

9 October 2024

# NatWest Wales Growth Tracker

**Faster upturn in new orders  
for businesses in September**



NatWest

PMI<sup>®</sup>

by S&P Global

9 October 2024

# NatWest Wales Growth Tracker

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# Key findings

September 2024

**Output contracts, but new orders rise at quicker pace**

**Employment falls for the first time in seven months**

**Output price inflation fastest for four months, despite softer rise in costs**

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](http://www.natwest.com/business/insights/economics)





# Faster upturn in new orders for businesses in September

Latest Wales Growth Tracker survey data from NatWest indicated a marginal drop in output at Welsh firms, despite new business continuing to rise.

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 – registered at 48.6

in September, down from 51.5 in August, to signal a third decrease in output in Wales in the last four months.

The fall was only marginal overall, but Wales was alone in posting a contraction, as the other 11 areas of the UK monitored by the survey recorded expansions in business activity.

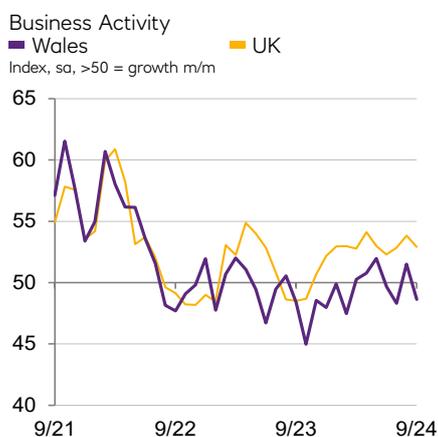
The decline was often linked by panellists to supply chain issues.

NatWest Wales Business Activity Index  
September 2024

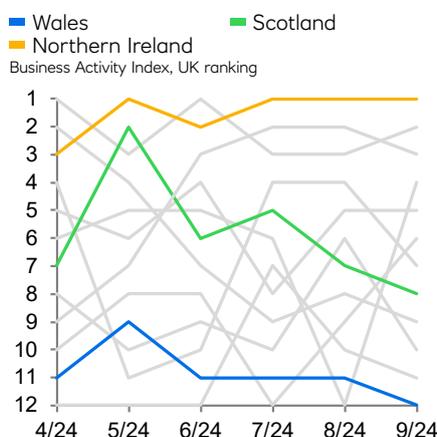
## 48.6

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 12-26 September



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Comment

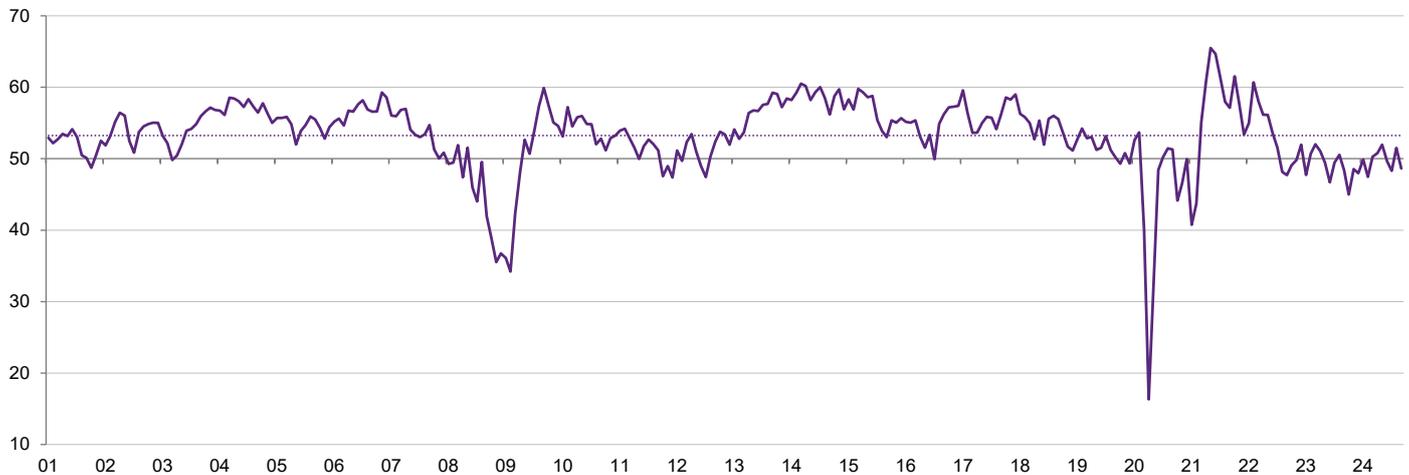
Jessica Shipman, Chair, NatWest Cymru Regional Board, commented:

"The latest report shows there was much to be positive about in September. A faster rise in new orders and uptick in business optimism following greater confidence at customers is good news. More upbeat demand conditions also allowed firms to raise their selling prices at a sharper rate in a bid to protect margins amid a slower increase in cost burdens.

"But despite greater confidence among Welsh firms, evidence of spare capacity led to a renewed round of job shedding. Growing new order inflows and potential strain on capacity from supply issues may push companies to expand staffing numbers in the coming months, however."

## Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Demand and outlook

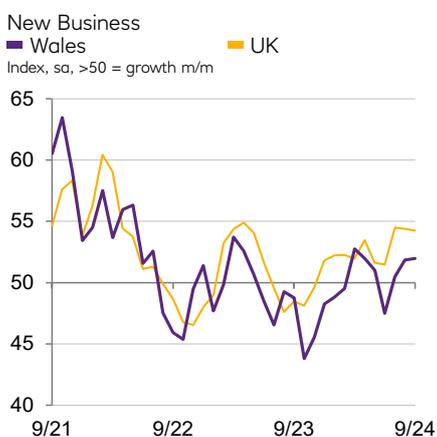
## New order growth accelerates to joint-fastest since March, as business optimism also ticks higher

September data signalled a third successive monthly expansion in new business at Welsh firms. The pace of growth quickened to the joint-sharpest since March (alongside April 2024) despite being only modest overall. Anecdotal evidence attributed the rise in new orders to stronger client demand. The pace of increase was slower than the UK

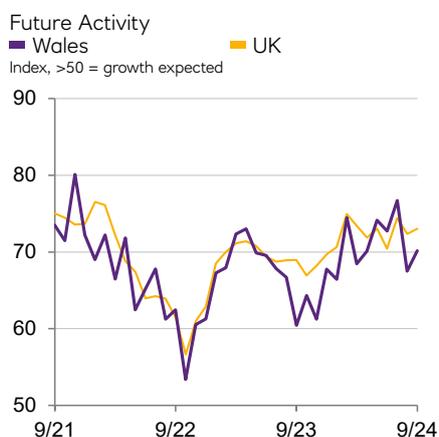
average, however.

A buoyant sales environment also supported greater optimism among Welsh businesses in the outlook for output over the coming year in September. The degree of confidence picked up from August and was historically elevated despite being slightly below the UK trend. Panellists also noted that positive expectations stemmed from new product launches and the commencement of new projects.

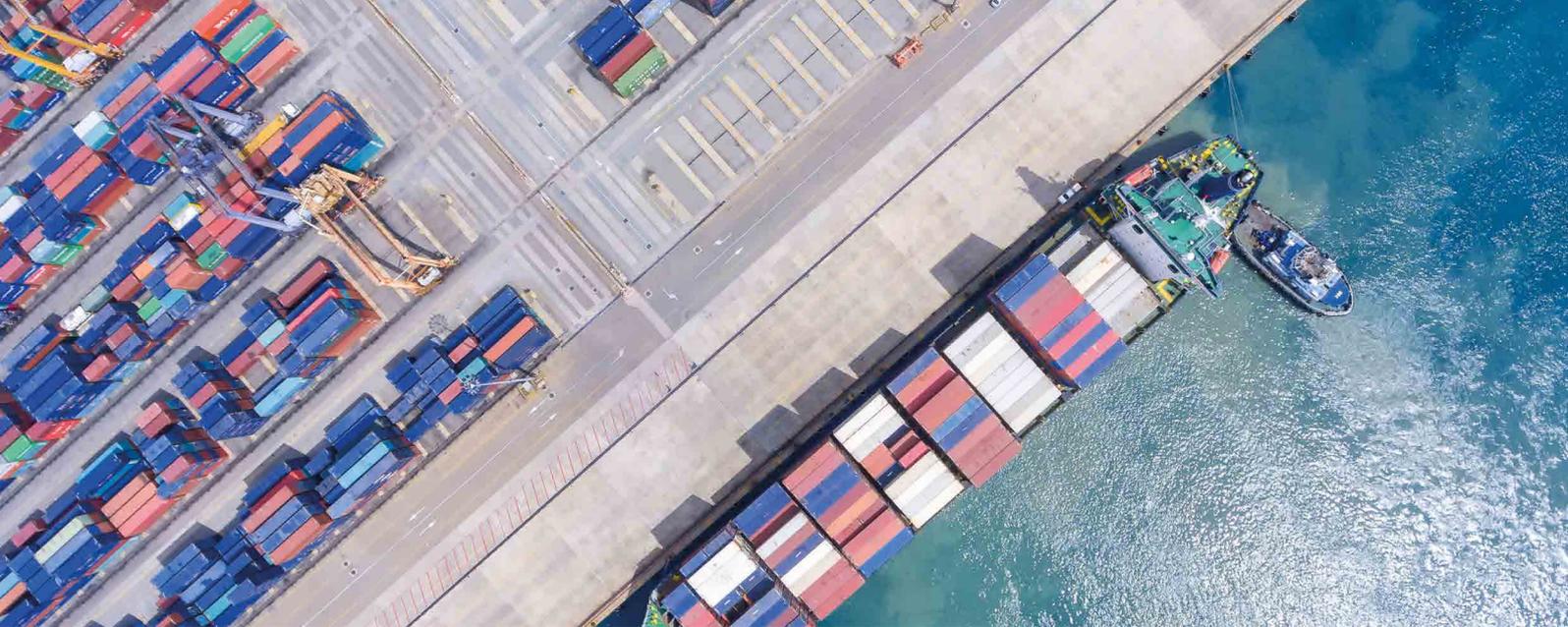
“More positively, however, was a faster rise in new orders and uptick in business optimism...”



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



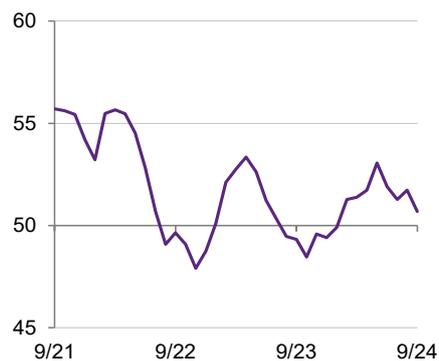
# Export markets

## Weakest improvement in export conditions in eight months

At 50.7 in September, down from 51.7 in August, the ECI signalled a slight upturn in the export climate for Welsh goods and services, but the weakest since the current sequence of improvement began in February.

Supporting export conditions were further expansions in output in the USA and Republic of Ireland. However, contractions in business activity in Germany, France and the Netherlands weighed on the export climate.

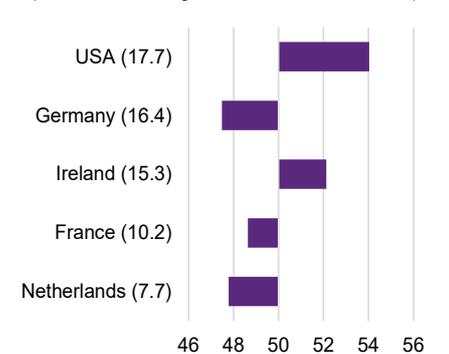
Export Conditions  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

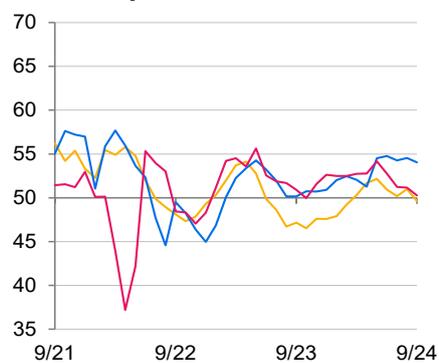
The Wales Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Wales. A reading above 50 signals an improvement in export conditions, 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. ©2024 S&P Global.

Output  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Jobs and capacity

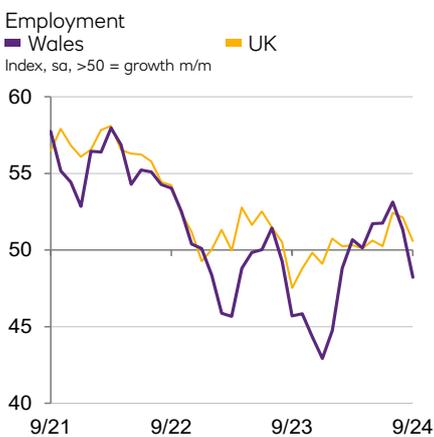
## Employment contracts for the first time since February amid further decline in backlogs of work

Welsh private sector businesses recorded a renewed decrease in staffing numbers in September, thereby ending a six-month sequence of job creation. The fall was modest and the steepest since January. Panellists linked the drop to the non-replacement of voluntary leavers. Moreover, the decline was the sharpest of the 12 monitored UK

areas.

Evidence of spare capacity remained as backlogs of work contracted further, extending the current period of decline to almost two-and-a-half years. Although solid, the pace of depletion eased notably to the slowest since December 2022. Nonetheless, of the 12 monitored UK regions and nations, Welsh firms registered the second-fastest fall in incomplete business, with only Yorkshire & Humber recording a quicker decrease.

“...evidence of spare capacity led to a renewed round of job shedding.”



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



# Inflation

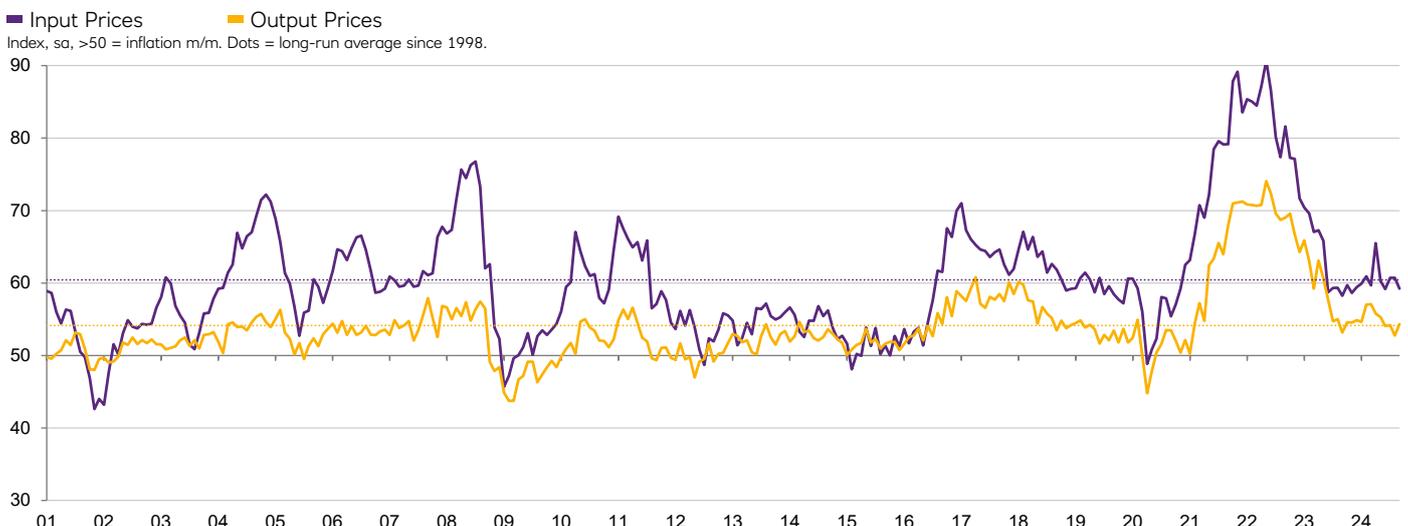
## Input cost inflation softens, but selling prices rise at fastest pace in four months in September

Welsh businesses signalled an easing of cost pressures at the end of the third quarter, as the pace of cost inflation slowed to the joint-weakest since November 2023 (alongside June 2024 data). The rate of increase was marked overall and in

line with the UK average, as firms linked higher costs to greater wage bills and increased supplier prices.

Meanwhile, companies raised their selling prices at a historically elevated pace that was the sharpest since May. Firms noted that more upbeat demand conditions allowed them to pass-through higher costs to customers.

“More upbeat demand conditions also allowed firms to raise their selling prices at a sharper rate in a bid to protect margins...”



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.

# UK Regional Growth Tracker

## Business Activity

A renewed – albeit only slight – decrease in business activity in Wales in September prevented a second successive month of universal growth across the UK. Notably, rates of expansion generally eased compared to those seen in August. Northern Ireland was one of the exceptions, cementing its position at the top of the growth rankings with its fastest rise in output since May.

## Employment

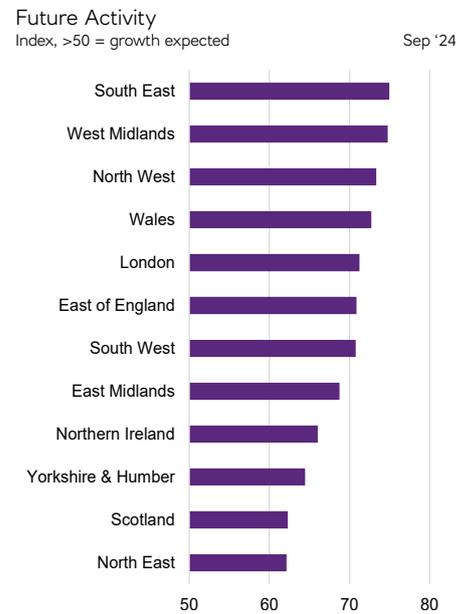
Employment growth in September was also led by Northern Ireland, as was the case throughout the third quarter. Only half of the 12 UK nations and regions monitored reported a rise in workforce numbers, down from ten in August. Wales saw the steepest drop in staffing levels, although the decline was only modest overall.

## Future Activity

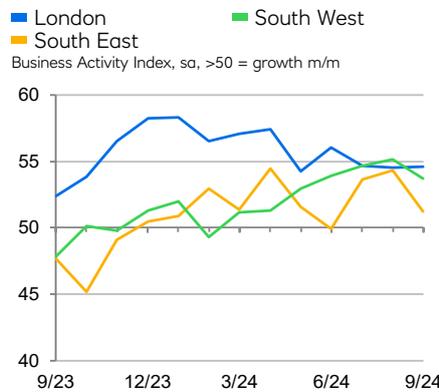
Trends in business expectations varied in September. Just over half of the monitored nations and regions reported a reduction in business confidence, but sentiment nevertheless remained positive across the board. Firms in the South East recorded not only the strongest overall growth expectation, but also the biggest upswing in optimism.



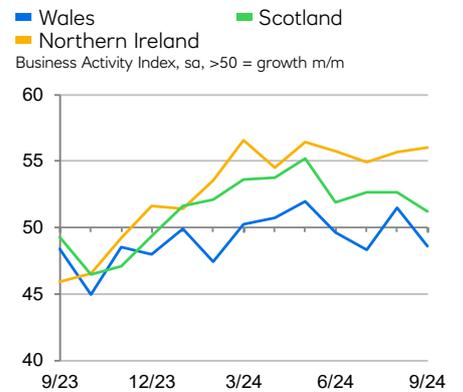
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



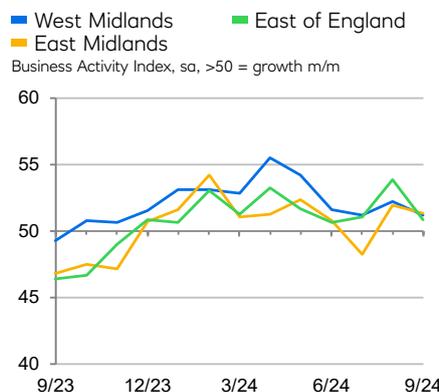
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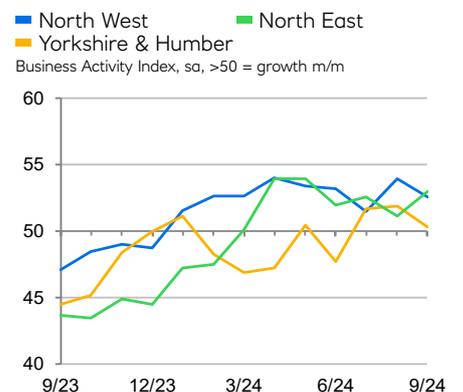
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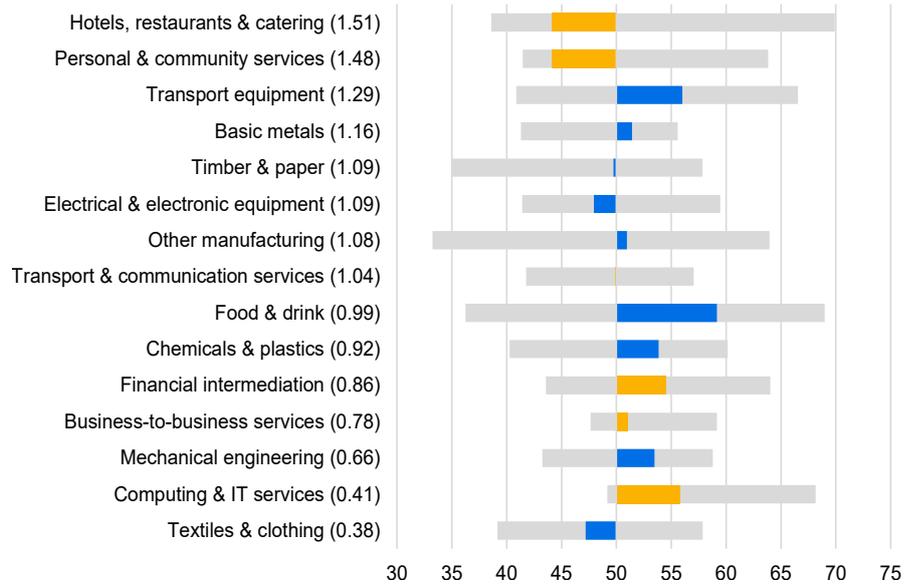
# UK sectors

## 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 Sep '24



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.  
 Location quotients for Wales are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

## Sector in focus: Business-to-business services

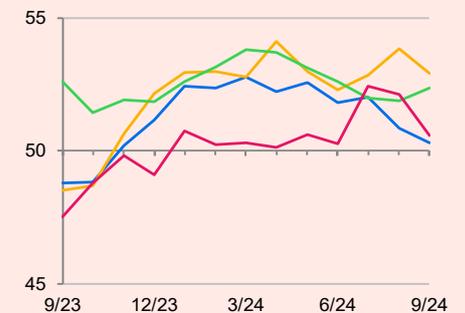
Growth in the UK's Business-to-business services sector came close to stalling in the third quarter. Activity rose only marginally and at the weakest rate for almost a year, with the lack of growth momentum reflecting only modest gains in new business in recent months. Firms in the sector increasingly turned to backlogged work to support growth, with outstanding business falling at a faster rate in the three months to September.

Latest data nevertheless showed sustained job creation across

business-to-business services, continuing a sequence of rising employment that stretches back to early 2021. The rate at which staffing levels rose even ticked up slightly and exceeded the average across the UK private sector as a whole.

As for prices, rates of inflation in both input costs and output charges remained among the lowest seen over the past three-and-a-half years, although they were still above their respective pre-pandemic long-run averages.

Output / Employment  
 ■/■ Business-to-business services\*  
 ■/■ Manufacturing & services  
 Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 S&P Global.  
 \*Data are smoothed as three-month moving average (3mma).

# 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

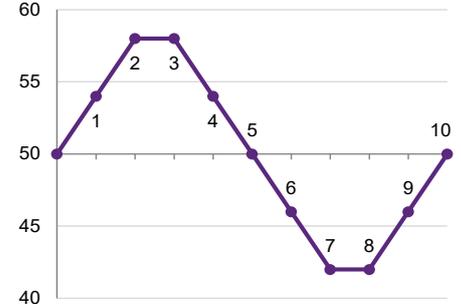
overall decrease. The indices are then seasonally adjusted.

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](mailto:economics@spglobal.com).

Index interpretation  
Index, sa, >50 = growth m/m



Sources: NatWest, S&P Global PMI. ©2024 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
4/24	50.8	52.0	51.7	50.1	45.6	70.1	65.5	55.8
5/24	52.0	51.0	53.1	51.7	43.8	74.1	60.3	55.3
6/24	49.7	47.5	51.9	51.8	44.8	72.7	59.2	54.1
7/24	48.3	50.5	51.3	53.1	43.2	76.7	60.7	54.2
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

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