

10 September 2024

# NatWest Wales Growth Tracker

## Renewed business activity growth in August



NatWest

PMI<sup>®</sup>

by S&P Global

10 September 2024

# NatWest Wales Growth Tracker

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NatWest

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by **S&P Global**

# Key findings

August 2024

Output growth returns amid sharper rise in new business

Input costs increase markedly...

...but selling price inflation slows to weakest since January 2021

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)





# Renewed business activity growth in August

Latest Wales Growth Tracker survey data from NatWest signalled a return to output growth during August.

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 51.5, up from 48.3 in July to signal a renewed rise in output midway through the third quarter, thereby ending a two-

month sequence of decline. All 12 monitored UK regions and nations recorded an expansion in business activity in the latest survey period, however, Welsh firms indicated the second-slowest pace of growth, with only the North East posting a weaker rise in output.

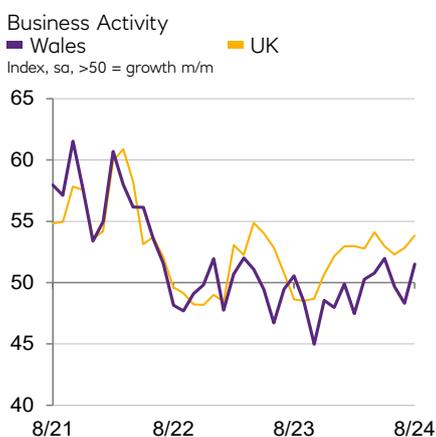
Nonetheless, the upturn in activity was linked by panellists to stronger demand conditions and a further increase in new orders.

NatWest Wales Business Activity Index August 2024

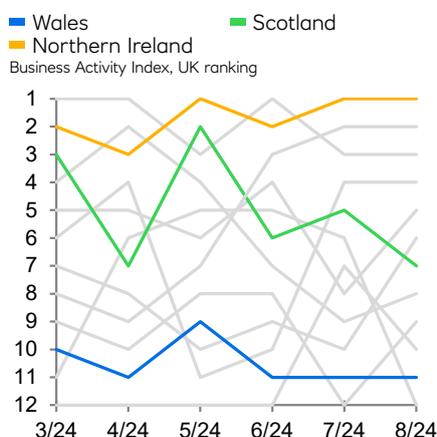
**51.5**

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 12-28 August



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



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



# Comment

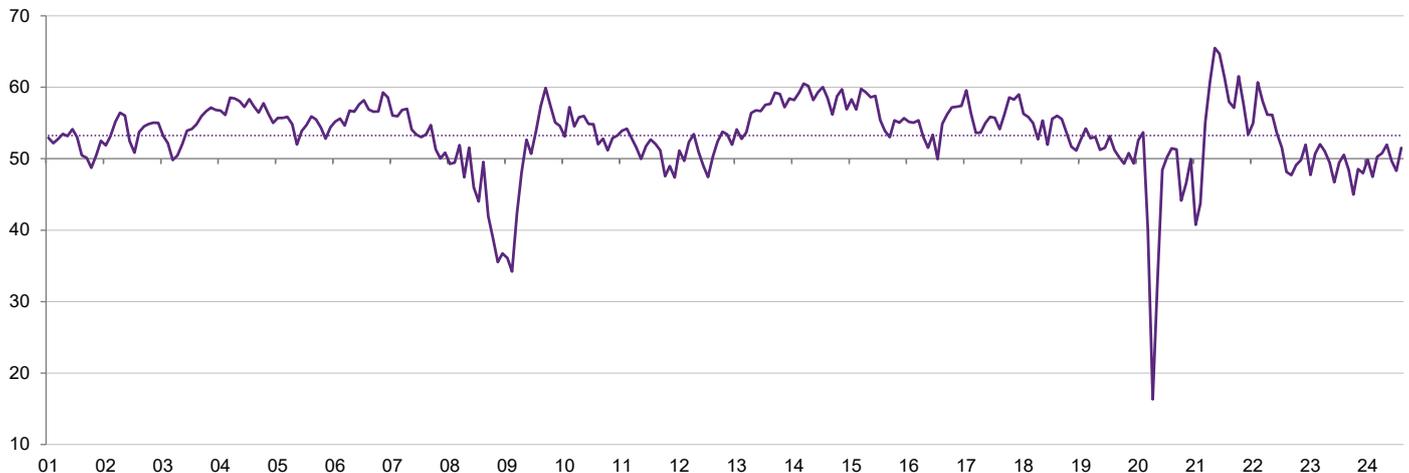
Jessica Shipman, Chair, NatWest Cymru Regional Board, commented:

"A return to growth in business activity during August, sparked by a stronger rise in new orders, buoyed Welsh companies. Moreover, the expansion in new sales was the quickest since April and driven by new client wins. Despite business confidence slipping from July, the level of optimism was still historically marked, with firms continuing to bring on additional staff to build capacity.

"Cost pressures also remained substantial, however. Strain on margins from efforts to hold back from passing higher input prices through to clients intensified, meanwhile. Although the rate of cost inflation was unchanged from July, Welsh businesses moderated the pace of increase in selling prices to the slowest since January 2021."

## 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

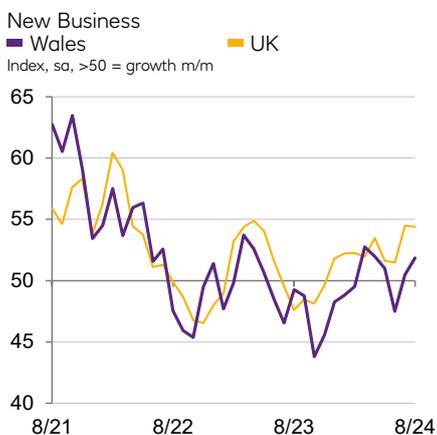
## New business growth quickens, but output expectations slip to lowest in seven months

August data signalled a second successive monthly expansion in new orders at Welsh firms, with the pace of increase accelerating to the fastest since April. Anecdotal evidence attributed the rise in sales to new client wins and more favourable demand conditions. The

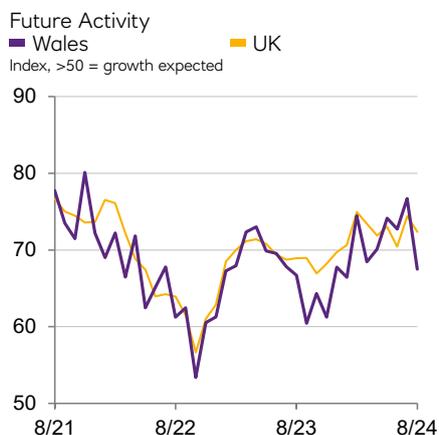
rate of growth was modest but slower than both the long-run series and UK averages.

Although stronger than the historic trend level, the degree of confidence at Welsh companies dipped to the lowest since January. Nevertheless, firms anticipate output growth over the coming year, supported by hopes of further improvements in the sales environment and investment in building capacity.

"...the expansion in new sales was the quickest since April and driven by new client wins."



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



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



# Jobs and capacity

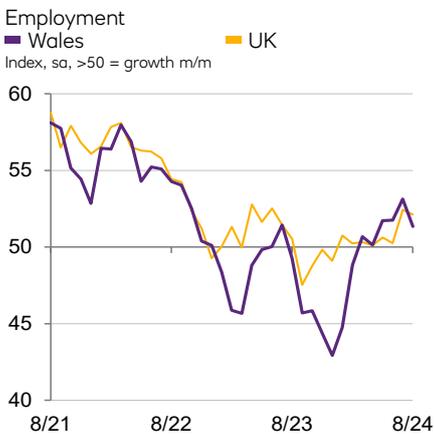
## Rate of job creation slows to weakest in four months in August

Private sector firms in Wales registered a sixth consecutive monthly rise in employment during August. Greater staffing numbers were linked to increased business requirements following an upturn in new orders. The pace of job creation eased, however, to only a marginal rate that was the slowest since April.

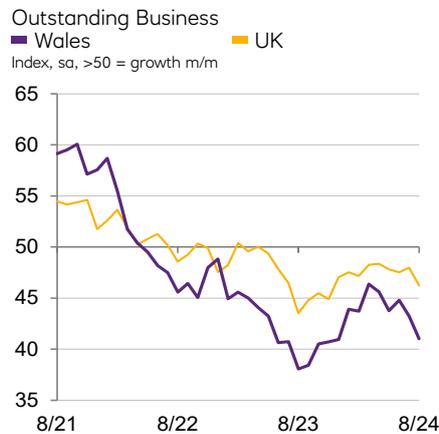
Although comparing favourably with the long-run series average, the pace of employment growth was softer than the UK trend.

In line with greater workforce numbers, firms were able to deplete their backlogs at a sharper rate in August. The level of outstanding business dropped at the quickest pace in 2024 so far, and was the steepest decline seen among the 12 monitored UK areas.

"...the level of optimism was still historically marked, with firms continuing to bring on additional staff to build capacity."



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



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



# Inflation

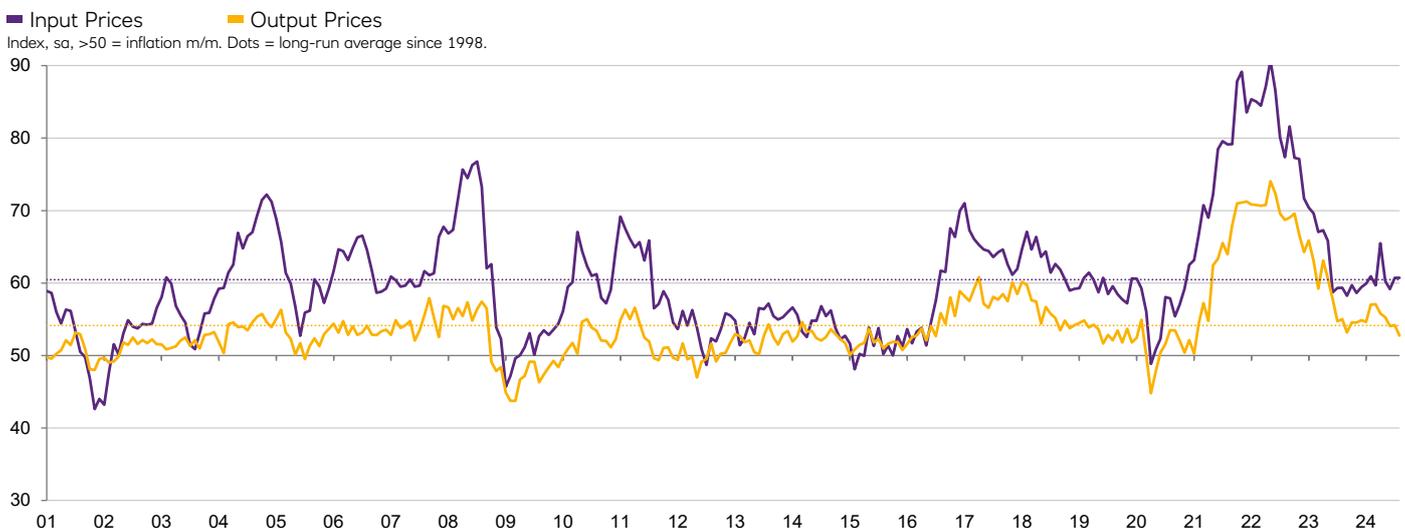
## Cost pressures remain elevated but selling price inflation softens

Welsh companies continued to record a historically sharp rise in input prices during August. The rate of cost inflation was unchanged from July and the joint-fastest since April. Moreover, of the 12 monitored UK areas, only firms in Northern Ireland registered a quicker uptick in operating expenses. Greater wage bills, alongside higher costs for raw

materials including plastics, resins and food reportedly drove inflation, according to panellists.

Meanwhile, Welsh businesses continued to raise selling prices midway through the third quarter. That said, the pace of inflation slowed to the weakest since January 2021. As well as being historically subdued, the rate of increase was the slowest of the 12 monitored UK areas. Some companies noted efforts to hold back on passing through costs to customers.

"Strain on margins from efforts to hold back from passing higher input prices through to clients intensified..."



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

# UK Regional Growth Tracker

## Business Activity

Business activity rose across all 12 nations and regions for the first time in three months in August. Northern Ireland topped the growth rankings for the third time in the past four months. It was followed closely by the South West. The North East saw the slowest rise in output and was one of just two areas (alongside London) that saw a softer pace of expansion than in July.

## Employment

The strongest rate of job creation in August was recorded again in Northern Ireland, where it reached the fastest since April 2023. The North East also recorded a solid and accelerated increase in employment. In a repeat of the situation in July, the only decreases in workforce numbers were seen in the East Midlands and West Midlands, although in the case of the latter the rate of decline remained marginal.

## Future Activity

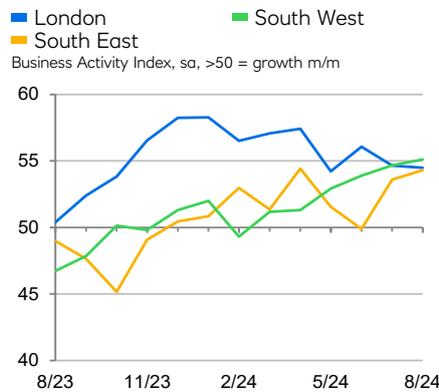
Although expectations towards activity growth remained universally positive in August, the degree of optimism weakened in most nations and regions compared to the month before. The greatest loss of confidence was in the North East, which also recorded the weakest overall sentiment. Firms in the South East remained the most upbeat about future activity.



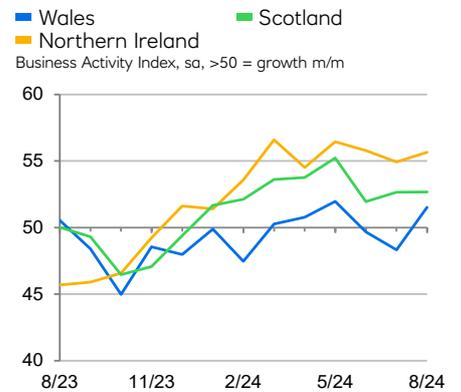
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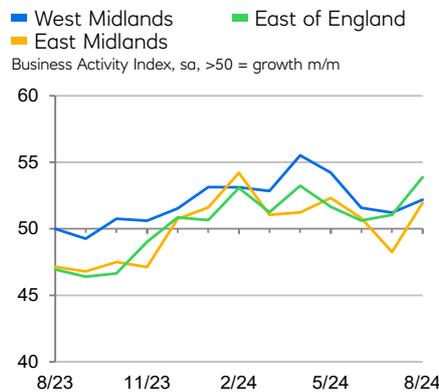
Sources: NatWest, S&P Global PMI. ©2024 S&P Global.



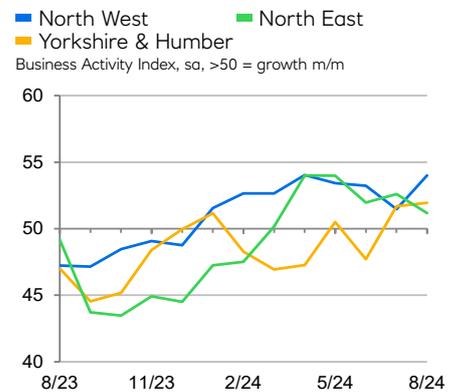
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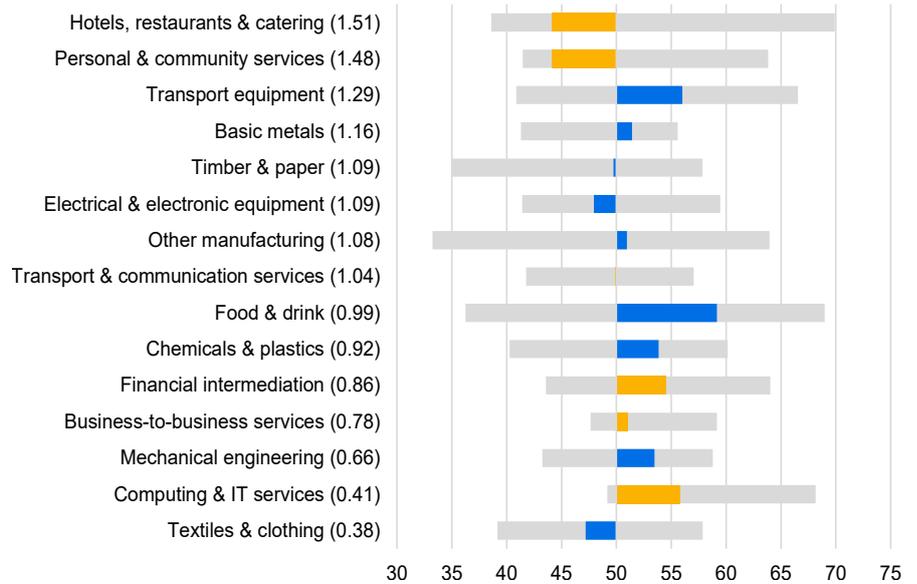
# UK sectors

## 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 Aug '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: Food & drink

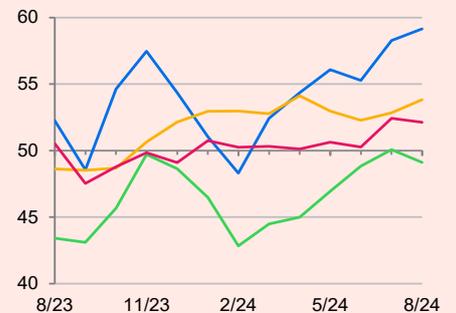
Producers of food & drink recorded stronger output growth than any other manufacturing or service sub-sector in the three months to August. The performance was the best seen since Q2 2023 and driven by a sharp increase in inflows of new work. Data indicated the upturn in demand was domestic-led, with new export orders falling in the latest three-month period.

Output growth was achieved despite employment decreasing slightly. Firms in the sector were also able to navigate supply delays, which were

the worst seen for more than two years, with stocks of inputs being utilised. Growth expectations for the coming year remained strong.

On the price front, latest data showed a solid and accelerated increase in factory gate charges across the food & drink sector. This partly reflected strong cost pressures, with input price inflation at its highest for almost a year-and-a-half.

Output / Employment  
 ■/■ Food & drink\*  
 ■/■ 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

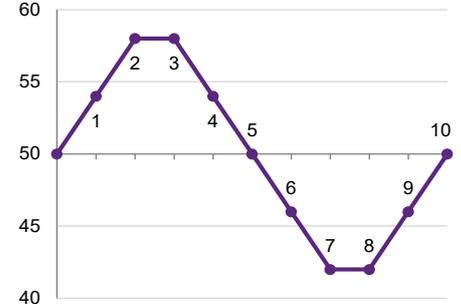
overall decrease. The indices are then seasonally adjusted.

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
3/24	50.3	52.8	51.4	50.7	46.4	68.5	59.7	57.1
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

# Further information

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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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