

10 December 2024

NatWest Wales Growth Tracker

Contraction in business activity eases in November



NatWest

PMI[®]

by S&P Global

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PMI[®]

by **S&P Global**

Key findings

November 2024

Output decline softens

Marginal decrease in new orders as business confidence moderates

Selling prices rise at faster pace

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





Decline in Welsh business activity slows in November

Welsh businesses signalled a slower fall in output during November, according to the latest NatWest Cymru Growth Tracker

At 47.7 in November, 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 – was up from 47.0 in October, and signalled only a marginal contraction in output.

The weaker pace of decline contrasted with both the UK and series averages

which indicate increases in business activity.

The slower fall in business activity was linked by some to stockpiling and processing of backlogs of work, but weak demand conditions continued to stifle output. Moreover, companies recorded a renewed drop in new orders, albeit only slight.

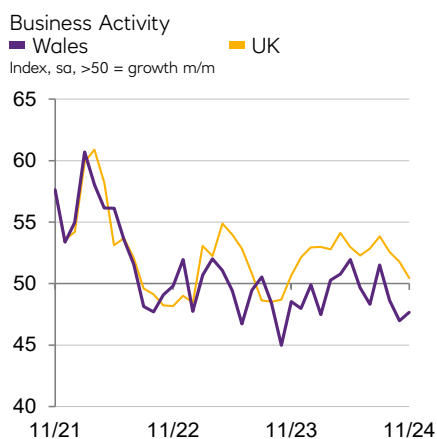
Nonetheless, Welsh firms foresee greater output in the coming year, as expectations for activity remained positive.

NatWest Wales Business Activity Index November 2024

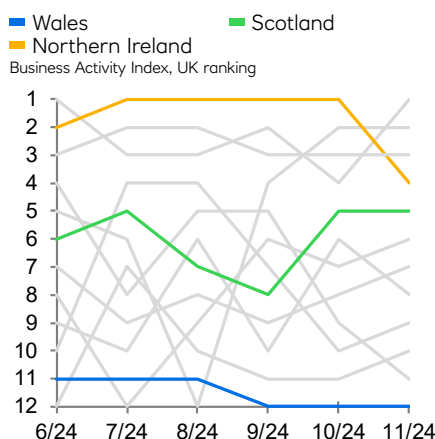
47.7

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 12-27 November



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Comment

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

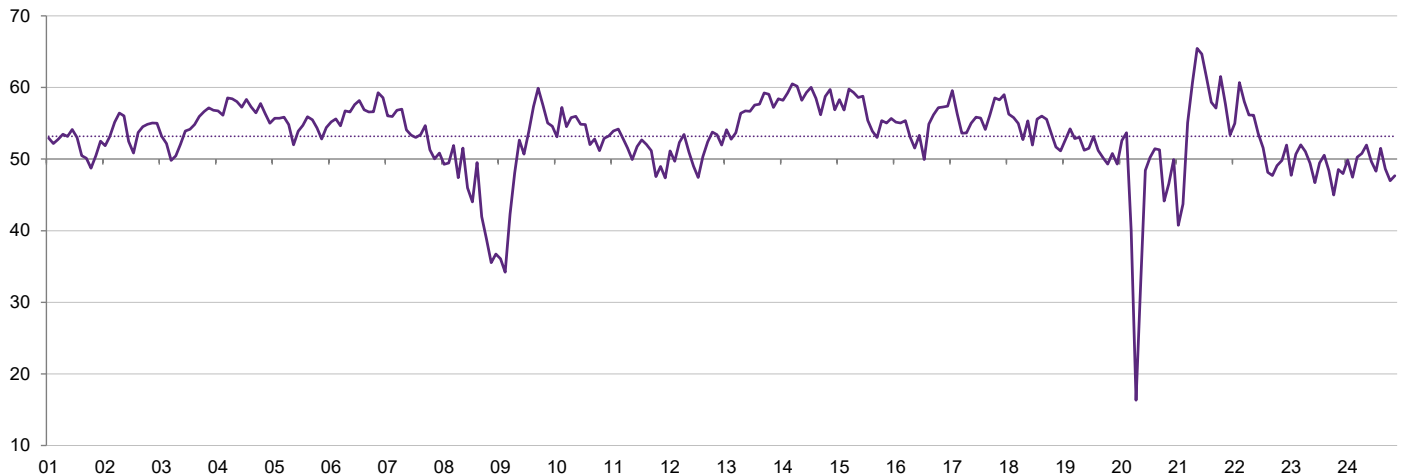
"Welsh businesses remain optimistic in their expectations for output over the coming year, despite declines in activity and new orders during November. Planned investment in new products, and facilities, alongside hopes of greater stability in economic conditions and the landscape for business decision-making supported confidence.

"Encouragingly, inflationary pressures were relatively muted in the context of historic data, despite quickening. Firms were able to raise their charges despite a challenging demand environment and partially pass-through higher costs to customers.

"Cost-cutting initiatives which have driven job losses are likely to protect margins in the short term, as businesses assess the longevity of demand fragility."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Demand and outlook

Renewed fall in new business, as output expectations moderate to lowest in a year

November data indicated a fresh decrease in new orders at Welsh firms, thereby ending a four-month sequence of growth. The contraction was only marginal, but was the steepest of the 12 monitored UK regions and nations.

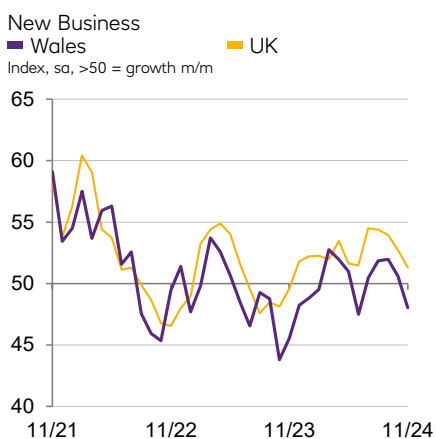
Lower new business was attributed by companies to economic uncertainty and relatively subdued demand conditions. The drop was led by service providers, however, as manufacturers recorded a rise in

new sales.

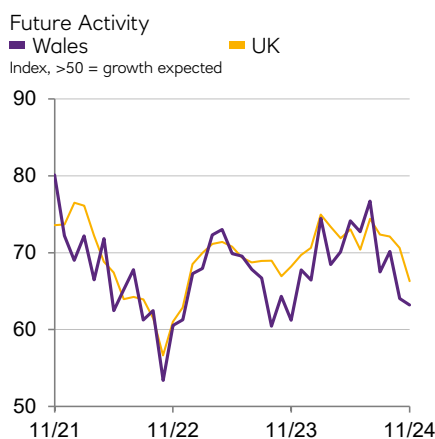
With regards to the outlook for output over the coming year, Welsh companies remained optimistic in their expectations in November. Although the degree of confidence slipped to the lowest for a year, firms were hopefully of a stabilisation in demand conditions and planned to invest in new product lines.

Of the monitored UK areas, only Yorkshire & Humber, Scotland and Northern Ireland recorded weaker confidence in the outlook for output.

“Welsh businesses remain optimistic in their expectations for output over the coming year, despite declines in activity and new orders”



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Jobs and capacity

Fastest fall in employment since January, as spare capacity remains evident

Welsh private sector firms registered a third successive monthly decrease in employment midway through the fourth quarter. The pace of job shedding quickened to the sharpest since January and was the steepest of the 12 monitored UK areas.

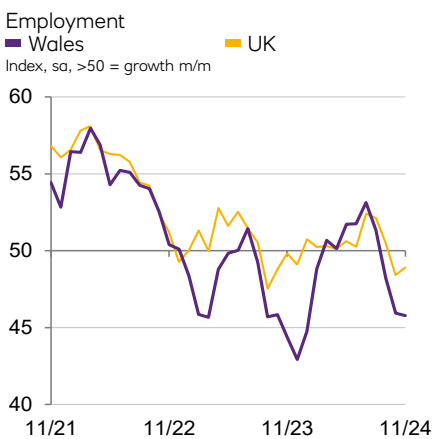
Companies noted that lower new order inflows and efforts to cut costs led to the reduction in workforce

numbers.

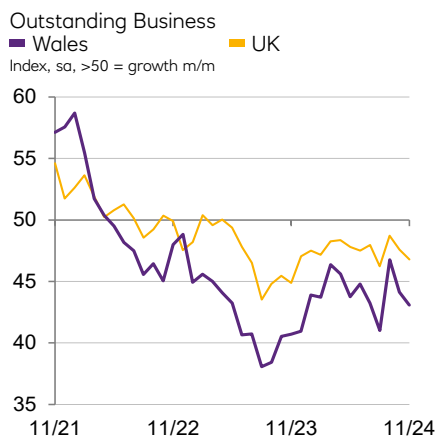
Meanwhile, there was greater evidence of spare capacity at Welsh businesses, as backlogs of work were depleted again and at a faster rate. The marked drop in the level of incomplete work was the quickest for three months and the greatest of the monitored UK areas.

Firms were reportedly able to clear backlogs of work amid subdued customer demand.

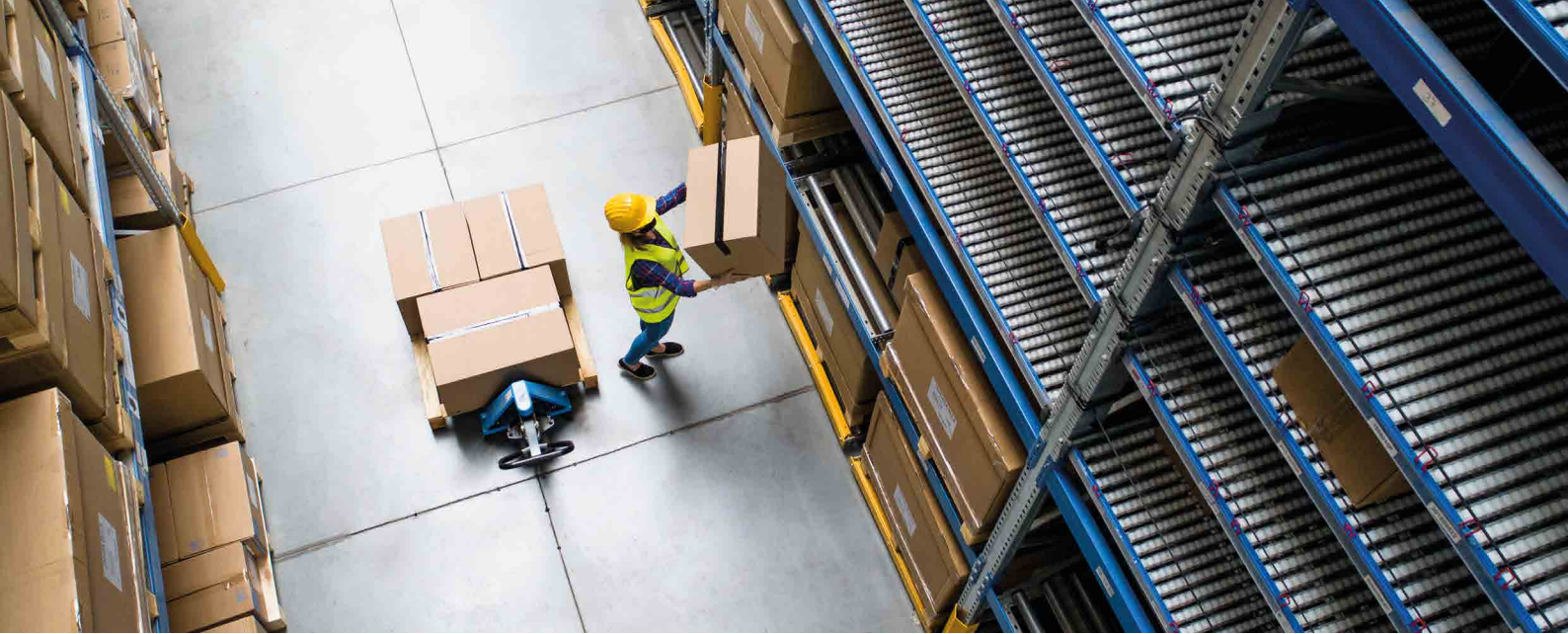
“Cost-cutting initiatives which have driven job losses are likely to protect margins in the short term”



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Inflation

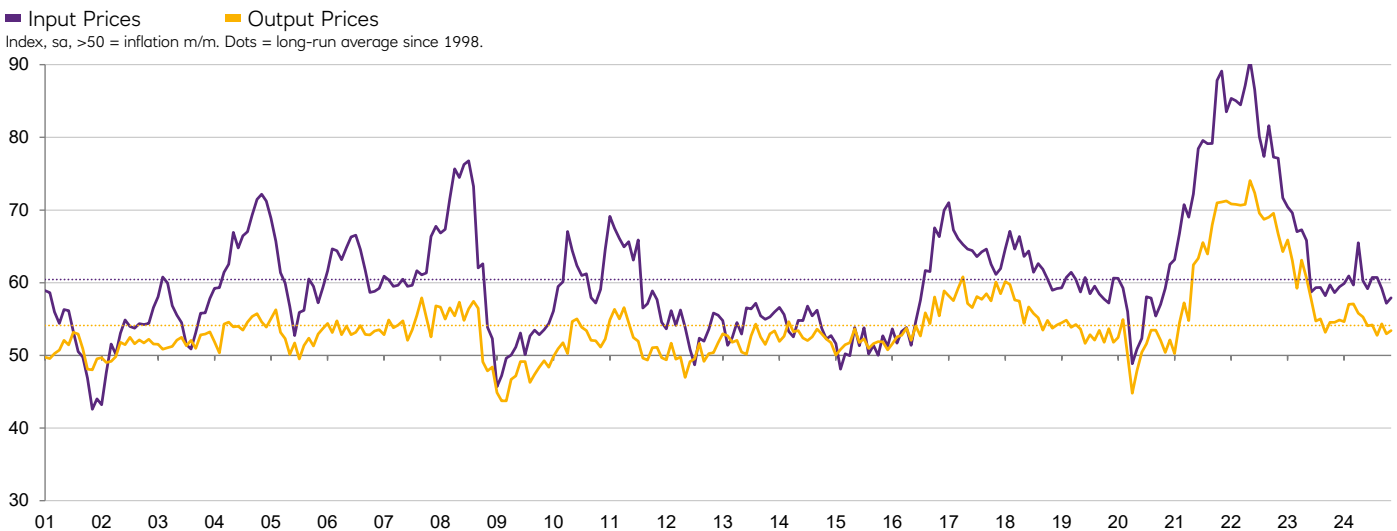
Input price and output charge inflation quicken, but still relatively muted historically

November data indicated a sharper increase in cost burdens at Welsh companies, amid reports of higher material and transportation fees. The rate of input price inflation was quicker than in October, but was softer than the series trend. In fact, the pace of increase was the joint-slowest of the 12 monitored UK areas (alongside the East of

England).

At the same time, firms were able to increase their selling prices in November, with output charges rising at a faster rate than the previous survey period. The uptick in output prices was slower than both the historic series and UK averages, with only the West Midlands registering a weaker rise of the 12 monitored areas.

“Encouragingly, inflationary pressures were relatively muted in the context of historic data”



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

UK Regional Growth Tracker

Business Activity

Growth of business activity in November was led by London, with the North East close behind. Northern Ireland, the strongest performer in the previous four months, lost momentum and posted its weakest expansion since January. Half of the 12 nations and regions monitored saw a fall in output, the steepest of which were recorded in Wales and the North West.

Employment

The North East topped the rankings for job creation at the midway point in the fourth quarter. It was one of five areas to see a rise in workforce numbers, alongside London, Northern Ireland, Scotland and Yorkshire & Humber. For the third month running, the most marked drop in employment was recorded in Wales.

Future Activity

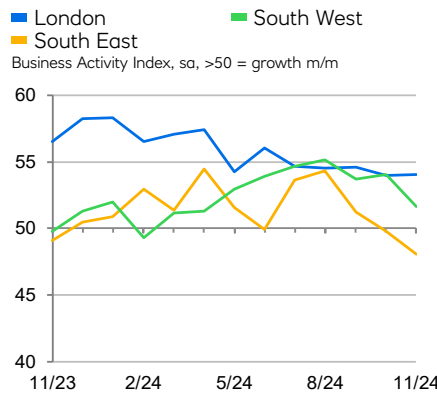
Firms in London were by some margin the most optimistic about future activity in November. Growth expectations did however weaken almost universally from the month before, with only the North East going against the trend. Businesses operating in Northern Ireland were the least hopeful of a rise in output over the next 12 months, as was also the case in October.



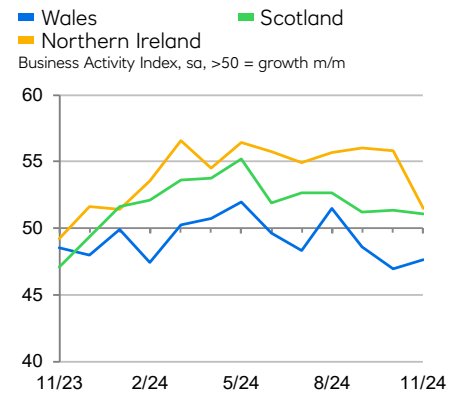
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



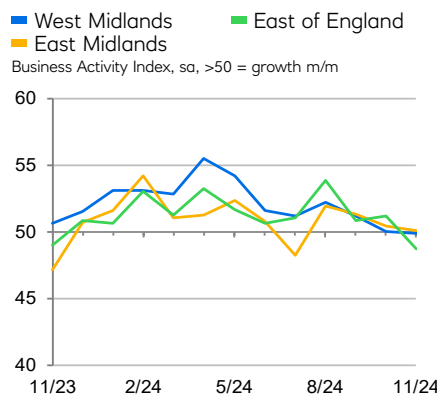
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



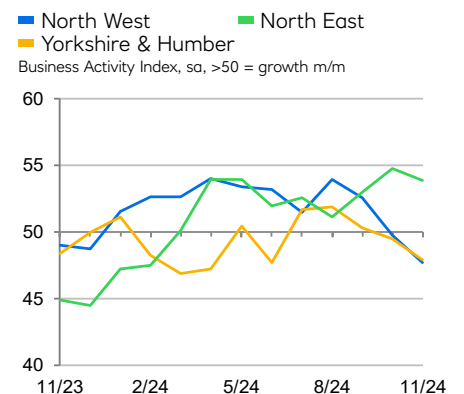
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Growth Tracker heat map

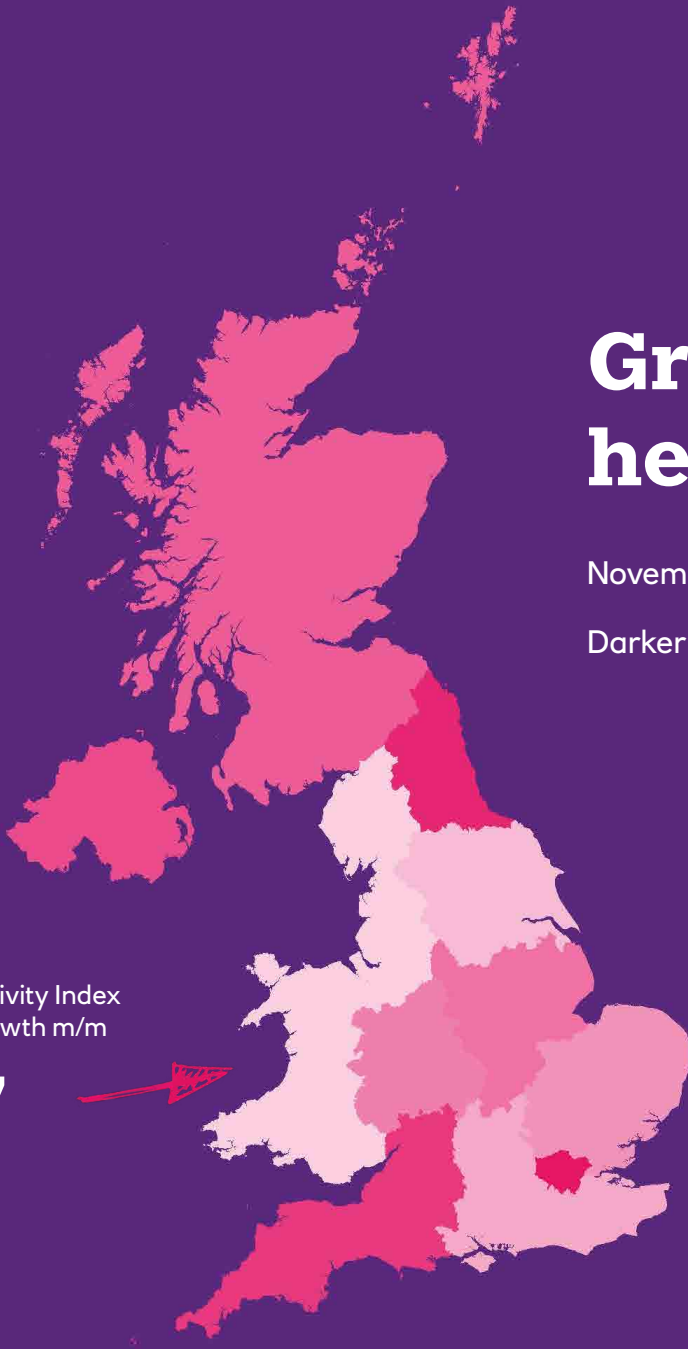
November 2024

Darker colour = higher business growth

Wales

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

47.7



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

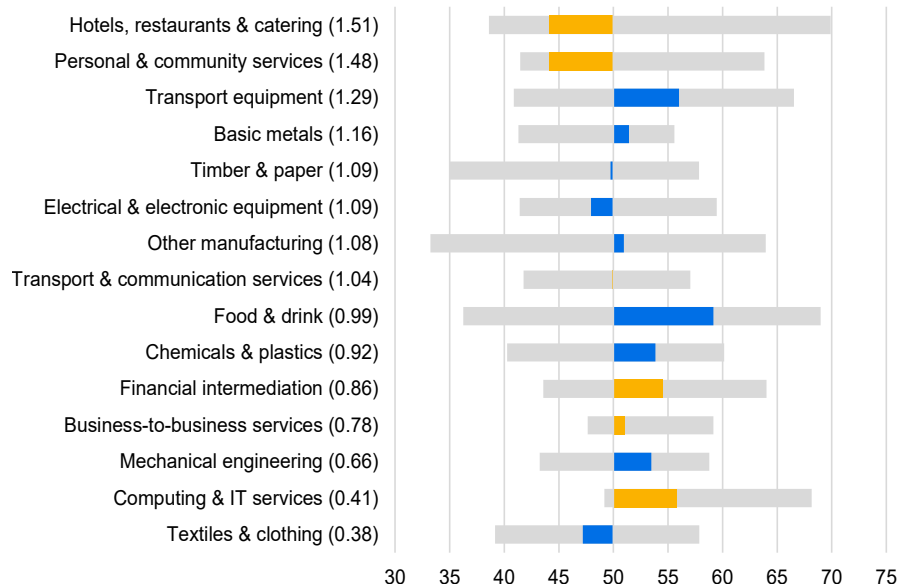
UK sectors

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 Nov '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 Location quotients for Wales are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

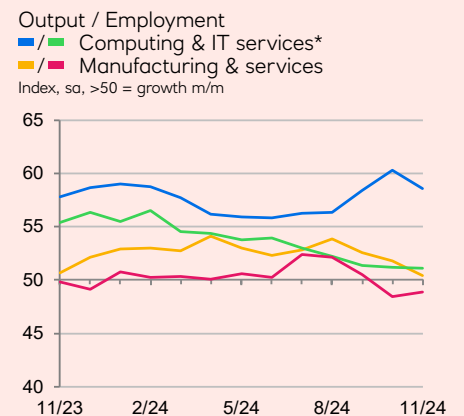
Sector in focus: Computing & IT services

Computing & IT services was one of the UK's fastest-growing sectors in the three months to November, according to latest PMI data. Its steep rise in output was second only to that recorded in the food & drink category.

Employment in Computing & IT services has risen continuously since Q3 2020. However, the pace of job creation has slowed in recent months to is lowest in around four years. This has in turn led to growing backlogs of work as firms have struggled to keep up with

sustained sharp growth in new business, which has continued to run at one of the quickest rates seen in over 28 years of data collection.

Alongside the slowdown in the pace of hiring, there has been a softening of cost pressures in the sector. Input price inflation in the three months to November was well below the average since the pandemic and by far the weakest among the six broad services categories monitored by the PMI data.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.
 *Data are smoothed as three-month moving average (3mma).

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

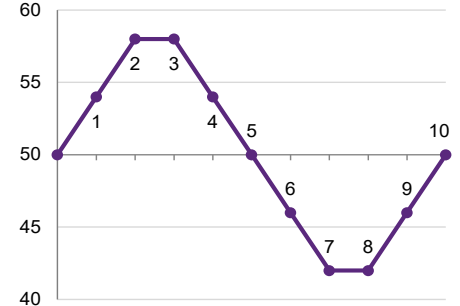
overall decrease. The indices are then seasonally adjusted.

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.

Index interpretation
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 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
6/24	49.7	47.5	51.9	51.8	44.8	72.7	59.2	54.1
7/24	48.3	50.5	51.3	53.1	43.2	76.7	60.7	54.2
8/24	51.5	51.9	51.7	51.3	41.0	67.5	60.7	52.8
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

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