

# Welsh private sector output continues to expand shows latest NatWest research

The rate of output in the Welsh private sector continued to expand in March but more slowly than in the previous month, according to latest research from NatWest Bank.

Its Wales Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the manufacturing and service sectors – registered 58.0 in March. This was down from 60.7 in February, with anything below 50 denoting contraction.

Firms linked the expansion in output to greater client demand and increased hiring which allowed capacity to increase. Growth in business activity was steep, but slower than the UK average.

Firms also reported a solid expansion in new business during March. The rise in new orders was linked to stronger client demand from domestic and foreign customers.

However, the rate of growth slowed to the softest in 2022 so far. Of the 11 monitored UK areas that recorded an upturn (the North-East posted a decline), Welsh firms signalled the slowest increase in new business.

Welsh private sector firms signalled a strong degree of confidence in business activity over the coming year. Optimism reportedly stemmed from hopes of stronger demand conditions and investment in new products. The index also shows that the positive sentiment dropped to the lowest since September 2020 and was among the weakest of the 12 monitored UK areas (higher than only the North-East and Northern Ireland).

Employment across the Welsh private sector rose at the end of the first quarter. The rise was the quickest for seven months – with job creation broadly in line with the UK average.

Welsh private sector firms indicated only a marginal expansion in work-in-hand during March, as the rate of growth slowed to the softest in a year. The weaker pace of increase reflected the trend seen across the UK as a whole, which also signalled a slight uptick in backlogs of work. Some companies noted that greater staffing numbers allowed them to work through incomplete business.

March data signalled another marked rise in average cost burdens across the Welsh private sector. The increase in input prices eased to a three-month low, but was among the fastest on record and quicker than the UK average. Alongside reports of higher material and energy costs, firms stated that Russia's invasion of Ukraine exacerbated supplier price hikes.



Gemma Casey, NatWest Cymru ecosystem manager

(Image: Natwest)

Gemma Collins, NatWest ecosystem manager for Wales, said: “Welsh private sector firms indicated slight slowdowns in output and new order growth during March. A further sharp expansion in business activity helped support job creation, as the rate of employment growth quickened to the fastest since August 2021. Increased workforce numbers supported an easing in pressure on capacity, as backlogs of work rose at the slowest pace for a year.

“Although rates of increase in cost burdens and output charges

eased slightly, they were among the sharpest on record, nonetheless. Hikes in supplier prices, alongside exacerbated pressure on supply chains following Russia's invasion of Ukraine, are expected to also push prices higher over the coming months. As a result, business confidence slipped to an 18-month low."

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