



# Economic Intelligence Wales

## *Quarterly report*

**June 2025**

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*The ONS has advised on the production of this report but is not responsible  
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# Summary

## Economic conditions

In their April 2025 World Economic Outlook report, **the International Monetary Fund projected that global growth would be 2.8% in 2025**. This represented a drop of 0.5 percentage points from the forecast made in the January 2025 version of the World Economic Outlook report.

Data from the ONS showed that twelve-month Consumer Price Index (CPI) **inflation in the UK was 2.6% in March 2025, down from 2.8% in February 2025**.

In March 2025 the **Bank of England voted to keep the Bank Rate at 4.5%**. This followed a cut in February of 0.25 percentage points.

In **2024Q4 UK gross domestic product (GDP)** was estimated to have **increased by 0.1%**. This followed no growth in 2024Q3.

Between January and March 2025, total **UK vacancies were down by 125,000** from the level of a year ago.

Estimates from PAYE show a fall in the number of payroll employees in the UK for March 2025 to 30.3m, a decrease of 70,000 employees compared to March 2024. **In Wales the number of payrolled employees fell by 7,000 to 1.31m in the year to March 2025**.

The **UK economic inactivity rate was 21.4%** in the quarter December 2024 to February 2025. **In Wales** the comparative figure was **25.9%**.

The **value of goods exported from Wales decreased by 15.1% to £16.5bn in the year ending December 2024**.

In the year to end of December 2024 the **top trading partners for Wales exports** were Germany (£2.69bn, or 16%), the United States (£2.24bn, or 14%), Ireland (£1.80bn, or 11%), and France (£1.69bn, 10%).

**The average forecast for UK GDP growth in 2025 was 0.8% in April 2025**, a decrease of 0.2 percentage points from the average forecast made in March 2025.

## Changing economic conditions shaping demand for finance

The Federation of Small Businesses UK Small Business Index of **business confidence experienced a significant further fall in 2024Q4 to -64.5**, from -24.4 in 2024Q3. This was the lowest recorded level since 2020Q1. The domestic economy continued to be the top concern for small businesses as a potential barrier to growth.

**The SME Finance Monitor data for Wales showed that 29% of SMEs** (excluding starts) **experienced growth during 2024Q4**. Meanwhile, at a UK level, 30% of all responding UK SMEs (excluding starts) experienced growth during 2024Q4.

The **number of business deaths in Wales exceeded business births during 2024Q4**. Total business births in Wales in 2024Q4 was 2,025, whilst the number of business deaths in Wales during the same period was 2,405.

The ONS *Business Impacts and Conditions Survey* (BICS) for 1 to 28 February 2025 reported that **38.9% of Welsh businesses expected their performance would increase in the year ahead** (UK 34.5%).

ONS data showed that **UK house prices increased by 5.4% in the 12 months to February 2025**. The average house price in Wales in February 2025 was £207,383, representing a 4.1% increase from February 2024.

The S&P Global/CIPS UK **Construction Purchasing Managers' Index registered 46.4 in overall construction activity in March 2025**, below the 50 mark that differentiates expansion from contraction.

# Summary

## Supply and demand for finance

Lenders reported that the **availability of credit for small and medium-sized businesses increased**, and was unchanged for large businesses, during 2025Q1. Meanwhile, lenders also reported that **demand for lending from small businesses slightly increased**, and demand from medium-sized and large businesses increased, during 2025Q1.

UK Finance reported that **during 2024 gross lending to UK SMEs by the main high street banks saw a 13% year-on-year increase** and new lending reached £16bn during the year.

The *SME Finance Monitor* found that **46% of UK SMEs had used some form of external finance during 2024Q4 up from 43% during 2024Q3**. In Wales, 41% of SMEs used some form of business finance during 2024Q4, up from 37% during 2024Q3.

According to the British Business Bank's Small Business Finance Markets 2024/25 report, the total number of equity investments in UK small businesses was down year-on-year to 2024Q3 by -24.3%. **The number of deals in Wales was also down over this period, but to a smaller degree (-14.3%) than the UK average**. Total year-on-year equity investment values to 2024Q3 across the UK were up 6.6%, but down significantly in Wales (-45.7%) over the same period.

## Development Bank of Wales activity

The Development Bank of Wales made **154 investments in the third quarter of 2024/25, with a total value of almost £49.8m**.

**The value of investments increased by over 47% in 2024/25Q3 compared with the previous quarter, with the number of investments increasing by 29% in the same period**. The largest increases in the number and value of investments during the quarter were in mid and south west Wales.

The investments made in 2024/25Q3 were linked with **1,230 new and safeguarded jobs. The construction sector dominated investment activity, accounting for £15.4m of investment and 244 jobs**.

This report provides a review of economic data relevant to SME development in Wales, and a summary of the investment activities of the Development Bank of Wales during the third quarter of the 2024/25 financial year. The report includes commentary on the global and local economic context and conditions affecting the supply and demand for finance in Wales.

Sections 2-4 of this report provide the macroeconomic context within which Welsh SMEs operate and examines factors relating to the demand for, and supply and cost of, SME finance. Section 5 summarises the activities of the Development Bank of Wales. The final section provides some overall conclusions to the report.

This report is largely based on publicly available data (generally reported in calendar years) together with a special analysis of data provided by the Development Bank of Wales (mostly reported in financial years). Due to differences in reporting periods, there will be some slight temporal mismatch of data within this report.

The drafting of this report was completed on 22 April 2025.

In May 2024 Economic Intelligence Wales, in collaboration with the British Business Bank, published the first Wales SME Access to Finance report: Sub-National and Devolved Nation analysis<sup>1</sup>. Following from this, Economic Intelligence Wales and the British Business Bank jointly commissioned a second large-scale SME survey on regional access to finance in Wales. This report was published in April 2025<sup>2</sup>.

**During 2025, Economic Intelligence Wales is planning to publish a series of other outputs including reports on:**

- The governance and financing of community-led ventures in Wales.
- The role of 'productivity heroes' in the Welsh economy: their contribution to growth and productivity.
- Productive investment in Wales: what shapes investment decisions?
- Online banking, relationship banking and lending to Welsh SMEs.

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<sup>1</sup> [https://developmentbank.wales/sites/default/files/2024-05/J0425\\_BBB\\_Wales\\_Report\\_AW.pdf](https://developmentbank.wales/sites/default/files/2024-05/J0425_BBB_Wales_Report_AW.pdf)

<sup>2</sup> [https://developmentbank.wales/sites/default/files/2025-04/Wales%20SME%20Access%20to%20Finance%20Report%202025\\_EN.pdf](https://developmentbank.wales/sites/default/files/2025-04/Wales%20SME%20Access%20to%20Finance%20Report%202025_EN.pdf)

- Following the announcements of tariffs by the United States, and the resultant economic uncertainty, the International Monetary Fund's global growth forecast for 2025 was revised downwards by 0.5 percentage points to 2.8%, while the global forecast for 2026 was downgraded, by 0.3 percentage points, to 3.0%.
- In March 2025 the Bank of England voted to keep the Bank Rate at 4.5%, with this following a cut of 0.25 percentage points in February 2025.
- Twelve-month Consumer Price Index (CPI) inflation in the UK was 2.6% in March 2025, down from 2.8% in February 2025.
- In 2024Q4 UK gross domestic product (GDP) was estimated to have grown by 0.1% on the quarter, following no growth in 2024Q3.

## Global prospects

The global economic landscape has recently been dominated by the decision of the USA to initiate new tariff arrangements, in part designed to address the USA goods trade deficit. The first set of tariffs, announced in early April 2025, with levies being created on an individual nation basis, were postponed (except for China) for 90 days. This was to enable trade negotiations, and a 'baseline' 10% tariff was then put in place on all imports to the US economy, with higher rates on products such as cars and steel.<sup>3</sup> The UK was impacted relatively lightly on tariffs, being faced with the 10% baseline—although Jaguar Land Rover, confronted by 25% tariffs, announced it would halt all shipments to the US as it sought to "address the new trading terms",<sup>4</sup> and the UK Government looked to improve trade relationships with other economies such as India and the EU.

In April 2025 the International Monetary Fund (IMF) published its World Economic Outlook<sup>5</sup> with revised global growth forecasts<sup>6</sup> following the US tariffs announcements. The new global growth projection for 2025, of 2.8%, was 0.5 percentage points lower than that forecast in the January 2025 World Economic Outlook<sup>7</sup>. The IMF global growth forecast for 2026 was revised downwards by 0.3 percentage points to 3.0%. At a country level, the IMF forecast GDP growth in the US to be 1.8% in 2025, a downwards revision of 0.9 percentage points, and expect US GDP growth to fall to 1.7% in 2026. The comparative figures for the Euro area are for growth of 0.8% in 2025 and 1.2% in 2026. In the UK, the growth forecast is for 1.1% in 2025 (a downwards revision of 0.5 percentage points), before increasing to 1.4% in 2026. The IMF projection for China, one of the principal targets of the US tariff regime, was for GDP growth of 4.0% in 2025 (a downwards revision of 0.6 percentage points) and 2026.

<sup>3</sup> <https://www.bbc.co.uk/news/live/c1dr7vy39eet>

<sup>4</sup> <https://www.bbc.co.uk/news/articles/cj0zr0p77m0o.amp>

<sup>5</sup> <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>

<sup>6</sup> The IMF noted that given "the complexity and fluidity of the current moment, this report presents a 'reference forecast' based on information available as of April 4, 2025".

<sup>7</sup> <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>

Before the USA tariff news, the Organisation for Economic Co-operation and Development's (OECD) Economic Outlook Interim Report, published in March 2025<sup>8</sup>, forecast growth of world gross domestic product at 3.1% for 2025 (down from 3.2% in 2024), and 3.0% in 2026. There was a downward growth revision to both 2025 and 2026 forecasts, from the December

2024 OECD Economic Outlook<sup>9</sup>, of 0.2 percentage points and 0.3 percentage points respectively. The restraint in growth was attributed to factors such as heightened policy uncertainty impacting on investment and household spending, and increased barriers to trade which would add to inflation.

## UK Chancellor's Spring Statement

In October 2024 the Office for Budget Responsibility (OBR) forecast a surplus in the UK Government budget of £9.9bn by 2029-30. The challenging economic conditions following, with heightened security concerns in Europe, slow economic growth, and increased borrowing costs (rising gilt yields), led the OBR to revise its forecast down to a £4.1bn deficit. To align with

the Government's fiscal rules<sup>10</sup>, the UK Chancellor of the Exchequer, set out in the Spring Statement of March 2025<sup>11</sup> how the surplus would be re-established. Measures included cuts to welfare spending, reforming public services to make them more productive, and curbing tax avoidance, as well as planning reforms leading to increases in GDP from new house building.

## Impact of increases in UK national insurance contributions and minimum wages

Other challenges for UK businesses, that had been announced in the October 2024 Budget (as noted in the previous quarterly report<sup>12</sup>), include the rise from April 2025, in the rate of national insurance that employers pay on staff salaries (from 13.8% to 15%, with this applying to a larger share of earnings due to a reduction in the threshold above which the tax is paid). In addition, businesses face increases in the National Minimum Wage and the National Living Wage. As a result of these factors there were

reports that firms were planning to shed jobs or decrease recruitment, and that confidence amongst small-firms had reached a low-point.<sup>13</sup> The *Labour Market Outlook*<sup>14</sup> published by the Chartered Institute of Personnel and Development in February 2025, noted "... Employers anticipate higher costs, and intend to respond by increasing prices, scaling back recruitment and reducing investment in business growth and training...".

<sup>8</sup> [https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-march-2025\\_89af4857-en.html](https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-march-2025_89af4857-en.html)

<sup>9</sup> [https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2024-issue-2\\_d8814e8b-en.html](https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2024-issue-2_d8814e8b-en.html)

<sup>10</sup> The 'Stability rule' requires the Government "to move the current budget into balance so that day-to-day costs are met by revenues, meaning that the government will only borrow for investment". The 'Investment rule' is "to reduce debt, defined as public sector net financial liabilities (PSNFL) or 'net financial debt', as a share of the economy". See: <https://www.gov.uk/government/publications/a-strong-fiscal-framework>

<sup>11</sup> <https://www.gov.uk/government/collections/spring-statement-2025>

<sup>12</sup> [https://developmentbank.wales/sites/default/files/2025-02/EIW%20Quarterly%20report%20Q2\\_Accessibility.pdf](https://developmentbank.wales/sites/default/files/2025-02/EIW%20Quarterly%20report%20Q2_Accessibility.pdf)

<sup>13</sup> <https://www.bbc.co.uk/news/articles/ckg7gewqevqo>

<sup>14</sup> <https://www.cipd.org/en/knowledge/reports/labour-market-outlook/>

## UK inflationary pressures

The ONS announced in February 2025 that a problem in calculating the Producer Price Index (PPI) had been discovered and, as a result, it paused publication of PPI data, with plans to reinstate it during the summer of 2025.<sup>15</sup> The latest data available indicated that in the year to January 2025 the annual rate of producer output (factory gate) prices increased by 0.3%, up from a revised fall of 0.1% in the year to December 2024.<sup>16</sup> The largest upward contributors to the annual output inflation rate in January 2025 came from outputs of food products (2.2%), and "other outputs from manufacturing" (1.3%). The largest downward contribution to the annual output inflation rate was via outputs of coke and refined petroleum (-14.1%).

ONS data also showed that twelve-month Consumer Price Index (CPI) inflation in the UK was 2.6% in March 2025, down from 2.8% in the twelve months to February 2025.<sup>17</sup> The largest downward contributions to the monthly change on the CPI annual inflation rate in the year to February 2025 came from recreation and culture, and motor fuels.

## The Bank of England holds the Bank Rate steady in March 2025

Following a cut of 0.25 percentage points in February 2025, the Bank of England voted to maintain the Bank Rate at 4.5% in March 2025. The Monetary Policy Summary for March 2025 noted that progress on disinflation over the last

two years had allowed the Bank to loosen policy restraint somewhat "...while maintaining Bank Rate in restrictive territory so as to continue to squeeze out persistent inflationary pressures..."<sup>18</sup>

<sup>15</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/january2025>

<sup>16</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/january2025>

<sup>17</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/march2025>

<sup>18</sup> <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/march-2025>



## The quarterly national accounts estimate of UK GDP shows the economy increased marginally in 2024Q4

UK real gross domestic product (GDP) is estimated to have increased by 0.1% in 2024Q4, unrevised from the first estimate.<sup>19</sup> This followed zero growth in 2024Q3. In comparison to the same quarter a year ago, UK real GDP is estimated to have increased by 1.5% in 2024Q4.

By sector, output in UK services increased by 0.1% in 2024Q4, revised down from the first estimate increase of 0.2%. The largest positive contributors to the growth in services output in 2024Q4 were in human health and social work activity (an increase of 0.7%) and from the professional, scientific and technical activities subsector (also an increase of 0.7%). The largest negative contribution to growth in 2024Q4 was administrative and support service activities (a decrease of 1.2%) which the ONS reported was largely driven by a 5.5% fall in employment activities.

Output in production in the UK fell by 0.4% in 2024Q4, revised up from a first estimate of -0.8%. This represented the third consecutive quarter it had decreased. One of the main drivers of the fall in production was a 0.6% decrease in the manufacturing sector – with the largest negative contributions from the subsectors of basic metals and metal products (a decrease of 2.9%) and the manufacture of transport equipment (a fall of 2.0%). Output in construction grew by 0.3% in 2024Q4 (revised down from the first quarterly estimate of 0.5%) following a 0.4% increase in the previous quarter.

Monthly GDP estimates show the UK economy is estimated to have grown by 0.5% in February 2025, with the ONS noting this was due to increases in all main sectors, following no growth in January 2025.<sup>20</sup>

## UK business investment decreased in 2024Q4

In 2024Q4, UK business investment contracted by 1.9%, revised up from a 3.2% decrease in the provisional estimate, according to results

published by the ONS. The revised figure was 1.8% above the level in 2023Q4.<sup>21</sup>

<sup>19</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/latest>

<sup>20</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/february2025>

<sup>21</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/octobertodecember2024revisedresults>

## Continued fall in UK job vacancies

In the period January to March 2025 the number of UK job vacancies was 781,000 – a decrease of 26,000 from the previous quarter, December 2024 to February 2025.<sup>22</sup> In January to March 2025 total vacancies were down by 125,000 from the level of a year ago, and 15,000 below their January to March 2020 level. The ONS noted that this was the first time since March to May 2021 that vacancies were below the pre-coronavirus (COVID-19) pandemic figure. The largest proportional decreases in vacancies in January to March 2025 from the previous quarter were in the industries of other service activities (decreasing 14.4%) and mining and quarrying (down 12.5%).

Pay as You Earn Real Time Information<sup>23</sup> early estimates show an overall fall in the number of payroll employees in the UK for March 2025 to 30.3m, a decrease of 70,000 employees (or 0.2%) compared with the figure for March 2024. In the year to March 2025, increases in payrolled employees in the UK was largest in the health and social work sector (an increase of 70,200 employees or 1.6%) and smallest in the accommodation and food service activities sector (a decrease of 92,000 or -4.2%).<sup>24</sup> A fall in payrolled employees between March 2024 and March 2025 was also seen in a number of other

sectors, including manufacturing, wholesale and retail, information and communication, professional, scientific and technical, and administrative and support services.

The drops in vacancies and payroll employees may be partly attributable to the sentiment that businesses would scale back recruitment and headcount as a result of the UK National Insurance increases announced in the October 2024 Budget.

The number of payrolled employees in Wales decreased by 7,000 (or -0.5%) to 1.31m in the year to March 2025.<sup>25</sup> The UK regional data on payroll employees by sector is updated less frequently, but the data for January 2025 shows the decrease in payroll employees over the year was highest in accommodation and food service activities (-3,090 payrolled employees, or -3.2%), and administrative and support services (-2,160 payrolled employees, or -2.4%).<sup>26</sup> Over the year to January 2025, there was an increase of 3,200 (or 1.4%) payrolled employees in the health and social work sector and an increase of 1,250 (or 1.6%) payrolled employees in the public administration sector.

## Labour market data for Wales quality issues

As noted in previous quarterly reports, the ONS has indicated that smaller achieved sample sizes, due to challenges in maintaining response rates, have created increased volatility in the Labour Force Survey (LFS), with data for Wales currently

having large confidence intervals.<sup>27</sup> Consequently, the ONS advise that these data be used with caution, and users take account of information from a number of different sources.

<sup>22</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/april2025>

<sup>23</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/april2025>

<sup>24</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

<sup>25</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

<sup>26</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted/current>

<sup>27</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/december2024>

## Unemployment rate changes in the UK and in Wales

For the three-month period to February 2025 the UK unemployment rate (all aged 16+, seasonally adjusted) was an estimated 4.4%, according to figures from the ONS. This represented an increase of 0.2 percentage points from the figure for the quarter December 2023 to February 2024.<sup>28</sup>

The highest UK regional unemployment rates in the three-months ending February 2025

were in London (6.5%), Wales (4.8%), North East (4.8%), East (4.6%), East Midlands (4.4%) and West Midlands (4.4%), while the lowest rates were in Northern Ireland (1.5%), South West (3.3%), North West (3.8%), and South East (3.9%).<sup>29</sup> In Wales the unemployment rate for the three-month period to February 2025 increased 1.0 percentage point from the three month period to February 2024.

## The unemployment benefit claimant count continues to rise in the UK and Wales

The UK unemployment-related benefit claimant count (not seasonally adjusted) increased by 169,700 to 1.78m people during the year to March 2025.<sup>30</sup>

In Wales, 67,465 people claimed unemployment-related benefits in March 2025 (equal to 3.5% of the resident population aged 16 to 64, not seasonally adjusted, compared with a figure of 4.2% for the UK), an increase of 3,750 in the number of claimants compared with March 2024.<sup>31</sup>

The Welsh unitary authorities with the highest proportion of working age population claiming unemployment-related benefits, according to the data for March 2025, were Newport (4.8%), Blaenau Gwent (4.2%), Cardiff (4.0%), Conwy (4.0%), and Denbighshire (also 4.0%), and those with the lowest proportions were Monmouthshire (2.5%), Ceredigion (2.8%), Powys (2.8%), Carmarthenshire (3.0%), Flintshire (also 3.0%), and Bridgend (3.1%).

## Economic inactivity decreases in the UK and Wales

The UK economic inactivity rate (seasonally adjusted, all aged 16 to 64 years) in the period December 2024 to February 2025 was 21.4% according to ONS LFS data. This was 0.7 percentage points below the rate a year ago (December to February 2024),<sup>32</sup> with the ONS noting that this annual decrease in inactivity was driven by those economically inactive because

they were students, long-term sick or retired.

The economic inactivity rate in Wales, in the period December to February 2025, decreased 2.0 percentage points on the year to 25.9%.<sup>33</sup> As noted above, a degree of caution should be exercised in interpreting LFS data due to on-going quality issues.

<sup>28</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest#unemployment>

<sup>29</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionalabourmarket/latest>

<sup>30</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits/datasets/claimantcountcla01>

<sup>31</sup> <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Unemployment/Claimant-Count/claimantcount-by-welshlocalareas-variable-month>

<sup>32</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest#economic-inactivity>

<sup>33</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionalabourmarket/latest>

Decline in Welsh construction industry output from 2023Q3 to 2024Q3

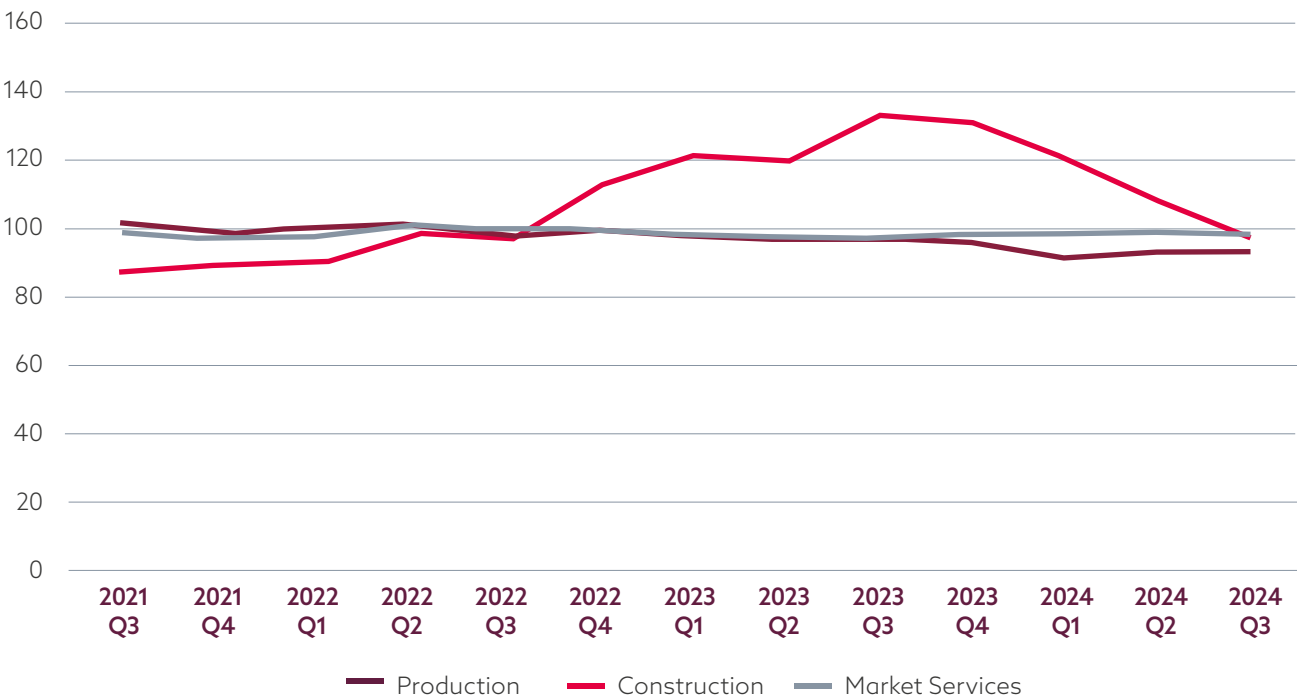
Figure 2.1 shows the trend in Welsh production, construction and market services indices from 2021Q3 to 2024Q3. The market services index during this time fluctuated little, being 0.7% below the 2022 level for Wales in 2024Q3. The comparative figure for the UK was 1.1% above the 2022 level. There was a slight gain in the Welsh production index in 2024Q3, but it still remained 5.8% below the 2022 level (UK comparative figure was 2.6% below the 2022 level). Meanwhile, the Welsh construction index declined for the fourth consecutive quarter in 2024Q3, being 2.4% below the 2022 level. For the UK as a whole, the comparative figure was 2.5% above the 2022 level.

The Bank of England’s Agents’ summary of business conditions published in March 2025 reported that, across the UK construction

industry as a whole, restrictions on future development included “planning delays, a lack of utility connections, high costs and some labour shortages”.

In March 2025, CBI Wales published its Planning for Growth report setting out recommendations to reform the planning system in Wales and speed up the construction of housing and other infrastructure projects. Five key areas are identified in the report: provision of better resources for planning authorities; innovation and technology to be at the heart of an overarching planning strategy; boost housing supply and reform of local development plans; take steps to tackle a nationwide shortage of planners; and more efficient and closer working between the devolved governments on large-scale infrastructure projects.

Figure 2.1.  
Welsh output indices: trend 2021Q3 - 2024Q3 (2022=100)



Source: Stats Wales, Welsh Indices of Production and Construction (2022=100) by section and year and Index of Market Services (2022=100) by year and area.

## The value of goods exported from Wales decreased in the year to 2024Q4

A degree of caution is advised by the ONS when interpreting data on trade. Data are typically published in current or nominal prices which means they have not been adjusted to remove the effects of inflation.

For the period to 2024Q4 the trade in goods data for the UK regions show that there had been a decrease in the value of exports from all UK countries, except Northern Ireland, in the twelve months ending December 2024 compared with the previous twelve months.<sup>34</sup> The value of goods exported from Wales decreased by 15.1% to £16.52bn in the twelve months ending December 2024 (compared with a decrease of 4.5% in England, 3.6% in Scotland, and an increase of 1.1% in Northern Ireland).

Total export values by products in Wales decreased in most categories over the year to December 2024.<sup>35</sup> Mineral Fuels total exports fell to £1.52bn in the year ending 2024Q4. Total exports of Chemicals fell to £2.25bn in the year ending 2024Q4, from £2.41bn in the previous twelve months, a decrease of 6.9%. Welsh Machinery and Transport products value of exports decreased to £7.86bn in the year ending 2024Q4, from £8.28bn in the previous twelve months, a decrease of 5.1%.

The total exporter count for Wales in 2024Q4 was 3,096, a decrease of 50 (or 1.6%) from 2023Q4 (using the Whole Number Method<sup>36</sup>). In the same time period, there was a decrease of 4.1% for the UK as a whole.<sup>37</sup> HM Revenue

& Customs published trade volume data for the year to 2024Q4 showed that a net mass of 5.9 billion kilograms were exported from Wales, a decrease of 26.4% from the previous twelve months.<sup>38</sup>

In the year to December 2024 the value of goods imported fell in Wales by 2.5% to £20.73bn when compared to the previous twelve months. This compared to decreases in the value of imports in England of 3.9%, in Scotland of 9.7%, and an increase in Northern Ireland of 1.8%.<sup>39</sup>

In Wales, the total importer count in 2024Q4 was 8,901, an increase of 1.2% from the figure in 2023Q4. In the UK the total importer count increased by 3.0% over the same period.<sup>40</sup> Trade volume data published by HM Revenue & Customs, for the year to 2024Q4, showed that a net mass of 16.7 billion kilograms were imported into Wales, a decrease of 10.0% from the previous year to the end of 2023Q4.<sup>41</sup>

Following the special status of the Celtic Freeport of Port Talbot and Milford Haven going live in November 2024, Ynys Mon Freeport went live in March 2025, enabling tax and customs benefits for businesses, and with the aim of becoming national hubs for global trade and investment.<sup>42</sup>

<sup>34</sup> <https://www.uktradeinfo.com/trade-data/regional/2024/uk-regional-trade-in-goods-statistics-fourth-quarter-2024>

<sup>35</sup> <https://www.uktradeinfo.com/trade-data/regional/2024/uk-regional-trade-in-goods-statistics-fourth-quarter-2024#datasets>

<sup>36</sup> "Whole number method": A business counts as 1 in each region they have employees.

<sup>37</sup> <https://www.uktradeinfo.com/trade-data/regional/2024/uk-regional-trade-in-goods-statistics-fourth-quarter-2024#datasets>

<sup>38</sup> <https://www.uktradeinfo.com/trade-data/rtts-custom-table/>

<sup>39</sup> <https://www.uktradeinfo.com/trade-data/regional/2024/uk-regional-trade-in-goods-statistics-fourth-quarter-2024>

<sup>40</sup> <https://www.uktradeinfo.com/trade-data/regional/2024/uk-regional-trade-in-goods-statistics-fourth-quarter-2024>

<sup>41</sup> <https://www.uktradeinfo.com/trade-data/rtts-custom-table/>

<sup>42</sup> [https://tradeandinvest.wales/inside-story/boost-ynys-mon-freeport-goes-live?dm\\_i=4SS6,10STB,MJJU,4RY47,1](https://tradeandinvest.wales/inside-story/boost-ynys-mon-freeport-goes-live?dm_i=4SS6,10STB,MJJU,4RY47,1)

Context for Wales as new tariffs arrangements are announced by the USA

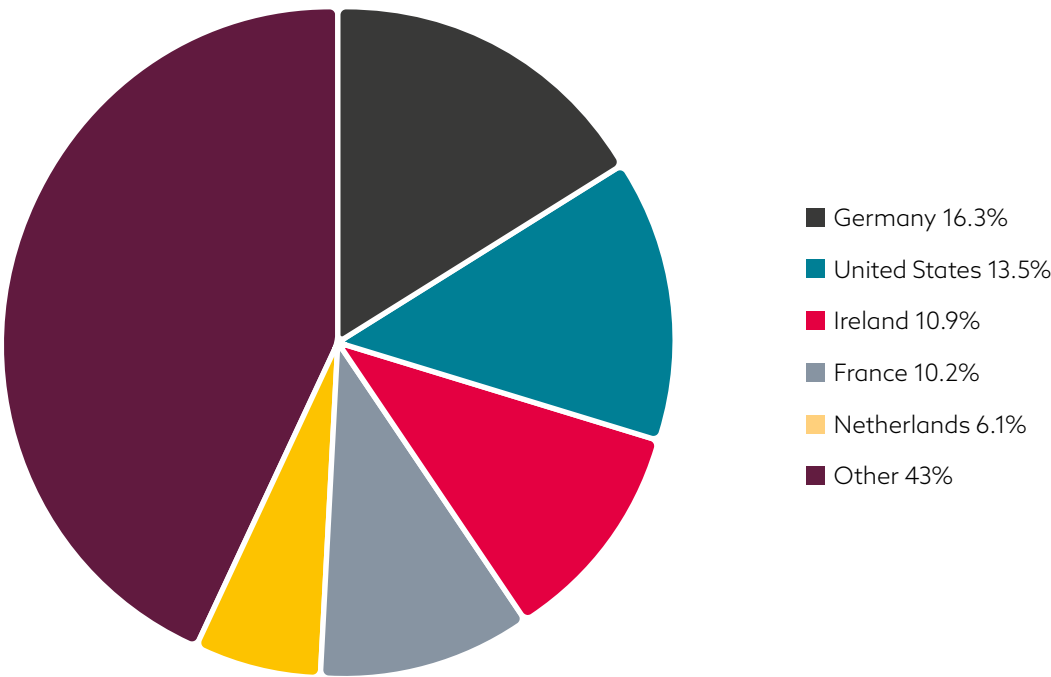
The new tariff structure announced by President Trump in April 2025 is expected to impact Welsh manufacturing either directly or through supply chains, as well as reducing confidence, increasing uncertainty, and potentially hitting business investment decisions- albeit the US market will continue to be important for Welsh companies.

This section provides some additional context relating to the international trading position of Wales. This includes an analysis of trade connections by country and product, as well as consideration of the potential local economies in Wales that might be worst hit by changes in the structure and costs of trade.

Data from HM Revenue & Customs<sup>43</sup> shown in Figure 2.2, highlights the top trading partners by trade value for Welsh exports of goods. In the year to end of December 2024, the value of Welsh exports of goods was £16.52bn<sup>44</sup>, with the top trading partners by value being Germany (£2.69bn, or 16.3%), the United States (£2.24bn, or 13.5%), Ireland (£1.80bn, or 10.9%) and France (£1.69bn, 10.2%).<sup>45</sup>

The value of imports to Wales in the year to end December 2024 was £20.73bn, with the top trading partners by value being the United States (£4.21bn, or 20.3%), China (£1.71bn, or 8.2%), Netherlands (£1.40bn, 6.8%), and Germany (£1.21bn, or 5.8%).

**Figure 2.2.**  
*Country destination of exports of goods from Wales: Percentage of export value by country (year to end December 2024)*



Source: HM Revenue & Customs data: available at: <https://www.uktradeinfo.com/trade-data/rts-custom-table>

<sup>43</sup> <https://www.uktradeinfo.com/trade-data/rts-custom-table/>

<sup>44</sup> <https://www.uktradeinfo.com/trade-data/regional/2024/uk-regional-trade-in-goods-statistics-fourth-quarter-2024>

<sup>45</sup> <https://www.uktradeinfo.com/trade-data/rts-custom-table/>

Trade values by product category for Welsh exports to, and imports from, the United States, are shown in Figure 2.3. This reveals that in the year to end of December 2024, exports from Wales to the USA, in pound value terms, were highest in the product category of Machinery & transport equipment (£1.1bn) - here particularly in the sub-categories of "Power generating machinery & equipment" (£0.49bn), and "Electrical machinery, app & appliances" (£0.17bn).

There were relatively high value contributions from exports in the: Mineral fuels, lubricants & related materials sub-category of "Petroleum, petroleum products & related materials" (£0.23bn); and the Chemicals & related products sub-category of "Medicinal & Pharmaceutical products" (£0.21bn), to the USA.

The highest value imports to Wales from the USA, in the year ending December 2024, were in the category of Mineral fuels, lubricants & related materials (£1.89bn), and Machinery & transport equipment (£1.83bn). In the former, the sub-category of "Petroleum, petroleum products & related materials" accounted for £1.82bn, and in the latter, the sub-category of "Power generating machinery & equipment" made up £1.37bn of Welsh imports from the USA.

Whilst the HMRC trade in goods data for Wales provides an interesting overview of the scale and scope of direct trade with the USA, and hence an indication of potential exposure to tariffs, this is only partial. For example, firms based in Wales provide inputs to global value chains, either directly, or as part of the supply chain to UK-based firms, that may then be impacted by potentially higher tariffs than the UK.

**Figure 2.3.**

*The value of trade in goods between Wales and the USA by product category (year to end December 2024)*

Product category	Value of exports: Wales to USA (£000's)	% Value of total Welsh exports to USA	Value of imports: USA to Wales (£000's)	% Value of total Welsh imports from USA
0 Food & live animals	18,986	0.8	15,015	0.4
1 Beverages & tobacco	3,044	0.1	1,903	0.0
2 Crude materials, exc. fuels	4,167	0.2	15,322	0.4
3 Mineral fuels, lubricants & related	227,162	10.1	1,888,138	44.8
4 Animal/vegetable oils, fats & waxes	1,037	0.0	248	0.0
5 Chemicals & related products	433,827	19.4	174,973	4.2
6 Manufactured goods	225,080	10.1	185,261	4.4
7 Machinery & transport equipment	1,054,238	47.1	1,825,217	43.4
8 Miscellaneous manufacturing	267,602	12.0	101,695	2.4
9 Commodities/ transactions nec	3,147	0.1	2,565	0.1
<b>Total</b>	<b>2,238,290</b>	<b>100.0</b>	<b>4,210,337</b>	<b>100.0</b>



## Areas of Wales that might be worst hit by changes in the structure of trade

The latest Trade Survey for Wales, published in July 2024 and covering the year 2022, illustrated that the manufacturing sector accounted for the majority (79%) of exports from Wales,<sup>46</sup> with business and other services following at 15%. Some indication of areas of Wales that are more exposed to changes in global trade can be gained through an analysis of manufacturing employment intensity by location.

Using the latest data available at the time of writing from the Business Register and Employment Survey (BRES), and deriving the proportion of full-time equivalent (FTE) employees<sup>47</sup> working in the manufacturing

sector, Figure 2.4 shows the Welsh local authorities with the highest percentage of FTE employees in the manufacturing sector. For example, the BRES data shows that Flintshire has the highest number of manufacturing employees by local authority in Wales at over 18,600, and the highest manufacturing share of employees (30.5%). Whilst Blaenau Gwent only has just over 4,200 manufacturing FTEs, these account for over 26% of the total. Note that the data in Figure 2.4 relates to 2023, and there have been some significant changes in manufacturing employment since then, for example including at Tata steel in Neath Port Talbot.

**Figure 2.4.**  
*Welsh local authorities with the highest percentage of FTE employees in manufacturing (2023)*

Local Authority	FTEs in Manufacturing	FTEs in Manufacturing as a % of all FTEs in local authority
Flintshire	18,640	30.5
Blaenau Gwent	4,290	26.4
Caerphilly	11,080	23.2
Wrexham	11,300	22.8
Neath Port Talbot	9,010	21.3
Torfaen	5,720	17.9

**Source:** ONS, BRES, from NomisWeb.

<sup>46</sup> <https://www.gov.wales/trade-survey-wales-tsw-2022-official-statistics-development.html>

<sup>47</sup> Here assuming two Part-time employees equal one Full-time employee.



## UK economy forecasts

A comparison of independent forecasts received between the 1 and 14 of April 2025 was published in the April 2025 *HM Treasury Forecasts for the UK Economy*<sup>48</sup>. The average of new forecasts for UK GDP growth in 2025 was 0.8%, a decrease of 0.2 percentage points from that projected by the average of new forecasts in the March 2025 publication<sup>49</sup>. A separate study, by Financial Times Research and Consensus Economics, of ten forecasts for the UK economy (made after the USA revealed more aggressive global tariffs), also suggested that UK GDP growth will slow to 0.8% in 2025, down from the 1.2% expected in January.<sup>50</sup>

Appendix 2 of this report shows a summary of selected GDP forecasts for the UK for 2025 and 2026, along with forecasts for the LFS Unemployment rate, and the growth in prices for both Consumer Price Index (CPI), and Retail Price Index (RPI) inflation.

<sup>48</sup> <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-april-2025>

<sup>49</sup> <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2025>

<sup>50</sup> <https://www.ft.com/content/3a2f29ca-13c0-480c-a0d1-9d2a09142fb6>

- A significant fall in small business confidence in 2024Q4.
- Business deaths in Wales exceed business births during 2024Q4.
- Welsh businesses experienced increased turnover in February 2025 and expected turnover to further increase during April 2025.

### Business population

The most recently published Business Population Estimates data<sup>51</sup> indicates that there were 219,955 SMEs in Wales at the start of 2024, accounting for 99.9% of all Welsh

businesses, and 73.3% of private sector employment. The overwhelming majority of these (95.6%) were micro enterprises employing fewer than ten people.

### Significant fall in small business confidence in 2024Q4

The Federation of Small Businesses (FSB) UK Small Business Index (SBI)<sup>52</sup> experienced a significant fall during 2024Q4 to -64.5 (from -24.4 in 2024Q3)<sup>53</sup>. This was the third successive quarterly fall in small business confidence and the lowest recorded level since the start of the pandemic in 2020Q1. Figure 3.1 shows the trend of the FSB SBI between 2022Q4 and 2024Q4.

In 2024Q4, the net balance of small businesses reporting revenue growth stood at -32.1, a significant worsening of the -13.8% recorded

in the previous quarter. Expectations for future growth also fell with a net balance of -25.9% in 2024Q4, down from -4.0% in 2024Q3. All sectors surveyed by the SBI remained negative in 2024Q4. The accommodation and food services sector remained the most pessimistic, with an SBI reading of -111.0 points (down from -79.4 in 2024Q3), followed by wholesale and retail sectors, construction, and manufacturing.

<sup>51</sup> [www.gov.uk/government/statistics/business-population-estimates-2024](https://www.gov.uk/government/statistics/business-population-estimates-2024)

<sup>52</sup> The FSB explains that: 'The Small Business Index is a weighted index of the responses to the question: "Considering your overall business performance, and ignoring any normal seasonal variations at this time of the year, how do you view business prospects over the next three months, compared with the previous three months?" The share of firms reporting much improved are given the weighting +2, slightly improved +1, approximately the same 0, slightly worse -1, and much worse -2; the Small Business Index is derived from the sum of these factors'. The FSB explains the sample size in Wales is too small to publish data limited to Wales (also the case in Northern Ireland).

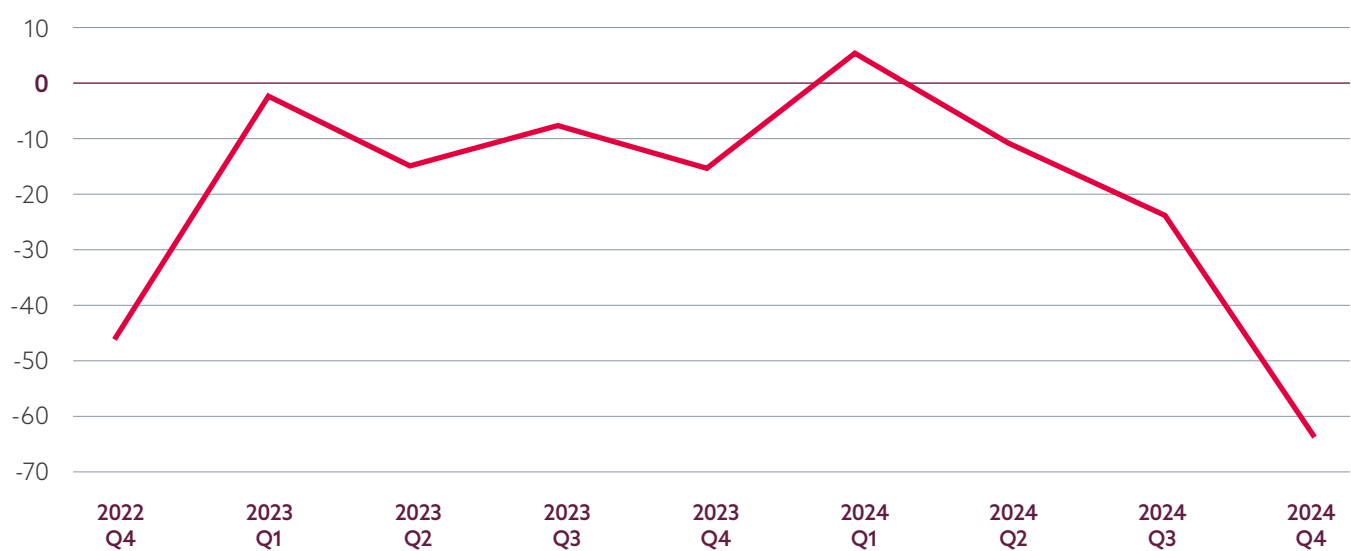
<sup>53</sup> FSB Small Business Index, 2024Q4 [www.fsb.org.uk/resources/reports/small-business-index/small-business-index-quarter-4-2024-MCTRCGWM37J5HBNA2ZCTS3TJUPNM](https://www.fsb.org.uk/resources/reports/small-business-index/small-business-index-quarter-4-2024-MCTRCGWM37J5HBNA2ZCTS3TJUPNM)

## The domestic economy remains the main concern for SMEs

Overall, the domestic economy was cited as the most significant barrier to growth, with 65.3% of businesses expecting it to impact on their growth prospects. The tax burden (43.1%) and

labour costs (42.0%) were the next most cited barriers to growth by respondent small businesses.

**Figure 3.1.**  
*UK Small Business Confidence Index, 2022Q4 – 2024Q4*



Source: FSB Small Business Index<sup>54</sup>

The Business Confidence Monitor (BCM) of the Institute of Chartered Accountants in England and Wales (ICAEW) for 2024Q4 reported a sharp fall in overall UK business confidence to +0.2 (from +14.4 in 2024Q3). This index is now significantly below its historical norm of +5.3<sup>55</sup>. This Monitor identified that business confidence has fallen in all nations and regions of the UK, with the majority now in negative territory. Business confidence in Wales experienced a significant fall and was the second weakest (after the South West) at -12.1, having been the second strongest across the UK in 2024Q3 at +26.1. Although Welsh companies reported a 2.8% increase in profits growth in the year to Q4 2024, this was slightly below the UK average of 3.3%.

Nevertheless, 3.8% of respondent Welsh businesses anticipated an improvement in profits growth over the coming year (against the UK average of 5.0%).

The FSB's SBI is based on a survey of 1,396 small business owners and sole traders, and the latest survey was undertaken between 10 and 30 December 2024. The SBI does not return a result for Wales or Northern Ireland as the FSB explains that the regional sample sizes are too small. The ICAEW's BCM survey results are based on 1,000 telephone interviews with ICAEW Chartered Accountants covering a range of UK sectors, regions, and company sizes. The latest BCM survey covers the period between 14 October

<sup>54</sup> FSB Small Business Index, 2024Q4 op. cit.

<sup>55</sup> ICAEW explains: 'the survey results are based on 1,000 telephone interviews among ICAEW Chartered Accountants covering a range of UK sectors, regions and company sizes, ensuring a representative picture of the UK economy': [www.icaew.com/technical/economy/business-confidence-monitor](https://www.icaew.com/technical/economy/business-confidence-monitor)

to 13 December 2024, a different period from the FSB's SBI, which may partly account for some of the differences in findings. Perhaps the most significant methodological difference

between the two surveys is that, whereas the SBI is targeted on small businesses, the BCM encompasses businesses of all sizes.

### 25% of Welsh SMEs experienced growth during 2024 H2

SME Finance Monitor data for Wales,<sup>56</sup> reveals that 25% of SMEs in Wales (excluding starts) experienced growth during the second half of 2024, lower than the 30% that experienced growth during 2024 H1. Notably, however, 29% of Welsh SMEs experienced growth during 2024Q4 against 21% during 2024Q3, signifying that the third quarter of 2024 weighed heavily on the overall level of growth experienced during 2024H2. By business size, 45% of businesses employing 50-249 employees, 50% of those employing 10-49, 34% employing 1-9, and 24% of those with no employees, experienced growth during 2024. Also, in Wales, 39% of transport, storage, and communication SMEs experienced growth during 2024. Other sectors where the percentage of SMEs in Wales had experienced notable growth during 2024 included: manufacturing (38%); wholesale and retail (31%); hotels and restaurants (31%); real estate, renting and business advice (31%); and construction (20%).

The SME Finance Monitor UK analysis for 2024Q4<sup>57</sup> reported that 30% of all responding UK SMEs (excluding starts) experienced growth over the quarter. This growth is above that experienced during the midst of the pandemic during 2020 and 2021, but it remained below pre-pandemic levels that were typically around 40%. Broken down by size, 50% of UK businesses employing 50-249 employees, 45% of those employing 10-49, 37% employing 1-9, and 26% of those with no employees, experienced growth during 2024Q4. The UK SME Finance Monitor also reported that during 2024Q4 48% of respondent businesses listed the economic climate, and 35% increasing costs, as significant barriers to SME growth.

<sup>56</sup>Data for Wales is derived from an extract of the SME Finance Monitor provided by the Development Bank of Wales.

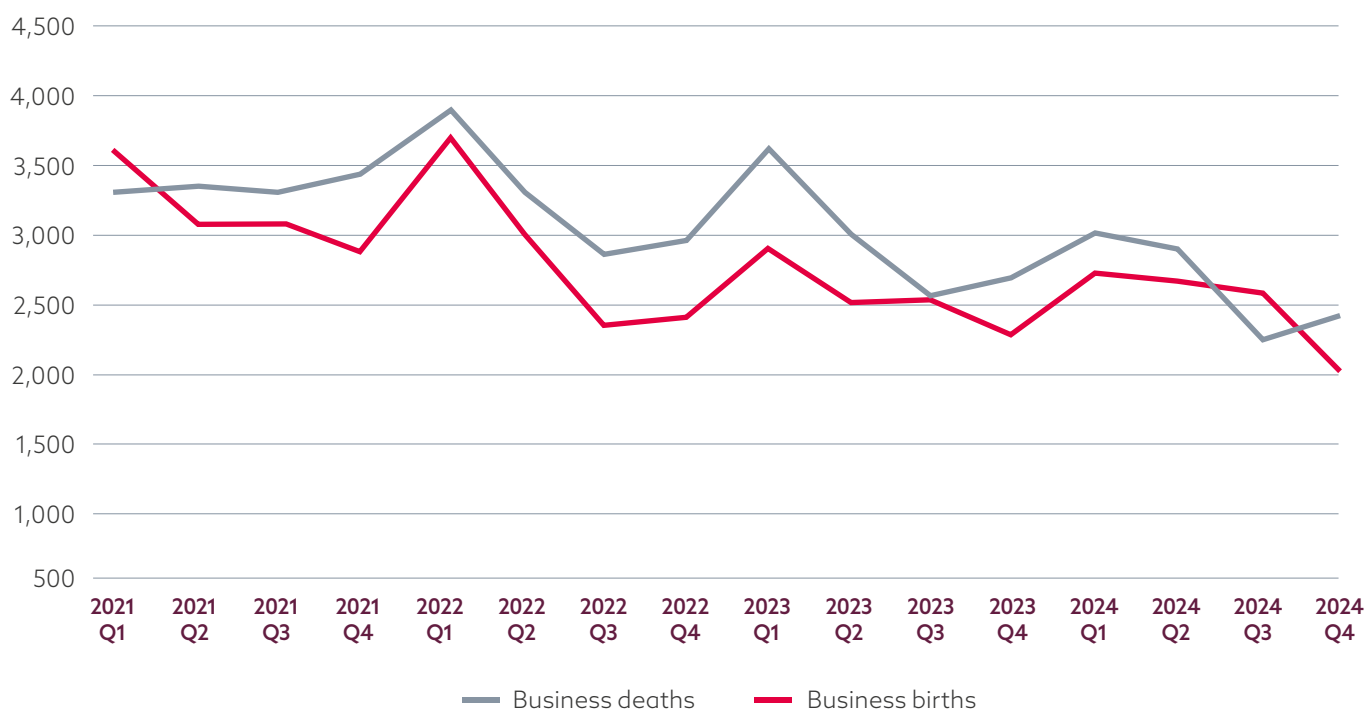
<sup>57</sup>[www.bva-bdrc.com/wp-content/uploads/2025/03/SME-Monthly-charts-December-2024-FINAL-7.3.pdf](https://www.bva-bdrc.com/wp-content/uploads/2025/03/SME-Monthly-charts-December-2024-FINAL-7.3.pdf)

## Business deaths in the UK and in Wales exceed business births

The ONS reported an estimated total of 65,450 UK business births during 2024Q4. The ONS also reported that the number of UK business deaths in 2024Q4 was 69,435. In 2024Q4, therefore, the number of business deaths exceeded business births across the UK. Figure 3.2 reveals the variation of quarterly business births and deaths in Wales over the past 16 quarters.<sup>58</sup> The number of business births in Wales

in 2024Q4 was 2,025, whilst the number of business deaths in Wales during the same period was 2,405. There was a notable decrease in business births and an increase in business deaths in Wales during 2024Q4.

**Figure 3.2.**  
*Quarterly Business Demography in Wales, 2021Q1 – 2024Q4*



Source: ONS Business Demography, Quarterly Experimental Statistics, UK<sup>59</sup>

<sup>58</sup> [www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk](https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk)  
<sup>59</sup> ONS, *ibid.*

### Business impacts and conditions survey

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 28 February (Wave 128)<sup>60</sup> reported that 25.8% of surveyed Welsh businesses experienced increased turnover in February 2025 (UK 25.0%). Some 37.5% of surveyed businesses in Wales expected turnover to increase in April 2025 against a UK average of 33.8%.

The BICS also revealed that, during February 2025, 9.2% of surveyed businesses in Wales (UK 10.4%) reported that the prices of the goods and services sold by their businesses had increased when compared with the previous month, and 18.8% of surveyed businesses

in Wales (UK 22.7%) reported that the prices they had paid for goods and services had increased from the previous month. Some 17.5% of Welsh firms reported that they expected their employment to increase in April 2025 (UK 16.1%).

Compared with the same period in 2024, some 26.8% of surveyed Welsh businesses believed their performance had increased (UK 23.3%), with 20.8% believing it had decreased (UK 23.5%). In terms of expectations, 38.9% of Welsh businesses expected their performance would increase in the year ahead (UK 34.5%).

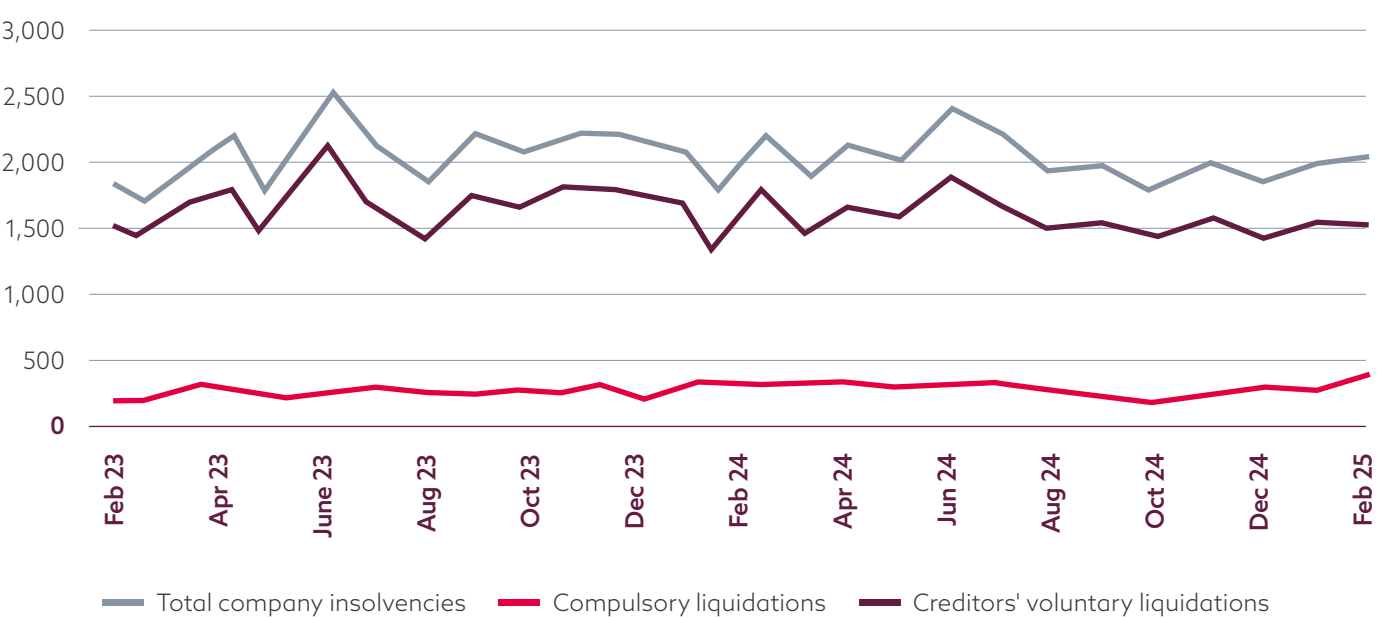
<sup>60</sup> [www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy](https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy).

### Business insolvencies

Figure 3.3 shows the trend of registered company insolvencies in England and Wales from February 2023 to February 2025. The number of insolvencies fluctuated throughout 2024 and into the start of 2025. The total monthly insolvencies in February 2025 were 2,035, the highest level since July 2024,

although lower than 12 months previously when it stood at 2,188. Although this overall rate continued to be driven mainly by creditors' voluntary liquidations, which stood at 1,520 in February 2025, there was a notable increase in the number of compulsory liquidations that reached 393 during the same month.

**Figure 3.3.**  
*Monthly registered company insolvencies, England and Wales, February 2023 – February 2025*



Source: UK Government Insolvency Monthly Statistics<sup>61</sup>

County Court judgments for debt, as indicated in previous reports, can, as part of a wider trend, help predict potential future insolvencies. Provisional data indicates that during 2024Q4 there were 439,000 County Court claims,

up by 9% on 2023Q4, and, of these, 362,000 were money claims, up by 8% on the same quarter in 2023.<sup>62</sup>

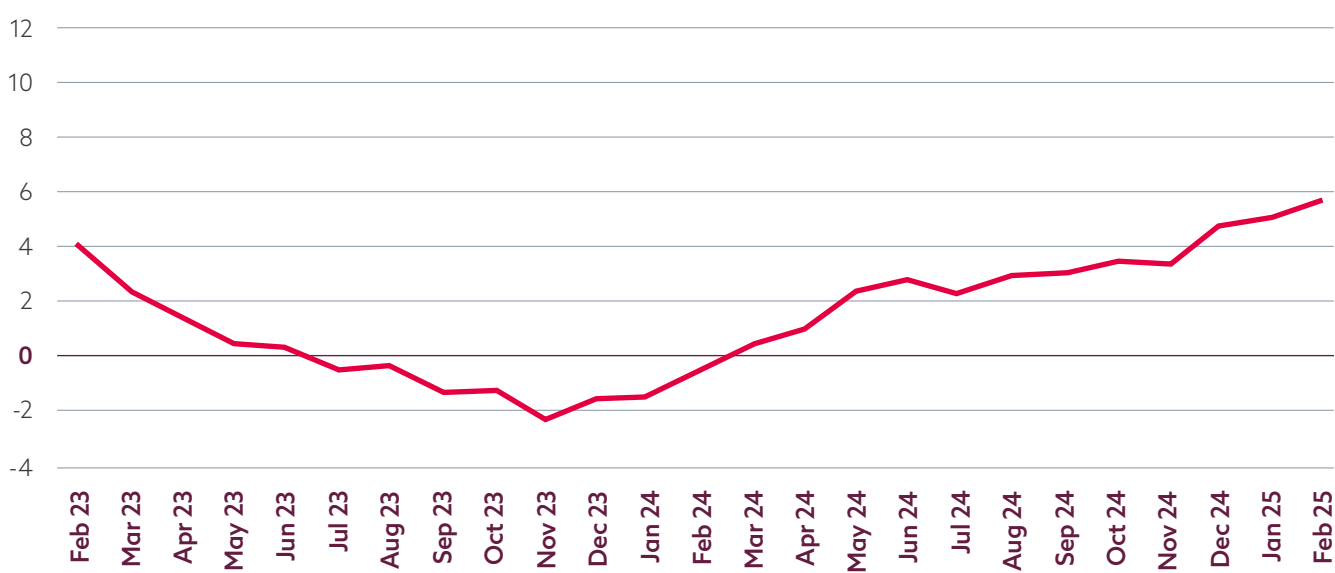
<sup>61</sup> <https://www.gov.uk/government/statistics/company-insolvencies-november-2024/commentary-company-insolvency-statistics-november-2024>  
<sup>62</sup> <https://www.gov.uk/government/collections/civil-justice-statistics-quarterly#2024>

## UK house prices increased in the year to February 2025

ONS data that captures both cash and mortgage-based purchases, shows that UK house prices increased by 5.4% in the 12 months to February 2025.<sup>63</sup> The average UK house price in February 2025 was £268,000,

which was £13,000 higher than 12 months previously. The average house price in Wales in February 2025 was £207,383, representing a 4.1% increase from February 2024.

**Figure 3.4.**  
*ONS UK House Price Index, Annual Percentage Change, February 2023 – February 2025*



Source: ONS House Price Index<sup>64</sup>

The Bank of England has reported that in February 2025<sup>65</sup> net mortgage approvals for house purchases were 65,500, whilst net mortgage lending was down by £0.9bn to £3.3bn in February. Meanwhile, the Bank also reported that the effective interest rate (the actual interest rate paid on newly drawn mortgages) was up by 2 basis points to 4.53%

on newly drawn mortgages, and 3.87% on the outstanding stock of mortgages, up from 3.81% in January 2025. Remortgaging approvals rose to 32,000 in February, but it should be noted that this data only captures remortgaging approvals with a different lender.

<sup>63</sup> [www.gov.uk/government/collections/uk-house-price-index-reports#full-publication-update-history](https://www.gov.uk/government/collections/uk-house-price-index-reports#full-publication-update-history)  
<sup>64</sup> ONS (December 2024) op. cit.  
<sup>65</sup> <https://www.bankofengland.co.uk/statistics/money-and-credit/2025/february-2025>



### A fall in UK housing investment during 2024

In February 2025, the Bank of England reported that housing investment fell -0.5% during 2024. The Bank now expects housing investment to rise +0.5% during 2025, and 2¾ during 2026.<sup>66</sup>

Meanwhile, the S&P Global/CIPS UK construction purchasing managers' index<sup>67</sup> registered 46.4 in overall construction activity in March 2025, well below the neutral 50.0

threshold, and the third month in a row when construction output levels have fallen. Civil engineering was the weakest area of activity (38.8), followed by residential construction (44.7), and commercial building (47.4).

### Commercial property market shows signs of recovery

Commercial property values have suffered since 2022. European industrial and logistics property values, for example, have fallen around a fifth from their peak values<sup>68</sup>, and wider commercial property values across Europe have fallen by nearly a quarter over the last two years.<sup>69</sup>

There are indications, however, that investors, particularly US private capital groups, are returning to UK and European commercial

property market at the start of 2025<sup>70</sup>, as the market begins to show signs of recovery.<sup>71</sup> This follows signs, as identified in the previous quarterly report, that toward the end of 2024 prime UK office and retail space was beginning to rise in value. Nevertheless, UK office vacancy rates remain around their highest levels in ten years, and weaker commercial property portfolios remain subdued.<sup>72</sup>

<sup>66</sup> [www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report](https://www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report)

<sup>67</sup> <https://www.pmi.spglobal.com/Public/Release/PressReleases>

<sup>68</sup> Financial Times (25.3.25) 'Blackstone raises bid for Warehouse Reit as property dealmaking heats up'. [www.ft.com/content/6ac5a7ee-c5c4-454e-bc9b-c256238619e2](https://www.ft.com/content/6ac5a7ee-c5c4-454e-bc9b-c256238619e2)

<sup>69</sup> Financial Times (15.11.24) 'Prime UK office and shopping centre values rise for first time in 2 years'. [www.ft.com/content/befdb8d9-440e-4b69-86b7-c350e83e19db](https://www.ft.com/content/befdb8d9-440e-4b69-86b7-c350e83e19db)

<sup>70</sup> Financial Times (25.3.25) op. cit.

<sup>71</sup> Financial Times (4.2.25) 'Commercial real estate crawls back'. [www.ft.com/content/35d009b2-fae9-47ef-9532-88eadcd7d46a](https://www.ft.com/content/35d009b2-fae9-47ef-9532-88eadcd7d46a)

<sup>72</sup> Financial Times (15.11.24) op. cit

- During 2024 gross lending to UK SMEs by the main high street banks experienced a 13% year-on-year increase.
- The effective interest rate on new loans to SMEs was 6.90% in February 2025, down from 7.55% in February 2024.
- Total year-on-year equity investment values to 2024Q3 across the UK were up 6.6%, but down by 45.7% in Wales over the same period.

## Supply and demand for business lending

The Bank of England quarterly Credit Conditions Survey of banks and building society lenders explores trends and developments in UK credit conditions. The survey covers lending to households and lending to non-financial corporations, small businesses, and non-bank financial firms. The 2025Q1 survey asked lenders to report their perceived changes in both supply and demand sides of credit conditions for the three months to the end of February 2025, relative to the three months to the end of November 2024, and then expected changes to the end of May 2025.<sup>73</sup> It should be noted that the survey was undertaken between 3 March and 21 March 2025, and so does not capture any changes since then.

Lenders reported that the availability of credit (defined as willingness and ability to supply credit) to the corporate sector slightly increased in 2025Q1. The availability of credit for small and medium-sized businesses increased, and was unchanged for large business, during 2025Q1. Overall availability of credit to the corporate sector was expected to remain unchanged in 2025Q2.

Lenders reported that demand for lending from small businesses slightly increased, and demand

from medium-sized and large businesses increased, during 2025Q1. Looking forward, demand was expected to be unchanged for small and medium-sized businesses, and was expected to increase slightly for large business, during 2025Q2.

UK Finance found that during 2024 gross lending to UK SMEs by the main high street banks saw a 13% year-on-year increase and new lending reached £16bn during the year. There are sectoral differences, however, with notable increases in agriculture, real estate, health and social work, and recreation and personal services, when compared with the previous year. Conversely, manufacturing and transport and storage saw declines in lending, whilst other sectors remained largely flat.<sup>74</sup>

The Credit Conditions Survey found that lenders reported that default rates on loans to businesses of all sizes were unchanged during 2025Q1. These were expected to increase slightly for small businesses and remain unchanged for medium-sized and large businesses, during 2025Q2. Losses in the event of default were unchanged for small and medium-sized businesses, and slightly increased for large businesses, during 2025Q1.<sup>75</sup>

<sup>73</sup> <https://www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q1>

<sup>74</sup> [www.ukfinance.org.uk/system/files/2025-03/Business%20Finance%20Review%202024%20Q4\\_0.pdf](https://www.ukfinance.org.uk/system/files/2025-03/Business%20Finance%20Review%202024%20Q4_0.pdf)

<sup>75</sup> <https://www.bankofengland.co.uk/credit-conditions-survey/2024/2024-q4>

## An increase in the number of UK SMEs using external finance in 2024Q4

The SME Finance Monitor found that 46% of UK SMEs had used some form of external finance during 2024Q4 up from 43% during 2024Q3.<sup>76</sup> In Wales, the percentage of SMEs using some form of business finance increased during 2024Q4 to 41%, up from 37% during 2024Q3.<sup>77</sup> Access to finance as a significant barrier to doing businesses was reported by 9% of UK SMEs in 2024Q4, a stable figure throughout 2024. For SMEs in Wales, access to finance as a significant barrier to doing businesses was reported by 6% to 11% over 2024.

Across the UK as a whole, during 2024Q4, the use of credit cards by SMEs rose to 16%, whilst 11% of SMEs used overdrafts, 10%

leasing and HP, 9% bank loans or mortgages, and 2% had received grants. Of those SMEs in Wales using some form of external finance during 2024Q4, 13% had used overdrafts, 11% credit cards, 9% bank loans or commercial mortgages, and 8% leasing and HP.

The percentage of UK SMEs injecting personal funds into their business fell further to 35% in 2024Q4 (38% in Wales), from 39% in 2024Q1 (44% in Wales), with 22% of these businesses (23% in Wales) believing they had no choice in doing so. Meanwhile, around 19% UK SMEs were still repaying Covid-19 pandemic funding during 2024Q4, whilst during 2024Q4 22% of SMEs in Wales were still repaying pandemic funding.

<sup>76</sup> [www.bva-bdrc.com/wp-content/uploads/2025/03/SME-Monthly-charts-December-2024-FINAL-7.3.pdf](https://www.bva-bdrc.com/wp-content/uploads/2025/03/SME-Monthly-charts-December-2024-FINAL-7.3.pdf)

<sup>77</sup> Data for Wales is derived from an extract of the SME Finance Monitor provided by the Development Bank of Wales.

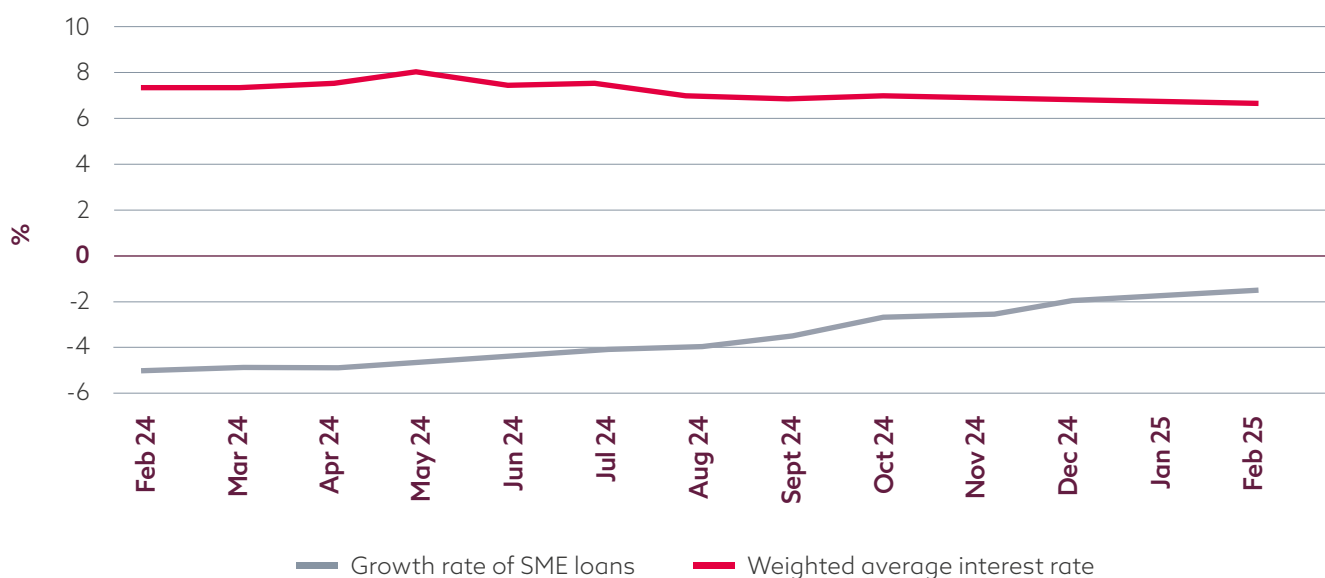
## The average interest rate on SME loans in February 2025 was lower than 12 months previous

Figure 4.1 shows the monthly growth rate of SME loans, and the weighted interest rate based on Bank of England data for the period February 2024 to February 2025.<sup>78</sup> The growth rate of borrowing by SMEs increased to -1.5, up from -1.7 in January, continuing a rising monthly trend throughout 2024.

Meanwhile, the effective interest rate on new loans to SMEs was 6.90% in February 2025, down from 7.55% in February 2024.

**Figure 4.1**

*Growth Rate SME Loans and Effective Interest Rate Loans to SMEs, February 2024 – February 2025*



**Source:** Bank of England<sup>79</sup>

As noted earlier, the Bank of England's Monetary Policy Committee (MPC) agreed to hold interest rates at 4.5% in March 2025.<sup>80</sup>

<sup>78</sup> Monthly average of UK resident banks' sterling weighted average interest rate - other loans, floating rate linked to Bank Rate (<3mth reset) to small and medium sized enterprises (in percent) not seasonally adjusted. Bank of England series CFMZ6HQ <https://wwwtest.bankofengland.co.uk/boeapps/database/fromshowcolumns.asp?Travel=NlxAZxSUx&FromSeries=1&ToSeries=50&-DAT=RN&FD=1&FM=Jan&FY=2010&TD=11&TM=May&TY=2025&FNY=Y&CSVF=TT&html.x=66&html.y=26&SeriesCodes=CFMZ6HQ&UsingCodes=Y&Filter=N&title=CFMZ6HQ&VPD=Y>

<sup>79</sup> Bank of England, Money and Credit [www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest](https://www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest)

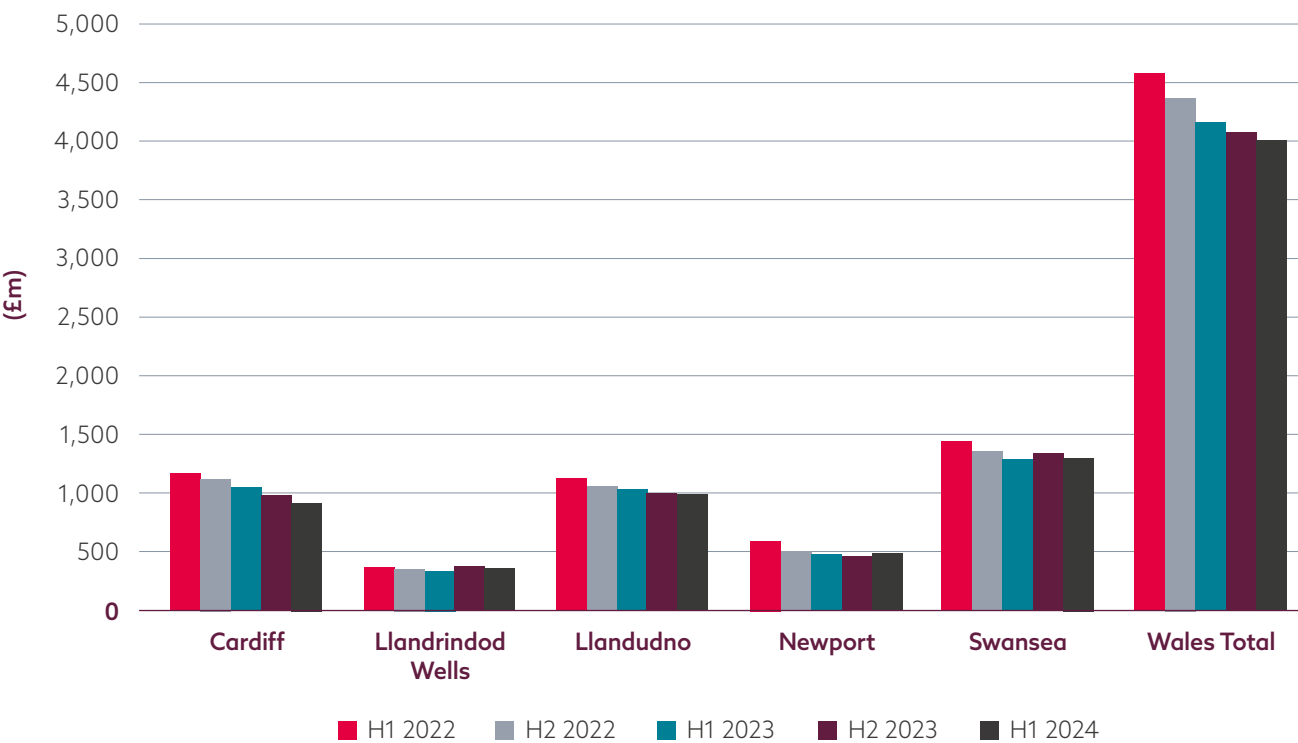
<sup>80</sup> <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/march-2025>

Stock of lending to Welsh SMEs returning to pre-pandemic levels

UK Finance SME lending within UK postcodes data, published for each half year period, indicated a further reduction in the stock of lending to Welsh SMEs during the first half of 2024<sup>81</sup> (the latest published data). The overall lending volume decreased from £4.59bn in 2022 H1 to £3.98bn in 2024 H1. As indicated in the previous quarterly report, however, it is important to understand this data within a longer-term context.

The overall stock of lending to Welsh SMEs appears to be returning to pre-pandemic levels, which may reflect the paying down of Covid-19 loans. Figure 4.2 shows SME lending by Welsh postcode area over the period 2022 H1 to 2024 H1. The data shows the Swansea area postcode received £1.25bn of lending in 2024 H1, whilst Llandudno received £980m, and Cardiff £926m.<sup>82</sup>

Figure 4.2.  
SME Lending, Welsh Postcode Area (£m)



Source: UK Finance Postcode Lending Data, SMEs<sup>83</sup>

<sup>81</sup> UK Finance, SME Lending, UK Postcodes [www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes](https://www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes)

<sup>82</sup> The totals for Wales in this data source do not include some Shrewsbury postcode areas that are in Wales.

<sup>83</sup> UK Finance *ibid*.

## Equity investments

Equity investments in businesses derive from a range sources, including venture capital funds, business angels, crowd funders, corporate investors, and government funds. Such ventures can take place at different stages of business development.<sup>84</sup>

The *Small Business Finance Markets 2024/25*<sup>85</sup> report by the British Business Bank outlined the changes in the UK debt markets during the year. It reported that there was a slight decrease in dry powder in private debt funds due to slight increase in deployment of investment and a reduction in fundraising. Dry powder is the amount of committed capital that fund managers have available to invest in new opportunities.

Meanwhile, globally the amount of venture capital raised is dropping, as are fund counts, whilst at the same time a significant proportion of funds are coming to the end of their investment period with dry powder levels in these funds quite high. In addition, market uncertainty appears to be impacting on the number of initial public offerings, when companies supported by venture capital firms transition from being privately to publicly traded.<sup>86</sup>

## Equity funding for UK small businesses fell year-on-year to 2024Q3

The total number of equity investments in UK small businesses were down year-on-year to 2024Q3 by -24.3%. The number of deals in Wales was also down over this period, but to a smaller degree (-14.3%) than the UK average.

Total year-on-year equity investment values to 2024Q3 across the UK were up 6.6%, but down significantly in Wales (-45.7%) over the same period. Overall, equity investments in 2024 were similar to those experienced in 2019

and 2020. Growth and seed stage equity finance rebounded during the first half of 2024, but 2024Q3 was particularly challenging for all stages of equity investments, thus driving the year-on-year declines.<sup>87</sup> There is however some prospect of an increase in equity investment in Wales in the final quarter of the 2024 calendar year, with the Development Bank of Wales recording increases in all investments in this period (see section 5 of this report).

<sup>84</sup> [https://developmentbank.wales/sites/default/files/2019-04/Equity%20Clusters%20Report\\_final.pdf](https://developmentbank.wales/sites/default/files/2019-04/Equity%20Clusters%20Report_final.pdf)

<sup>85</sup> British Business Bank (2025). *Small Business Finance Markets 2024/25*. [www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2025-02/small-business-finance-market-report-2025.pdf](http://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2025-02/small-business-finance-market-report-2025.pdf)

<sup>86</sup> Pitchbook (2024). *Global Private Market Fundraising Report*. [https://files.pitchbook.com/website/files/pdf/2024\\_Annual\\_Global\\_Private\\_Market\\_Fundraising\\_Report.pdf](https://files.pitchbook.com/website/files/pdf/2024_Annual_Global_Private_Market_Fundraising_Report.pdf)

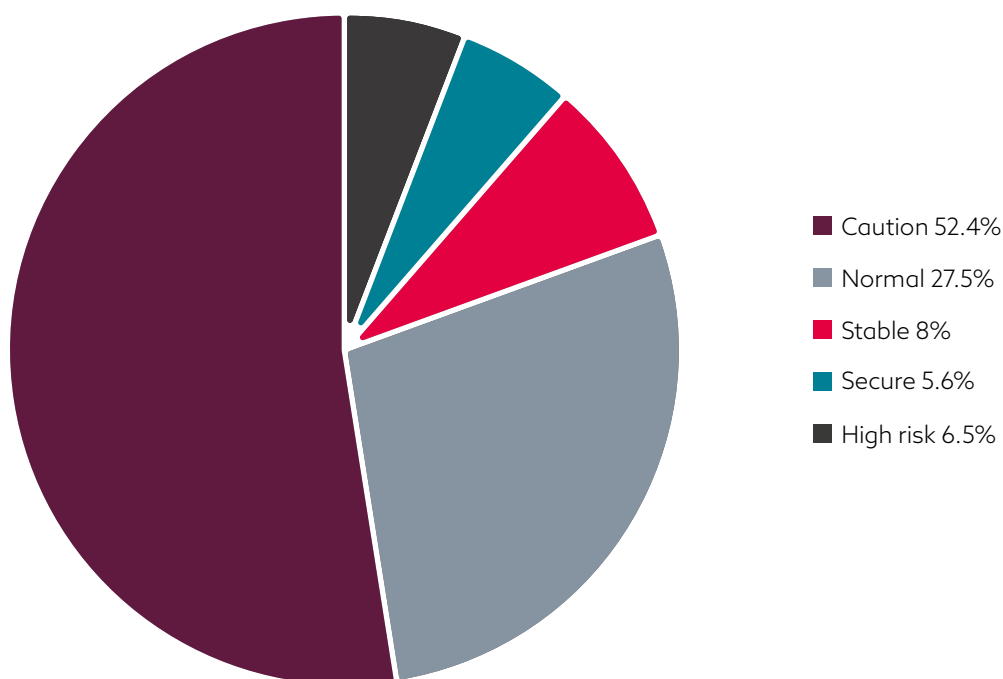
<sup>87</sup> British Business Bank (2025). *ibid*.

## Welsh SMEs in different credit risk categories

The Bureau van Dijk FAME database of Companies House data was searched in April 2025 to seek evidence of the proportion of Welsh SMEs that fell into different credit risk categories. The search yielded 98,790 SMEs with a known credit rating (a 5.5% increase of firms with a credit rating since the FAME search undertaken around a year earlier in April 2024). Figure 4.3 reveals that of this total, 6.5% of SMEs in Wales

were estimated to be in the Highest risk credit rating category (up from 5.3% in April 2024). The Caution category comprised 51,800 SMEs or 52.4% of the total. These proportions are generally quite slow to change and with updates to credit rating coming at different intervals according to when new data is uploaded on the FAME database.

**Figure 4.3.**  
*Estimates of proportions of Welsh SMEs in different credit rating categories (April 2025)*



Source: FAME Database

- In 2024/25Q3 the Development Bank of Wales completed 154 investments with a total value of £49.8m. These investments were associated with 1,230 new and safeguarded jobs.
- There was a significant increase in the number and total value of investments in 2024/25Q3 when compared with the previous quarter.
- Businesses in the south east Wales region accounted for the highest share of investment value (52%) in 2024/25Q3.
- The construction sector dominated investment activity in 2024/25Q3, accounting for 31% of investment value (£15.4m).
- The highest number of jobs created or safeguarded by Development Bank investments in 2024/25Q3 were in the construction sector (244 jobs), human health and social work (168 jobs) and the administrative and support services sector (157 jobs).

## The Development Bank completed 154 investments in 2024/25Q3, supporting 1,230 jobs

Figure 5.1 shows an increase in the number of investments made by the Development Bank of Wales in the third quarter of 2024/25 when compared with the previous three quarters. The number of investments completed in 2024/25Q3 was also higher than the same period of the previous year (124 investments were made in 2023/24Q3). The largest share of investments for 2024/25Q3 were undertaken during October 2024, potentially a result of businesses finalising investment deals ahead of anticipated UK budget announcements at the end of that month.

The number of jobs created or safeguarded linked to Development Bank investments was

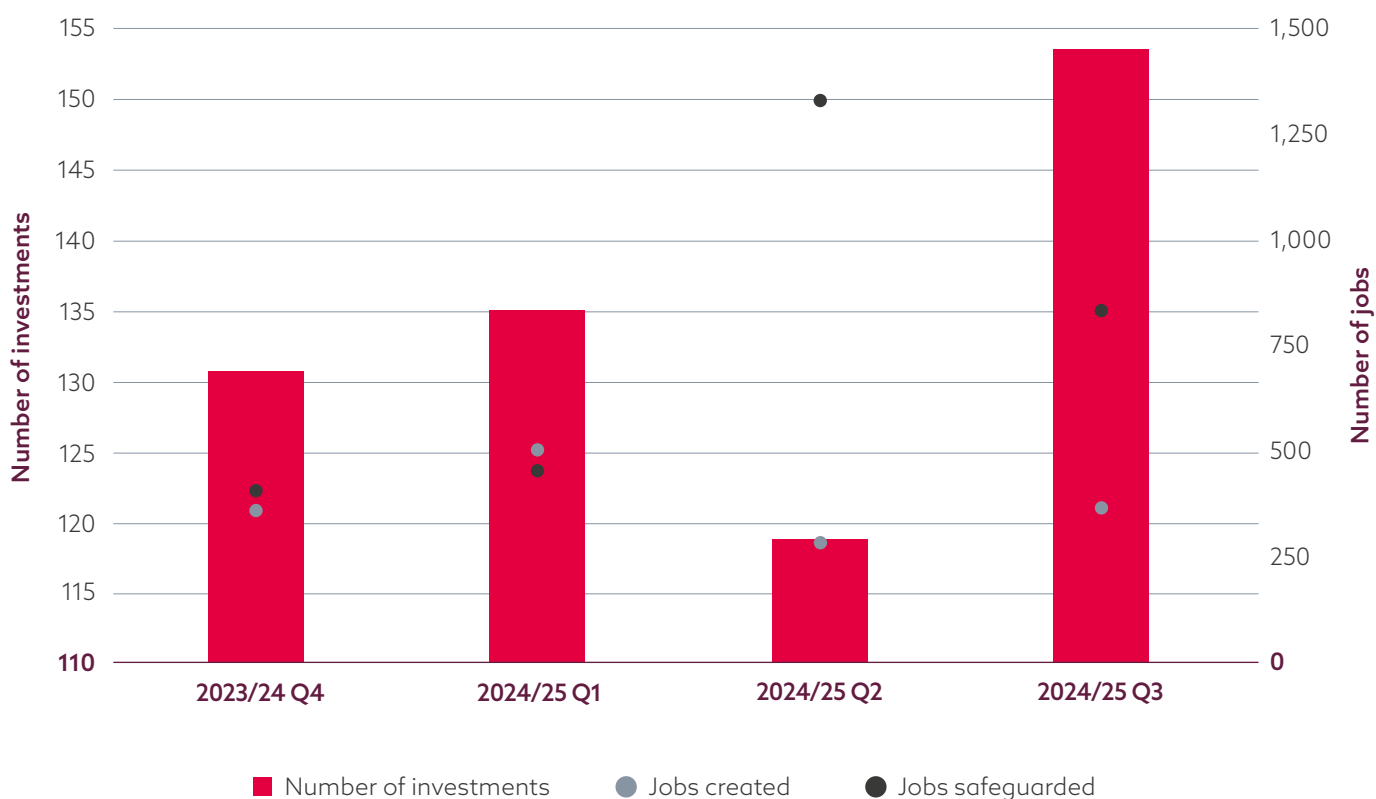
1,230 in 2024/25Q3, a decrease compared to the previous quarter of 1,634 jobs, although this was particularly high due to a record of almost 1,350 safeguarded jobs in that quarter. The number of jobs linked to investments made in 2024/25Q3 is higher than in the other two quarters shown in Figure 5.1.

Around 70% of total jobs supported by Development Bank investments in 2024/25Q3 were safeguarded jobs, with approximately 30% representing jobs created. Caution is needed when interpreting quarterly investment data which can be volatile and influenced by a small number of significant investments.



**Figure 5.1.**

*Investments and jobs created and safeguarded, 2023/24Q4 – 2024/25Q3*



## The total value of investments made during 2024/25Q3 was £49.8m

Figure 5.2 shows that new debt and equity investment in 2024/25Q3 was almost £37.9m, with a further almost £11.9m of property development. Equity investment (not shown separately in Figure 5.2) increased significantly in 2024/25Q3 to over £8.2m, compared with less than £2m in the previous quarter, and £2.9m in 2024/25Q1.

There has been an upward trend in the total value of investments since the final quarter of the last financial year. The value of

investments in 2024/25Q3 increased by over 47% compared with the previous quarter, linked to an over 29% increase in the number of investments in the same period. The most significant increase in investment values in 2024/25Q3 compared to the previous quarter was in debt and equity investment, which increased by almost 63% in that period, while property investment increased by almost 13%.

**Figure 5.2.**  
*New Investment by investment type, £m, 2023/24Q4 – 2024/25Q3*

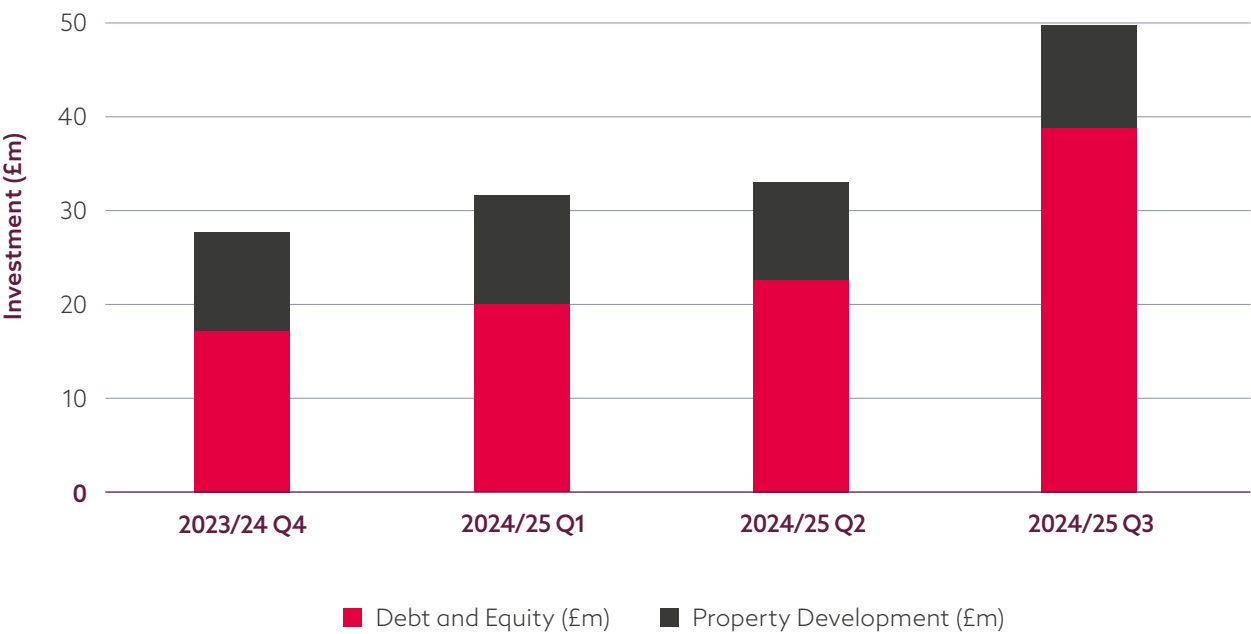


Figure 5.3 shows businesses in south east Wales received over half of all investment funds (almost £26m), and associated jobs (676 jobs) in 2024/25Q3. These businesses also accounted for over half of the number of investments during the quarter. Businesses in mid and south west Wales secured over £15.5m of Development Bank funding from 46 investments, linked to 432 new or safeguarded jobs. While businesses in north Wales secured 28 investments totalling over £8.3m of investment, supporting 122 new or safeguarded jobs in 2024/25Q3.

The largest increases in the number of investments during the quarter were in mid and south west Wales, with over 48% more investments in 2024/25Q3 than in 2024/25Q2, and with the value of investments increasing by over 84%. In south east Wales, the number of investments increased by over 18%, and with the value of investments increasing by 63% in the same period. Businesses in north Wales secured an additional 40% of investment deals in 2024/25Q3 compared with 2024/25Q2, however the value of investments and associated jobs in 2024/25Q3 were below the figures recorded for the previous quarter.

**Figure 5.3.**  
*Investment values, £m, and jobs created and safeguarded by location 2024/25Q3*



**On average, each investment made by the Development Bank in 2024/25Q3 was connected to around £323,000 of funding**

Average investment values have increased for the last four quarters, from around £200,000 in the final quarter of the 2023/24 financial year to £323,000 in the most recent quarter. There was little difference in average

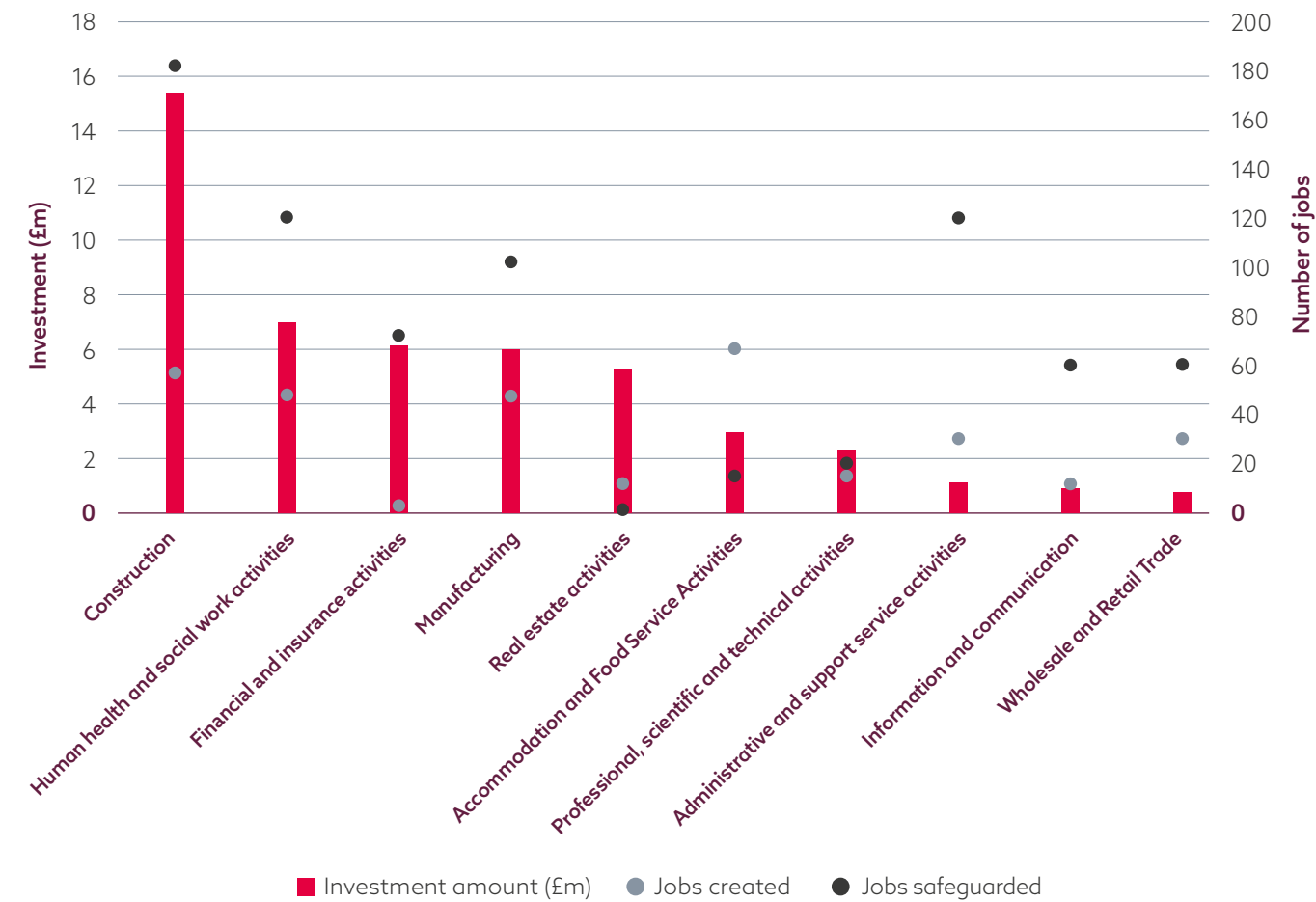
investment values by region, with the highest values in mid and south west Wales of almost £338,000, and the lowest in north Wales at almost £297,000 per investment in 2024/25Q3.

The construction sector dominated lending in 2024/25Q3, accounting for over £15.4m of funding

Figure 5.4 shows the sectors of the economy which secured over £1m of Development Bank investment funding during 2024/24Q3. Business in the construction sector secured 31% of investment funding and accounted for almost 20% of related jobs. The top five sectors shown in Figure 5.4, ranked by investment

value, secured 80% of all investment funding, and 54% of jobs in 2024/25Q3. Businesses in administrative and support service activities created or safeguarded 157 jobs (12% of total jobs) in 2024/25Q3 with less than 3% of investment funding (£1.3m).

**Figure 5.4.**  
*investment value, £m, and jobs by sector 2024/25Q3. Selected sectors with investment values above £1m*



The previous quarterly report concluded that prospects for small firms in Wales during 2025 were inevitably shaped by a series of local, national and international factors. The period since January 2025 has seen a significant increase in global trade tensions resulting from US moves to 'correct' trade balances on physical goods. At the time of writing this quarterly report, the implications of the decisions are still working their way through the global system. Indeed, there are already a large number of countries seeking to unilaterally negotiate with the US to reduce tariffs.

While there was some initial relief that the UK would be subject to a relatively low tariff rate, this ignored the place of UK manufacturing in global value chains such that higher levels of tariffs on countries with whom the UK trades could have significant knock-on effects for the domestic economy. Economic history is littered with cases of where increases in tariffs have led to poorer economic growth and indeed in some cases have been directly connected to recessions. Critically the impact of US tariffs, if maintained, on domestic US manufacturing are expected to be particularly serious and this has already been picked up in financial markets and has subsequently led to some 'rowing back' on specific commodities critical to US manufacturing. More generally, even in cases where the USA effectively seeks to 'remove' the threat, some significant damage has already been done in terms of businesses rethinking investment, and the location of investment. For Wales, one cannot ignore the fact that the USA has been not just an important trade partner but also its most

important inward investor in manufacturing. Much of this US investment is focused into relatively highly productive parts of Welsh manufacturing and it is likely that the US decision will hinder future inward investment prospects (both by new firms and existing investors).

Fast moving changes in the international trade environment create problems for developing a narrative on prospects for the Welsh economy. Much of the data, especially forecast data, contained in this quarterly report has not really factored in the impact of increased trade tensions and with an expectation that more global growth forecasts will be revised downwards in the second quarter of 2025. What will not escape the attention of economic observers is that the vertical shift in trade tensions came at a time when inflation has gradually been reduced in the UK and with the prospect of further reductions in interest rates through 2025. Then in spite of these more positive developments, the overall picture for Welsh SMEs is expected to be characterised by continued uncertainty for the remainder of 2025.

During the third quarter of the 2024/25 financial year, the Development Bank of Wales continued to support small businesses across Wales. The number and value of investments made by the Development Bank increased significantly when compared with the previous quarter. In total 154 investments were made in 2024/25Q3, with a value of £49.8m, creating or safeguarding 1,230 jobs.

Some figures reported in the quarterly reports change quite rapidly. For the reader, this appendix provides web links to the statistics that are frequently updated such that updates can be gained prior to the next quarterly report.

### **UK GDP updates:**

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/latest>

### **UK labour market analysis:**

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes>

### **UK regional labour market data:**

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/nationallabourmarketsummarybyregions01>

## Appendix 2:

7

Selected GDP forecasts for the UK economy 2025 and 2026  
(% annual growth)

Forecasters	Date of forecast	2025 GDP % annual growth	2026 GDP % annual growth
IMF	January 2025	1.6	1.6
OECD	March 2025	1.4	1.2
NIESR	February 2025	1.5	1.5
<b>Other non-city forecasters</b>			
CBI	March 2025	1.6	1.5
Experian Economics	April 2025	0.7	1.0
Oxford Economics	April 2025	1.0	0.9
<b>City forecasters</b>			
Capital Economics	April 2025	0.8	1.2
JP Morgan	April 2025	0.7	0.6
KPMG	April 2025	0.8	0.8

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-april-2025>

## Appendix 2:

7

Selected LFS Unemployment rate forecasts for the UK economy  
2025 and 2026 Q4

Forecasters	Date of forecast	LFS Unemployment rate 2025 Q4	LFS Unemployment rate 2026 Q4
CEBR	April 2025	4.7	4.4
Heteronomics	April 2025	4.5	4.6
NIESR	February 2025	4.4	4.5
<b>Other non-city forecasters</b>			
CBI	March 2025	4.3	4.3
Experian Economics	April 2025	4.7	4.7
Oxford Economics	April 2025	4.7	4.9
<b>City forecasters</b>			
Capital Economics	April 2025	4.8	4.9
JP Morgan	April 2025	4.6	4.7
KPMG	April 2025	4.6	4.8

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-april-2025>



## Appendix 2:

7

Selected Growth in prices forecasts for the UK economy 2025 and 2026 (% growth Q4-on-Q4): Consumer Price Index (CPI) inflation

Forecasters	Date of forecast	2025 CPI (Q4 on Q4 year ago, %)	2026 CPI (Q4 on Q4 year ago, %)
CEBR	April 2025	3.1	2.3
OECD	March 2025	2.7	2.3
NIESR	February 2025	2.1	2.0
<b>Other non-city forecasters</b>			
CBI	March 2025	2.6	2.4
Experian Economics	April 2025	3.5	2.3
Oxford Economics	April 2025	3.0	2.4
<b>City forecasters</b>			
Capital Economics	April 2025	3.1	2.1
JP Morgan	April 2025	2.8	2.3
KPMG	April 2025	2.9	2.1

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-april-2025>

## Appendix 2:

7

Selected Growth in prices forecasts for the UK economy 2025 and 2026 (% growth Q4-on-Q4): Retail Price Index (RPI) inflation

Forecasters	Date of forecast	2025 RPI (Q4 on Q4 year ago, %)	2026 RPI (Q4 on Q4 year ago, %)
CEBR	April 2025	3.7	3.0
Liverpool Macro Research	April 2025	3.0	3.0
NIESR	February 2025	3.6	3.3
<b>Other non-city forecasters</b>			
CBI	March 2025	2.7	2.6
Experian Economics	April 2025	4.2	3.3
Oxford Economics	April 2025	3.9	3.2
<b>City forecasters</b>			
Capital Economics	April 2025	4.6	3.4
HSBC	April 2025	4.0	3.2
UBS	April 2025	3.5	2.5

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-april-2025>

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Economic Intelligence Wales



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