

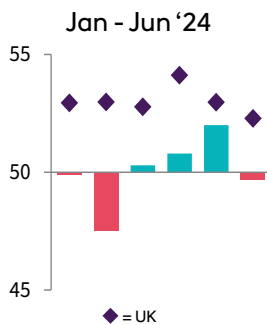


NatWest

NatWest Wales Growth Tracker

Renewed fall in output as demand conditions deteriorate

Wales Business Activity Index



Key findings

Business activity and new orders fall for the first time in four months

Sharpest rise in employment since October 2022

Inflationary pressures ease

June data signalled a renewed fall in output across the Welsh private sector, according to the NatWest Wales Growth Tracker. The headline 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 49.7 midway through the year, down from 52.0 in May. The decline in output was the first in four months, albeit only fractional overall. Panellists reported weak client demand and hesitancy among customers to place orders, as new business fell at a solid pace. The downturn contrasted with the UK average which pointed to a modest expansion in output.

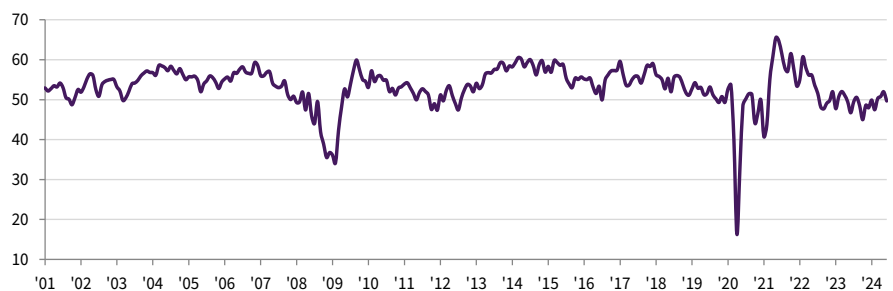
Jessica Shipman, Chair, NatWest Cymru Regional Board, commented:

"Demand conditions weakened in the Welsh private sector midway through 2024, as new business contracted, with a resulting fall in output registered. The drop in activity was only fractional as firms turned to backlogs of work in an effort to boost output.

"Nonetheless, firms continued to take on new staff, with employment rising at the sharpest pace since October 2022. Buoyed by upbeat expectations regarding the year-ahead outlook, job creation was among the steepest of the 12 monitored UK areas.

"Meanwhile, inflationary pressures eased. A below average uptick in cost burdens led firms to moderate hikes in selling prices in a bid to remain competitive and drive new sales."

Wales Business Activity Index
sa, >50 = growth since previous month



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About the Wales Growth Tracker report

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

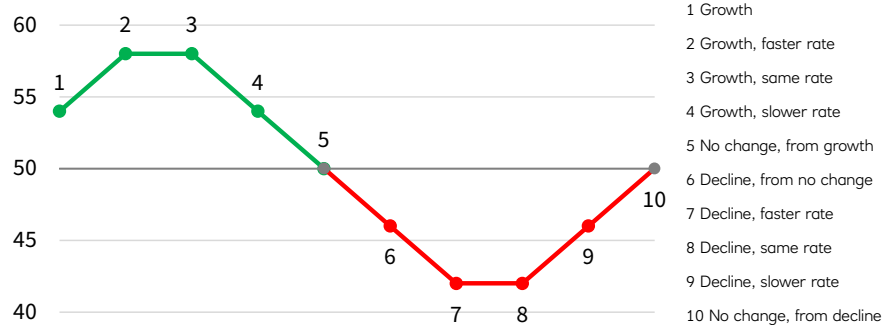
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

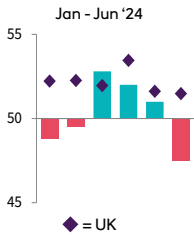
Index interpretation

50.0 = no change since previous month



Demand and outlook

New Business Index

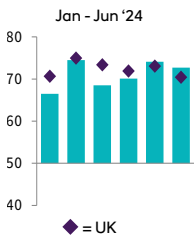


Renewed contraction in new business in June

Welsh businesses signalled a return to contraction territory in new orders midway through the year, following a three-month period of expansion. The decrease in new business was solid overall and the quickest since November 2023. Panellists stated that lower new sales were due to weak client demand and a loss of business from existing customers.

The pace of decline was among the sharpest of the monitored UK areas, with only the East Midlands and East of England recording faster downturns.

Future Activity Index



Business confidence remains strong, despite easing

June data indicated further optimism among Welsh companies regarding the outlook for output over the coming year. Confidence was reportedly underpinned by hopes of new client wins, stronger demand conditions and investment in new products.

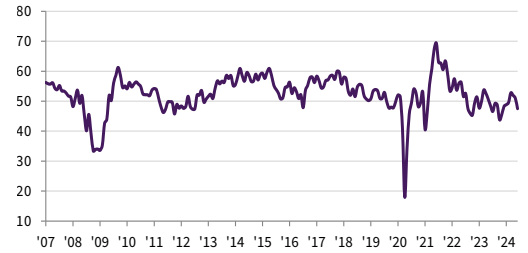
The level of positive sentiment was greater than both the UK and long-run series averages, despite slipping from May's recent high.

New Business Index

sa, >50 = growth since previous month

47.5

Jun '24

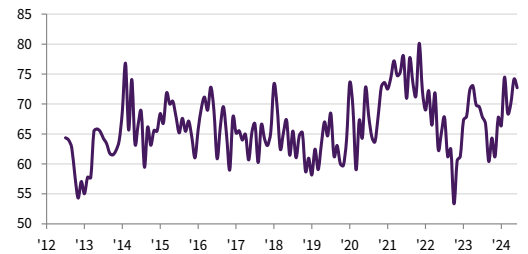


Future Activity Index

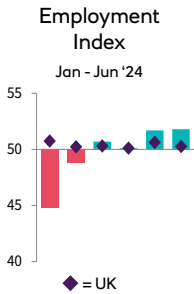
>50 = growth expected over next 12 months

72.7

Jun '24



Business capacity

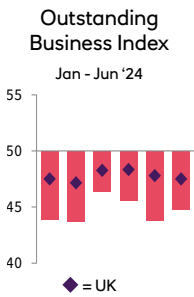
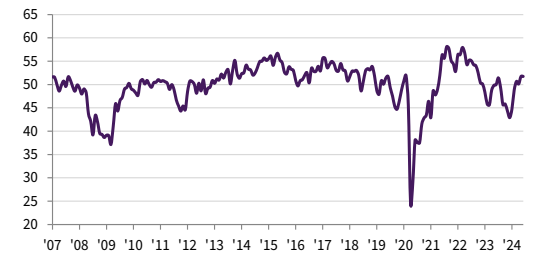


Solid rise in employment in June

Welsh private sector firms registered a fourth successive monthly expansion in employment at the end of the second quarter. The increase in workforce numbers quickened slightly from May to the fastest since October 2022. Moreover, of the 12 monitored UK areas, only the South East and North East recorded quicker job creation.

Anecdotal evidence suggested that greater staffing numbers were linked to the hiring of permanent and temporary workers.

Employment Index
sa, >50 = growth since previous month
51.8
Jun '24

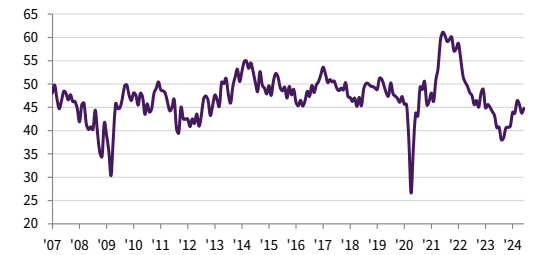


Strong decrease in backlogs of work

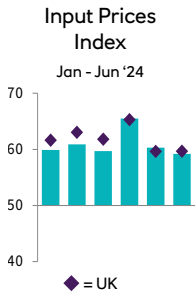
As has been the case in each month since May 2022, backlogs of work at Welsh firms contracted during June. The fall in incomplete business was strong overall, despite easing from that seen in May. The pace of decline was among the sharpest of the monitored UK areas, with only Yorkshire & Humber recording a quicker drop.

Companies attributed the depletion of unfinished business to weak client demand and lower new order inflows.

Outstanding Business Index
sa, >50 = growth since previous month
44.8
Jun '24



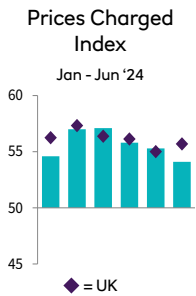
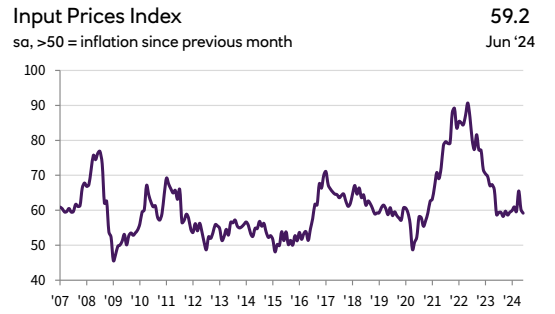
Prices



Slowest rise in input costs since November 2023

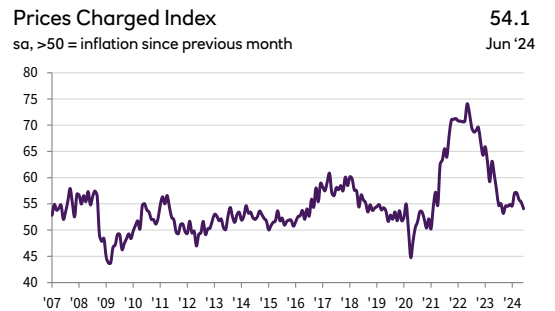
June data signalled another steep increase in cost burdens faced by Welsh private sector firms. Alongside higher wage bills, firms noted that greater raw material and transportation prices drove inflation.

Nonetheless, the rate of increase in costs eased for the second month running to the softest since November 2023. Moreover, the pace of inflation was weaker than both the long-run series and UK averages.



Selling prices rise at slowest pace since September 2023

Welsh businesses registered another monthly increase in output charges at the end of the second quarter. The rate of inflation was solid overall, and in line with the series average. That said, the pace of increase softened to the slowest in nine months and was weaker than the UK trend.



UK Sector

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, Jun '24
1	Transport	1.29	
2	Basic Metals	1.16	
3	Timber & Paper	1.09	
4	Electrical & Optical	1.09	
5	Other Manufacturing	1.08	
6	Food & Drink	0.99	
7	Chemicals & Plastics	0.92	
8	Mechanical Engineering	0.66	
9	Textiles & Clothing	0.38	

45 50 55

Wales specialisation: Services

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

40 45 50 55 60

UK sector focus

Chemicals & Plastics

The UK’s Chemicals & Plastics sector enjoyed strong growth of output in the second quarter of the year. Of all the manufacturing categories monitored by PMI data, its performance was second only to Food & Drink.

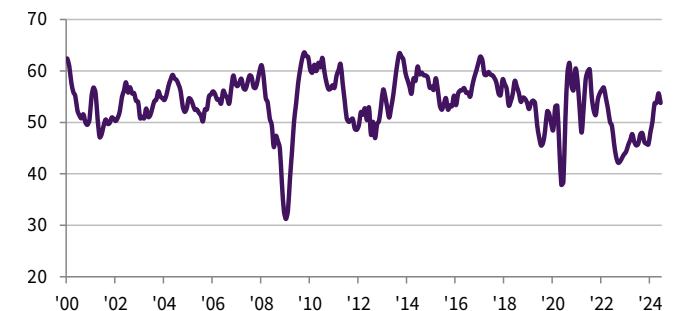
Production has been growing throughout most of this year, following a protracted period of contraction between mid-2022 and the beginning of 2024. The upturn, which underlying data showed was driven primarily by stronger domestic demand, prompted the first – albeit marginal – rise in employment in the sector for two years.

Data showed that firms were optimistic about the chances of output rising further in the coming 12 months, with expectations at their highest in almost three years and comfortably above the long-run average.

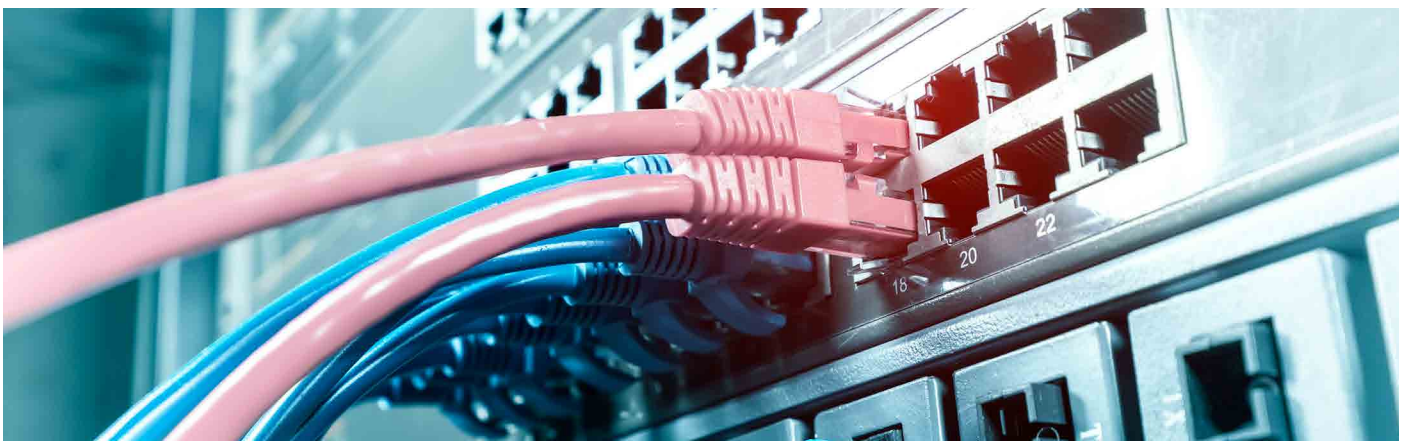
Input costs meanwhile rose solidly in the three months to June, with the rate of inflation accelerating to its highest since early 2023. Output prices rose at a more modest pace by comparison.

Output Index

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



* 3-month moving average



UK Growth Tracker overview

Business Activity

The strongest rise in business activity in June was recorded in London, which went against the general trend and saw growth accelerate from the month before. The South West was the only other area where output rose at a faster rate. There were renewed falls in activity in both Yorkshire & Humber and Wales, while the South East's upturn stalled.

Employment

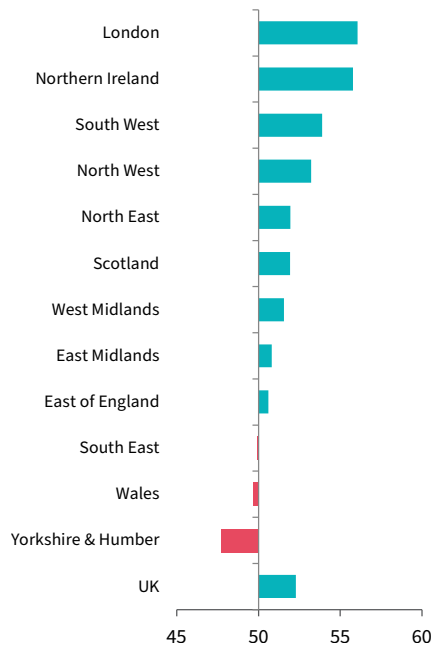
The majority of nations and regions recorded an increase in employment in June, although rates of job creation were often only modest. The most solid rises in workforce numbers were seen in the South East and North East. Staffing levels fell in just three areas, namely the South West, East Midlands and West Midlands.

Future Activity

Business expectations towards activity over the coming year remained positive but weakened in most cases in June. Only the South West saw an improvement. For the second time in the past three months, optimism was strongest in the South East. At the other end of the scale, firms in the North East were the least upbeat about the outlook.

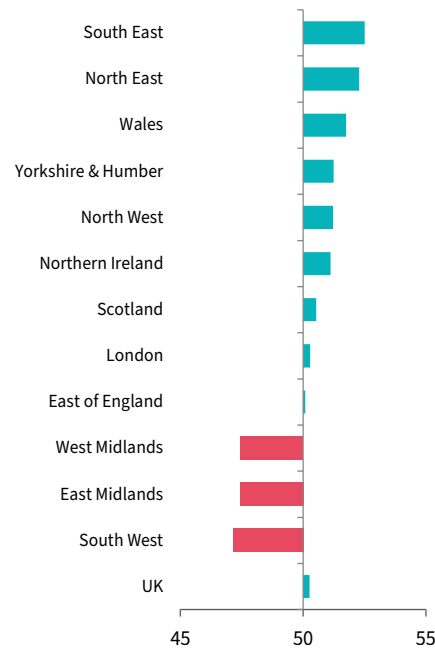
Business Activity Index

sa, >50 = growth since previous month, Jun '24



Employment Index

sa, >50 = growth since previous month, Jun '24

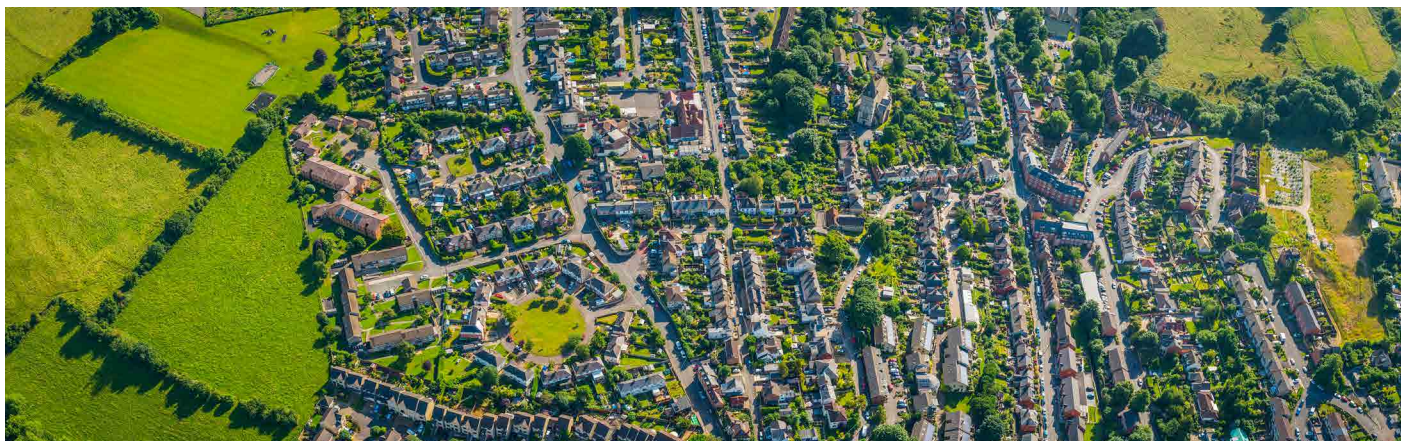


Future Activity Index

>50 = growth expected over next 12 months, Jun '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
Jan '24	49.9	48.8	49.9	66.5	44.8	43.9	59.9	54.6
Feb '24	47.5	49.5	51.3	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	51.7	70.1	50.1	45.6	65.5	55.8
May '24	52.0	51.0	53.1	74.1	51.7	43.8	60.3	55.3
Jun '24	49.7	47.5	51.9	72.7	51.8	44.8	59.2	54.1

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