

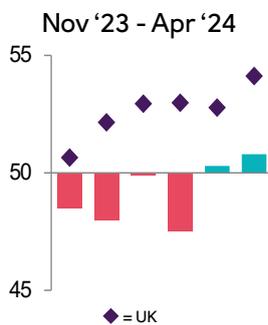


NatWest

NatWest Wales PMI[®]

Business activity growth fastest for a year as rise in new orders sustained

Wales Business Activity Index



Key findings

Faster expansion in output as new business grows further

Sharper uptick in cost burdens

Business confidence ticks higher

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 – posted at 50.8 in April, up from 50.3 in March, to signal the fastest upturn in output for a year. Although only marginal, growth in activity was linked to greater new order inflows and increased customer confidence. Nonetheless, the pace of expansion was both below the series' long-run average and much weaker than the UK trend.

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

"April data signalled a sustained rise in new business at Welsh companies, as demand conditions strengthened again. Although the pace of expansion eased, growth supported a faster upturn in business activity - and one that was the sharpest in a year. Moreover, business confidence in the year-ahead outlook picked up to the second-highest for a year amid hopes of further improvements in customer demand."

"Wage pressures drove cost inflation in April, as a larger increase in the minimum and National Living Wage pushed total input prices up at the fastest rate since May 2023. Firms were largely able to pass through higher costs to customers, however, as charges rose at a further elevated pace."

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

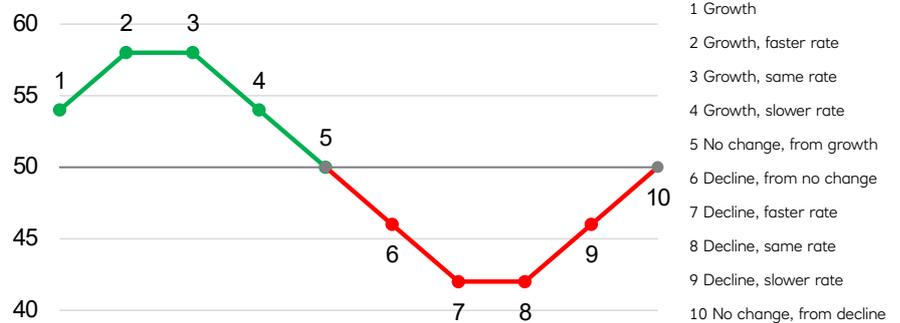
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

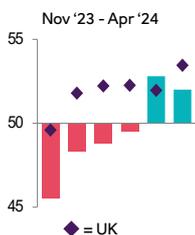
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

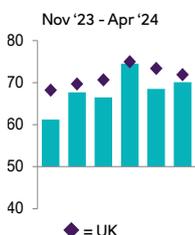


Further rise in new business in April

Private sector firms in Wales registered back-to-back expansions in April, following a solid uptick in March. An uptick in customer confidence and increased marketing spending reportedly drove the latest rise in new orders. Although the pace of growth eased from that seen in March and was slower than the series trend, it was the second-fastest in a year.

That said, of the 10 UK areas that recorded an increase in new sales, only Scotland registered a slower expansion.

Future Activity Index



Business optimism strengthens

Business confidence among Welsh private sector companies improved at the start of the second quarter, as firms anticipate greater output in the next 12 months. The uptick in optimism was underpinned by hopes of new customer wins and stronger client demand, according to panellists. Expectations rose to the second-strongest in a year.

The level of positive sentiment was lower than the UK average, however.

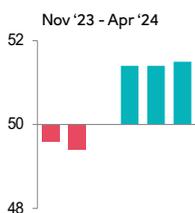
New Business Index



Future Activity Index



Export Climate Index



Strongest improvement in export conditions since May 2023

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 51.5 in April, broadly in line with March's reading of 51.4. Export conditions improved for the third month running and to a modest degree.

Upturns in output were seen across all five key export destinations for Welsh goods and services, with renewed expansions in activity in Germany and France. Output growth quickened in the Netherlands, meanwhile.

At the same time, business activity rose at softer paces in the USA and Ireland.

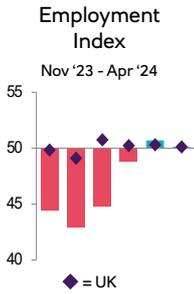
Export Climate Index



Top export markets, Wales

Rank	Market	Weight	Output Index, Apr '24
1	USA	19.3%	51.3
2	Ireland	17.4%	50.4
3	Germany	14.5%	50.6
4	France	8.9%	50.5
5	Netherlands	7.4%	52.8

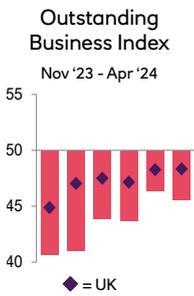
Business capacity



Employment broadly stagnates in April

Staffing levels at Welsh businesses were broadly unchanged on the month at the start of the second quarter, following a marginal expansion in employment in March. The broad stagnation in workforce numbers was in line with the trend seen across the UK as a whole, however. Companies noted that although new hires were required to accommodate greater new work intakes, voluntary leavers were often not replaced in a bid to cut costs.

Employment Index 50.1
sa, >50 = growth since previous month Apr '24



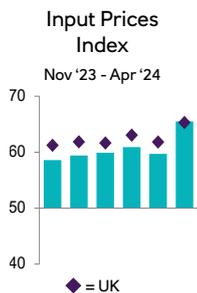
Strong decline in backlogs of work during April

Welsh private sector firms recorded a further fall in outstanding business in April, with the pace of decline quickening from March. Some firms stated that relatively subdued new order inflows allowed them to process incomplete business in a timely manner. Although the pace of contraction was the second-slowest since February 2023, it was the second-fastest of the 12 monitored UK areas (slower only than the decline seen in Yorkshire & Humber).

Outstanding Business Index 45.6
sa, >50 = growth since previous month Apr '24



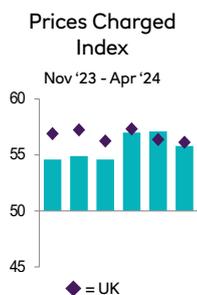
Prices



Quickest uptick in cost burdens for 11 months

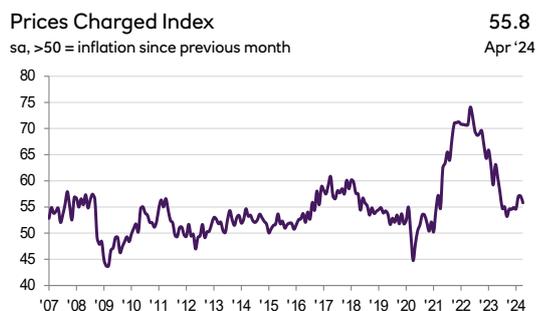
Welsh private sector firms signalled a steeper rise in input prices at the start of the second quarter. The rate of cost inflation accelerated to the fastest since last May, and was quicker than the series average. Moreover, the pace of increase was broadly in line with the UK average.

Alongside greater raw material prices, firms attributed higher input costs to an increase in the minimum and National Living Wages.



Selling prices rise at slowest pace in three months

April data indicated a further sharp increase in output charges set by Welsh businesses. The rise in selling prices was attributed to the pass-through of higher costs to customers. Although easing to the slowest in three months, the pace of charge inflation was above the series average and only slightly weaker than the trend seen 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, Apr '24
1	Transport	1.29	50
2	Basic Metals	1.16	50
3	Timber & Paper	1.09	55
4	Electrical & Optical	1.09	45
5	Other Manufacturing	1.08	50
6	Food & Drink	0.99	55
7	Chemicals & Plastics	0.92	55
8	Mechanical Engineering	0.66	55
9	Textiles & Clothing	0.38	50

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Apr '24
1	Hotels, Restaurants & Catering	1.51	55
2	Personal & Community Services	1.48	50
3	Transport & Communication	1.04	45
4	Financial Intermediation	0.86	55
5	Business-to-business Services	0.78	55
6	Computing & IT Services	0.41	55

UK sector focus

Timber & Paper

Latest data showed signs of a sustained recovery in production levels across the UK's Timber & Paper manufacturing sector, following a protracted downturn that had lasted almost two-and-a-half years. Output rose at a solid rate in the three months to April, after having returned to growth earlier in the year. Supporting the rebound was a pick-up in underlying demand, which was evidenced by a renewed rise in new orders.

Firms were increasingly optimistic about the outlook for output, with expectations reaching a two-year high. Nevertheless, falling backlogs of work pointed to a lack of pressure on business capacity and, as such, employment continued to be scaled back.

On the price front, Timber & Paper manufacturers reported the first rise in average factory gate charges for over a year. This reflected a combination of stronger customer demand and rising input cost inflation, which reached the fastest since late 2022.

Output Index

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



* 3-month moving average



UK Regional PMI overview

Business Activity

For the second month running, nearly all nations and regions recorded a rise in business activity. London continued to lead growth, recording its steepest rise in output for three months, ahead of the West Midlands and Northern Ireland*. As was the case in March, only Yorkshire & Humber saw activity decline, albeit with the rate of contraction easing from the month before.

Employment

Once again, there were mixed trends on the employment front in April. Northern Ireland topped the rankings for job creation for the second successive month, with Scotland also seeing a solid rise in workforce numbers. However, declines were seen in half of the monitored areas, the steepest of which was recorded in the West Midlands.

Future Activity

Business confidence towards growth prospects in the coming year eased in the majority of nations and regions in April, although expectations were still stronger than their respective long-run averages in most cases. Optimism was highest in the South East, followed closely by the West Midlands, and lowest in Scotland.

Business Activity Index
sa, >50 = growth since previous month, Apr '24



Employment Index
sa, >50 = growth since previous month, Apr '24



Future Activity Index
>50 = growth expected over next 12 months, Apr '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
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
Apr '24	50.8	52.0	51.5	70.1	50.1	45.6	65.5	55.8

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