12 August 2026

NatWest Wales Growth Tracker

Output rises at fastest pace in over a year in July

NatWest

PMI by S&P Global

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Key findings

July 2026

Output returns to growth as decline in new orders slows

Rates of input cost and output charge inflation at five-month lows

Business confidence up to a three-month high

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

Output rises at fastest pace in over a year in July

July data signalled a fresh increase in business activity at Welsh firms, according to the NatWest Cymru Growth Tracker, following a five-month period of contraction.

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 50.5 in July, up from 47.4 in June, to indicate a renewed increase in output levels. Although only marginal, the pace of growth was the quickest since June 2025. Activity was reportedly boosted by signs of recovering demand conditions.

Although new orders fell for the sixth month running, the pace of decline was only fractional and the slowest in the current sequence of contraction.

Hopes of stronger demand boosted output expectations among firms, which rose to their highest in three months. At the same time, the pace of job shedding slowed to the weakest in 2026 to date.

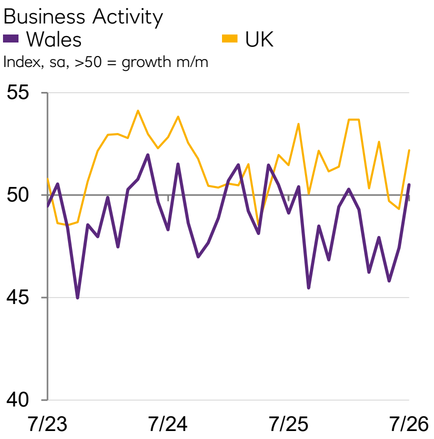
Inflationary pressures, meanwhile, eased in July. Rates of increase in both input prices and output charges cooled to the softest since February.

NatWest Wales Business Activity Index July 2026

50.5

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 9-29 July



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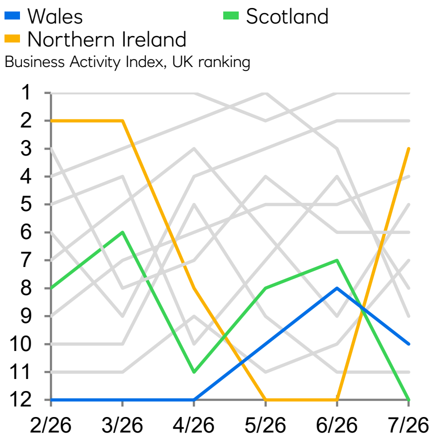


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Comment

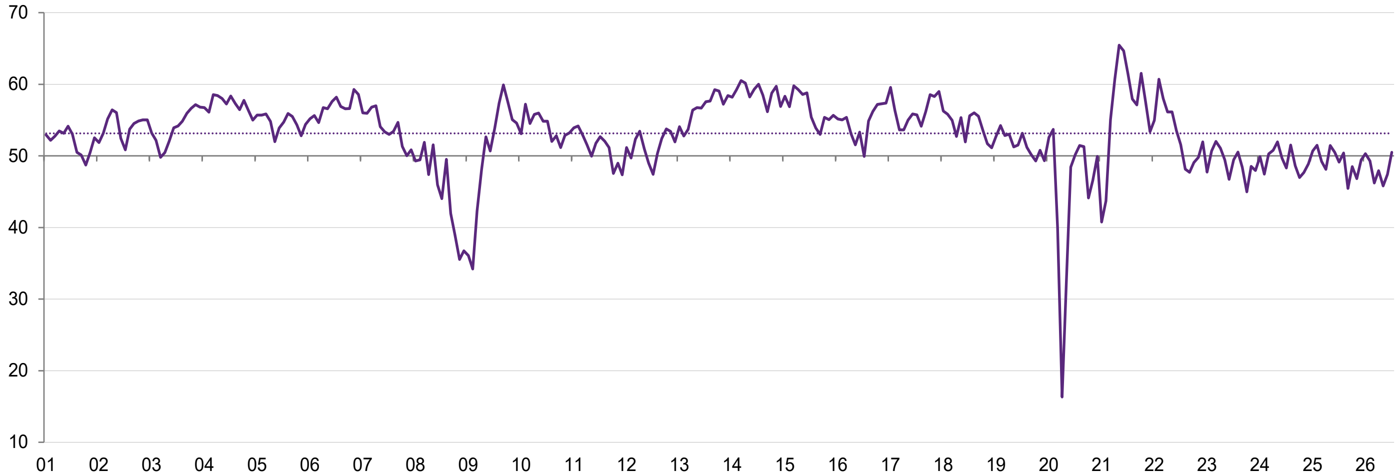
Commenting on the Tracker's findings, Jessica Shipman, Chair, NatWest Cymru Board, said:

"Welsh businesses signalled glimmers of positivity at the start of the third quarter as activity levels returned to growth and the contraction in new orders eased to only a fractional pace. Reports of stronger demand conditions also boosted business confidence which ticked up to a three-month high.

"That said, caution remained, especially amid geopolitical uncertainty which continues to drive inflationary pressures and customer hesitancy. The level of optimism was well below those seen earlier in the year and firms continued to cut workforce numbers as, despite cooling, rates of increase in costs and output charges were historically elevated. Some reprieve for companies, however, came through the slowest uptick in input prices since February."

Business Activity

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



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Demand and outlook

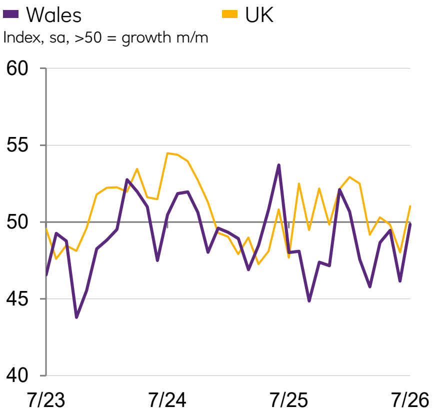
Contraction in new sales softens in July

Welsh private sector firms recorded a sixth consecutive monthly fall in new orders at the start of the third quarter. Anecdotal evidence suggested that the decrease was due to customer hesitancy and uncertainty. That said, the pace of decline eased to only a slight rate that was the slowest in the current period of contraction as some companies reported stronger demand conditions. The downturn in new business in Wales contrasted with the UK trend which pointed to a marginal expansion.

At the same time, business confidence at Welsh private sector companies improved to a three-month high during July. Optimism was reportedly underpinned by hopes of new client acquisitions and efforts to drive new sales through marketing. Nevertheless, expectations were subdued in the context of the long-run series and UK averages.

"Reports of stronger demand conditions also boosted business confidence which ticked up to a three-month high."

New Business



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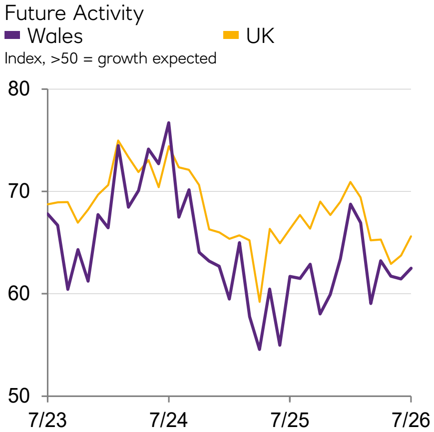
Future Activity



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Jobs and capacity

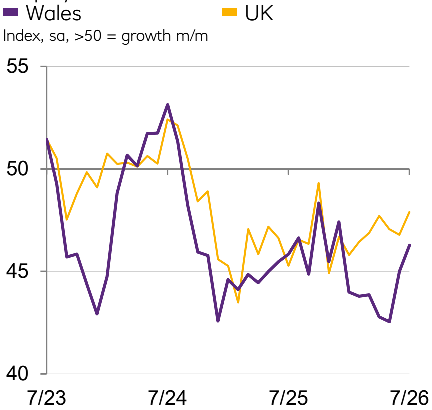
Rate of job creation slows to weakest since December 2025

July data indicated a solid fall in staffing levels at Welsh private sector firms. Panellists often stated that lower workforce numbers were due to cost considerations and subdued client demand. The rate of decline in employment eased to the slowest in 2026 to date but was sharper than the series trend. At the same time, only the East of England recorded a steeper pace of job cuts of the 12 monitored UK areas.

Extending the trend seen in each month since May 2022, Welsh businesses registered another decrease in backlogs of work at the start of the third quarter. The rate of depletion slowed slightly from that seen in June but remained marked overall as firms noted the fall was due to muted new order intakes. Of the 12 monitored UK areas, Welsh businesses recorded the steepest decline in work-in-hand.

> "The level of optimism was well below those seen earlier in the year and firms continued to cut workforce numbers..."

Employment



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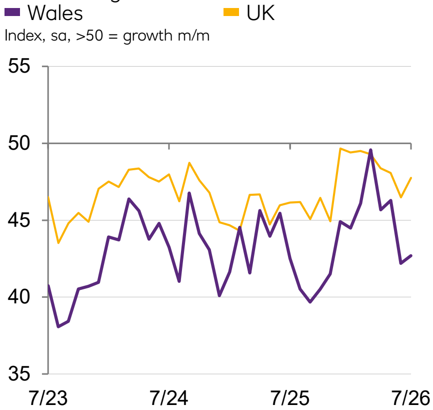
Outstanding Business



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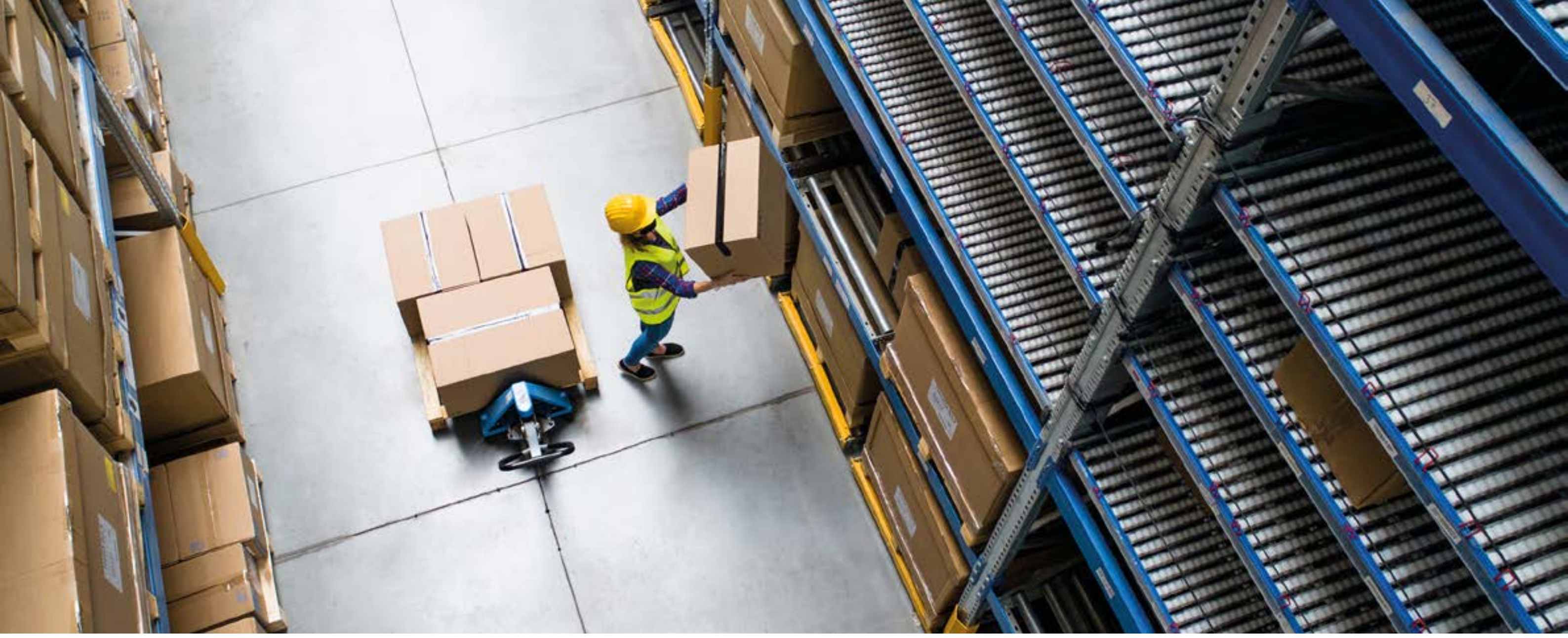


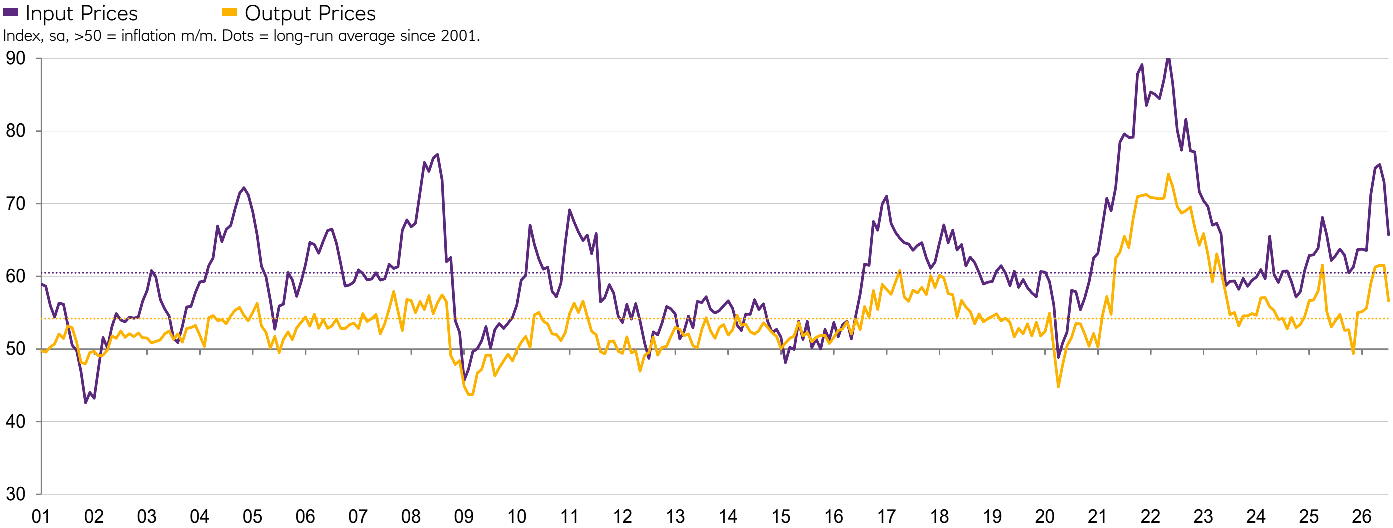
Inflation

Inflationary pressures cool in July

Operating expenses at Welsh businesses continued to increase at a marked pace at the start of the third quarter. Panellists stated that higher input prices were driven by the impact of geopolitical tensions, especially on costs for commodities and fuel. That said, the pace of inflation eased to the weakest since February and was broadly in line with the UK average.

Similarly, the pace of increase in output charges remained historically elevated in July, but softened to the slowest in five months. Companies commonly noted efforts to pass through greater costs to customers via higher selling prices. The rate of charge inflation was slightly softer than the UK average.

> "Some reprieve for companies, however, came through the slowest uptick in input prices since February."



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UK Regional Growth Tracker

Business Activity

July saw business activity growth widen across the UK, with 10 of the 12 nations and regions reporting higher activity, up from just three in June. London once again topped the rankings, ahead of the South East and Northern Ireland*. Scotland and Yorkshire & Humber were the only areas to record decreases in output.

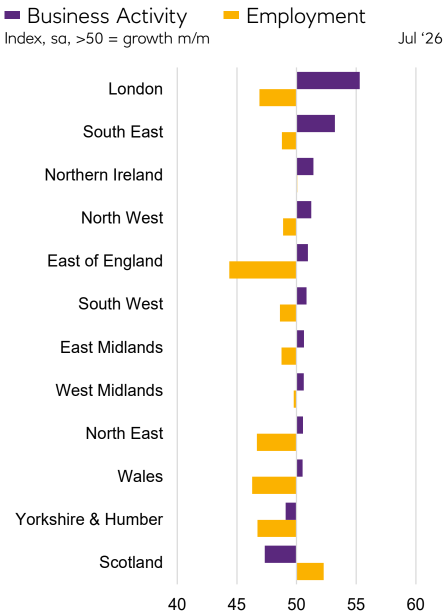
Employment

Labour market conditions remained subdued across most parts of the UK at the start of the third quarter. The majority of areas saw lower employment, with firms in the East of England recording the steepest decline. Scotland went against the trend and recorded an increase in workforce numbers, while Northern Ireland saw little-change.

Future Activity

There was an improvement in business expectations towards activity in the year ahead in the majority of UK nations and regions in July. The North West recorded the most market uptick in confidence and the highest overall degree of optimism. Firms in Northern Ireland remained the least upbeat, though sentiment there rebounded to a four-month high.

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



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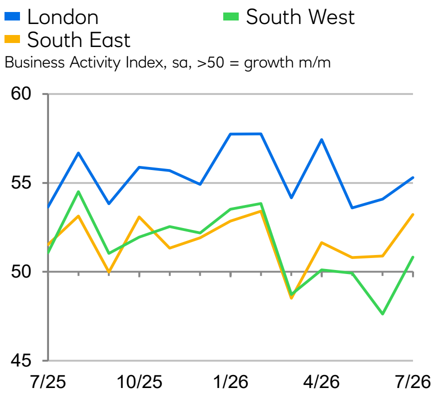

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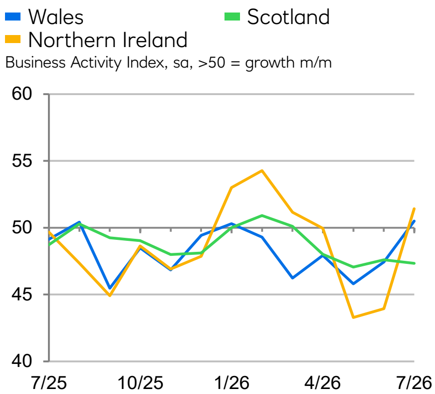

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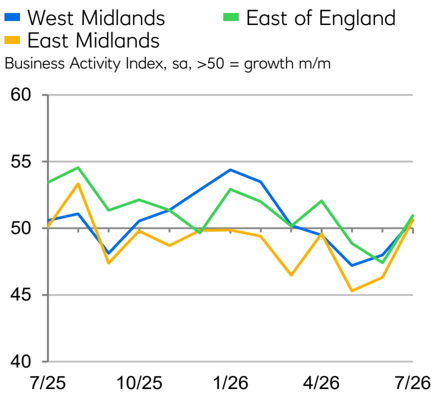

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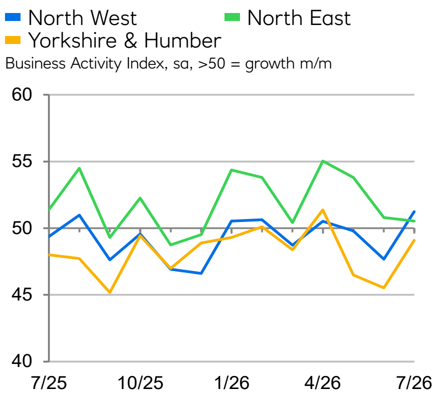

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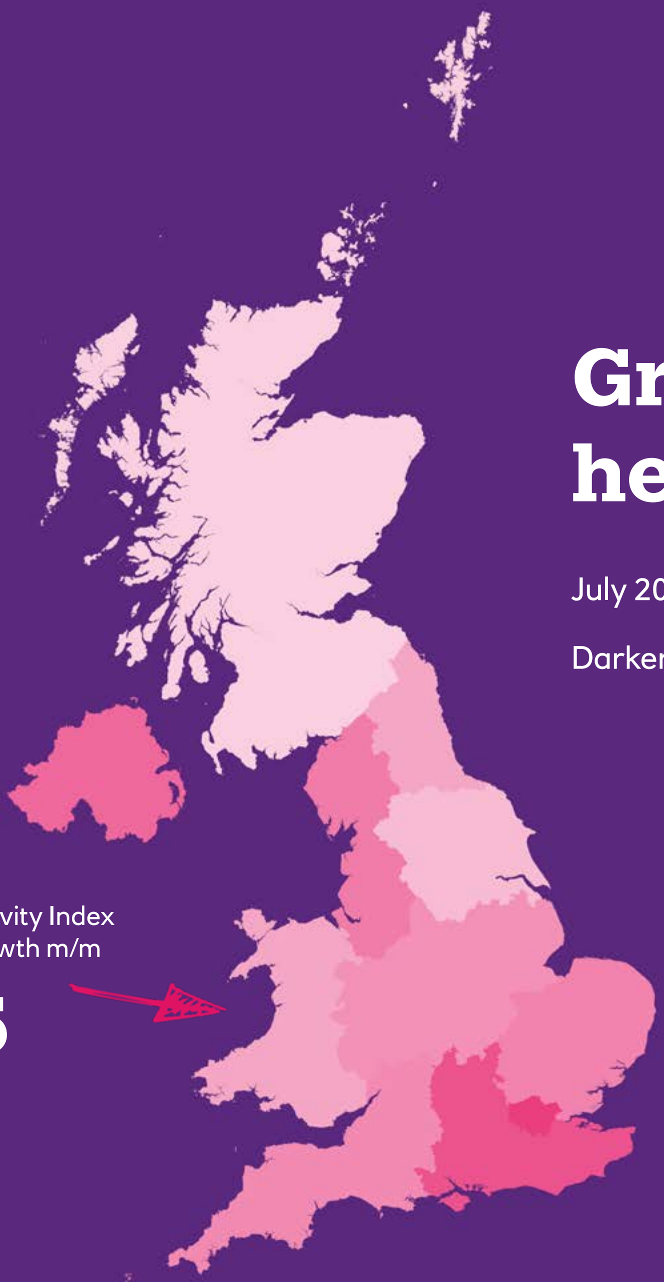
Growth Tracker heat map

July 2026

Darker colour = higher business growth



Wales

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

50.5

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

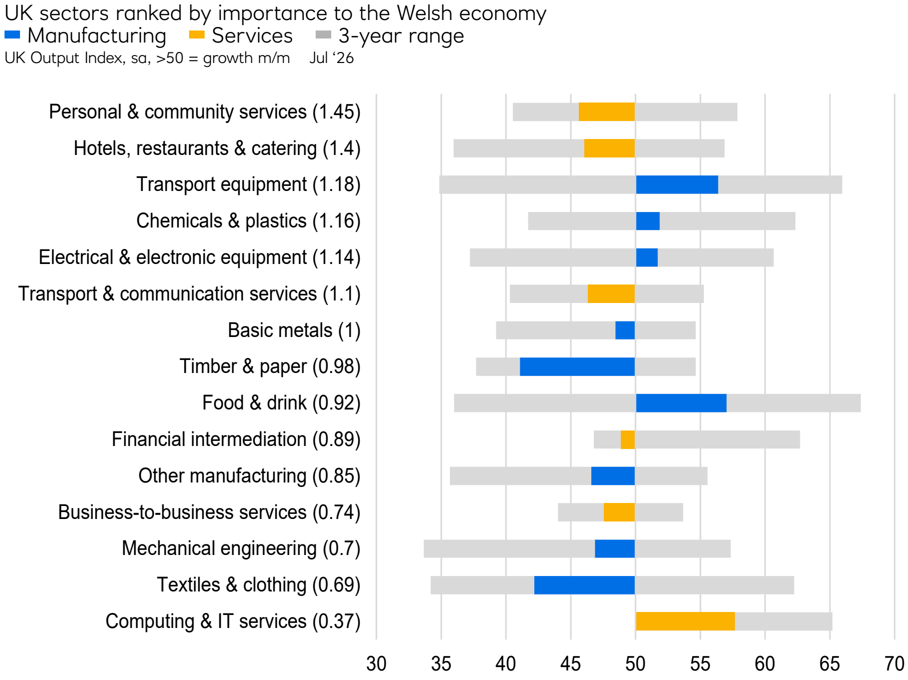
UK sectors

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: Financial intermediation

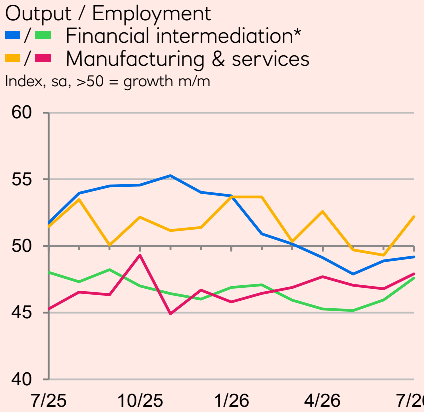
Business activity continued falling across the UK's financial intermediation sector in the three months to July, following on from the downward trend in activity recorded throughout the second quarter of the year. The pace of contraction was the weakest since the decline began and only marginal, however.

Staff retrenchment remained a theme across the sector, as has been the case since late 2024. Although the pace of job losses showed an easing trend, it remained slightly quicker than the average seen across the UK private sector as a whole.

Financial intermediaries meanwhile recorded a marked, albeit slower, rate of cost inflation in the three months to July. However, the rates they charged were left broadly unchanged amid a continued decline in backlogs of work.

Although firms in the sector were hopeful of growth in the coming year, expectations were the lowest in just over a year and subdued by historical standards.

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.

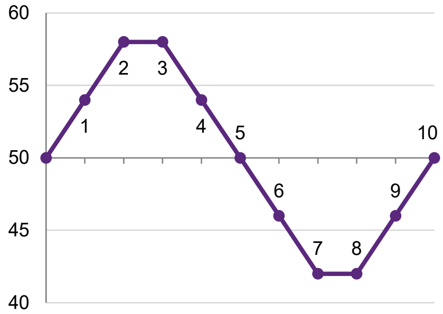
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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
2/26	49.3	47.6	52.5	43.8	46.1	66.9	63.6	55.7
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		46.3	42.7	62.5	65.7	56.6

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