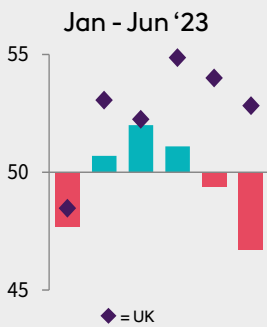


# NatWest Wales PMI<sup>®</sup>

## Fastest fall in activity since February 2021 amid renewed drop in new orders

### Wales Business Activity Index



### Key findings

Decline in new business sparks sharper fall in output

Inflationary pressures ease

Employment unchanged on the month

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 46.7 in June, down from 49.4 in May. The latest data signalled a solid contraction in output at Welsh firms, and the fastest fall in activity since February 2021. Economic uncertainty, hesitancy among customers and reports of destocking at clients drove the decline, according to panellists. The decrease in business activity in Wales contrasted with the trend for the UK as a whole, where output rose at a solid pace. In fact, Welsh firms recorded the weakest performance of the 12 monitored UK areas.

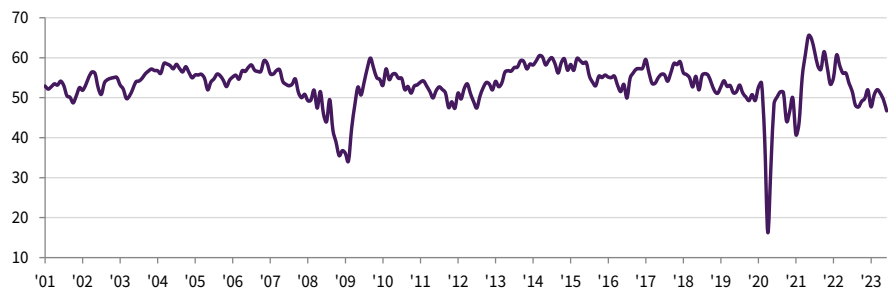
Kevin Morgan, NatWest Wales Regional Board, commented:

*"Welsh firms indicated worsening demand conditions in June, as new orders contracted for the first time since February. The fall in new business led to the sharpest drop in output for over two years, while firms left employment unchanged amid subdued sales and a marked decline in work outstanding. Notably, Welsh firms registered the steepest fall in output of the 12 monitored UK areas. Concerns surrounding the stability of demand weighed on business confidence, which slipped to the lowest for four months.*

*"At the same time, inflationary pressures softened. Rates of increase in input costs and output charges slowed to the weakest since October 2020 and April 2021, respectively, as moderations in energy and supplier prices were passed through to customers amid efforts to remain competitive."*

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

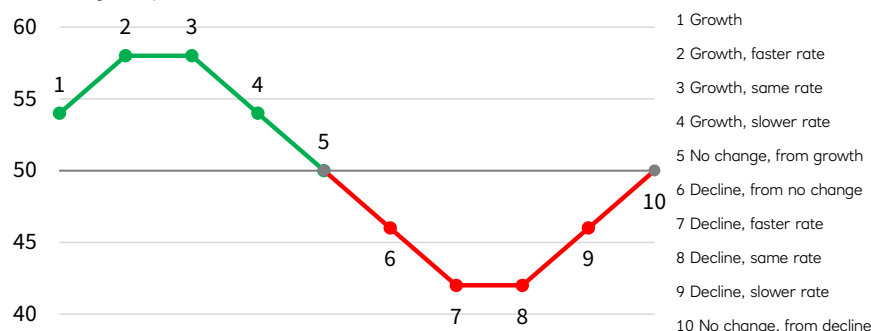
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

Index interpretation

50.0 = no change since previous month



## Demand and outlook

### Renewed contraction in new business in June

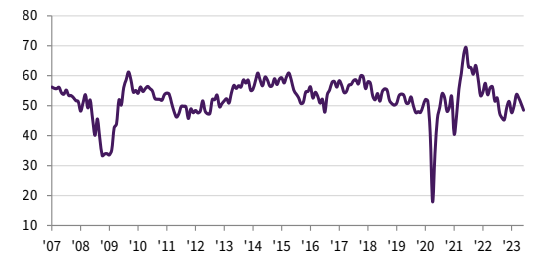
Welsh companies registered a return to contraction in new orders during June, following a three-month sequence of expansion. Although only marginal, the rate of decline was the fastest since January. Firms noted that weak client confidence and economic uncertainty weighed on demand, with some also reporting destocking at customers. The fall contrasted with the UK trend, which indicated a modest upturn.

### New Business Index

sa, >50 = growth since previous month

48.5

Jun '23

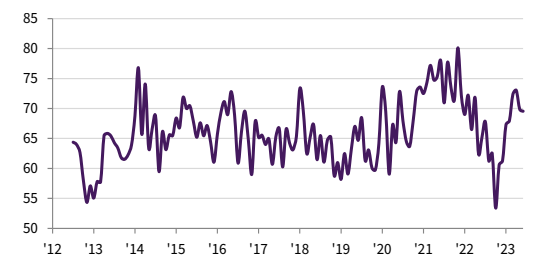


### Future Activity Index

>50 = growth expected over next 12 months

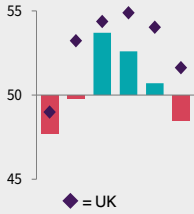
69.5

Jun '23



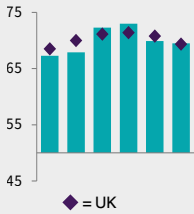
### New Business Index

Jan - Jun '23



### Future Activity Index

Jan - Jun '23



### Business confidence drops to four-month low in June

Firms in Wales remained upbeat in their expectations for output over the coming year in June. Optimism reportedly stemmed from efforts to launch new and diverse product ranges, alongside hopes that inflation and economic uncertainty will ease. Nonetheless, the degree of confidence slipped to a four-month low. The level of positive sentiment was broadly in line with that seen across the rest of the UK.

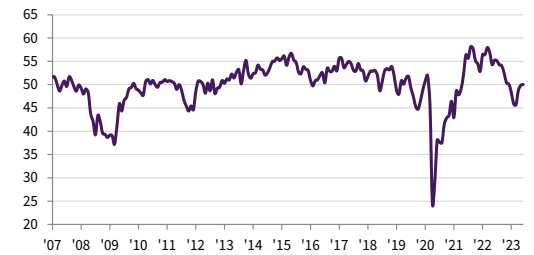
## Business capacity

### Unchanged workforce numbers in June

Welsh companies registered no change in employment at the end of the second quarter, following a five-month sequence of contraction. Although some firms noted a rise in staffing numbers, many stated that weak client demand and a drop in new orders led to the non-replacement of voluntary leavers.

Welsh companies were alone out of the 12 monitored UK areas in not recording a rise in employment.

Employment Index  
sa, >50 = growth since previous month  
50.0  
Jun '23



### Fastest fall in backlogs of work since May 2020

The level of outstanding business at Welsh firms dropped at a marked pace during June. The rate of decline quickened for the fourth month running, and was the sharpest since May 2020. Anecdotal evidence suggested that lower new orders and sufficient capacity led to the substantial fall in backlogs of work.

The rate of contraction was much steeper than the UK average, with manufacturers and services providers in Wales alike registering marked decreases in incomplete business.

Outstanding Business Index  
sa, >50 = growth since previous month  
40.6  
Jun '23



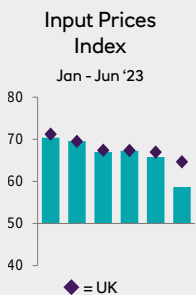
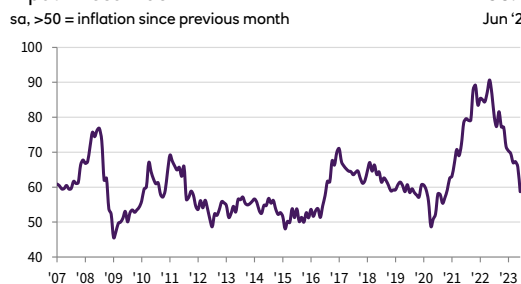
## Prices

### Rate of input cost inflation slows further

Welsh businesses indicated a steep rise in input costs at the end of the second quarter, albeit at a softer rate. Where an increase in operating expenses was noted, firms linked this to some supply issues for specific inputs. That said, the pace of inflation slowed to the weakest since October 2020 as companies stated that lower utility and supplier prices dampened the rise in costs.

With the exception of Northern Ireland, Welsh firms signalled the slowest rise in input prices of the 12 monitored UK areas.

Input Prices Index **58.7**  
Jun '23

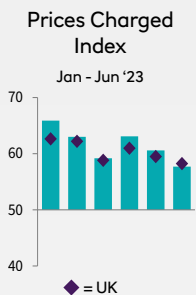
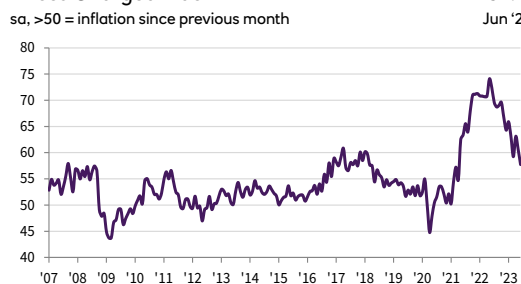


### Output charges rise at slowest pace since April 2021

June data signalled a further sharp increase in output charges at Welsh firms. Anecdotal evidence often associated the rise in selling prices with the pass-through of higher costs to customers. Nonetheless, the rate of charge inflation softened to the weakest for over two years. The pace of increase was slightly slower than the UK average.

Inflation was driven by Welsh service sector firms, as manufacturers saw only a modest rise in output prices.

Prices Charged Index **57.7**  
Jun '23



## UK Sector PMI

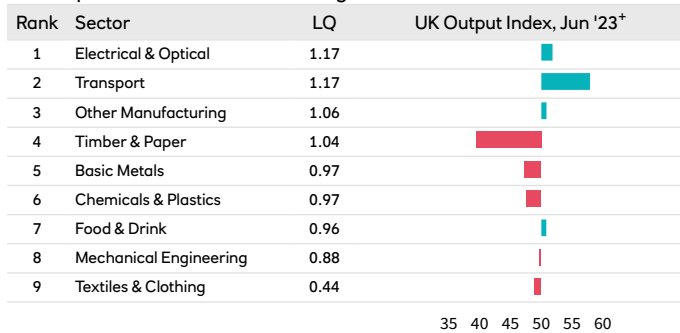
### Sector specialisation: Wales

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.

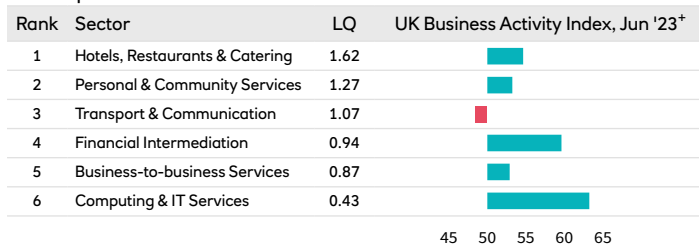
Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised 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



#### Wales specialisation: Services



## UK sector focus

### Food & Drink

The UK's Food & Drink sector enjoyed a strong second quarter, posting its fastest rise in output for two years. It saw the quickest rate of expansion of the nine manufacturing sectors monitored.

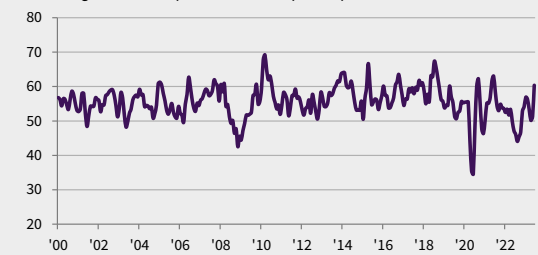
Growth of Food & Drink production in the three months to June was driven by a sharp upturn in demand. This was underscored by a steep and accelerated rise in inflows of new work across the sector.

On the price front, latest data showed a considerable slowdown in the rate of input cost inflation to the lowest for over seven years. This is turn contributed to a slower rise in prices charged, the weakest since Q2 2020.

With firms reporting declining backlogs of work, they showed a reluctance to hire as employment in the sector fell slightly in the three months to June. This was despite strong optimism towards the year-ahead outlook.

#### Output Index

sa, >50 = growth since previous month (3mma)<sup>+</sup>



<sup>+</sup> 3-month moving average



## UK Regional PMI overview

### Business Activity

Just seven out of the 12 monitored regions and nations recorded growth in business activity in June, the fewest since January. London was once again the best performer but posted its slowest rise in output for three months. Only Scotland (ranked third), Northern Ireland\* (fifth) and the East of England (sixth) saw growth accelerate. The steepest drop in activity was in Wales.

### Employment

A rise in employment was recorded in all areas except Wales, where workforce numbers were unchanged following a five-month sequence of job losses. London recorded the steepest rise in staffing levels, its sharpest since August last year, followed by Northern Ireland and the East of England. Last month's leader for job creation, Scotland, moved down to eighth in the rankings.

### Future Activity

Business confidence weakened in the majority of regions and nations in June. The biggest drop in expectations was in the North East, which slipped to the bottom of the rankings. The South East recorded the greatest optimism and was one of the few areas where sentiment improved, along with the South West, East Midlands and North West.

Business Activity Index

sa, >50 = growth since previous month, Jun '23



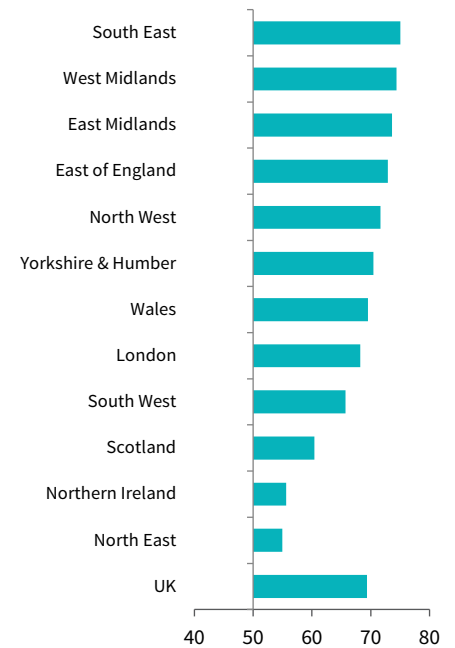
Employment Index

sa, >50 = growth since previous month, Jun '23



Future Activity Index

>50 = growth expected over next 12 months, Jun '23



\* 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
Jan '23	47.7	47.7	50.0	67.3	48.4	44.9	70.4	65.9
Feb '23	50.7	49.8	52.1	67.9	45.9	45.6	69.6	63.0
Mar '23	52.0	53.7	52.6	72.3	45.7	45.0	67.0	59.2
Apr '23	51.1	52.6	53.2	73.0	48.8	44.1	67.3	63.1
May '23	49.4	50.7	52.5	69.9	49.8	43.2	65.8	60.6
Jun '23	46.7	48.5	51.2	69.5	50.0	40.6	58.7	57.7

## Contact

Noel Davies  
Regional Campaign Manager  
Natwest  
+44 (0) 7970 332 895  
[noel.davies@natwest.com](mailto:noel.davies@natwest.com)

Siân Jones  
Principal Economist  
S&P Global Market Intelligence  
T: +44-1491-461-017  
[sian.jones@spglobal.com](mailto:sian.jones@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 (0)-7967-447030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

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NatWest serves customers in England and Wales, supporting them with their personal, private, and business banking needs. NatWest helps customers at all stages in their lives, from opening student accounts, to buying their first home, setting up a business, and saving for retirement.

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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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