and output charges increased at softer rates. Although still marked, hikes in cost burdens and selling prices were much slower than seen earlier in the year. Pressure on customer spending as disposable incomes dwindle remains a key concern for firms, however, as the cost-of-living crisis persists."

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

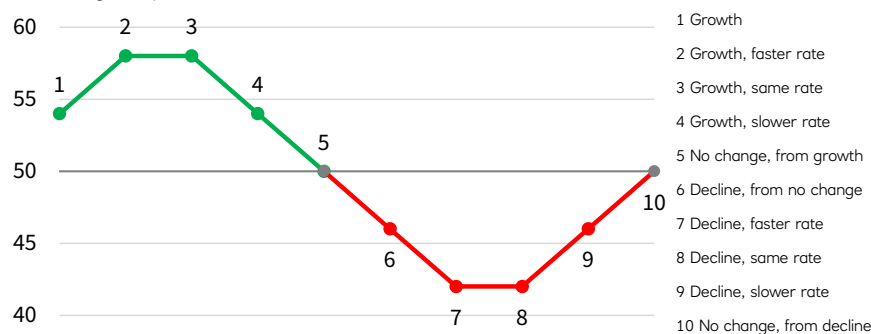
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

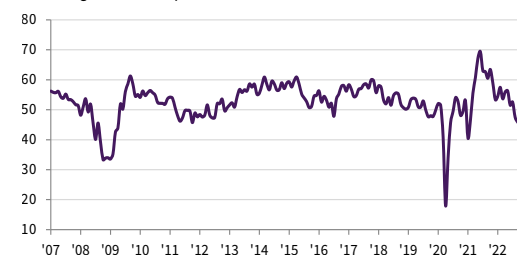


Demand and outlook

New business contraction eases notably in November

Welsh businesses recorded a fourth successive monthly decline in new orders during November. Where a decrease was noted, firms linked this to weak demand conditions and material shortages. That said, the rate of contraction slowed to the softest in the aforementioned sequence of decline and was only fractional overall. Alongside the North East, Welsh firms registered the slowest downturn of the 12 monitored UK areas.

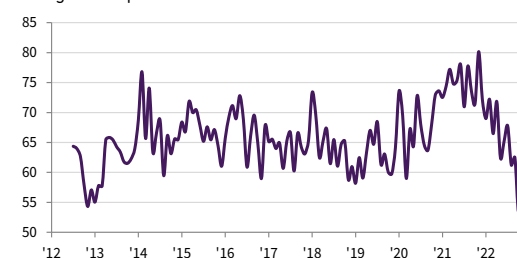
New Business Index
sa, >50 = growth since previous month
49.5
Nov '22



Output expectations improve but remain subdued

November data signalled an improvement in business confidence across the Welsh private sector. The degree of optimism was historically muted, however, and the second-lowest since March 2020. Hopes of greater client demand buoyed expectations, but concerns regarding further reductions in new orders and hikes in cost burdens weighed on positive sentiment.

Future Activity Index
>50 = growth expected over next 12 months
60.5
Nov '22



Exports

Export climate deteriorates further in November

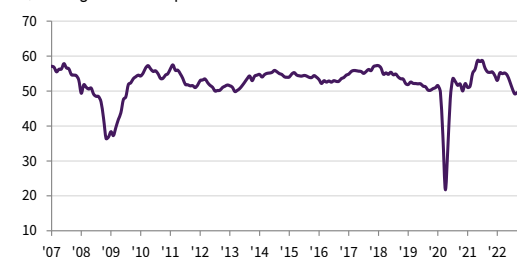
The Wales Export Climate Index is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of Wales. This produces an indicator for the economic health of the region's export markets.

The Export Climate Index posted 48.0 in November, down from 48.9 in October. The decline in export conditions was only marginal overall, but quickened.

All five top export markets registered lower output during the month. The downturns in activity in the US and Netherlands accelerated, while Ireland and France recorded renewed contractions.

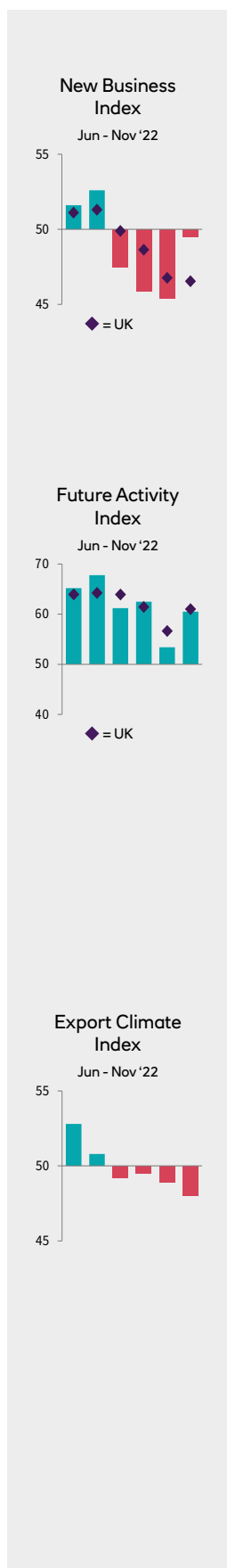
Meanwhile, German private sector firms signalled a solid, but slower, decrease in output.

Export Climate Index
sa, >50 = growth since previous month
48.0
Nov '22



Top export markets, Wales

Rank	Market	Weight	Output Index, Nov '22
1	Germany	15.7%	46.3
2	France	14.5%	48.7
3	USA	13.2%	46.4
4	Ireland	8.5%	48.8
5	Netherlands	5.3%	43.2



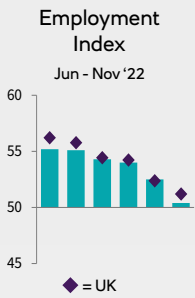
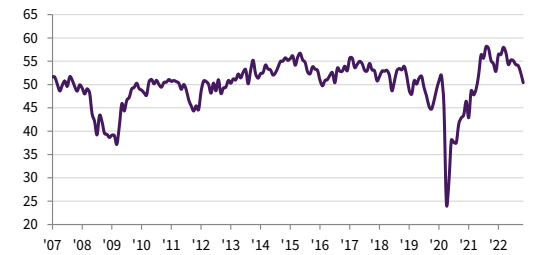
Business capacity

Fractional rise in employment during November

Welsh private sector firms registered only a fractional increase in workforce numbers midway through the fourth quarter. The rate of job creation was the slowest in the current 19-month sequence of employment growth. Firms stated that the slower upturn in staffing numbers was due to cost-cutting efforts and lower new business.

The rate of increase was weaker than the UK average.

Employment Index
sa, >50 = growth since previous month
50.4
Nov '22

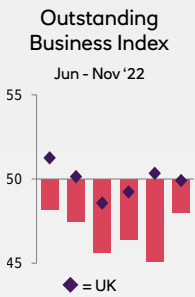
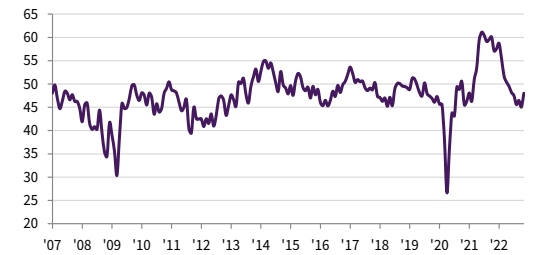


Decline in backlogs of work slows

Welsh private sector businesses indicated a further decrease in the level of outstanding work during November. Lower levels of incomplete business were attributed to a reduction in new orders. The fall in backlogs of work was marginal overall and slowed to the softest since June.

Welsh firms signalled a contrasting trend to the UK average, where backlogs of work were little-changed on the month.

Outstanding Business Index
sa, >50 = growth since previous month
48.0
Nov '22



Prices

Input prices rise at marked, but slower pace

Average cost burdens at Welsh private sector firms rose at a further substantial pace during November. Higher input prices were often linked to hikes in supplier, energy and transportation costs. Although marked, the rate of cost inflation eased to the slowest since May 2021 and was only slightly sharper than the UK trend.

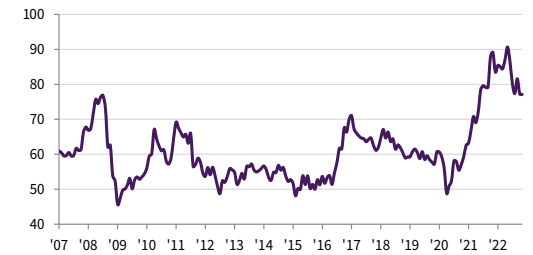
At the sub-sector level, service providers signalled a faster rise than their manufacturing counterparts.

Softer uptick in output charges at Welsh firms

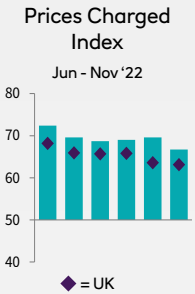
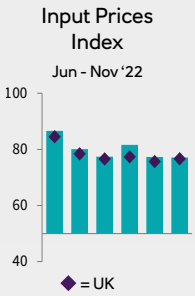
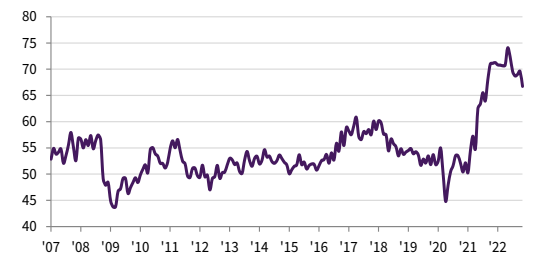
November data signalled a continued rise in selling prices at Welsh private sector firms. The increase in output charges was marked overall, but eased to the slowest since August 2021. Although firms noted the further pass-through of higher costs to clients, some stated that charges were lowered in an effort to drive new sales.

Nonetheless, the rate of charge inflation in Wales was the sharpest of the 12 monitored UK areas.

Input Prices Index 77.1
sa, >50 = inflation since previous month Nov '22



Prices Charged Index 66.7
sa, >50 = inflation since previous month Nov '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, Nov '22*
1	Electrical & Optical	1.17	50
2	Transport	1.17	45
3	Other Manufacturing	1.06	50
4	Timber & Paper	1.04	40
5	Basic Metals	0.97	45
6	Chemicals & Plastics	0.97	45
7	Food & Drink	0.96	52
8	Mechanical Engineering	0.88	50
9	Textiles & Clothing	0.44	45

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '22*
1	Hotels, Restaurants & Catering	1.62	45
2	Personal & Community Services	1.27	45
3	Transport & Communication	1.07	45
4	Financial Intermediation	0.94	48
5	Business-to-business Services	0.87	50
6	Computing & IT Services	0.43	52

UK sector focus

Computing & IT Services

Computing & IT Services was the UK's top-performing sector by far in the three months to November. In fact, it was the only part of the services economy to see a rise in business activity.

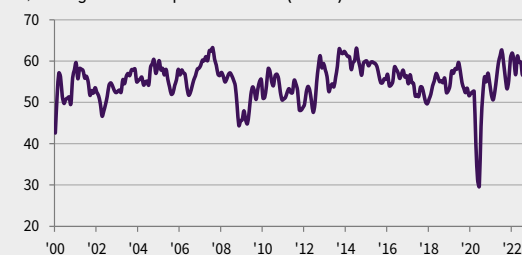
The sector did, however, exhibit a loss of momentum, with the rate of business activity growth slowing to its weakest since the opening quarter of 2021. This reflected a softening trend in new business.

Computing & IT Services firms remained optimistic about the year-ahead outlook, and more so than any other services sector, which in turn helped drive a sustained rise in employment. That said, both expectations and the pace of job creation eased to the lowest since late-2020.

Cost pressures remained much higher than normal, according to latest data. However, they were relatively subdued compared to other parts of the services economy, with the rate of input cost inflation the lowest among the six monitored sectors.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

All 12 monitored regions recorded a further fall in business activity in November. However, rates of contraction slowed in just over half of cases, including Wales and the North East, the two top-ranked areas, where activity came close to stabilising. Scotland recorded the most marked fall in output, followed by the South West.

Employment

Workforce numbers rose across the majority of regions and nations in November, albeit more slowly in most instances. The West Midlands saw the fastest pace of job creation, moving ahead of the South East in the rankings. The East Midlands and North East went against the trend and recorded lower employment.

Future Activity

Business expectations improved almost universally in November. Yorkshire & Humber was the most optimistic region and saw the joint-sharpest increase in sentiment from the previous month, with Wales. Firms in Northern Ireland and the North East remained pessimistic, albeit less so than in October.

Business Activity Index
sa, >50 = growth since previous month, Nov '22



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



Future Activity Index
>50 = growth expected over next 12 months, Nov '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
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
Aug '22	48.1	47.5	49.2	61.2	54.3	45.6	77.4	68.7
Sep '22	47.7	45.9	49.5	62.5	54.0	46.4	81.6	69.0
Oct '22	49.1	45.4	48.9	53.4	52.5	45.1	77.3	69.6
Nov '22	49.8	49.5	48.0	60.5	50.4	48.0	77.1	66.7

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