9 September 2026

NatWest Wales Growth Tracker

Further expansion in Welsh business activity in August

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PMI® by S&P Global

9 September 2026

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Key findings

August 2026

Output levels expand but new orders fall again

Inflationary pressures remain historically elevated

Business confidence slips to 10-month low

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

Further expansion in Welsh business activity in August

The Welsh private sector signalled continued growth in output midway through the third quarter, according to the NatWest Cymru Growth Tracker.

The headline Wales Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the area's manufacturing and service sectors – posted 50.4 in August, down fractionally from 50.5 in July, and indicated a slight upturn in output levels in the private sector. The increase in activity was the second in as many months. The rate of growth was softer than the UK average, however.

Nonetheless, demand conditions remained fragile as new orders contracted further. The reduction in new sales led firms to cut workforce numbers again, with business confidence slipping to the lowest since October 2025.

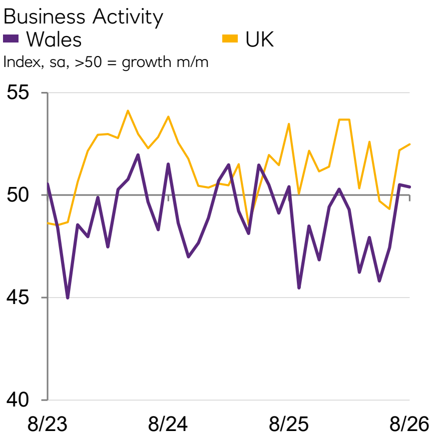
On the price front, rates of input cost and output charge inflation picked up slightly but remained below those seen in the period March to June 2026.

NatWest Wales Business Activity Index August 2026

50.4

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 August



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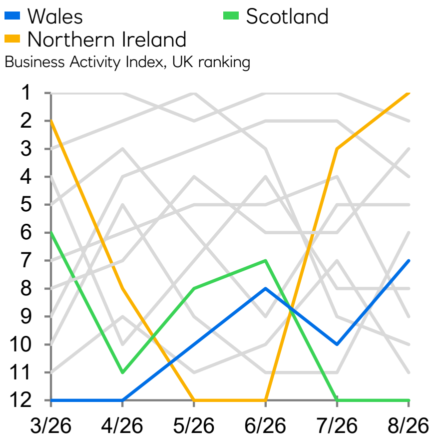

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Comment

Commenting on the Tracker's findings, Jessica Shipman, Chair, NatWest Cymru Board, said:

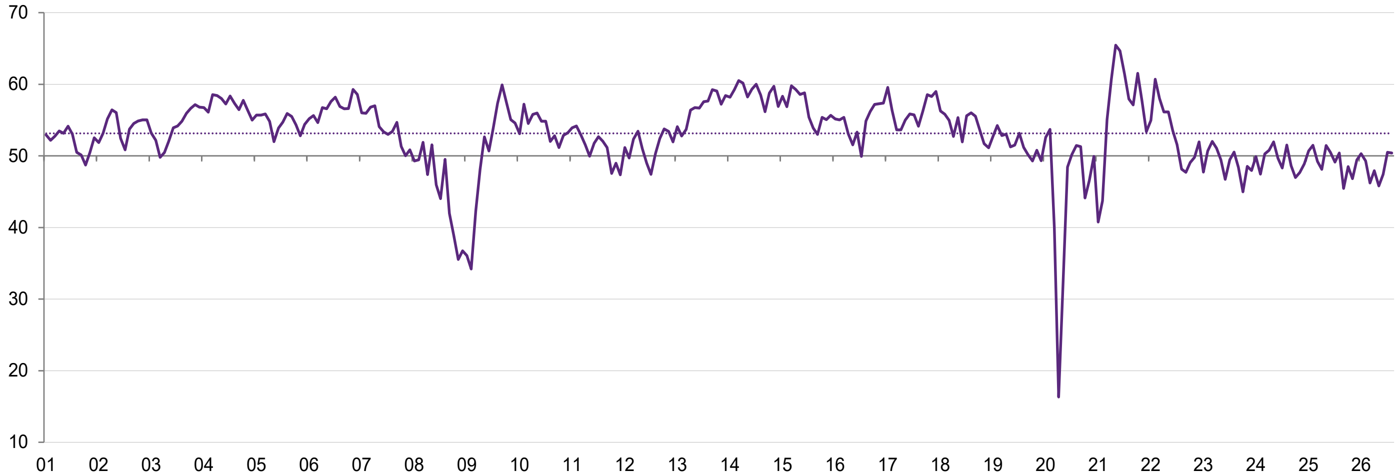
"Welsh businesses saw further output growth in August, but demand conditions remained challenging. Firms were able to work through their backlogs with little strain on capacity, as the pace of decline in new sales gained speed. Hesitancy to spend on non-essential purchases and uncertainty at customers also dampened business confidence which slipped to a 10-month low.

"In fact, companies continued to prioritise cost-cutting efforts amid a slight hike in cost inflation. Employment fell at a sharper rate as uncertainty in the outlook dampened hiring intentions further.

"That said, although sharpening, the quicker pace of cost inflation was met by a similar acceleration in the rate of increase in selling prices as firms sought to protect margins. Inflationary pressures were also much less marked than seen in the second quarter, offering some respite from the substantial price hikes seen earlier in the year."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 2001.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

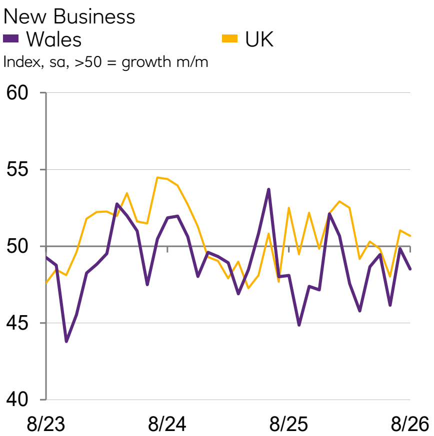
Demand and outlook

Fall in new business quickens in August

Welsh businesses recorded another monthly decline in new sales midway through the third quarter, thereby extending the current sequence of contraction to seven months. Panellists suggested that customer uncertainty and client hesitancy in spending on non-essential goods and services weighed on new orders. The decrease was modest overall and contrasted with the UK trend which indicated a slight upturn in new business.

Meanwhile, output expectations for the year ahead at Welsh firms weakened during August. Although still anticipating growth in activity, the degree of confidence ticked down to the lowest since October 2025. Where optimism was noted, this was linked to planned expansions in market share and greater product diversity. Concerns largely related to customer purchasing power and hesitancy.

> "Hesitancy to spend on non-essential purchases and uncertainty at customers also dampened business confidence which slipped to a 10-month low."



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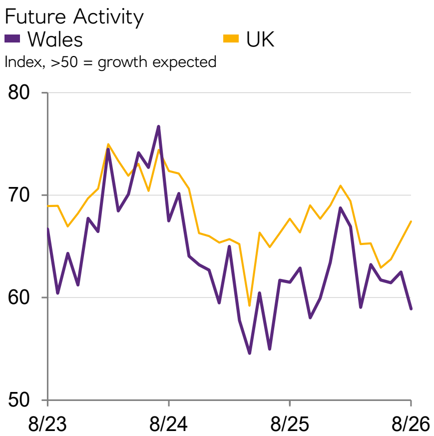

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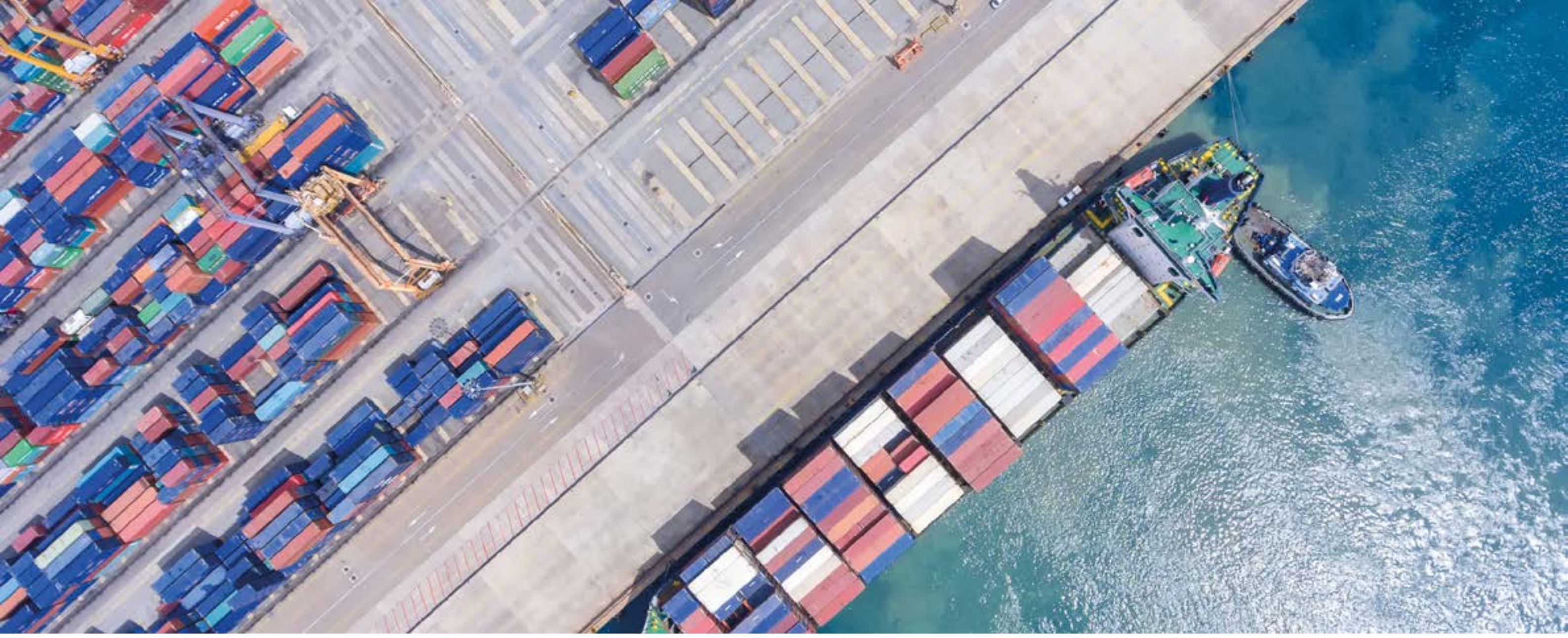


Export markets

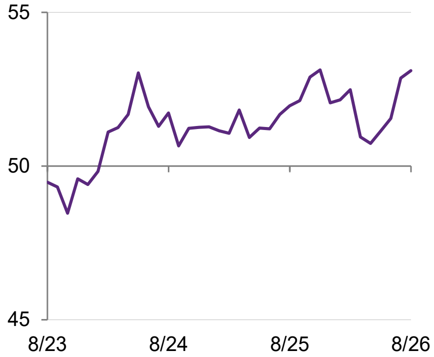
Upturn in export conditions strongest since November 2025

The Export Climate Index posted 53.1 in August, up from 52.9 in July, and signalled the most marked improvement in export conditions for nine months.

Stronger expansions in output were recorded in the USA, Germany and Ireland, with an increase in activity sustained in the Netherlands.

French firms, however, continued to see a drop in output levels, with the pace of decline quickening from July.

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



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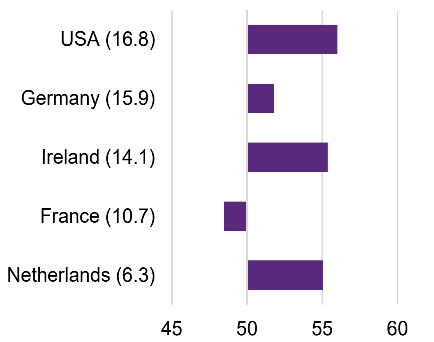
The Wales Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of Wales. A reading above 50 signals an improvement in export conditions,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

Top export markets, Wales
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m
Aug '26



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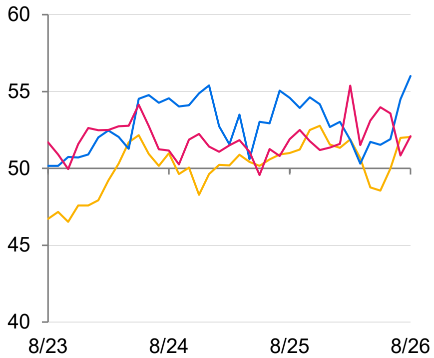
Output
Eurozone US China
Index, sa, >50 = growth m/m



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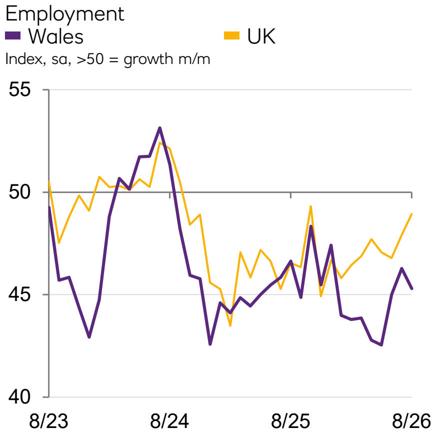
Jobs and capacity

Job shedding quickens in August

Welsh companies recorded a further drop in headcounts midway through the third quarter, extending the current period of job losses which began in September 2024. The rate of decline in employment gained pace and was strong overall. Anecdotal evidence stated that lower staffing levels were due to cost saving initiatives and the non-replacement of voluntary leavers. The pace of reduction in workforce numbers was the fastest of the 12 monitored UK areas.

Welsh businesses signalled little pressure on capacity in August, as backlogs of work contracted further and at a slightly sharper pace. Lower new work incoming reportedly enabled firms to process outstanding business. In line with the trend for employment, the pace of depletion in work-in-hand was the steepest of the 12 monitored UK areas.

> "Employment fell at a sharper rate as uncertainty in the outlook dampened hiring intentions further."



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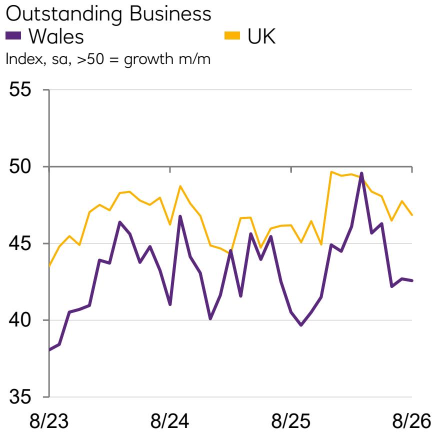

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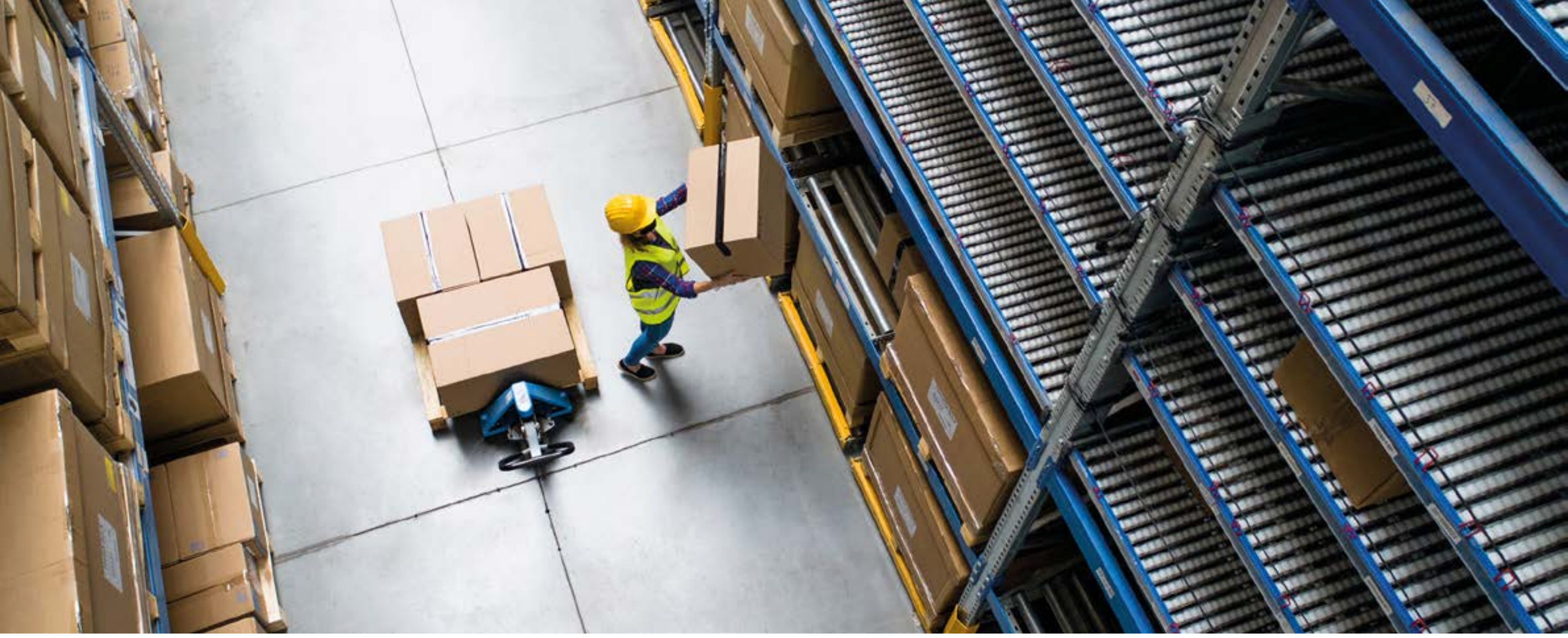


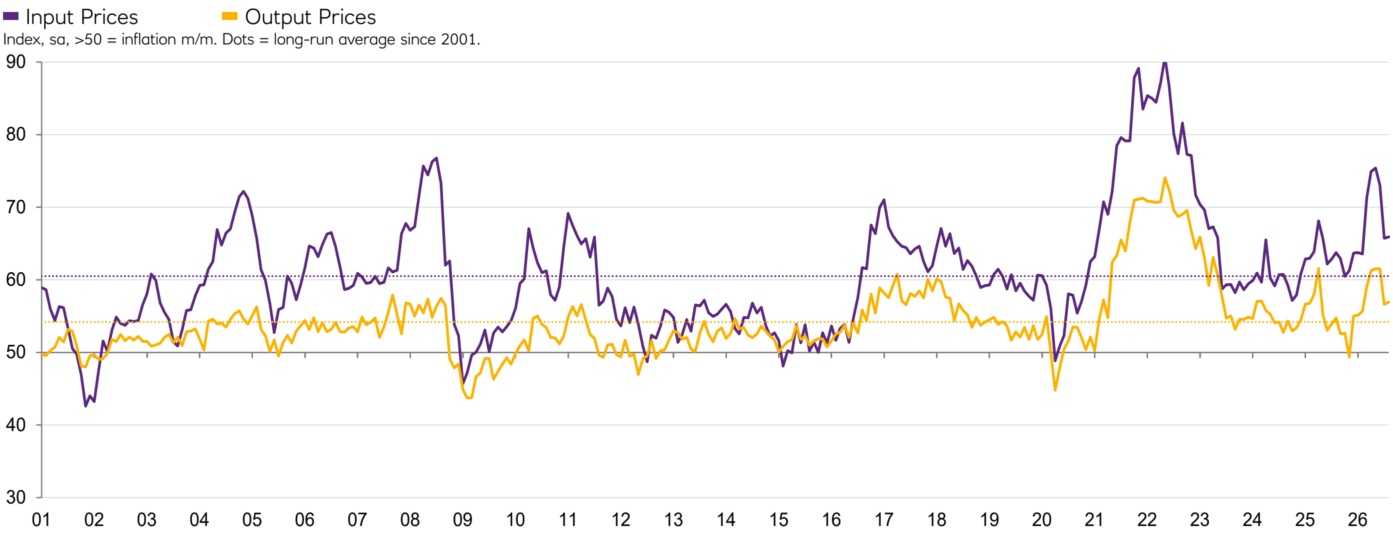
Inflation

Input costs rise at slightly faster pace in August

Cost burdens at Welsh firms increased again midway through the third quarter, with the rate of inflation picking up slightly from July's five-month low. Higher raw material prices, energy costs and wage bills reportedly underpinned the latest uptick in operating expenses. Although stronger than the series' long-run average, the pace of increase was softer than the UK trend and below the highs seen between March and June 2026.

In line with the trend for input costs, output charges at Welsh firms rose at a fractionally faster pace than in July. The uptick in selling prices was commonly linked to the pass-through of greater costs to customers. The rate of charge inflation was above the series trend, but matched the UK average.

"Inflationary pressures were also much less marked than seen in the second quarter, offering some respite from the substantial price hikes seen earlier in the year."



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

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UK Regional Growth Tracker

Business Activity

Over half of the 12 UK nations and regions monitored saw an increase in business activity in August. Growth was led by Northern Ireland*, which recorded its strongest performance for almost two years, followed by London. Output was unchanged in the West Midlands, while the North West, North East, East Midlands and Scotland each saw slight decreases in activity.

Employment

Whilst there were pockets of employment growth in August, labour market conditions generally remained subdued. Scotland saw workforce numbers rise for a third straight month, while there was a renewed increase in the South West, the first since April. Staffing levels fell elsewhere, with Wales recording the most marked decline.

Future Activity

Business expectations towards activity in the next 12 months perked up in the majority of areas in August. This included the West Midlands, which recorded the highest overall degree of optimism. Sentiment was weakest in Northern Ireland.

*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.

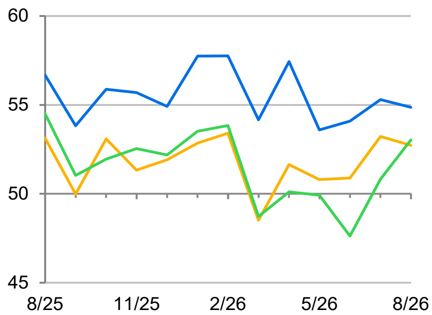
Business Activity / Employment
Index, sa, >50 = growth m/m — Aug '26

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Future Activity
Index, >50 = growth expected — Aug '26

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

London / South West / South East
Business Activity Index, sa, >50 = growth m/m



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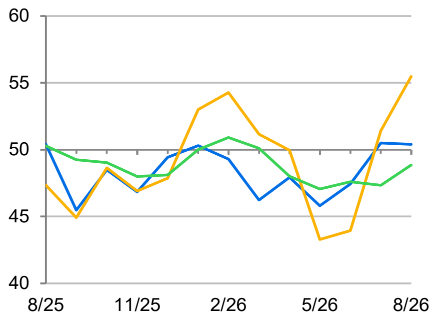
Wales / Scotland / Northern Ireland
Business Activity Index, sa, >50 = growth m/m



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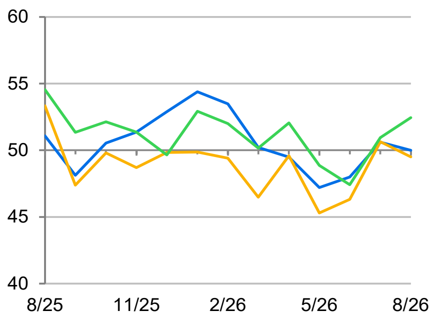
West Midlands / East of England / East Midlands
Business Activity Index, sa, >50 = growth m/m



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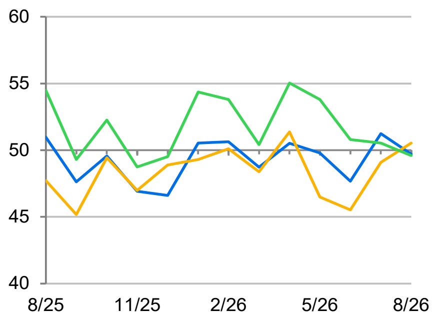
North West / North East / Yorkshire & Humber
Business Activity Index, sa, >50 = growth m/m

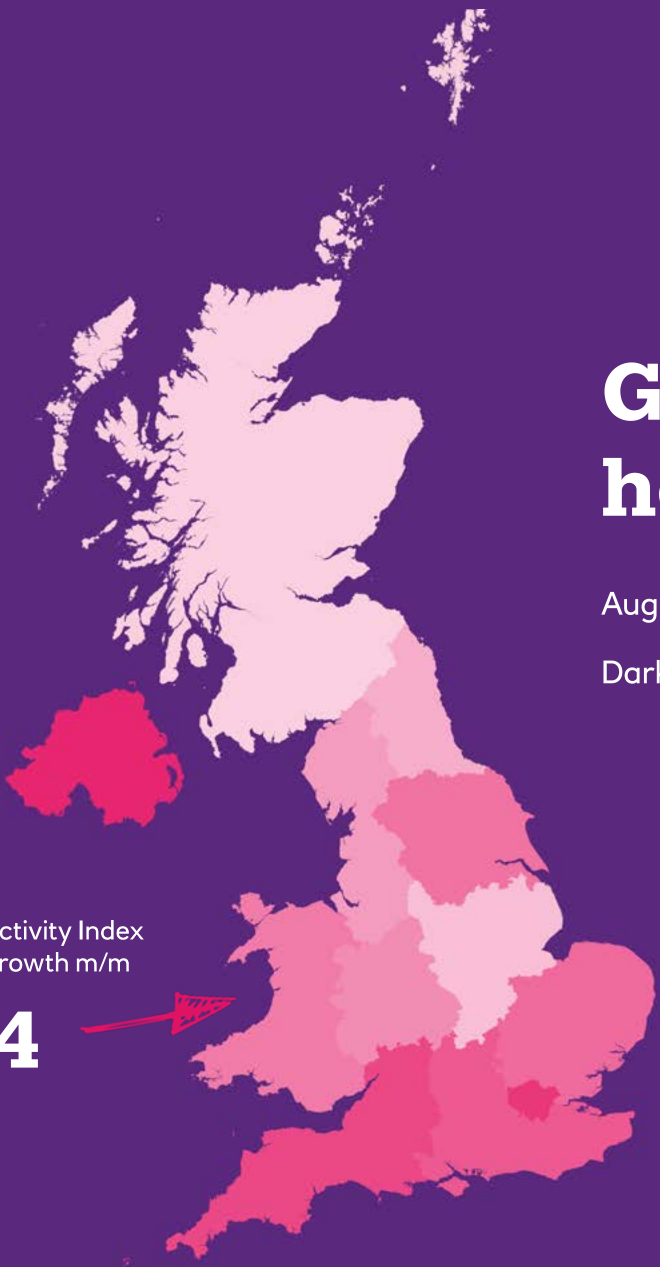


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

August 2026

Darker colour = higher business growth



Wales

Business Activity Index
sa, >50 = growth m/m

50.4

Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

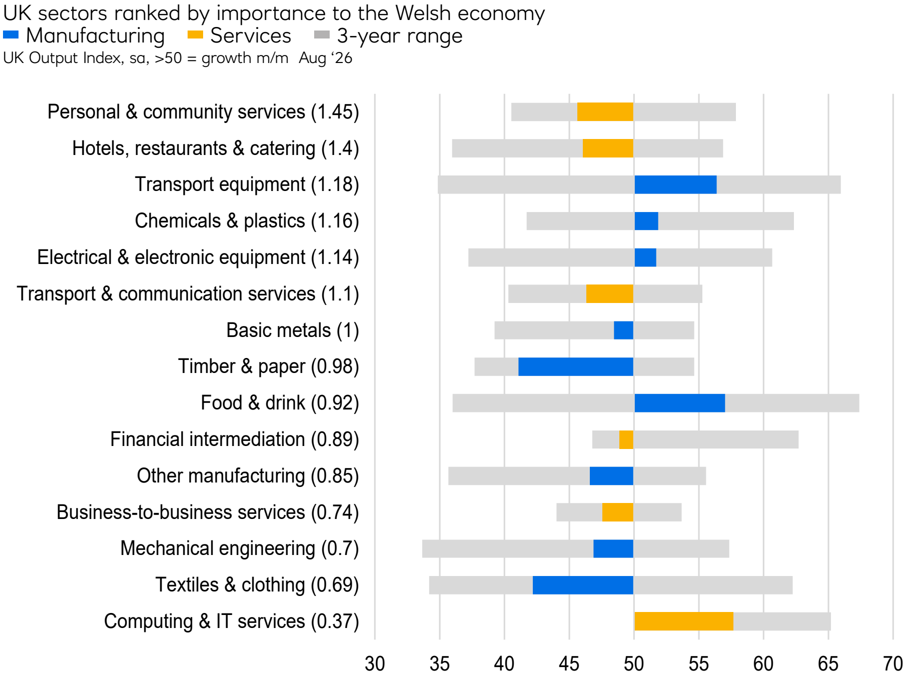
UK sectors

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



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
Location quotients for Wales are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

Sector in focus: Mechanical engineering

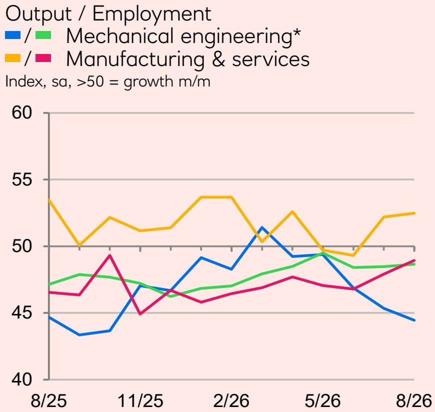
The latest data signalled a sustained downturn in output across the UK's mechanical engineering sector. The rate of decline in the three months to August was the quickest recorded for ten months and one of the fastest seen among the sectors covered by the survey data (see chart above).

Production levels were scaled back in line with falling demand, which included weaker export sales. Accordingly, companies in the sector were firmly in retrenchment mode, cutting employment, purchasing activity and stocks.

Cost pressures facing mechanical engineering firms were elevated, with input price inflation running close to its highest for three-and-a-half years. Factory gate charges were meanwhile raised to the greatest extent since March 2023.

Despite the challenges, businesses in the sector were optimistic about the outlook for activity over the next 12 months. Sentiment recovered further from the lows seen in the second quarter but remained just below the long-run average.

Output / Employment



*Data are smoothed as three-month moving average
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

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.

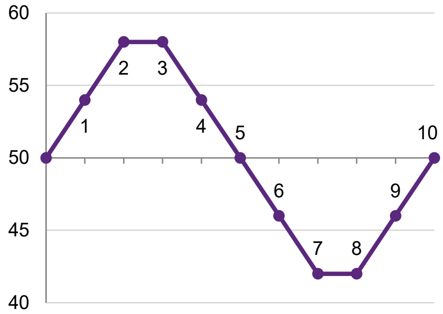
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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.

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



Sources: NatWest, S&P Global PMI. ©2026 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
3/26	46.2	45.8	50.9	43.9	49.6	59.0	71.3	59.1
4/26	47.9	48.7	50.7	42.8	45.7	63.2	74.9	61.3
5/26	45.8	49.5	51.1	42.5	46.3	61.7	75.4	61.5
6/26	47.4	46.1	51.5	45.0	42.2	61.5	73.0	61.5
7/26	50.5	49.8	52.9	46.3	42.7	62.5	65.7	56.6
8/26	50.4	48.5	53.1	45.3	42.6	58.9	65.9	57.0

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