

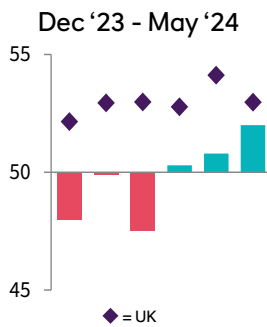


NatWest

# NatWest Wales PMI<sup>®</sup>

## Business activity growth accelerates to fastest in over a year

### Wales Business Activity Index



### Key findings

Output rises at sharper rate as new business growth sustained

Steepest pace of job creation since October 2022

Inflationary pressures soften

The headline NatWest Wales PMI<sup>®</sup> 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 52.0 in May, up from 50.8 in April, to signal the sharpest rise in output at Welsh private sector firms since March 2023. Although slower than the series average, the latest increase in activity was supported by a further improvement in demand conditions and a sustained uptick in new orders. The expansion was among the weakest seen of the 12 monitored UK regions and nations, however, with only Yorkshire & Humber, the South East and East of England recording softer growth in output.

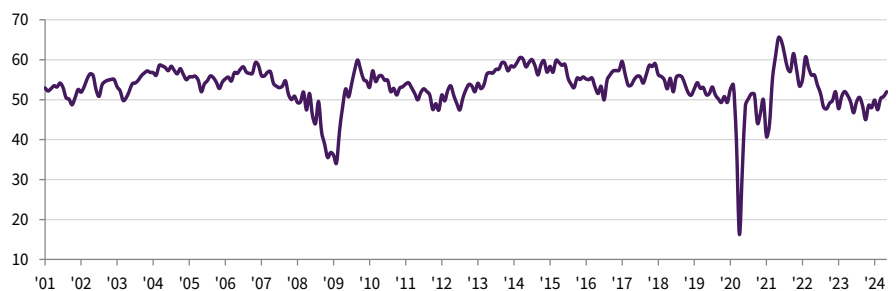
Jessica Shipman, Chair, NatWest Cymru Regional Board, commented:

*"Welsh businesses signalled stronger output growth in May, as sustained demand conditions and a further rise in new order intakes supported the faster expansion in activity. Moreover, buoyed by a relatively upbeat sales environment compared to recent months and greater optimism in the year-ahead outlook, companies sought to expand capacity and hired additional staff at the quickest pace since October 2022."*

*"Meanwhile, inflationary pressures remained elevated but softened from April. In a bid to boost new sales, selling prices rose at the slowest pace in four months. Nonetheless, the rate of charge inflation was above the series average, suggesting customer demand may not gain significant momentum in upcoming months as client purchasing power remains under pressure."*

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

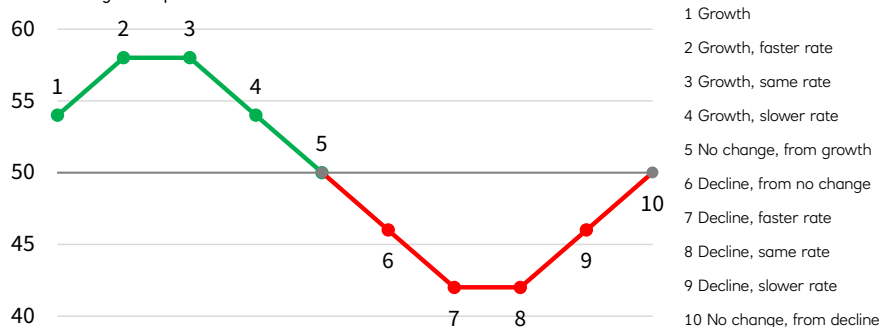
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

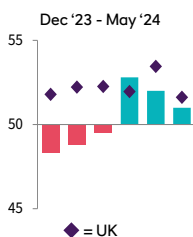
### Index interpretation

50.0 = no change since previous month



## Demand and outlook

### New Business Index



### Slower upturn in new business in May

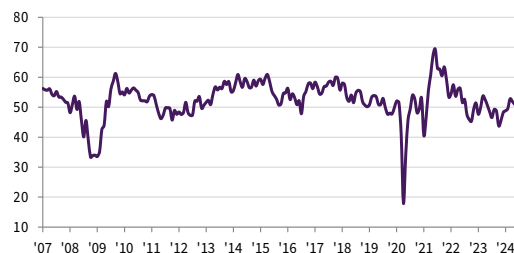
Private sector firms in Wales signalled a third successive monthly expansion in new orders midway through the second quarter. Panellists noted that demand conditions were sustained, alongside new client wins. The rate of growth eased, however, to the slowest in the aforementioned sequence and was only marginal overall. Meanwhile, the pace of increase in new business was weaker than the UK average.

### New Business Index

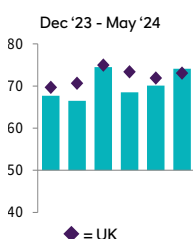
sa, >50 = growth since previous month

51.0

May '24



### Future Activity Index



### Output expectations strongest in three months

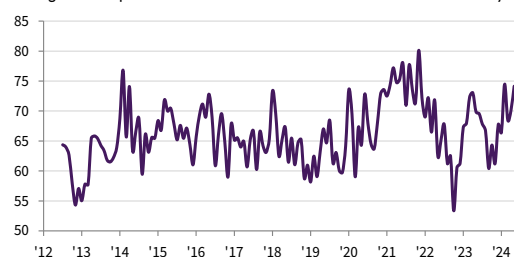
Welsh businesses registered further optimism regarding the outlook for output over the coming 12 months in May. The degree of confidence ticked up to a three-month high, but was also among the strongest in two-and-a-half years. Anecdotal evidence attributed positive sentiment to hopes of more upbeat demand conditions and efforts to broaden customer bases.

### Future Activity Index

>50 = growth expected over next 12 months

74.1

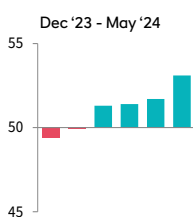
May '24



Expectations were historically elevated and more optimistic than that seen at the UK level.

## Exports

### Export Climate Index



### Export conditions strengthen further in May

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 53.1 in May, up from 51.7 in April, to signal a solid improvement in export conditions for Welsh firms.

The upturn in the export climate was led by stronger expansions in output in key export destinations such as the USA, Germany, Ireland and the Netherlands.

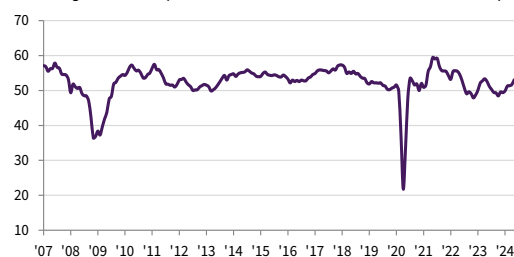
In contrast, French firms registered a renewed drop in business activity in May.

### Export Climate Index

sa, >50 = growth since previous month

53.1

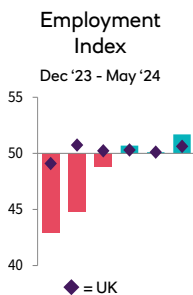
May '24



### Top export markets, Wales

Rank	Market	Weight	Output Index, May '24
1	USA	17.7%	54.5
2	Germany	16.4%	52.4
3	Ireland	15.3%	52.5
4	France	10.2%	48.9
5	Netherlands	7.7%	55.1

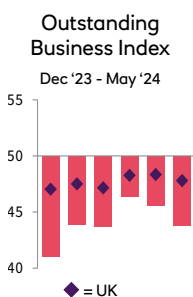
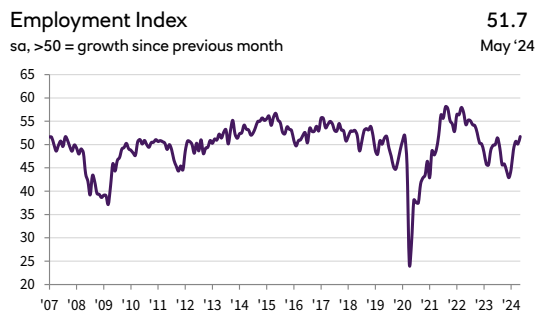
## Business capacity



### Employment growth fastest since October 2022

May data signalled a third successive monthly increase in employment at Welsh private sector firms. The rate of job creation accelerated to a modest pace that was the fastest since October 2022. Companies stated that greater staffing numbers were due to increased new order intakes.

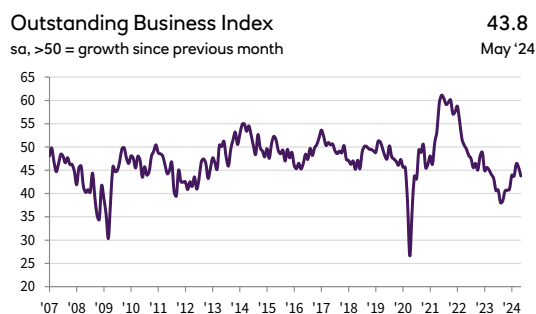
The rate of expansion in headcounts was historically upbeat and outpaced the UK average.



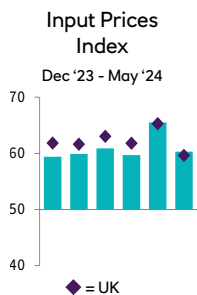
### Fall in backlogs of work quickens in May

As has been the case since May 2022, Welsh firms registered another monthly decrease in unfinished business midway through the second quarter. The pace of decline accelerated to the fastest in three months and was sharp overall. Companies noted that an improvement in supply chains and sufficient capacity allowed them to work through incomplete orders in a timely manner.

Moreover, Welsh firms by far saw the quickest decrease in backlogs of work of the 12 monitored UK regions and nations.



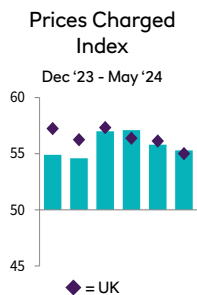
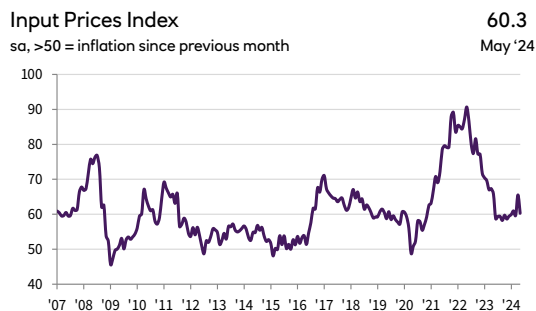
## Prices



### Input price inflation moderates in May

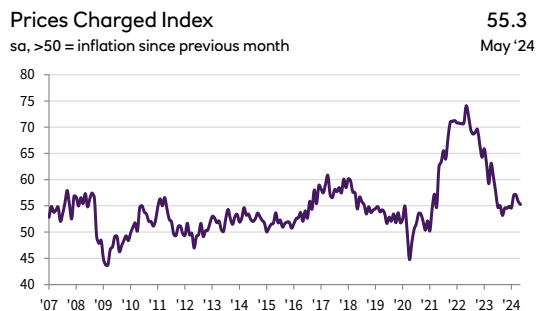
Welsh private sector firms signalled a marked rise in input prices during May. Panellists often stated that greater cost burdens stemmed from increased raw material and fuel prices, alongside higher wage bills. The pace of cost inflation softened from April's recent high and was broadly in line with the long-run series average.

Meanwhile, Welsh firms indicated a sharper uptick in costs than was seen at the UK level.



### Output charges rise at softer pace in May

Selling prices set by Welsh private sector firms continued to increase at a historically elevated pace in May. Anecdotal evidence suggested that firms sought to pass-through higher costs to customers. The pace of inflation eased to the slowest in four months, however, and was broadly in line with the UK average.



## 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, May '24
1	Transport	1.29	50
2	Basic Metals	1.16	48
3	Timber & Paper	1.09	52
4	Electrical & Optical	1.09	48
5	Other Manufacturing	1.08	52
6	Food & Drink	0.99	55
7	Chemicals & Plastics	0.92	55
8	Mechanical Engineering	0.66	52
9	Textiles & Clothing	0.38	50

#### Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, May '24
1	Hotels, Restaurants & Catering	1.51	48
2	Personal & Community Services	1.48	50
3	Transport & Communication	1.04	48
4	Financial Intermediation	0.86	55
5	Business-to-business Services	0.78	52
6	Computing & IT Services	0.41	55

## UK sector focus

### Transport & Communication

The UK's Transport & Communication services sector saw a fall in business activity in the three months to May. Over that period, it was the worst performing of the six broad services sub-sectors monitored by PMI data.

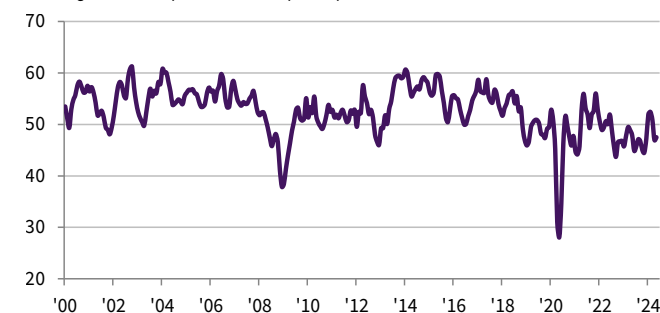
Amid a lack of incoming new work and shrinking backlogs, workforce numbers were scaled back. Employment has in fact fallen continuously in the sector since the end of 2022.

On the cost front, businesses reported pressures from shipping rates, fuel prices and wages. Input cost inflation in the three months to May was the fastest seen since last autumn. Prices charged also increased in the latest three-month period, though the rate of inflation ticked down due in part to competition for new work.

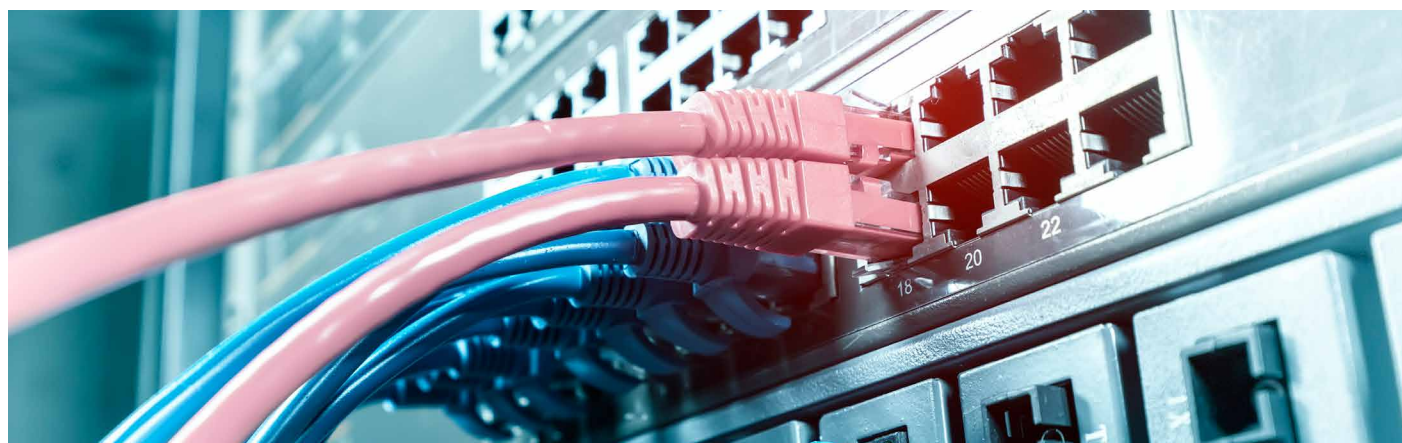
Looking ahead, Transport & Communication firms expected activity to pick up over the next 12 months. Expectations were close to the long-run average stretching back to 1996.

#### Output Index

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



\* 3-month moving average



## UK Regional PMI overview

### Business Activity

For the first time in more than a year, all 12 nations and regions monitored by the survey recorded a rise in business activity. Growth was led by Northern Ireland\*, where output expanded at a sharp and accelerated rate, followed by Scotland. At the other end of the scale, Yorkshire & Humber saw activity increase for the first time since January, albeit marginally.

### Employment

Labour market performances continued to vary across the UK, with just over half of the monitored nations and regions recording a rise in employment. Job creation was led by Northern Ireland for the third month in a row, with the North West and Scotland close behind. The South West meanwhile posted the steepest fall in workforce numbers – its largest for over three years.

### Future Activity

The West Midlands recorded the highest overall degree of optimism towards future activity for the ninth time in the past 11 months. It was one of seven areas where sentiment strengthened since April. Despite also seeing confidence improve from the month before, Scotland registered at the bottom of the rankings for the second month running.

Business Activity Index

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



Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, May '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
Dec '23	48.0	48.3	49.4	67.7	42.9	41.0	59.4	54.9
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

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### About NatWest

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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### About PMI

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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