

11 February 2025

NatWest Wales Growth Tracker

Renewed expansion in Welsh business activity in January



NatWest

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by S&P Global

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Key findings

January 2025

Output increases for the first time since August 2024

Pace of job shedding eases

Selling prices rise at sharpest pace since March 2024

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





Renewed expansion in Welsh business activity in January

Latest Cymru Growth Tracker data from NatWest signalled a fresh rise in output at the start of 2025 with business confidence remaining positive as companies headed into a new trading year.

At 50.7 in January, 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 for the third month running to post above the 50.0 neutral mark. Up from 48.9 in December, the latest data indicated a

marginal expansion in output at firms in Wales, and the first increase in activity since last August.

Panellists noted that demand picked up in certain sectors despite the overall sales environment remaining subdued. New orders fell for the third month running, but at a pace that was slower than the UK average.

Business confidence remained upbeat in January and the rates of decline in employment and backlogs also softened.

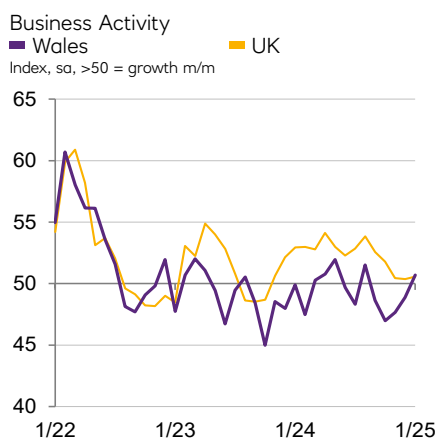
Meanwhile, inflationary pressures intensified, as costs and charges rose at quicker and historically elevated rates.

NatWest Wales Business Activity Index
January 2025

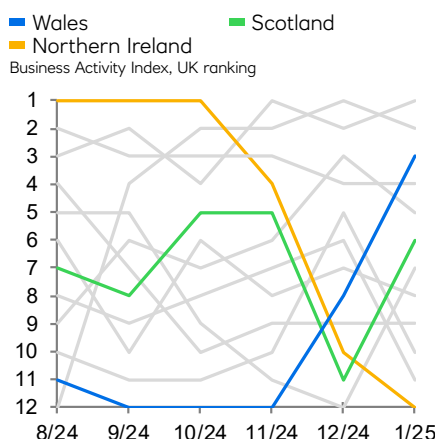
50.7

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 9-29 January



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



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



Comment

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

"January data saw a return to output growth at Welsh businesses, with reports of improvements in the sales environment in specific sectors driving the expansion in activity.

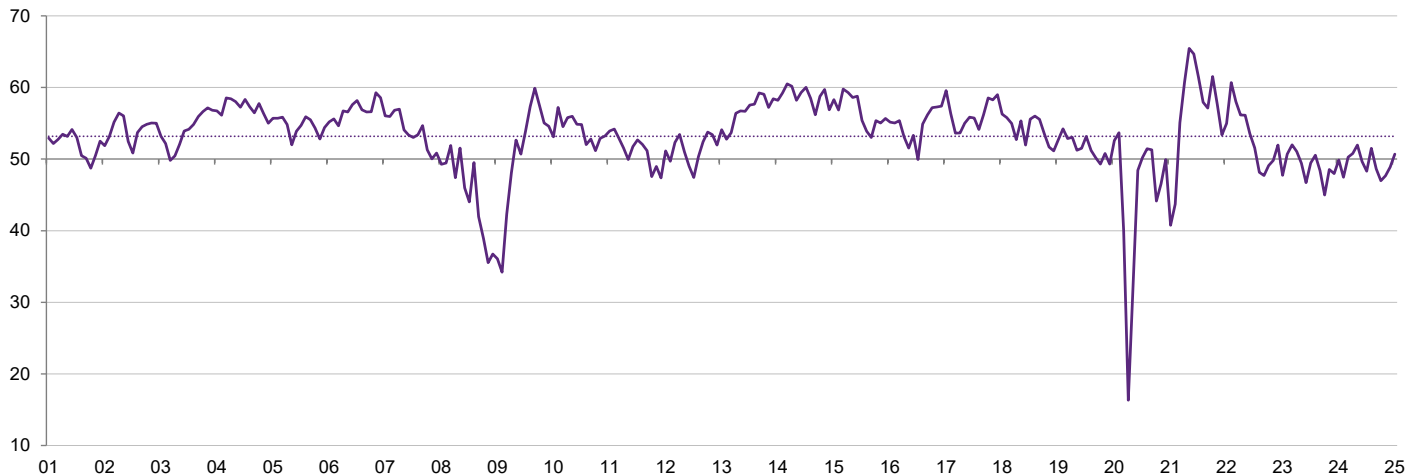
"Firms continued to show caution regarding employment but firms were confident that demand conditions will improve as the year progresses.

"Although elevated in the context of the series history, Welsh firms saw the slowest uptick in cost burdens of the 12 monitored UK areas. Output charges also increased, and at a pace only slightly slower than the UK average, as firms sought to protect margins.

"The Bank of England's interest rate cut last week means that policy is now less restrictive, with further loosening expected in the year ahead."

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

New orders decline at marginal pace in January, with business optimism slipping further

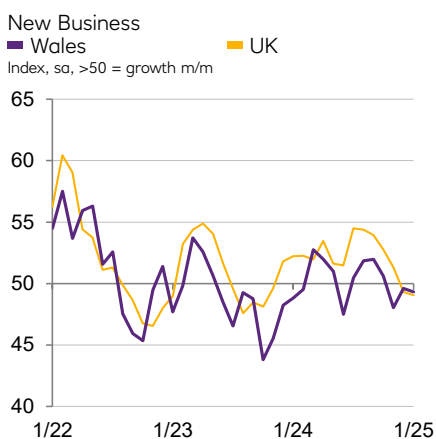
Welsh private sector firms signalled another, albeit marginal, contraction in new orders in the opening month of 2025. Although slightly faster than that seen in December, the pace of decline was weaker than the UK average. In fact, of the ten monitored UK areas to see a fall in new sales, the rate of decrease in Wales was the slowest.

Anecdotal evidence stated that muted customer confidence in the

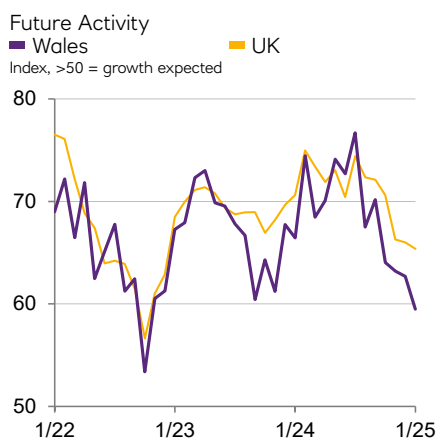
economic outlook amid upcoming changes to labour market policy weighed on demand.

Moreover, the level of optimism among panellists dropped to the lowest since October 2022. Nonetheless, businesses were confident of a rise in output over the coming year amid hopes of stronger economic conditions and planned expansions to company capacity. Of the 12 monitored UK areas, the North East, Scotland and Northern Ireland recorded weaker positive sentiment in the outlook.

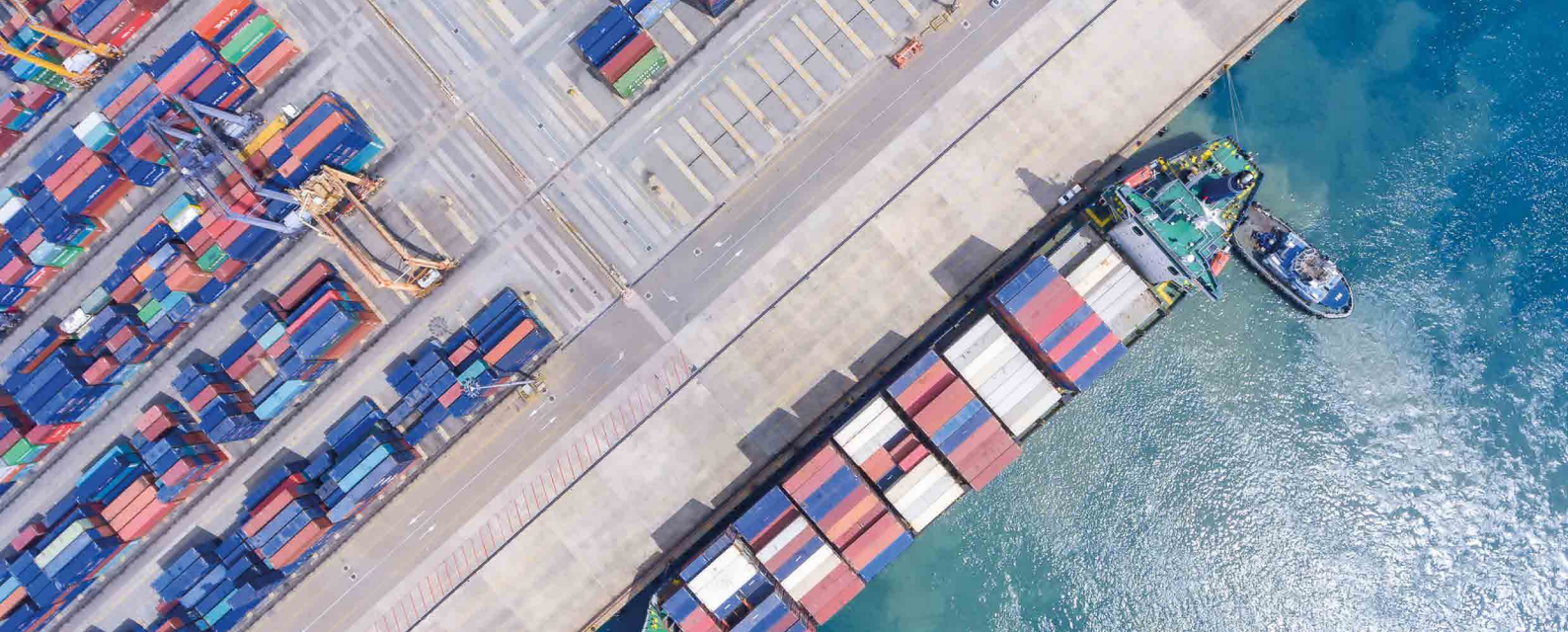
“...firms were confident that demand conditions will improve as the year progresses.”



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



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



Export markets

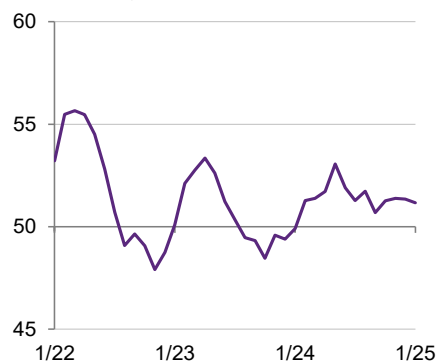
Marginal upturn in export climate in January

The Export Climate Index posted 51.2 at the start of the year, up fractionally from 51.3 in December. The latest data signalled a marginal improvement in export conditions, albeit the weakest for four months.

Further expansions in output in the USA and Ireland supported the upturn, with a renewed rise in German activity also boosting conditions.

That said, modest contractions in output in France and the Netherlands weighed on the overall improvement in the export climate.

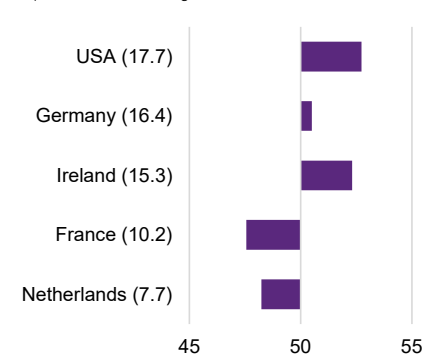
Export Conditions
Index, sa, >50 = growth m/m



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

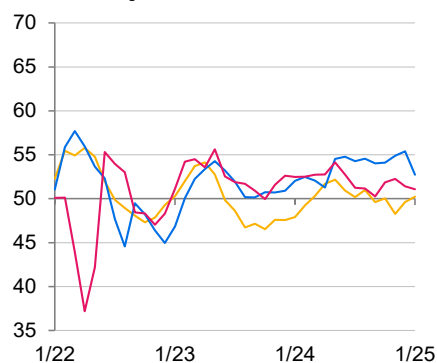
The Wales Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Wales. A reading above 50 signals an improvement in export conditions,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

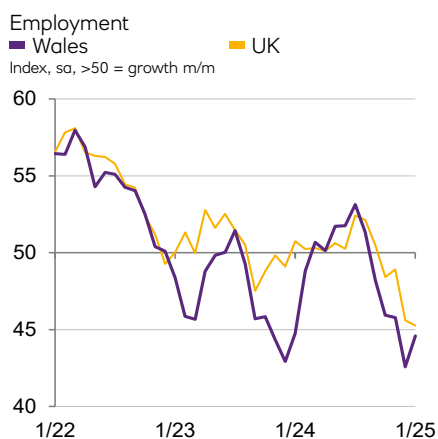
Rates of contraction in employment and backlogs of work slow in January

Welsh private sector firms registered a fifth successive monthly decline in workforce numbers at the start of 2025. Companies stated that staffing levels fell amid the non-replacement of voluntary leavers and some reports of redundancies in line with cost-cutting plans. The rate of job shedding softened, but was among

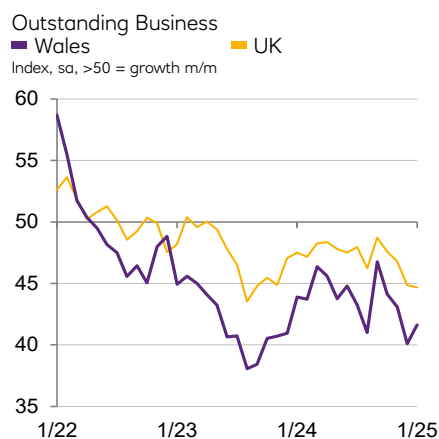
the sharpest of the 12 monitored UK areas. Only the East of England and the West Midlands recorded steeper job cuts.

Although among the fastest in the last year, the rate of decline in backlogs of work eased in January. Lower new orders enabled firms to process their incomplete business, as work-in-hand fell at a pace that was quicker than both the series and UK averages.

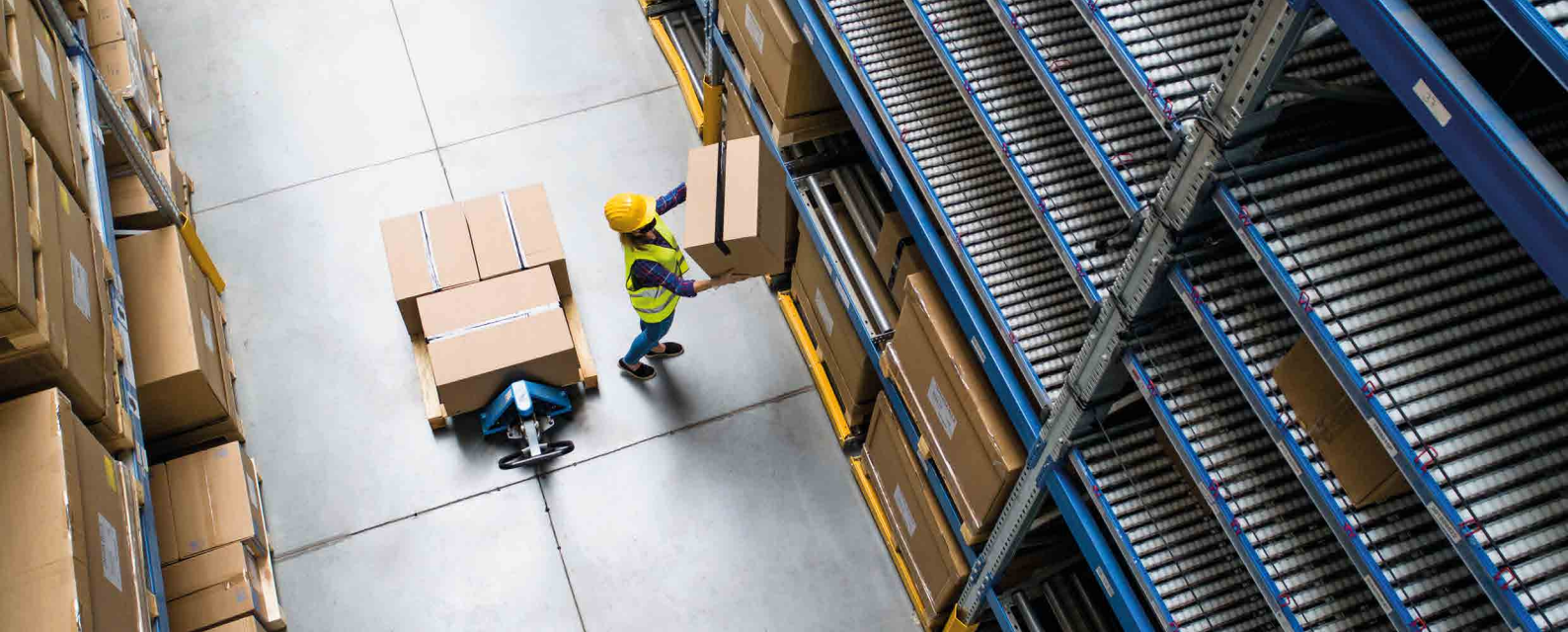
“Firms continued to show caution regarding employment, however, as jobs were cut further but at a slower pace.”



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



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



Inflation

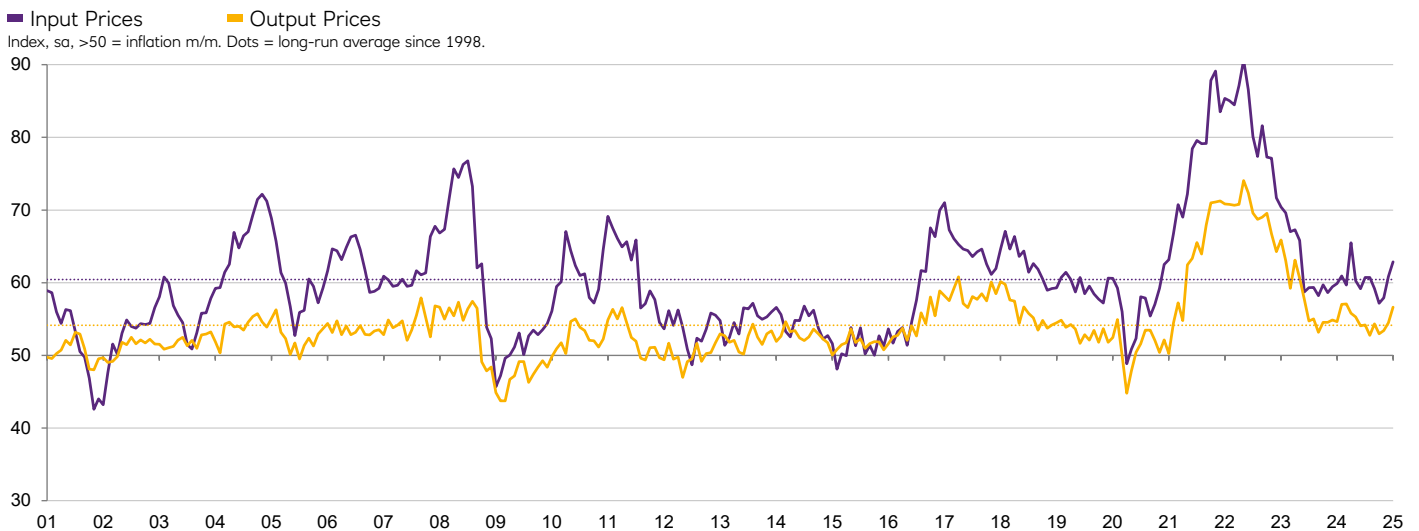
Inflationary pressures strengthen to historically elevated degrees at start of the year

January data indicated a quicker increase in average cost burdens at Welsh firms. Input prices rose at the fastest pace since April last year amid unfavourable exchange rate movements, higher labour costs and greater supplier prices. That said, the rate of cost inflation

was the slowest of the 12 UK areas monitored by the survey.

In contrast to the trend for input prices, Welsh firms did not see the slowest rise in output charges during January. Of the monitored UK areas, Scotland and Northern Ireland registered softer upticks in selling prices. Moreover, the rate of charge inflation was the sharpest in ten months as firms sought to pass through greater costs to customers.

“Although elevated in the context of the series history, Welsh firms saw the slowest uptick in cost burdens of the 12 monitored UK areas.”



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

UK Regional Growth Tracker

Business Activity

London was the fastest-growing region for business activity in January, followed by the North East. The only other areas to see increases in output were Wales and the South West, although in both cases rates of expansion were only marginal. Northern Ireland meanwhile moved to the bottom of the rankings, recording a steep and accelerated decrease in business activity*.

Employment

For the second month running, all but one of the 12 monitored nations and regions recorded a decrease in employment in January. The exception was once again Northern Ireland, although employment there rose only fractionally and at the slowest rate for over two years. The West Midlands saw the steepest drop in workforce numbers, followed closely by East of England.

Future Activity

Expectations towards growth in the coming year remained positive across the board, but optimism weakened in many cases. This included Northern Ireland, which recorded its lowest business confidence for just over two years. Firms in London were the most positive about the year-ahead outlook ahead of those in the West Midlands, with both regions going against the general trend and seeing sentiment improve.

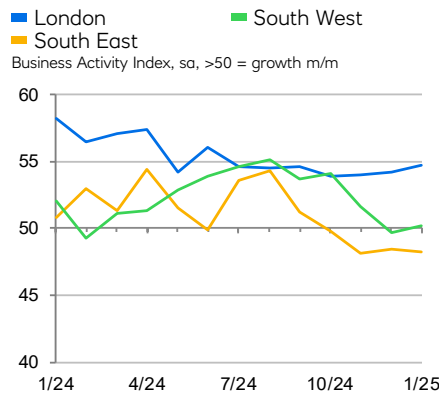
*As well as manufacturing and services, coverage in Northern Ireland also includes construction and retail.



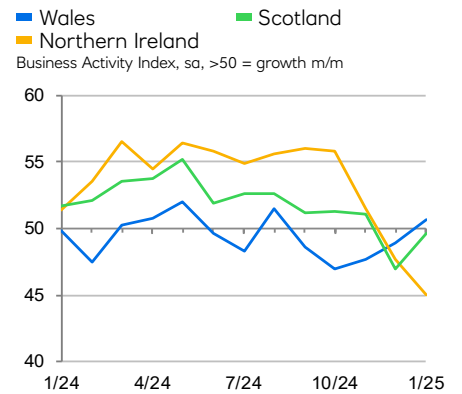
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



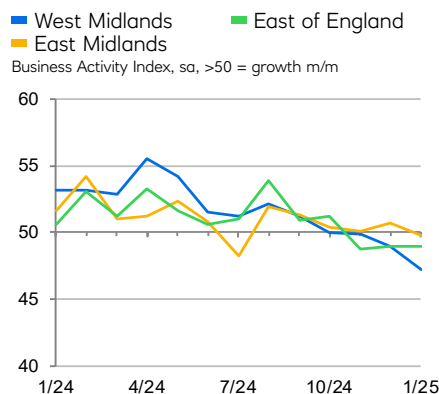
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



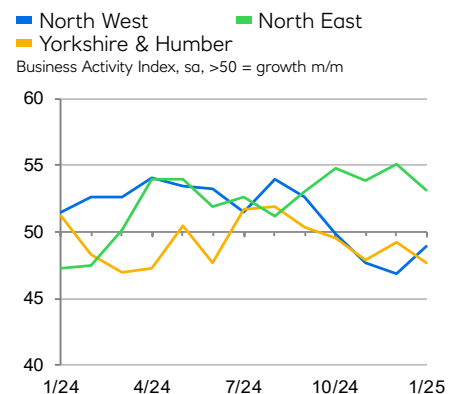
Sources: NatWest, S&P Global PMI. ©2025 S&P Global.



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



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

Growth Tracker heat map

January 2025

Darker colour = higher business growth

Wales

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

50.7



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

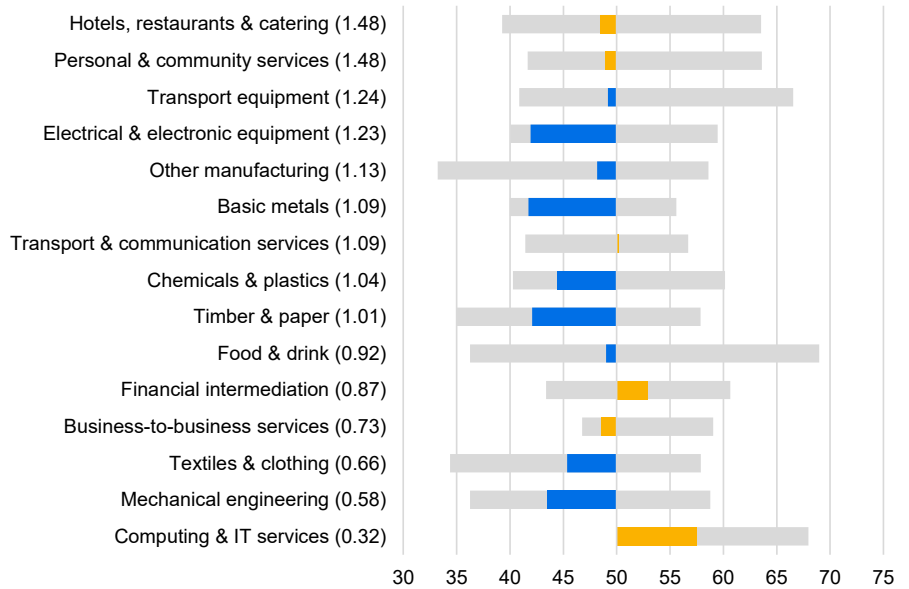
UK sectors

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 Jan '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: Personal & community services

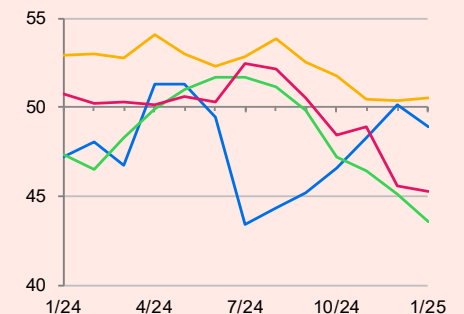
The UK's personal & community services sector underperformed the wider economy in the three months to January. Business activity fell back into contraction following some stability in the latter stages of 2024, weighed down by a marked decline in demand. Qualitative evidence gathered by the PMI surveys highlighted a reduction in confidence and discretionary spending among UK consumers in recent months.

At the same time, businesses in the sector came under pressure from rising costs, including increases in

energy prices and wages. Average prices charged by firms showed a slightly slower rate of inflation, however, pointing to a squeeze on profit margins.

Business confidence towards future growth prospects was meanwhile the lowest on record, excluding the initial phase of the pandemic. The combination of increasing labour costs and muted growth expectations led personal & community services firms to cut workforce numbers at the fastest rate for nearly four years.

Output / Employment
 ■/■ Personal & community services*
 ■/■ 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

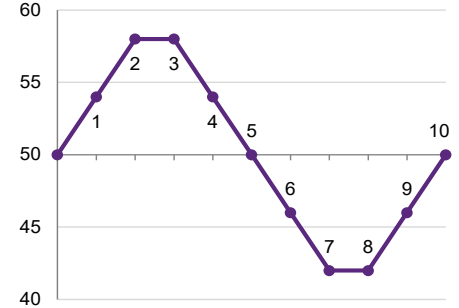
overall decrease. The indices are then seasonally adjusted.

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.

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
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
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

Further information

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