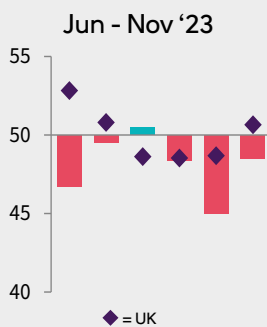


NatWest Wales PMI®

Business activity falls marginally, as demand falters again in November

Wales Business Activity Index



Key findings

Further, albeit slower, declines in output and new orders

Job shedding quickens to fastest since January 2021

Cost inflation softens

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 48.5 in November, up from 45.0 in October, to signal only a marginal contraction in output at Welsh private sector firms. Companies stated that lower activity was due to weak customer demand and a further drop in new orders. The fall in output at Welsh firms contrasted with the UK average which pointed to a slight expansion in business activity for the first time since July.

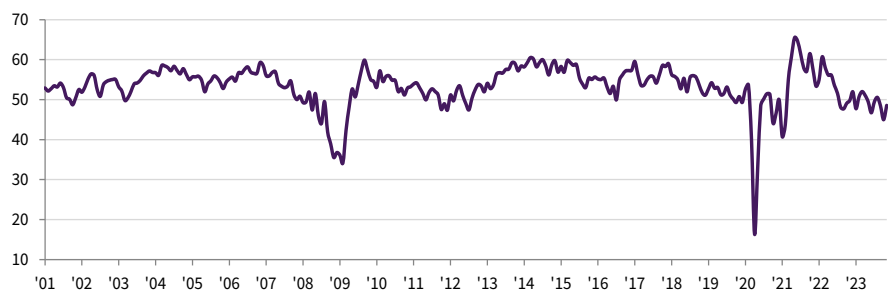
Jessica Shipman, Chair, NatWest Cymru Regional Board, commented:

"Although Welsh firms saw further contractions in output and new orders, rates of decline slowed in November. Nonetheless, the decrease in new business was strong and continued to be driven by lower purchasing power at customers and challenges among clients facing high interest rates and global economic uncertainty. Moreover, the fall sparked the sharpest drop in employment for almost three years, and a weaker degree of confidence in future output growth.

"On a more positive note, cost pressures softened as the rate of input price inflation cooled to the second-slowest in over three years. Wage bills were identified as a key driver of inflation, with companies seeking to pass-through higher costs to customers. In fact, the pace of charge inflation remained historically elevated, suggesting challenges spurring client demand may continue as we approach the turn of the year."

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

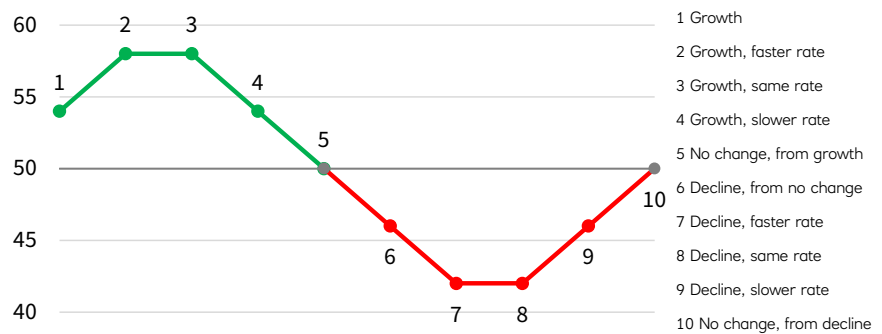
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The Wales Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'Wales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

Index interpretation

50.0 = no change since previous month



Demand and outlook

Strong fall in new business in November

Welsh firms recorded a sixth consecutive monthly contraction in new orders during November. The fall in new business was strong overall, and the second-fastest since October 2022, despite softening from the previous survey period. Companies stated that lower demand from customers led to the decrease in new business.

Manufacturers and service providers alike noted declines in new orders, with the contraction driven by a marked fall in services customer demand.

Business optimism subdued

November data signalled weaker confidence regarding the outlook for output over the coming year at Welsh firms. The degree of optimism slipped further below the long-run series average and was the second-lowest for a year. Positive sentiment reportedly stemmed from planned investment in new products, but concerns regarding domestic and global demand conditions dampened expectations.

Of the 12 monitored UK areas, the North East, Northern Ireland and Scotland posted weaker optimism than Welsh firms.

Exports

Export climate declines only marginally in November

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.

At 49.6, the Export Climate Index was up slightly from 48.5 in October. November data indicated only a slight deterioration in export conditions, and to the least extent since August.

The uptick in the index reading stemmed from a return to output growth in Ireland, one of the top export markets for Welsh goods and services. Meanwhile, activity at US companies continued to increase marginally.

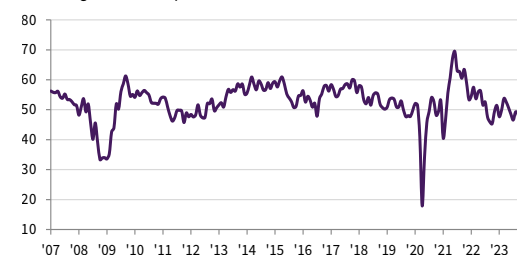
Although French firms recorded another marked fall in output, rates of contraction in activity in Germany and the Netherlands softened from October.

New Business Index

sa, >50 = growth since previous month

45.5

Nov '23

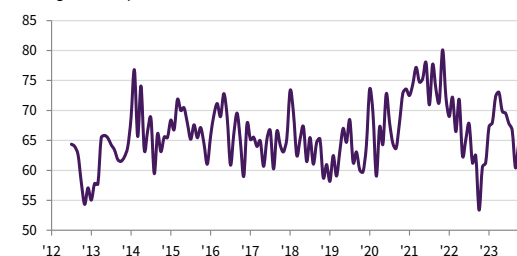


Future Activity Index

>50 = growth expected over next 12 months

61.2

Nov '23

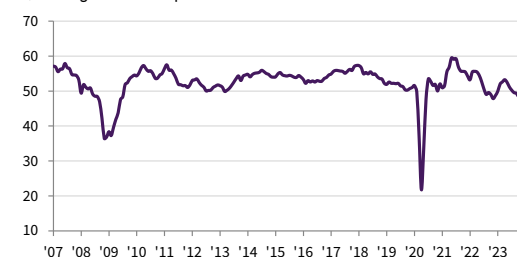


Export Climate Index

sa, >50 = growth since previous month

49.6

Nov '23

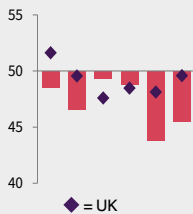


Top export markets, Wales

Rank	Market	Weight	Output Index, Nov '23
1	USA	19.3%	50.7
2	Ireland	17.4%	52.3
3	Germany	14.5%	47.8
4	France	8.9%	44.6
5	Netherlands	7.4%	45.5

New Business Index

Jun - Nov '23



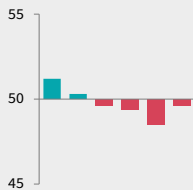
Future Activity Index

Jun - Nov '23



Export Climate Index

Jun - Nov '23



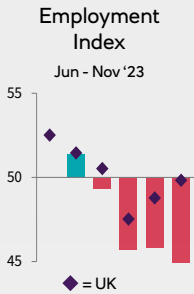
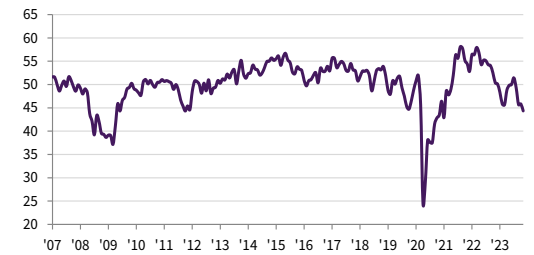
Business capacity

Sharpest drop in employment since January 2021

The rate of job shedding across the Welsh private sector quickened during November, with firms cutting employment steeply. The fall in workforce numbers was the fastest since the start of 2021 and the sharpest of the 12 monitored UK areas.

Anecdotal evidence suggested that lower staffing numbers were due to redundancies following a reduction in new orders, alongside the non-replacement of voluntary leavers amid cost cutting efforts.

Employment Index
sa, >50 = growth since previous month
44.4
Nov '23

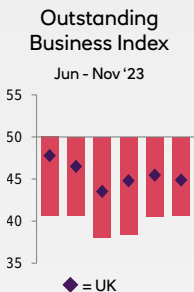
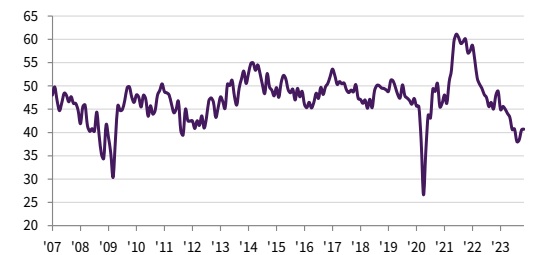


Further marked drop in backlogs of work

Outstanding business continued to decrease at Welsh private sector firms, thereby extending the current sequence of decline that began in May 2022. The pace of contraction eased fractionally to the slowest since July, but was still marked overall. In line with the trend for employment and amid evidence of spare capacity, Welsh companies saw the steepest drop in incomplete business of the 12 monitored UK areas.

Manufacturers and service providers alike recorded substantial decreases in backlogs of work.

Outstanding Business Index
sa, >50 = growth since previous month
40.7
Nov '23



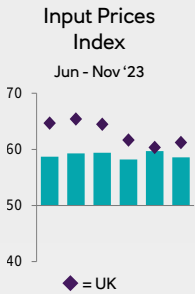
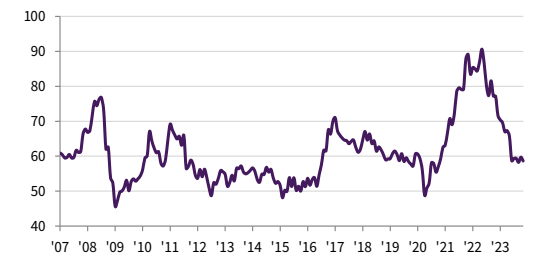
Prices

Input price inflation softens in November

Welsh companies registered a further sharp rise in cost burdens midway through the fourth quarter. Higher operating expenses were linked to increased wage bills. That said, some firms noted moderations in raw material price hikes. The rate of input price inflation slowed, with costs rising at the second-weakest pace since October 2020.

The pace of increase at Welsh firms was softer than the UK average. In fact, only the West Midlands and the North West recorded slower rates of cost inflation.

Input Prices Index
sa, >50 = inflation since previous month
58.6
Nov '23

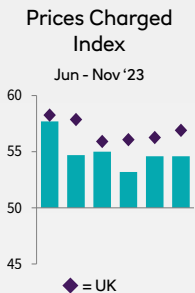
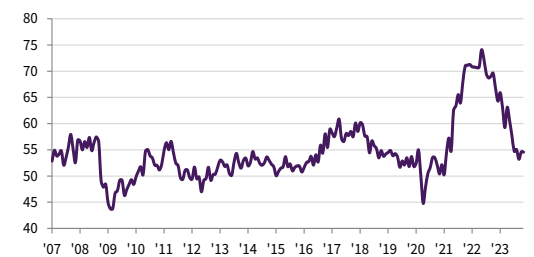


Further solid rise in selling prices

November data indicated a solid increase in output charges at Welsh companies. The rate of increase in selling prices matched that seen in October and was stronger than the long-run series average. Although firms sought to pass through costs to customers, the pace of increase was slower than the UK average.

At the sector level, manufacturers saw a decrease in selling prices, while service providers recorded a slower increase.

Prices Charged Index
sa, >50 = inflation since previous month
54.6
Nov '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

Rank	Sector	LQ	UK Output Index, Nov '23 ⁺
1	Electrical & Optical	1.17	55
2	Transport	1.17	50
3	Other Manufacturing	1.06	48
4	Timber & Paper	1.04	45
5	Basic Metals	0.97	48
6	Chemicals & Plastics	0.97	48
7	Food & Drink	0.96	55
8	Mechanical Engineering	0.88	48
9	Textiles & Clothing	0.44	52

Wales specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Nov '23 ⁺
1	Hotels, Restaurants & Catering	1.62	52
2	Personal & Community Services	1.27	48
3	Transport & Communication	1.07	45
4	Financial Intermediation	0.94	52
5	Business-to-business Services	0.87	48
6	Computing & IT Services	0.43	55

UK sector focus

Computing & IT Services

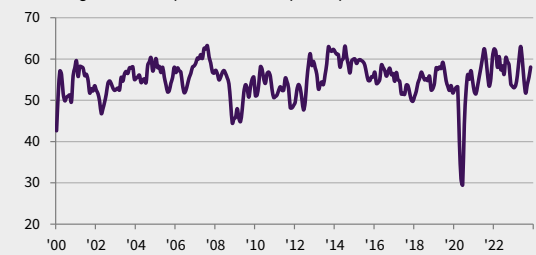
Computing & IT Services was one of the UK economy's brightest spots in the three months to November. The sector, which has generally seen robust growth in the post-pandemic years, recorded a sharp and accelerated rise in output that was second only to that recorded by Food & Drink manufacturers.

Demand for Computing & IT Services remained strong, leading to a sustained build-up of backlogs of work. This in turn fuelled continued hiring across the sector. Although having slowed from the highs over the past three years, the rate of job creation remained robust.

Driven in part by rising salaries, input prices in the sector continued to grow at an above-trend rate in the three months to November. Cost inflation was, however, at its lowest in around two-and-a-half years, with the rate of increase in prices charged by firms also well down from last year's peak (although still elevated by historical standards).

Output Index

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



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

London continued to outperform the rest of the UK regions in November, recording a sharp and accelerated rise in business activity. The only other area to see growth was the West Midlands. The North East once again recorded the steepest fall in output. However, like in most places, the rate of contraction eased from the month before.

Employment

Just over half of the 12 monitored regions and nations recorded a fall in employment in November, the same result as seen in October. Firms in Wales registered the most marked drop in workforce numbers, followed by those in the North East and East Midlands, respectively. Scotland once again topped the rankings for job creation, ahead of the West Midlands.

Future Activity

A small majority of areas saw an improvement in business expectations in November. This included the West Midlands, which continued to record the highest overall degree of optimism. The greatest upswing in confidence was in Yorkshire & Humber. Sentiment was weakest in the North East, where it slipped to an 11-month low.

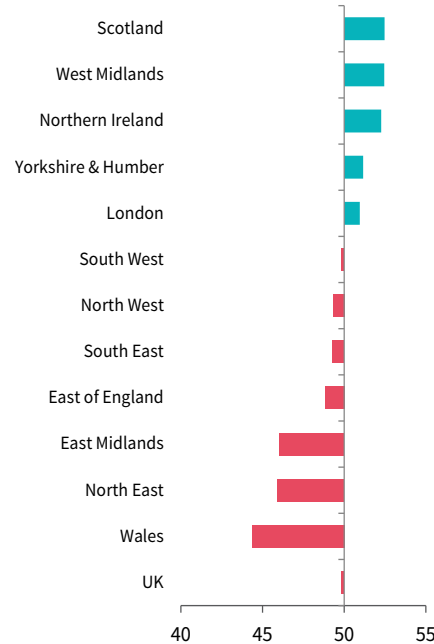
Business Activity Index

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



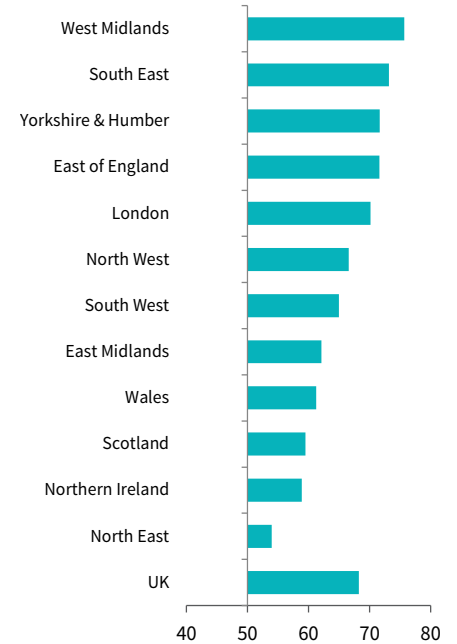
Employment Index

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



Future Activity Index

>50 = growth expected over next 12 months, Nov '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
Jun '23	46.7	48.5	51.2	69.5	50.0	40.6	58.7	57.7
Jul '23	49.5	46.6	50.3	67.8	51.4	40.7	59.3	54.7
Aug '23	50.5	49.3	49.6	66.7	49.3	38.1	59.4	55.0
Sep '23	48.4	48.8	49.4	60.4	45.7	38.4	58.2	53.2
Oct '23	45.0	43.8	48.5	64.3	45.8	40.5	59.7	54.6
Nov '23	48.5	45.5	49.6	61.2	44.4	40.7	58.6	54.6

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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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