

Welsh private sector output continues to expand says NatWest

Output in the Welsh private sector continued to expand in September, accordingly to latest data from NatWest.

Its headline Wales business activity index – a seasonally adjusted index that measures the month-on-month change in the combined output of Wales manufacturing and service sectors – registered 57.1.

Anything above 50 denotes expansion. The level was down slightly from 58 in August.

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The rate of growth in business activity was the steepest of the 12 nations and regions of the UK – despite easing to a six-month low.

Where an increase in output was noted, firms attributed it to a sustained rise in client demand.

However, raw material and labour shortages weighed on the

overall upturn.

Welsh private sector firms also signalled another monthly increase in new business at the end of the third quarter. Higher new orders were often linked to stronger demand following the further easing of Covid-19 restrictions.

September's data also indicated a marked degree of business optimism. Anecdotal evidence suggested that positive sentiment was due to hopes of stronger client demand and new product development. Although the level of confidence was above the series average, it was weaker than the UK trend.

Firms also signalled a steep expansion in employment at the end of the third quarter.

Gemma Casey, NatWest ecosystem manager for Wales, said: "Welsh firms topped the UK table once again in September, registering the fastest expansions in business activity and new orders of the 12 monitored areas.

"That said, Welsh companies recorded the slowest rise in output for six months, as the recovery in client demand following the easing of lockdown restrictions lost some steam.

"Pressure on capacity intensified despite the second-fastest rise in employment on record. Raw material and labour shortages exacerbated the strain on workforces as backlogs rose markedly. Severe shortages also drove input costs up at a near record pace.

"Nevertheless, favourable demand conditions allowed firms to partially pass on higher costs to clients through the sharpest rise in charges in over 20 years of data collection."

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