



# Economic Intelligence Wales

## *Annual report*

**September 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 June 2025 *Economic Outlook Report*, the **Organization for Economic Cooperation and Development (OECD)** forecast that global growth would fall to 2.9% in 2025 due to the impact of trade barriers, reduced business and consumer confidence, and policy uncertainty.

Data from the ONS showed that twelve-month Consumer Price Index (CPI) **inflation in the UK was 3.4% in May 2025, down from 3.5% in April 2025.**

In June 2025 **the Bank of England voted to keep the Bank Rate at 4.25%.** This followed a cut in May of 0.25 percentage points.

In the **three months to April 2025 UK gross domestic product (GDP)** was estimated to have **increased by 0.7%.** This was largely driven by services sector growth in the period.

Between March and May 2025, total **UK vacancies were down by 150,000** from the level of a year ago. Estimates from PAYE show a fall in the number of payroll employees in the UK for May 2025 to 30.2m, a decrease of 274,000 employees compared to May 2024. **In Wales the number of payrolled employees fell by 13,500 to 1.3m in the year to May 2025.**

The **UK economic inactivity rate was 21.3%** in the quarter February to April 2025. **In Wales** the comparative figure was **24.2%.**

The **Welsh construction index fell for the fifth consecutive quarter** in 2024Q4, being 18.8% below the 2022 level. The comparative figure for the UK was up 3.4%. The **Welsh production index** in 2024Q4 was 6.2% **below the 2022 level** for Wales, with the UK comparative figure 2.6% down.

The **value of goods exported from Wales decreased by 20.1% to £15.28bn in the year ending March 2025.**

**The average forecast for UK GDP growth in 2025 was 1.1% in June 2025.** This was 0.1 percentage points more than the average new forecast made in May 2025.

## Changing economic conditions shaping demand for finance

The Federation of Small Businesses *UK Small Business Index* of **business confidence remained very low in 2025Q1 recording -40.7,** although it was up from a four-year low of -64.5 in 2024Q4. The domestic economy continued to be the top concern for small businesses as a potential barrier to growth.

**SME Finance Monitor results for 2025Q1 showed that 28% of UK SMEs** (excluding starts) **reported growth over the last 12 months,** down slightly from 30% in the previous quarter.

The **number of business births in Wales slightly exceeded business deaths during 2025Q1.** Total business births in Wales in 2025Q1 was 2,890, whilst the number of business deaths in Wales during the same period were 2,860.

The *ONS Business Impacts and Conditions Survey (BICS)* for 1 to 30 April 2025 reported that **39.8% of Welsh businesses expected their performance would increase in the year ahead** (UK 33.5%).

ONS data showed that **UK house prices increased by 3.5% in the 12 months to April 2025.** The average house price in Wales in April 2025 was £210,000, representing a 5.3% increase from April 2024. However, **more recent data indicates a significant fall in UK house prices between May and June 2025.**

The S&P Global/CIPS UK **Construction Purchasing Managers' Index** registered **47.9 in overall construction activity in May 2025,** below the 50 mark that differentiates expansion from contraction.

# Summary

## Supply of, and demand for, finance

Lenders reported that the **availability of credit for small and medium-sized businesses increased**, and was unchanged for large business, 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 2025Q1 gross lending to UK SMEs by the main high street banks increased by 14% year-on-year** and was the highest level since 2022Q2.

The *SME Finance Monitor* found that **44% of UK SMEs had used some form of external finance during 2025Q1**, down from 46% during 2024Q4. Credit cards remained the most common form of business finance used by SMEs.

The **stock of lending to Welsh SMEs continues to return to pre-pandemic levels**, with overall lending to Welsh SMEs of £3,855m during 2024 H2.

Globally, the amount of venture capital raised, and the number of funds, is decreasing.

The total number of **equity investments in UK small businesses decreased by 24.3% year-on-year to Q3 2024, whilst in Wales the decrease was 14.3%.**

## Development Bank of Wales activity

The Development Bank of Wales achieved **record levels of investment during 2024/25.**

In 2024/25 560 investments were completed, with a total value of over £152m. These investments were associated with almost 4,900 new and safeguarded jobs across 502 businesses.

**Micro-businesses received almost 43% of debt and equity investment funds during 2024/25**, accounting for over 1,750 new and safeguarded jobs.

Excluding the £92m Covid-19 Wales Business Loan Scheme (CWBLs), **the cumulative value of investments made by the Development Bank in the five years to the end of 2024/25 was over £616m.**

This is the seventh Economic Intelligence Wales annual report. The 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 financial year 2024/25, and an analysis of the Bank's performance by investment activity. 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 then 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 during the 2024/25 financial year. 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 1 July 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>.

Economic Intelligence Wales is planning to publish a series of other outputs during 2025, 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)

- The Organization for Economic Cooperation and Development's (OECD) global growth forecasts for 2025 and 2026, published in June 2025, were revised downwards to 2.9% (for both 2025 and 2026).
- In June 2025 the Bank of England voted to keep the Bank Rate at 4.25%, with this following a cut of 0.25 percentage points in May 2025.
- Twelve-month Consumer Price Index (CPI) inflation in the UK was 3.4% in May 2025, down from 3.5% in April 2025.
- In the quarter February to April 2025 the UK economic inactivity rate was 21.3%. In Wales the comparative figure was 24.2%.
- In 2024Q4 the Welsh construction index fell to 18.8% below the 2022 level, whilst the Welsh production index in 2024Q4 was 6.2% below the 2022 level.

## Global prospects

The Organization for Economic Cooperation and Development's (OECD) *Economic Outlook*<sup>3</sup> report published in June 2025, warned that the global economic outlook was "increasingly challenging". Major risks to growth included a substantial increase in trade barriers, tighter financial conditions, reduced business and consumer confidence, and increased policy uncertainty.

Consequently, the OECD forecast for GDP growth in 2025 was revised downwards by 0.2 percentage points to 2.9%, and the forecast for 2026 was reduced by 0.1 percentage points, also to 2.9%.<sup>4</sup> These projections were closely aligned with the forecasts in the International Monetary Fund's (IMF) World Economic Outlook, published in April 2025, with global economic growth at 2.8% in 2025 and 3.0% in 2026<sup>5</sup>.

A note of optimism was indicated by the OECD in the "early reversal of recent trade barriers" that could improve economic growth prospects and help alleviate inflationary pressures. However, the ongoing geopolitical instabilities are likely to further impact global economic prospects.

At a country level, the OECD forecast GDP growth in the U.S. to be 1.6% in 2025<sup>6</sup>. This is a downward revision of 0.6 percentage points from its Economic Outlook Interim Report projection in March 2025,<sup>7</sup> whilst US GDP growth in 2026 is expected to fall to 1.5%. The comparative figures for Germany are for growth of 0.4% in 2025 and 1.2% in 2026. In the UK, the OECD growth forecast is 1.3% in 2025 (a downwards revision of 0.1 percentage points), before decreasing to 1.0% in 2026.

<sup>3</sup> [https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1\\_83363382-en/full-report.html](https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1_83363382-en/full-report.html)

<sup>4</sup> The OECD note that these rates are based on the technical assumption that tariff rates as of mid-May are sustained despite ongoing legal challenges.

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

<sup>6</sup> [https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1\\_83363382-en/full-report.html](https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1_83363382-en/full-report.html)

<sup>7</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)

## UK Chancellor's Comprehensive Spending Review

In June 2025 the Chancellor of the Exchequer, Rachel Reeves, set out spending budgets for government departments covering the next three years for resource budgets, and the next four years for capital budgets. For Wales plans were unveiled to spend £445m on building rail transport infrastructure including five new stations around the Cardiff and Newport areas,

capacity building in north Wales, and further development of the South Wales Metro.<sup>8</sup> Welsh Government Cabinet Secretary for Finance and Welsh Language, Mark Drakeford MS, noted that the Welsh Government "will now work with the UK Government to identify the details of the Spending Review before providing more information on the implications for Wales".<sup>9</sup>

## Launch of the UK's Modern Industrial Strategy 2025

Published by the UK Government in June 2025, the Modern Industrial Strategy is a 10-year plan to boost business investment and aid the 'industries of the future' in the UK.<sup>10</sup> Sector Plans for five of the eight targeted sectors (Advanced Manufacturing, Creative Industries, Clean Energy Industries, Digital and Technologies, and Professional and Business Services) were

published, with three more (Life Sciences, Financial Services, and Defence) to follow. Key measures identified for Wales include increased opportunities for investment in the advanced manufacturing sector, and help in securing financing for investment projects, with the National Wealth Fund working with the Development Bank of Wales.<sup>11</sup>

## UK inflationary pressures

As noted in the last Economic Intelligence Wales quarterly report<sup>12</sup>, 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.<sup>13</sup> In the year to January 2025, the latest data available, 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>14</sup> In January 2025 the largest upward contributors to the annual output inflation rate 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%).

<sup>8</sup> <https://www.bbc.co.uk/news/articles/cx2jeklk31jo>

<sup>9</sup> <https://www.gov.wales/written-statement-welsh-government-response-uk-spending-review-2025#>

<sup>10</sup> <https://www.gov.uk/government/collections/the-uk-modern-industrial-strategy-2025>

<sup>11</sup> <https://www.gov.uk/government/news/industrial-strategy-to-boost-growth-and-jobs-in-wales>

<sup>12</sup> [https://developmentbank.wales/sites/default/files/2025-06/EIW%20Quarterly%20Report%20Q3%20-%20FINAL\\_0.pdf](https://developmentbank.wales/sites/default/files/2025-06/EIW%20Quarterly%20Report%20Q3%20-%20FINAL_0.pdf)

<sup>13</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/january2025>

<sup>14</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/january2025>

Twelve-month Consumer Price Index (CPI) inflation in the UK was 3.4% in May 2025, marginally down from 3.5% in the twelve months to April 2025, according to ONS data.<sup>15</sup> The largest downward contributions to the monthly change on the CPI annual inflation rate in the year to May 2025 came from transport, while the largest upward contributions came from food, and furniture and household goods. However, the ONS noted that the CPI inflation

rate was overstated in April 2025 due to an error in the Vehicle Excise Duty (VED) component, and that "April figures have not been amended but the corrected VED information has been used when producing the May index".

The Core Consumer Price Index, which excludes energy, food, alcohol and tobacco prices, increased by 3.5% in the twelve months to May 2025, down from 3.8% in the twelve months to April 2025.<sup>16</sup>

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

Following a cut of 0.25 percentage points in May 2025, the Monetary Policy Committee (MPC) of the Bank of England voted to maintain the Bank Rate at 4.25% in June 2025. In its summary report for June 2025 the MPC noted "Monetary

policy would need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term had dissipated further."<sup>17</sup>

## UK GDP increases in the three months to April 2025

In the three months to April 2025 UK real gross domestic product (GDP) is estimated to have increased by 0.7% compared to the three months to January 2025.<sup>18</sup> The ONS noted that this was largely driven by services sector growth in the period. In comparison to the three months to April 2024, GDP is estimated to have grown by 1.1% in the three months to April 2025.

By sector, output in UK services was estimated to have increased by 0.6% in the three months to April 2025, compared with the three months to January 2025. The largest positive contributors to the growth in services output in the three months to April 2025 were in administrative and support service activities (an increase of 3.3%), information and communication (up 2.4%), and wholesale and retail (an increase of 1.4%).

Output in production in the UK is estimated to have grown by 1.1% in the three months to April 2025. This period saw positive contributions to production output in three of the four subsectors: manufacturing (an increase of 1.2%); water supply; sewerage, waste management and remediation activities (up 3.7%) and electricity, gas, steam and air conditioning supply (an increase of 1.0%). In the three months to April 2025 mining and quarrying output decreased by 1.3%.

Monthly GDP estimates show that output in the UK economy is estimated to have fallen by 0.3% in April 2025, following growth of 0.2% in March 2025. The largest contributor to the fall in GDP in the month was the decrease of 0.4% in services output.<sup>19</sup>

<sup>15</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2025>

<sup>16</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2025>

<sup>17</sup> <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/june-2025>

<sup>18</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/april2025>

<sup>19</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/april2025>



## UK business investment increased in 2025Q1

Following a contraction of 1.9% in 2024Q4,<sup>20</sup> UK business investment increased by 3.9% in 2025Q1 (revised down from a 5.9%

increase in the provisional estimate), and was 6.1% above the level in 2024Q1.<sup>21</sup>

## Continued fall in UK job vacancies

In the period March to May 2025 the number of UK job vacancies was 736,000, a decrease of 63,000 from the previous quarter, December 2024 to February 2025.<sup>22</sup> In March to May 2025 total vacancies were down by 150,000 from the level of a year ago, and 59,000 below their January to March 2020 level. The ONS noted that feedback from its Vacancy Survey indicated "some firms may not be recruiting new workers or replacing workers who have left". The largest volume decreases in vacancies in March to May 2025 from the previous quarter were in professional, scientific and technical services (a fall of 11,000 vacancies) and construction (decreasing 9,000). The fall in vacancies may be potentially linked with the increase in the National Minimum Wage and the National Living Wage from April 2025, adding to costs for employers and resulting in some scaling back of recruitment.

Pay as You Earn Real Time Information early estimates show an overall fall in the number of payroll employees in the UK for May 2025 to 30.2m, a decrease of 274,000 employees (or 0.9%) compared with the figure for May

2024.<sup>23</sup> In the year to May 2025, increases in payrolled employees in the UK was largest in the health and social work sector (an increase of 62,000 employees or 1.4%) and smallest in the accommodation and food service activities sector (a decrease of 124,000 or -5.6%).<sup>24</sup> A fall in payrolled employees between May 2024 and May 2025 was also seen in a number of other sectors, including manufacturing, construction, wholesale and retail, information and communication, professional, scientific and technical, administrative and support services.

The number of payrolled employees in Wales decreased by 13,500 (or -1.0%) to 1.31m in the year to May 2025.<sup>25</sup> The UK regional data on payroll employees by sector is updated less frequently, but the data for April 2025 shows the volume decrease in payroll employees over the year was most evident in accommodation and food services (a fall of 5,170 employees or -5.4%), manufacturing (a decrease of 2,070 employees, or -1.7%), and wholesale and retail (-1,690 employees, or -1.0%).<sup>26</sup>

<sup>20</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/octobertodecember2024revisedresults>

<sup>21</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/januarytomarch2025revisedresults>

<sup>22</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/june2025>

<sup>23</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/june2025>

<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>

## Unemployment rate changes in the UK and in Wales

For the three-month period to April 2025 the UK unemployment rate (all aged 16+, seasonally adjusted) was an estimated 4.6%, according to figures from the ONS. This represented an increase of 0.2 percentage points from the figure for the quarter February 2024 to April 2024.<sup>27</sup>

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

in London (6.4%), West Midlands (5.2%), North East (5.0%), Wales (4.7%), and Yorkshire and the Humber (4.6%), while the lowest rates were in Northern Ireland (1.8%), South West (3.4%), South East (4.1%), and Scotland (4.2%).<sup>28</sup> In Wales the unemployment rate for the three-month period to April 2025 increased 1.2 percentage points, to 4.7%, from the three month period to April 2024.

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

During the year to May 2025, the UK unemployment-related benefit claimant count (not seasonally adjusted) increased by 104,500 to 1.73m people.<sup>29</sup>

In Wales, 65,435 people claimed unemployment-related benefits in May 2025 (equal to 3.4% of the resident population aged 16 to 64, not seasonally adjusted, compared with a figure of 4.1% for the UK), an increase of 2,080 in the number of claimants compared with May 2024.<sup>30</sup> It should be noted that the values for May 2025 are provisional at the time of writing.

The Welsh unitary authorities with the highest proportion of working age population claiming unemployment-related benefits, according to the data for May 2025, were Newport (4.7%), Cardiff (4.0%), Blaenau Gwent (4.0%), Torfaen (3.8%), and Conwy (3.8%), and those with the lowest proportions were Monmouthshire (2.5%), Ceredigion (2.7%), Powys (2.7%), Gwynedd (2.8%), Carmarthenshire (2.9%), and Flintshire (2.9%), and Bridgend (also 2.9%).

<sup>27</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest#unemployment>

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

<sup>29</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits/datasets/claimantcountcla01>

<sup>30</sup> <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Unemployment/Claimant-Count/claimantcount-by-welshlocalareas-variable-month>

## Economic inactivity continued to decrease in the UK and Wales

According to ONS LFS data, the UK economic inactivity rate (seasonally adjusted, all aged 16 to 64 years) in the period February to April 2025 was 21.3%. This was 0.9 percentage points below the rate a year ago (February to April 2024),<sup>31</sup> with the ONS noting that this annual decrease in inactivity was driven by those economically inactive because they were looking after family and home or were students.

The economic inactivity rate in Wales, in the period February to April 2025, decreased 4.2 percentage points on the year to 24.2%.<sup>32</sup> In April 2025, three local authority areas in Wales were chosen to be part of a £10m UK Government Trailblazer Programme to "...develop and test localised approaches to reducing economic inactivity..." Blaenau Gwent, Denbighshire, and Neath Port Talbot were selected to take part in piloting the scheme in Wales.<sup>33</sup>

## Decline in Welsh construction industry output from 2023Q3 to 2024Q4

Figure 2.1 shows the trend in Welsh production, construction and market services indices from 2021Q4 to 2024Q4. The market services index increased marginally during this time, being 1.5% above the 2022 level for Wales in 2024Q4. The comparative figure for the UK was 1.2% above the 2022 level. The Welsh production index in 2024Q4 was 6.2%

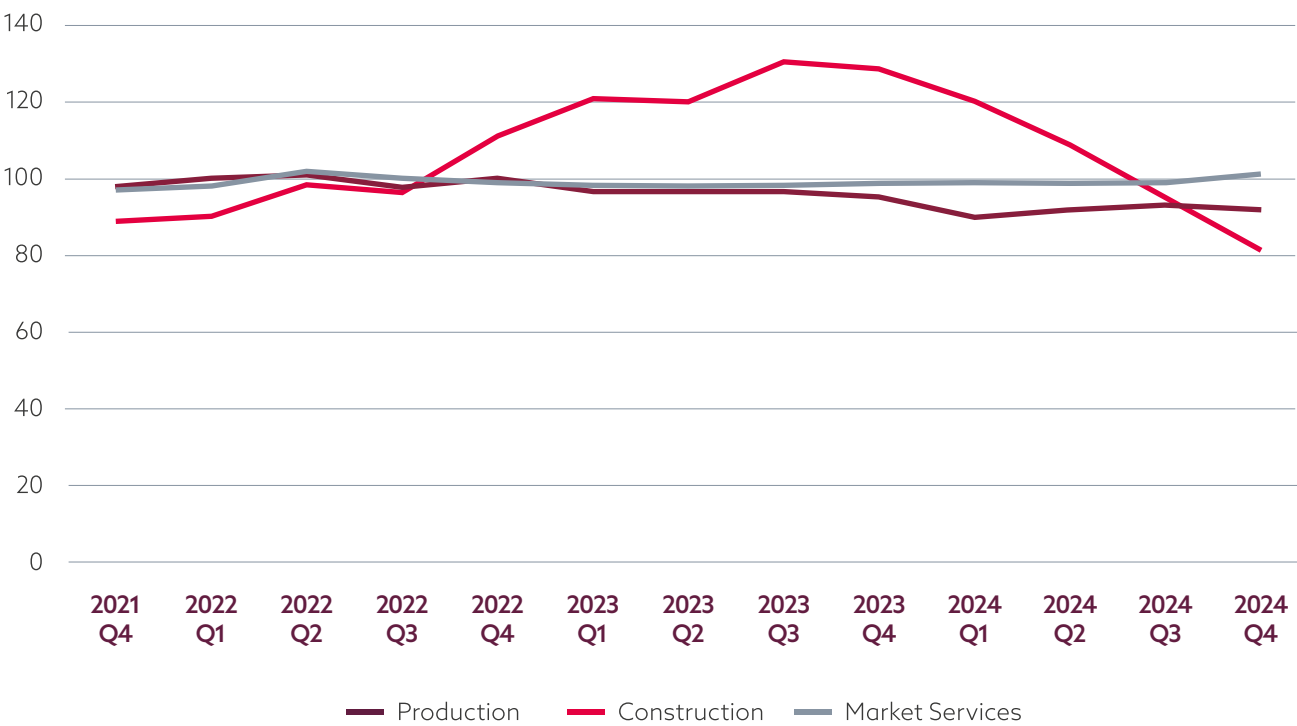
below the 2022 level for Wales, with the UK comparative figure 2.6% below its 2022 level. Of some concern is the continued decline in the Welsh construction index for the fifth consecutive quarter in 2024Q4, being 18.8% below the 2022 level. The comparative figure for the UK was 3.4% above the 2022 level.

<sup>31</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest#economic-inactivity>

<sup>32</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/latest>

<sup>33</sup> <https://www.gov.wales/written-statement-economic-inactivity-trailblazer-wales>

**Figure 2.1**  
*Welsh output indices: trend 2021Q4 - 2024Q4 (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.

Construction activity completed on the final sections of the upgrade to the A465 Heads of the Valleys road in May 2025. The long-standing and large-scale Welsh Government project to dual the carriageway between Hirwaun and Abergavenny has supported and sustained jobs and economic activity amongst subcontractors, suppliers, and the wider economy for many years. The completion of the construction phase may result in further downward pressure on the index of construction, although with the prospect that the completed and improved road will help to support longer term business opportunities.

According to research published in June 2025 by the Construction Industry Training Board (CITB) in The Construction Workforce Outlook for Wales (2025-2029), output growth in the

sector in Wales is forecast to average 1.9% per year between 2025 and 2029 (the comparative figure for the UK was 2.1%). The report indicates that public and private new housing, along with infrastructure investment will be relatively large contributors to construction growth in Wales over the next five years, while more moderate growth is likely to be experienced in the industrial and commercial sectors.<sup>34</sup>

The Bank of England’s Agents’ summary of business conditions report, published in June 2025, indicated that in the UK, expectations were for “modest positive output growth” in the second half of 2025 – this was based on the prospect of further cuts in the interest rate and a boost in government spending.<sup>35</sup>

<sup>34</sup> [https://www.citb.co.uk/cwo/reports/cwo\\_report\\_wales\\_english.pdf](https://www.citb.co.uk/cwo/reports/cwo_report_wales_english.pdf)  
<sup>35</sup> <https://www.bankofengland.co.uk/agents-summary/2025/2025-q2>

## The value of goods exported from Wales decreased in the year to 2025Q1

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

For the period to 2025Q1 the trade in goods data for the UK regions shows that there had been a decrease in the value of exports from all UK countries, except Scotland, in the twelve months ending March 2025 compared with the previous twelve months.<sup>36</sup> The value of goods exported from Wales decreased by 20.1% to £15.28bn in the twelve months ending March 2025 (compared with a decrease of 3.0% in England, 3.7% in Northern Ireland, and an increase of 3.1% in Scotland).

Total export value by products in Wales decreased in most categories over the year to March 2025.<sup>37</sup> The value of Machinery and Transport exports from Wales decreased to £7.15bn in the year ending 2025Q1, from £8.26bn in the previous twelve months, a decrease of 13.5%. The value of exports of Manufactured products classified chiefly by materials fell to £2.48bn in the year ending 2025Q1, a decrease of 8.1% from the year ending 2024Q1. The value of exports of Mineral Fuels from Wales fell to £0.99bn in the year ending 2025Q1, a fall of 70.7% from the previous twelve months.

The total exporter count for Wales in 2025Q1 was 3,080, a decrease of 89 (or 2.8%) from 2024Q1 (using the Whole Number Method).<sup>38</sup> In the same time period, there was a decrease of 4.9% for the UK as a whole.<sup>39</sup> HM Revenue & Customs published trade volume data for the year to 2025Q1 showed that a net mass of 4.26 billion kilograms were exported from Wales, a decrease of 45.2% from the previous twelve months.<sup>40</sup>

In the year to March 2025 the value of goods imported fell in Wales by 3.5% to £20.2bn when compared to the previous twelve months. This compared to a decrease in the value of imports in Scotland of 1.8%, and increases in England of 0.2%, and Northern Ireland of 4.7%.<sup>41</sup>

In Wales, the total importer count in 2025Q1 was 8,144, a decrease of 0.4% from the figure in 2024. In the UK the total importer count increased by 2.0% over the same period.<sup>42</sup> Trade volume data published by HM Revenue & Customs, for the year to 2025Q1, showed that a net mass of 16.02 billion kilograms were imported into Wales, a decrease of 12.3% from the previous year to the end of 2024Q1.<sup>43</sup>

The last Economic Intelligence Wales quarterly report<sup>44</sup> explored the scale and nature of trade between Wales and the USA in the wake of the tariff announcements by President Trump in April 2025. While the tariffs situation is still evolving, the

<sup>36</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-first-quarter-2025/>

<sup>37</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>38</sup> "Whole number method": A business counts as 1 in each region they have employees.

<sup>39</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-first-quarter-2025#datasets>

<sup>40</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>41</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-first-quarter-2025/>

<sup>42</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-first-quarter-2025/>

<sup>43</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>44</sup> [https://developmentbank.wales/sites/default/files/2025-06/EIW%20Quarterly%20report%20Q3%20-%20FINAL\\_0.pdf](https://developmentbank.wales/sites/default/files/2025-06/EIW%20Quarterly%20report%20Q3%20-%20FINAL_0.pdf)

US-UK trade deal represents some positive news that may limit some of the worst-case scenarios. The value of exports of goods from the UK to the US increased for four consecutive months to March 2025 as businesses rushed to ship goods ahead of potential tariffs. However, the ONS reported that in April 2025 the value of UK exports of goods to the US fell by £2.0 billion, the largest decrease since records began in January 1997,

pointing to the likely link to the introduction of tariffs on goods imported to the US.<sup>45</sup> The quarterly data on regional trade in goods however shows that the value of exports from Wales to the US decreased from £482.9m in 2024Q4 to £422.7m in 2025Q1, a fall of -12.5% (the comparative quarterly figure for the UK as a whole was an increase of 18.1%).<sup>46</sup>

## UK economy forecasts

A comparison of independent forecasts received between the 1 and 13 of June 2025 was published in the June 2025 *HM Treasury Forecasts for the UK Economy*.<sup>47</sup> The average of new forecasts for UK GDP growth in 2025 was 1.1%, an increase of 0.1 percentage points from that projected by the average of new forecasts in the May 2025 publication.<sup>48</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>44</sup> <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/latest#uk-trade-with-the-united-states>

<sup>45</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>46</sup> <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-june-2025>

<sup>47</sup> <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-may-2025>

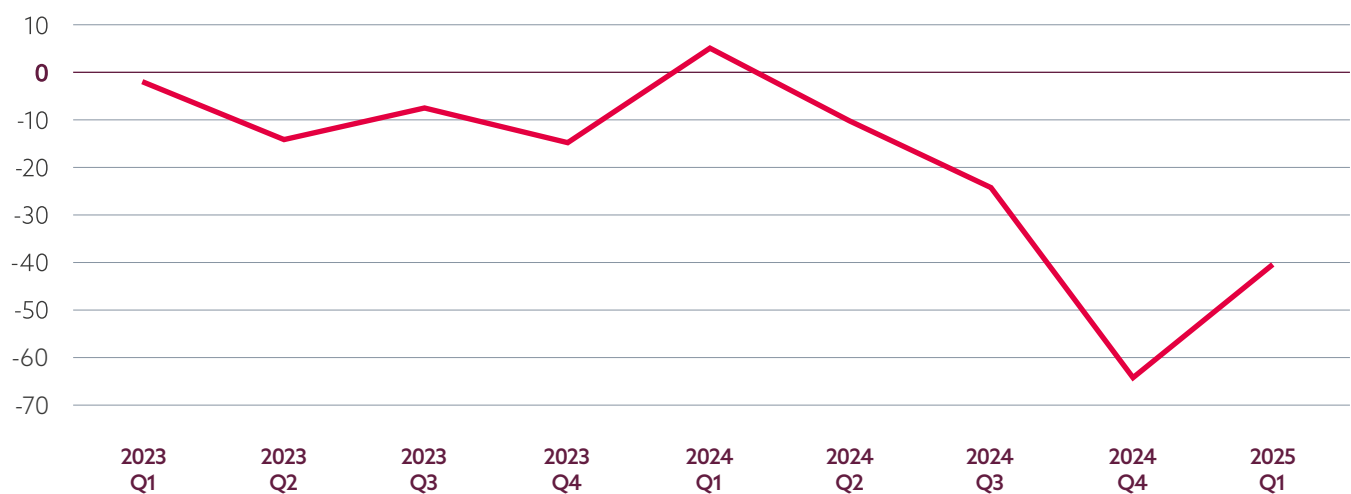
- Small business confidence remained very low in 2025Q1.
- Business births in Wales exceeded business deaths during 2025Q1.
- In 2025Q1, 28% of SMEs reported growth in the previous 12 months.

## Small business confidence remained very low in 2025Q1

The Federation of Small Businesses (FSB)<sup>49</sup> UK Small Business Index (SBI) reported some partial recovery during 2025Q1 to -40.7, up from a four-year low of -64.5 during 2024Q4.

Nevertheless, small business confidence remains very low.<sup>50</sup> Figure 3.1 shows the trend of the FSB SBI between 2023Q1 and 2025Q1.

**Figure 3.1**  
*UK Small Business Confidence Index, 2023Q1 – 2025Q1*



Source: FSB Small Business Index <sup>51</sup>

In 2025Q1, the net balance of small businesses reporting revenue growth stood at -25.4%, a small improvement on the -32.1% identified in the previous quarter. Expectations for future growth also improved with a net balance of -8.4%, up from -25.9% in 2024Q4. Although all sectors

surveyed by the SBI reported a fall in pessimism, they also all remained negative in 2025Q1. Construction was the least negative at -18.7, whilst the accommodation and food services sector remained the most pessimistic at -62.4.

<sup>41</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>49</sup> FSB Small Business Index, 2025Q1 [https://issuu.com/federationofsmallbusinesses/docs/small\\_business\\_index\\_quarter\\_1\\_2025?fr=xKAE9\\_zMzM1w](https://issuu.com/federationofsmallbusinesses/docs/small_business_index_quarter_1_2025?fr=xKAE9_zMzM1w)

<sup>50</sup> FSB Small Business Index, 2025Q1 op. cit.

### The domestic economy continues to remain the top concern for SMEs

Overall, the domestic economy remained the most frequently cited barrier to growth, with 65.2% of businesses expecting it to impact on their growth prospects. The tax burden, labour costs, and consumer demand were the next most cited barriers to growth.

The Business Confidence Monitor (BCM) of the Institute of Chartered Accountants in England and Wales (ICAEW) for 2025Q1 reported a further fall in overall UK business confidence to -3.0 (from +0.2 in 2024Q4), the first time this index has been in negative territory in over two years. The index is now well below its historical norm of +5.3.<sup>52</sup> The BCM identified that business confidence has fallen in all nations and regions of the UK except the East of England, with most now in negative territory. Business confidence in Wales experienced a further fall and is the weakest at -17.6, down from -12.1 in the previous quarter. Although Welsh companies reported a small 0.4% increase in profits growth in the year to 2025Q1, this was below the UK average of 2.7%. Nevertheless, 3.1%

of respondent Welsh businesses anticipated an improvement in profits growth over the coming year (against the UK average of 4.7%).

The most recent Small Business Index (SBI) from the Federation of Small Businesses (FSB) is derived from a survey conducted among 1,414 small business owners and sole traders, carried out between 10 March and 24 March 2025. 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 10 February to 27 March 2025, a different period from the FSB's SBI, which may partly account for some of the variations in findings. Perhaps the most significant methodological difference between the two surveys is that, whereas the SBI survey is targeted on small businesses, the BCM encompasses businesses of all sizes.

### In 2025Q1, 28% of SMEs reported growth in the previous 12 months

The UK SME Finance Monitor for 2025Q1<sup>53</sup> showed that 28% of all responding UK SMEs (excluding starts) had reported growth over the last 12 months, down slightly from 30% of respondents in the previous 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, 47% of UK

businesses employing 50-249 employees, 45% of those employing 10-49, 34% employing 1-9, and 25% of those with no employees, experienced growth in the 12 months prior to 2025Q1. The UK SME Finance Monitor also reported that during the same period, 37% of respondent businesses listed higher costs, and 33% listed both the economic climate and political uncertainty, as significant barriers to SME growth.

<sup>52</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/business-confidence-monitor-national](https://www.icaew.com/technical/economy/business-confidence-monitor/business-confidence-monitor-national)

<sup>53</sup> [www.bva-bdrc.com/wp-content/uploads/2025/05/SME-Monthly-charts-March-2025-v1a.pdf](https://www.bva-bdrc.com/wp-content/uploads/2025/05/SME-Monthly-charts-March-2025-v1a.pdf)



As previously reported, the most recently available data from the SME Finance Monitor data for Wales<sup>54</sup> for 2024 H2 revealed 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. By business size, 45% of businesses employing 50-249 employees, 50% of those employing 10-49, 34% employing 1-9, and 24%

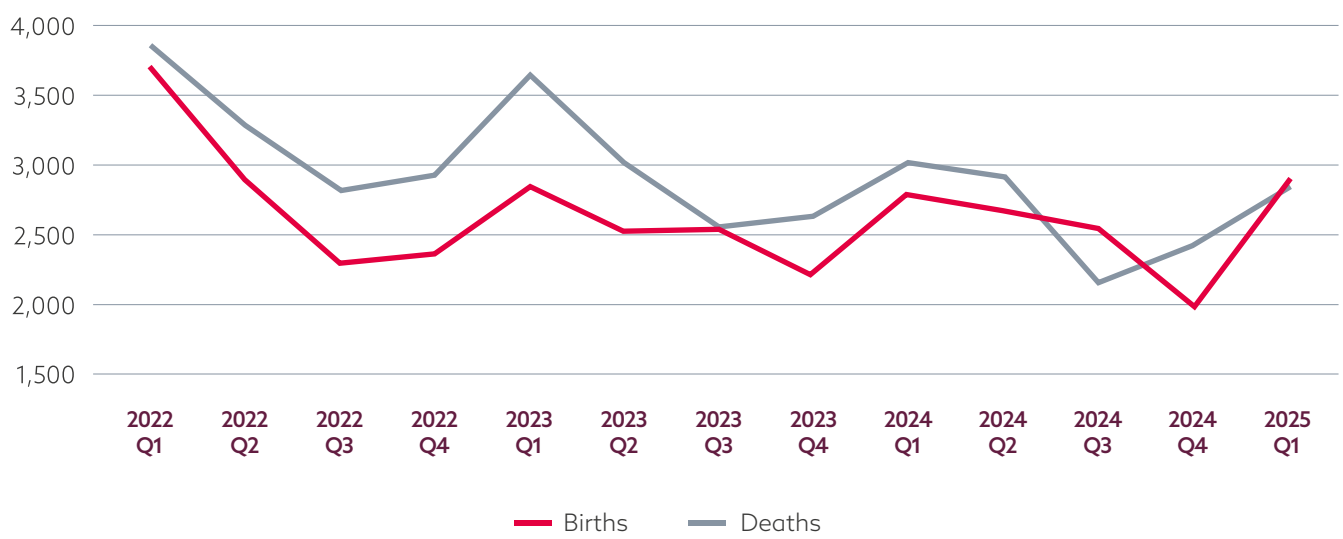
of those with no employees, experienced growth during 2024. Of these, 39% of transport, storage, and communication SMEs experienced growth during 2024. Other sectors where the percentage of SMEs in Wales had experienced notable growth during 2024 included: manufacturing (38%); wholesale and retail (31%); hotels and restaurants (31%); real estate, renting and business advice (31%); and construction (20%).

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

The ONS reported an estimated total of 89,515 UK business births during 2025Q1. The ONS also reported that the number of UK business deaths in 2025Q1 was 83,425. Figure 3.2 reveals the variation of quarterly business births and deaths in Wales over the past 13 quarters.<sup>55</sup> The number of business births in Wales in 2025Q1 was

2,890, whilst the number of business deaths in Wales during the same period was 2,860. There was a notable increase in both business births and business deaths in Wales during 2025Q1, although the number of births slightly exceeded deaths. The number of business births in Wales in 2025Q1 was the highest since 2022Q2.

**Figure 3.2**  
*Quarterly business demography in Wales, 2022Q1 – 2025Q1*



**Source:** ONS Business Demography, Quarterly Experimental Statistics, UK<sup>56</sup>

<sup>54</sup> Data for Wales is derived from an extract of the SME Finance Monitor provided by the Development Bank of Wales.  
<sup>55</sup> [www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk](https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk)  
<sup>56</sup> ONS, *ibid*.

### Business insights and conditions survey

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 30 April (Wave 132)<sup>57</sup> reported that 26.4% of surveyed Welsh businesses experienced increased turnover in April 2025 (UK 24.4%). Some 29.4% of surveyed businesses in Wales expected turnover to increase in June 2025 against a UK average of 28.3%.

The BICS also revealed that, during April 2025, 23.8% of surveyed businesses in Wales (UK 21.9%) reported that the prices of the goods and services sold by their businesses had increased when compared with the previous month, and 29.9% of surveyed businesses in Wales (UK

31.9%) reported that the prices they had paid for goods and services had increased from the previous month. Some 16.0% of Welsh firms reported that they expected their number of employees to increase in June 2025 (UK 15.7%).

Compared with the same period in 2024, 29.7% of surveyed Welsh businesses believed their performance had increased (UK 25.4%), with 21.2% believing it had decreased (UK 22.4%). In terms of expectations, 39.8% of Welsh businesses expected their performance would increase in the year ahead (UK 33.5%).

### Business insolvencies

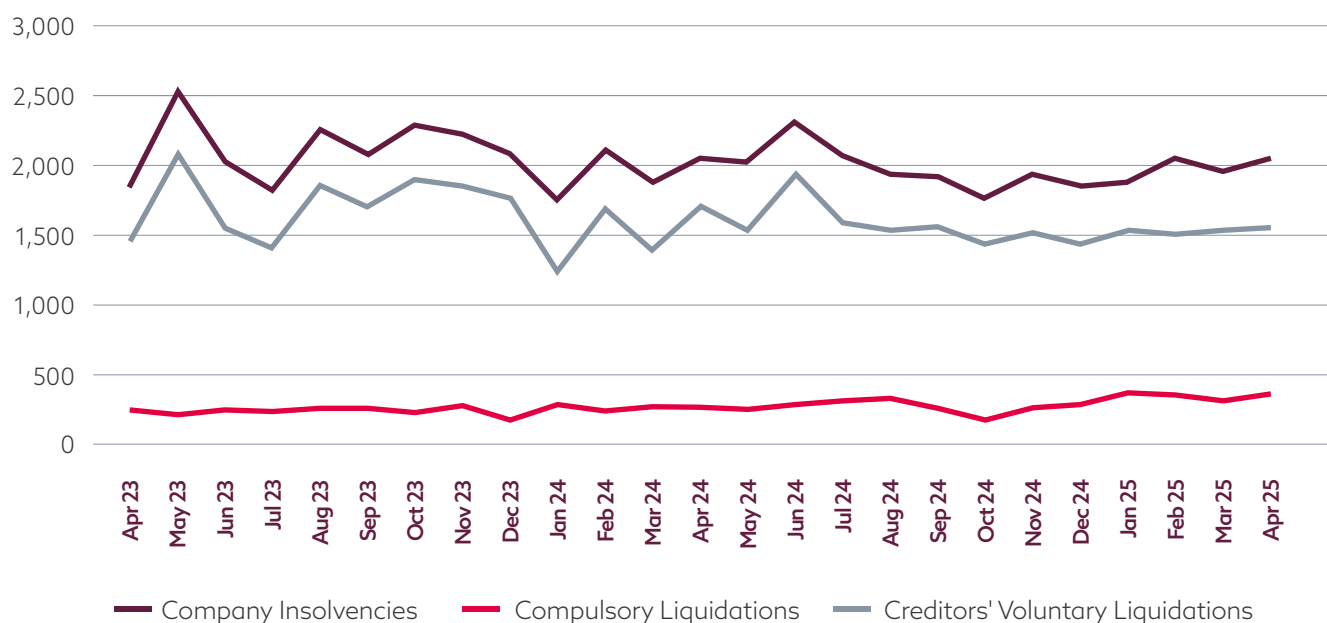
Figure 3.3 shows the trend of registered company insolvencies in England and Wales from April 2023 to April 2025. The total monthly insolvencies in April 2025 were 2,053, lower than 12 months previously when there were 2,163 insolvencies. Although this overall rate continued

to be driven by creditors' voluntary liquidations, which stood at 1,544 in April 2025, there has been a notable increase in the number of compulsory liquidations since the start of the year, reaching 379 in April 2025.

<sup>57</sup> [www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheeconomy](https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheeconomy)

**Figure 3.3**

*Monthly registered company insolvencies, England and Wales, April 2023 – April 2025 (seasonally adjusted)*



**Source:** UK Government Insolvency Monthly Statistics<sup>58</sup>

County Court judgments for debt, can, as part of a wider trend, help predict potential future insolvencies. Provisional data indicates that

during 2025Q1 there were 490,000 County Court claims and, of these, 409,000 were money claims, up by 19% on the same quarter in 2024.<sup>59</sup>

## UK house prices increased 3.5% in the year to April 2025

ONS data that captures both cash and mortgage-based purchases, shows that UK house prices increased by 3.5% in the 12 months to April 2025. The average UK house price in April 2025 was £265,000, which was £9,000 higher than 12 months previously. The average house price in Wales in April 2025 was £210,000, representing a 5.3% increase from

April 2024. The decline in average UK house price inflation for the 12 months to April 2025,<sup>60</sup> when compared with the 12 months to March 2025, is driven by declines in England, with stable or positive changes in Scotland, Northern Ireland and Wales. More recent data from Nationwide indicates a notable monthly fall in UK house prices between May and June 2025.<sup>61</sup>

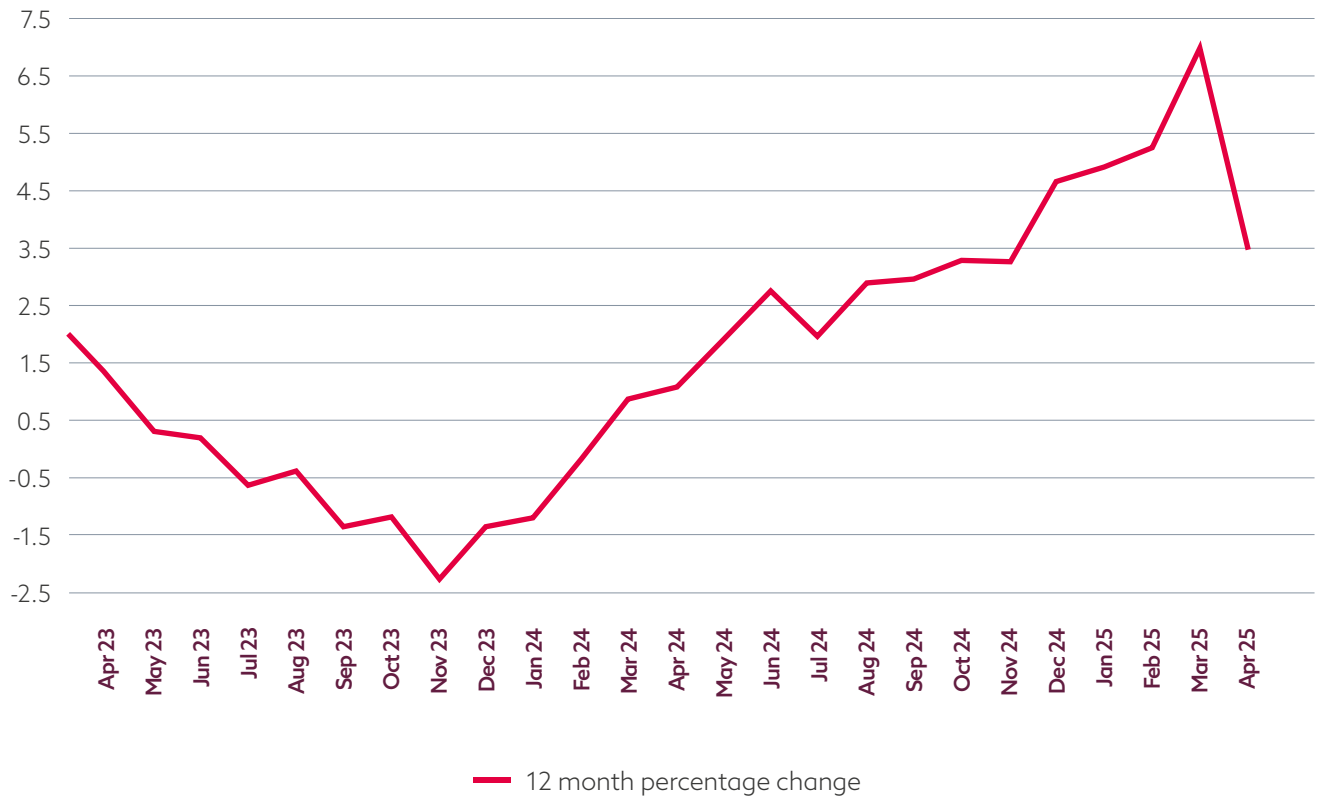
<sup>58</sup> [www.gov.uk/government/collections/company-insolvency-statistics-releases](https://www.gov.uk/government/collections/company-insolvency-statistics-releases)

<sup>59</sup> [www.gov.uk/government/collections/civil-justice-statistics-quarterly#2024](https://www.gov.uk/government/collections/civil-justice-statistics-quarterly#2024)

<sup>60</sup> [www.gov.uk/government/statistics/uk-house-price-index-for-april-2025/uk-house-price-index-summary-april-2025](https://www.gov.uk/government/statistics/uk-house-price-index-for-april-2025/uk-house-price-index-summary-april-2025)

<sup>61</sup> [www.ft.com/content/18b43920-66dc-46a7-9532-2cbf98bcaacd0](https://www.ft.com/content/18b43920-66dc-46a7-9532-2cbf98bcaacd0)

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



Source: ONS House Price Index<sup>62</sup>

The Bank of England reported that in April 2025<sup>63</sup> net mortgage approvals for house purchases were 60,500, whilst net borrowing of mortgage debt by individuals decreased sharply by £13.7 billion to £0.8 billion in April. Meanwhile, the Bank also reported that the effective interest rate (the actual interest rate paid) on newly

drawn mortgages slightly decreased to 4.49% in April but rose slightly to 3.86% on the outstanding stock of mortgages. Remortgaging approvals increased to 35,300 in April. It is important to note that this data only includes remortgaging approvals with a different lender.

<sup>62</sup> ONS (December 2024) op. cit.

<sup>63</sup> [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)

### UK housing investment is weak but is expected to improve during 2026

In May 2025, the Bank of England reported that although housing investment remains weak, it now expects annual housing investment growth to strengthen to 5% in 2026, and 6% in 2027.<sup>64</sup> Meanwhile, the S&P Global/CIPS UK construction purchasing managers'

index<sup>65</sup> registered 47.9 in overall construction activity in May 2025, below the neutral 50.0 threshold, but up from 46.6 in April. Residential construction was the weakest area of activity in May at 45.1, whilst civil engineering stood at 45.9, and commercial building at 49.5.

### Commercial property market continues to show signs of recovery

The UK's commercial property market continues to show signs of recovery in 2025 as banks and financial institutions have significantly increased lending to real estate businesses, indicating growing confidence in the sector.<sup>66</sup> There have also been rising office rents and property values

as demand appears to be growing<sup>67</sup> as return to office working practices appear to be gathering pace in some sectors and areas.<sup>68</sup> Nevertheless, despite these indications, office dealmaking remains challenging, falling 18% across Europe during the first quarter of 2025.<sup>69</sup>

<sup>64</sup> [www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report](https://www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report)

<sup>65</sup> [www.pmi.spglobal.com/Public/Release/PressReleases](https://www.pmi.spglobal.com/Public/Release/PressReleases)

<sup>66</sup> [www.ft.com/content/142c605d-424b-4ef2-ab5d-1b7e150bbe40](https://www.ft.com/content/142c605d-424b-4ef2-ab5d-1b7e150bbe40)

<sup>67</sup> [www.ft.com/content/a921b502-38ad-4008-99a3-b0ad51c02128](https://www.ft.com/content/a921b502-38ad-4008-99a3-b0ad51c02128)

<sup>68</sup> [www.ft.com/content/6a591aa7-f1c7-4ed0-8e8a-62df9360fbcc](https://www.ft.com/content/6a591aa7-f1c7-4ed0-8e8a-62df9360fbcc)

<sup>69</sup> [www.ft.com/content/4e2f86c6-441d-4fa5-8a34-c86cbf3540df](https://www.ft.com/content/4e2f86c6-441d-4fa5-8a34-c86cbf3540df)

- During 2025Q1 gross lending to UK SMEs by the main high street banks increased by 14% when compared with the same period in 2024.
- The effective interest rate on new loans to SMEs was 6.8% in April 2025, down from 7.6% in April 2024.
- The stock of lending to Welsh SMEs continues to return to pre-pandemic levels.
- Globally, the amount of venture capital raised, and the number of funds, is decreasing. The total number of equity investments in UK small businesses decreased by 24.3% year-on-year to Q3 2024, whilst in Wales the decrease was 14.3%.

## Supply and demand for business lending

The Bank of England's quarterly Credit Conditions Survey examines trends and developments in UK credit conditions. The 2025Q1 survey asked lenders to report on their perceived changes in the supply of, and demand for, credit for the three months ending February 2025, relative to the three months ending November 2024.<sup>70</sup> Additionally, lenders were asked about their expectations of changes up to the end of May 2025. It is important to note that this survey was conducted between 3 March and 21 March 2025 and does not account for any changes occurring since.

Lenders reported that the availability of credit to the corporate sector slightly increased in 2025Q1. Specifically, 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. Meanwhile, lenders reported that demand for lending from small businesses slightly increased, and demand from medium-sized and large businesses increased,

during 2025Q1. 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 2025Q1 gross lending to UK SMEs by the main high street banks increased by 14% year-on-year and was the highest level since 2022Q2. Sectoral differences persisted with gross lending being driven by agriculture, manufacturing, wholesale and retail, and health. Looking forward, there is evidence to suggest further momentum in lending during 2025Q2, but the rate of growth appears to be easing.<sup>71</sup>

The Credit Conditions Survey indicated that default rates on loans to businesses of all sizes remained stable during the first quarter of 2025. These rates are projected to rise slightly for small businesses and remain unchanged for medium-sized and large businesses in the second quarter of 2025. Losses in the event of default remained the same for small and medium-sized businesses, while they increased slightly for large businesses during the first quarter of 2025.<sup>72</sup>

<sup>70</sup> [www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q1](https://www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q1)

<sup>71</sup> [www.ukfinance.org.uk/system/files/2025-06/Business%20Finance%20Review%202025%20Q1.pdf](https://www.ukfinance.org.uk/system/files/2025-06/Business%20Finance%20Review%202025%20Q1.pdf)

<sup>72</sup> [www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q1](https://www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q1)

## A slight fall in the number of UK SMEs using external finance in 2025Q1

The SME Finance Monitor found that 44% of UK SMEs had used some form of external finance during 2025Q1, down from 46% during 2024Q4<sup>73</sup>. As previously reported, the percentage of SMEs in Wales using some form of business finance increased during 2024Q4 to 41%, up from 37% during 2024Q3.<sup>75</sup>

Across the UK, during 2025Q1, the use of credit cards by SMEs rose to 18% (from 16% in 2024Q4), leasing and HP rose to 13% (from 8%), and overdrafts rose to 12% (from 11%), whilst bank loans or mortgages fell to 6% (from 9%), and grants remained steady at 2%. The percentage of UK SMEs injecting personal funds into their business fell slightly to 34% in 2025Q1, from 35% in 2024Q4, with 21% of these businesses believing they had no choice in doing so.

## The average interest rate on SME loans in April 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 April 2024 to April 2025. The growth rate of borrowing by SMEs increased to -0.8, up from -1.2 in March,

continuing a rising monthly trend throughout 2024 and into 2025. Meanwhile, the effective interest rate on new loans to SMEs was 6.79% in April 2025, up from 6.75% in March 2025, but down from 7.59% in April 2024.

<sup>73</sup> [www.bva-bdrc.com/wp-content/uploads/2025/05/SME-Monthly-charts-March-2025-v1a.pdf](https://www.bva-bdrc.com/wp-content/uploads/2025/05/SME-Monthly-charts-March-2025-v1a.pdf)

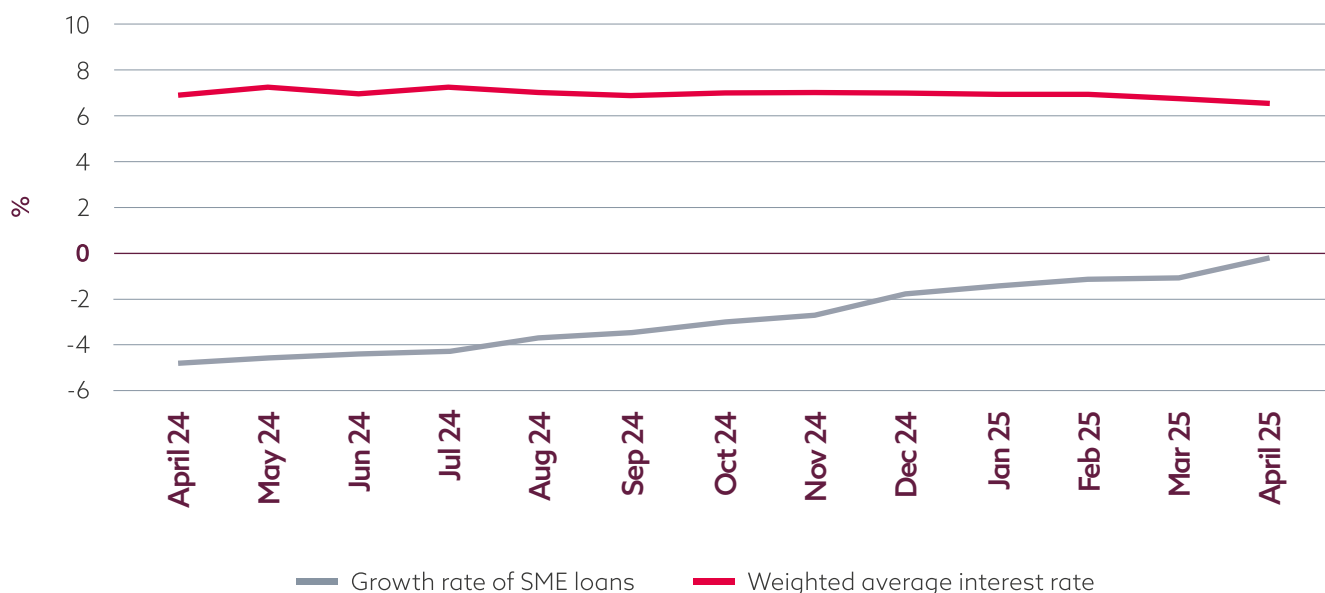
<sup>74</sup> Data for Wales for the same period is not yet available.

<sup>75</sup> Data for Wales is derived from an extract of the SME Finance Monitor provided by the Development Bank of Wales.

<sup>76</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://www.bankofengland.co.uk/boeapps/database/fromshowcolumns.asp?Travel=NlxAZxSUX-&FromSeries=1&ToSeries=50&DAT=RNG&FD=1&FM=Jan&FY=2010&TD=11&TM=May&TY=2025&FNY=Y&CSVF=TT&html.x=66&html.y=26&SeriesCodes=CFMZ6HQ&Using-Codes=Y&Filter=N&title=CFMZ6HQ&VPD=Y>

**Figure 4.1**

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



Source: Bank of England<sup>77</sup>

## Stock of lending to Welsh SMEs continued to return 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 second half of 2024.<sup>78</sup> The overall lending volume decreased from around £4.590bn in 2022 H1 to £3.855bn in 2024 H2. It is important to understand this data within a longer-term context, with lending returning to pre-pandemic levels, perhaps reflecting the paying down of Covid loans.

Figure 4.2 shows SME lending by Welsh postcode area over the period 2022 H1 to 2024 H2. The data shows the Swansea area postcode received £1.22bn of lending in 2024 H2, whilst Llandudno received £938m, Cardiff £882m, Newport £476, and Llandrindod Wells £334m, during 2024 H2.<sup>79</sup>

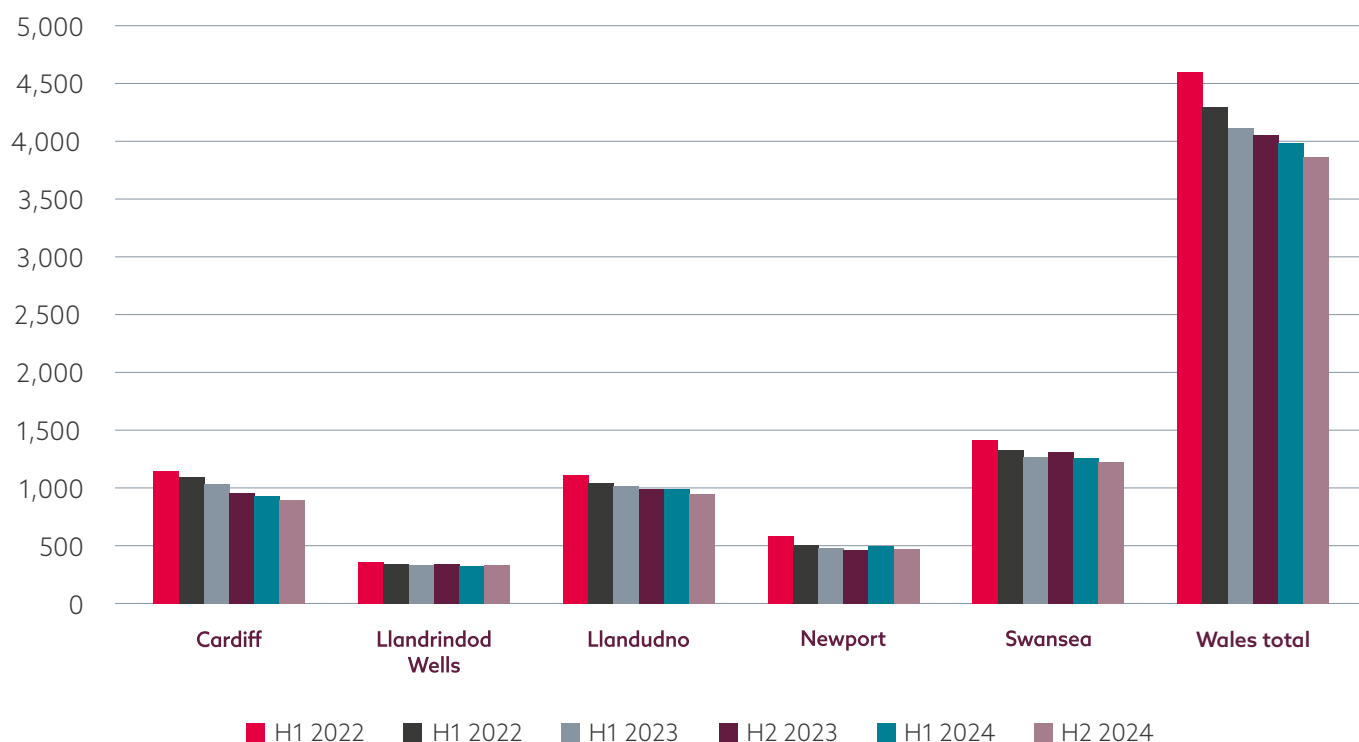
<sup>77</sup> Bank of England, Money and Credit [www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest](https://www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest)

<sup>78</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>79</sup> The totals for Wales in this data source do not include some Shrewsbury postcode areas that are in Wales.



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



Source: UK Finance Postcode Lending Data, SMEs<sup>80</sup>

## Equity investments

Equity investments in businesses come from various sources, such as venture capital funds, business angels, crowd funders, corporate investors, and government funds. These investments occur at different stages of business development.<sup>81</sup>

The British Business Bank Small Business Finance Markets 2024/25<sup>82</sup> report outlined the changes in the UK debt markets during the last year. The report observed a small decrease in dry powder in private debt funds, attributed to a modest increase in investment deployment

and a reduction in fundraising. Dry powder refers to the committed capital that fund managers have available for investing in new opportunities.

Globally, the amount of venture capital raised is decreasing, as are the number of funds. Meanwhile, many funds are reaching the end of their investment period with high levels of dry powder. Additionally, market uncertainty is affecting the number of initial public offerings, where companies supported by venture capital firms transition from being privately to publicly traded.<sup>83</sup>

<sup>80</sup> UK Finance [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>81</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>82</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](https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2025-02/small-business-finance-market-report-2025.pdf)

The total number of equity investments in UK small businesses decreased by 24.3% year-on-year to 2024Q3, whereas in Wales, the decrease was less significant at 14.3%. In contrast, the total year-on-year investment values across the UK increased by 6.6% up to the third

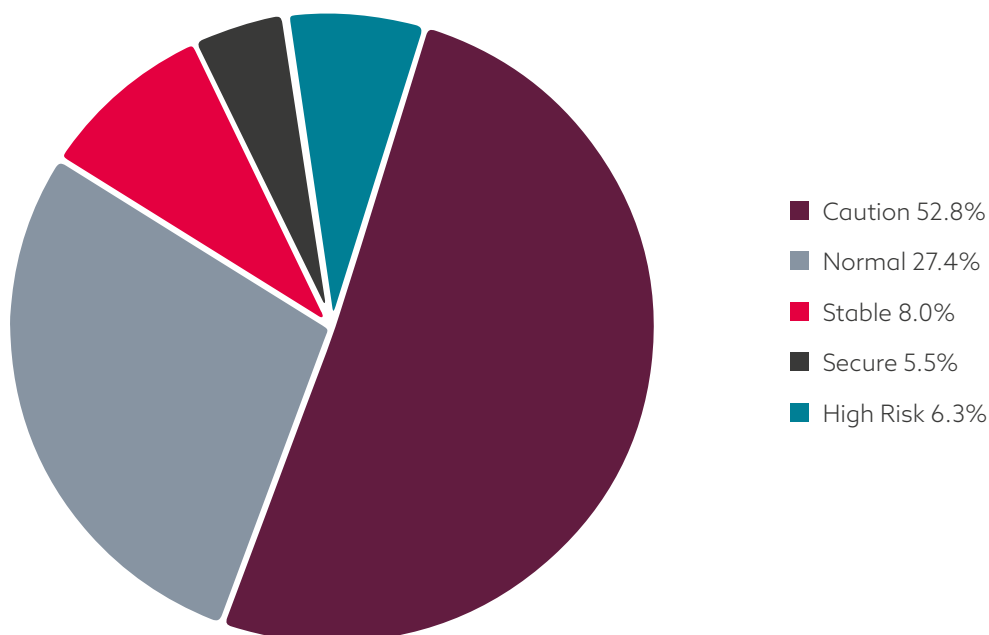
quarter of 2024, whereas in Wales, these values decreased by 45.7% over the same period. Equity finance for growth and seed stages increased during the first half of 2024, but in 2024Q3 there were difficulties across all stages of equity investments, leading to year-on-year declines.<sup>84</sup>

## SMEs in different credit risk categories

The Bureau van Dijk FAME database of Companies House information was searched in June 2025 to seek evidence of the proportion of SMEs in Wales that fell into different credit risk categories. The search yielded 100,027 SMEs with a known credit rating (a 1.3% increase of firms with a credit rating since the FAME search undertaken in April 2025). Figure 4.3 reveals that of this total, 6.3% of SMEs in Wales were

estimated to be in the Highest risk credit rating category (up from 5.5% in June 2024). The Caution category comprised 52,779 SMEs or 52.8% 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**  
*SMEs in Wales by credit rating category, % (June 2025 estimates)*



Source: FAME Database

<sup>83</sup> Pitchbook (2024). Global Private Market Fundraising Report. <https://files.pitchbook.com/website/files/pdf/2024-Annual-Global-Private-Market-Fundraising-Report.pdf>

<sup>84</sup> British Business Bank (2025). *ibid.*

- The Development Bank of Wales completed 560 investments in 2024/25, with a total value of £152.4m. These investments were associated with almost 4,900 new and safeguarded jobs at point of investment.
- Compared with the previous financial year, the value of investments made by the Development Bank in 2024/25 increased by almost 22%, with a 43% increase in the number of jobs created or safeguarded at point of investment.
- Micro-businesses received almost 43% of debt and equity investments funds during 2024/25, with these investments accounting for over 1,750 new and safeguarded jobs.
- Firms located in south east Wales received just over 44% of the total value of investments during 2024/25, with firms in mid and south west Wales receiving approximately 34%, and those in north Wales receiving around 21%.
- Excluding the £92m Covid-19 Wales Business Loan Scheme (CWBLs), the cumulative value of investments made by the Development Bank in the five years to the end of 2024/25 was over £616m.

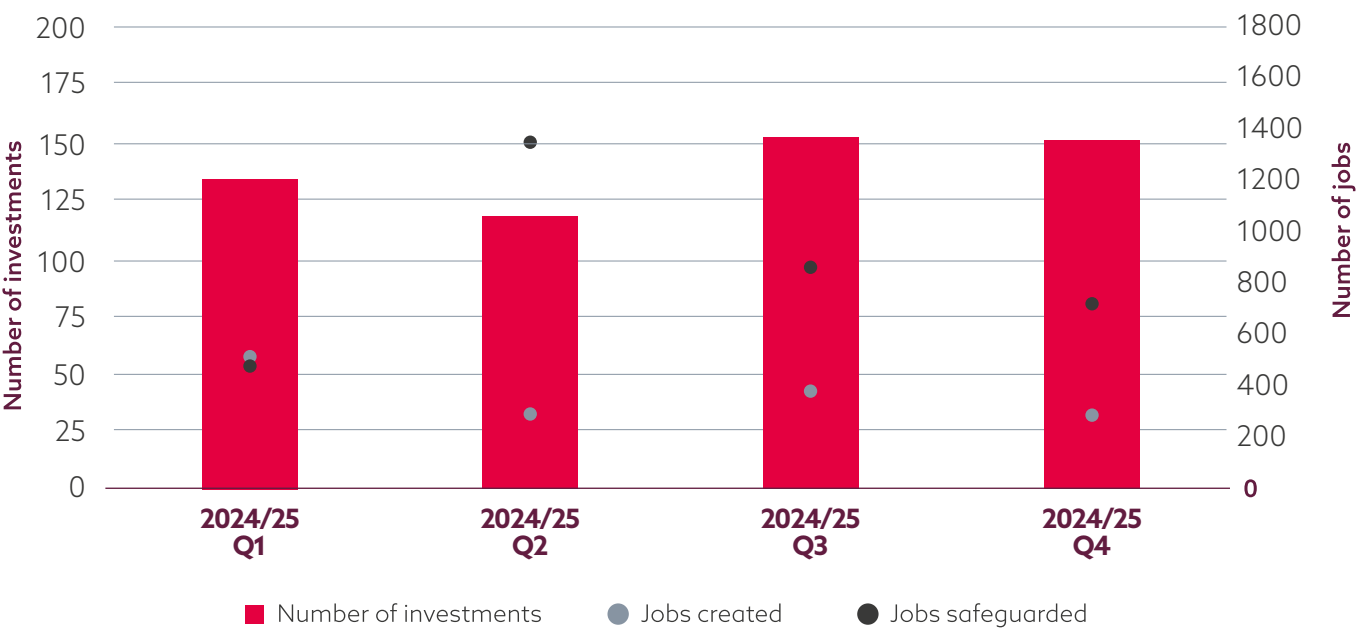
## An increase in the number of investment transactions made by the Development Bank during the second half of 2024/25

During the 2024/25 financial year, the Development Bank achieved record levels of investment.<sup>85</sup> The number of investments increased by 14% when compared to the previous year, with a particularly high number of investments in the second half of 2024/25. Figure 5.1 shows that there were more than 150 investments made in both

2024/25Q3 and 2024/25Q4, with a total of 560 investments made during the full financial year. The total number of jobs created and safeguarded by investments made during 2024/25 reached over 4,850 across 502 businesses, an increase of over 40% when compared to the previous financial year.

<sup>85</sup> Excluding investments made as part of the Covid-19 Wales Business Loan Scheme during 2020/21

**Figure 5.1**  
*Investments and jobs created and safeguarded during 2024/25*

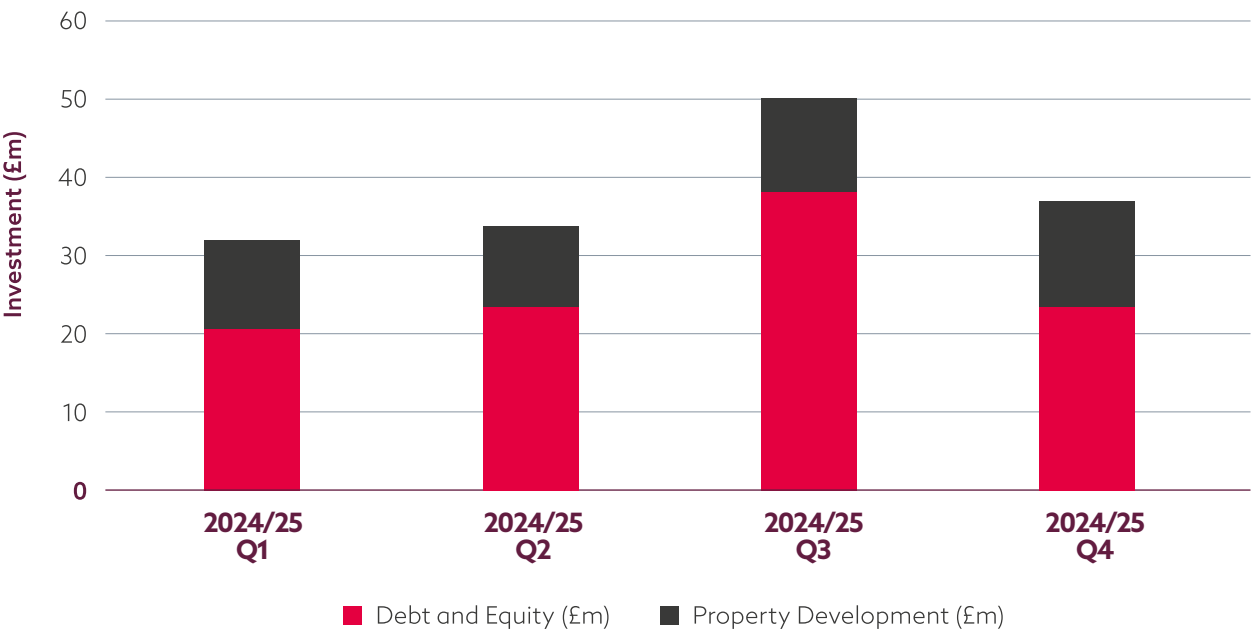


**The total value of investments made during 2024/25 was over £152m**

Figure 5.2 shows that the value of funds invested during the third quarter of 2024/25 was particularly high, at almost £49.8m, and with 76% accounted for by loan and equity funding. The number and size of investments during 2024/25Q3 were also above the other quarters of the year. The previous quarterly report indicated increased investment activity during the month of October 2024, which may have related to businesses finalising investment deals in advance of the UK budget. The average investment value during 2024/25 was over £272,000.

A total of £152.4m was invested during the 2024/25 financial year, representing an increase of almost 22% on the previous year. Around 70% (£104.8m) of the total investment value during 2024/25 comprised debt and equity funding, with the remaining approximately 30% relating to property investment. The value of equity investment totalled just over of £18.7m in 2024/25, a more than 50% increase on the 2023/24 total. Around half of equity investments by value were undertaken in 2024/25Q3.

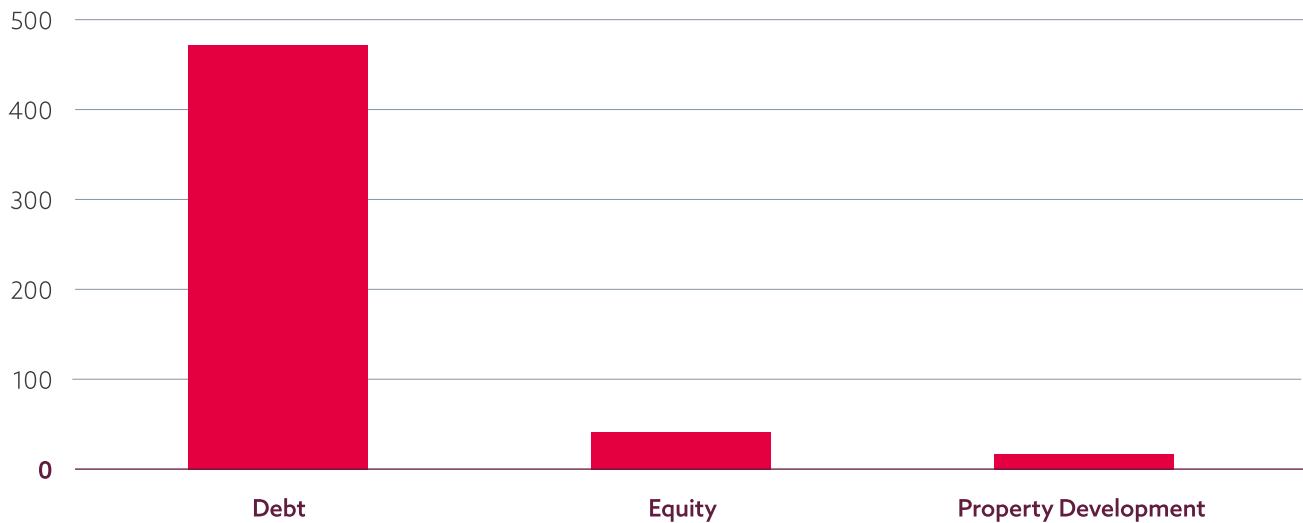
**Figure 5.2.**  
*New Investment by investment type, £m, 2024/25 Q1-Q4*



In total, 493 loan investments and 43 equity investments were made by the Development Bank in 2024/25. In addition,

there were 24 property development investments during the year (Figure 5.3).

**Figure 5.3**  
*Number of investments 2024/25*



Firms in the micro-business category accounted for almost 43% of debt and equity invested in 2024/25 and created or safeguarded over 1,750 jobs

Figure 5.4 shows the distribution of debt and equity investment funds and jobs created and safeguarded by business size category. Almost £45m (43%) of the value of Development Bank debt and equity investments in 2024/25 were to micro-businesses (firms with less than 10 employees), with these firms accounting for almost 37% of the jobs created and safeguarded during the year. Around 28% of investment funding was to small firms (those with 10-49 employees) during 2024/25, with

these businesses creating or safeguarding over 1,220 jobs (around 25% of total jobs) during the year. Large and medium-sized firms (more than 50 employees) together received just less than 30% of investment funds. These businesses accounted for more than 1,830 (38%) of total jobs. Overall, in 2024/25, each £1m of debt and equity funding (excluding property investment) created or safeguarded around 46 jobs (compared with around 38 jobs in the previous year).

**Figure 5.4**  
*Debt and equity investment, £m, and jobs created and safeguarded by business size category during 2024/25*

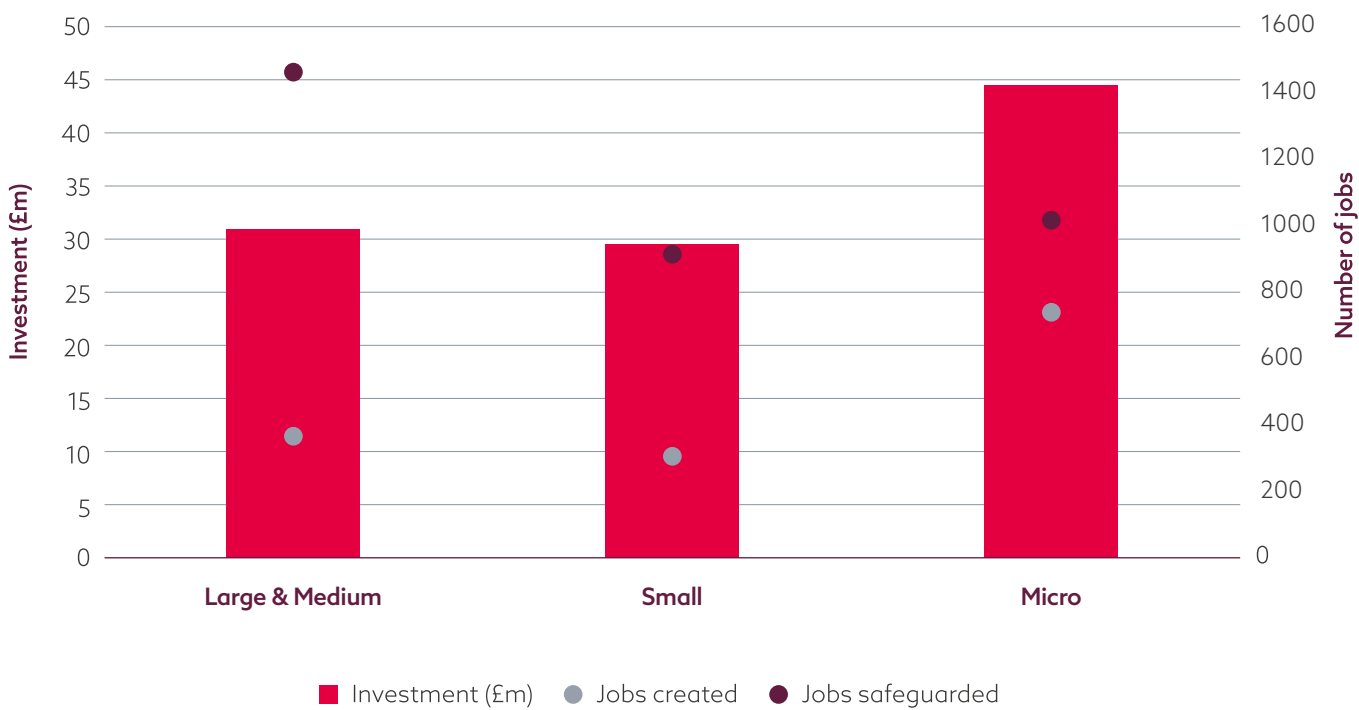


Figure 5.5 shows that firms located in south east Wales had the highest investment value during the 2024/25 financial year, at almost £68m (just over 44% of total funds). Debt and equity funding were particularly high in south east Wales, with this region accounting for over 86% of all equity funding, and over 38% of the value of loans. However south east Wales had the lowest share of property

development investments. Businesses located in mid and south west Wales received 34% of total investment funding during the year, with this region accounting for the highest level of property development investments (almost £23m). Firms located in north Wales received around £33m of investment funds, just over 21% of the total.

**Figure 5.5**  
*Investment, £m, by location during 2024/25*

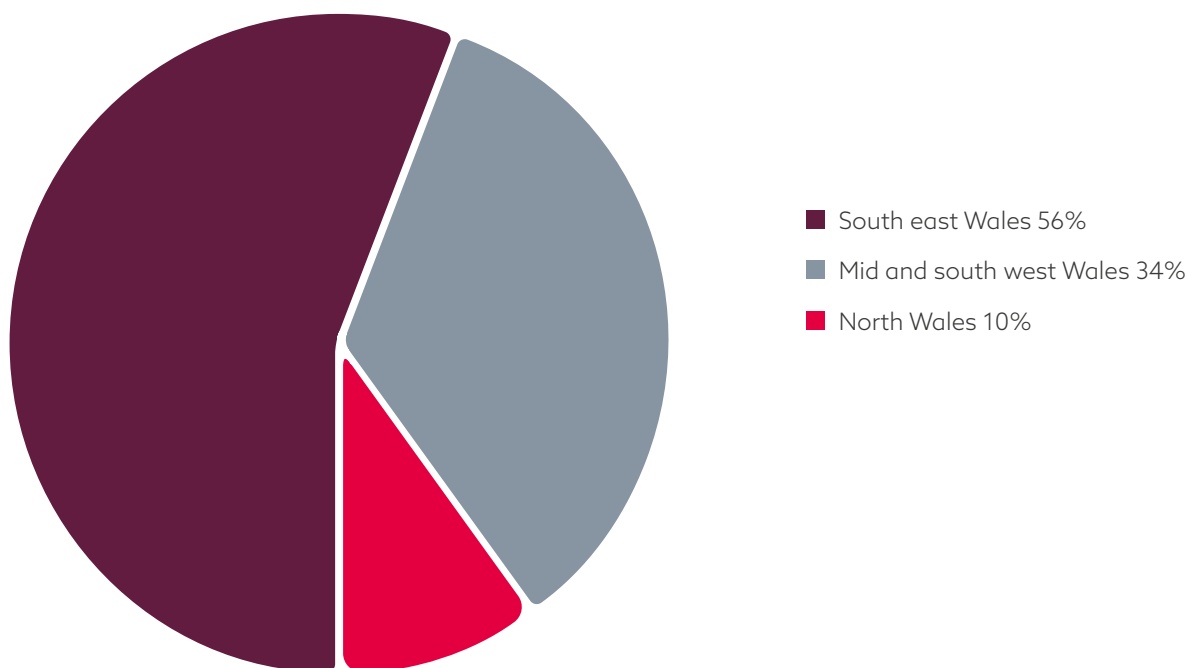


Of the total £152.4m of investments made by the Development Bank during 2024/25, £5.4m (around 3.5%) related to new/start-up businesses. Figure 5.6 shows that 56% of the value of start-up investments (£3m) in 2024/25

were to businesses located in south east Wales. Businesses located in mid and south west Wales accounted for 34% of start-up investments, with firms in north Wales securing 10% of the value of start-up investments in 2024/25.

**Figure 5.6**

*Start-up Investment funding by location during 2024/25, %*



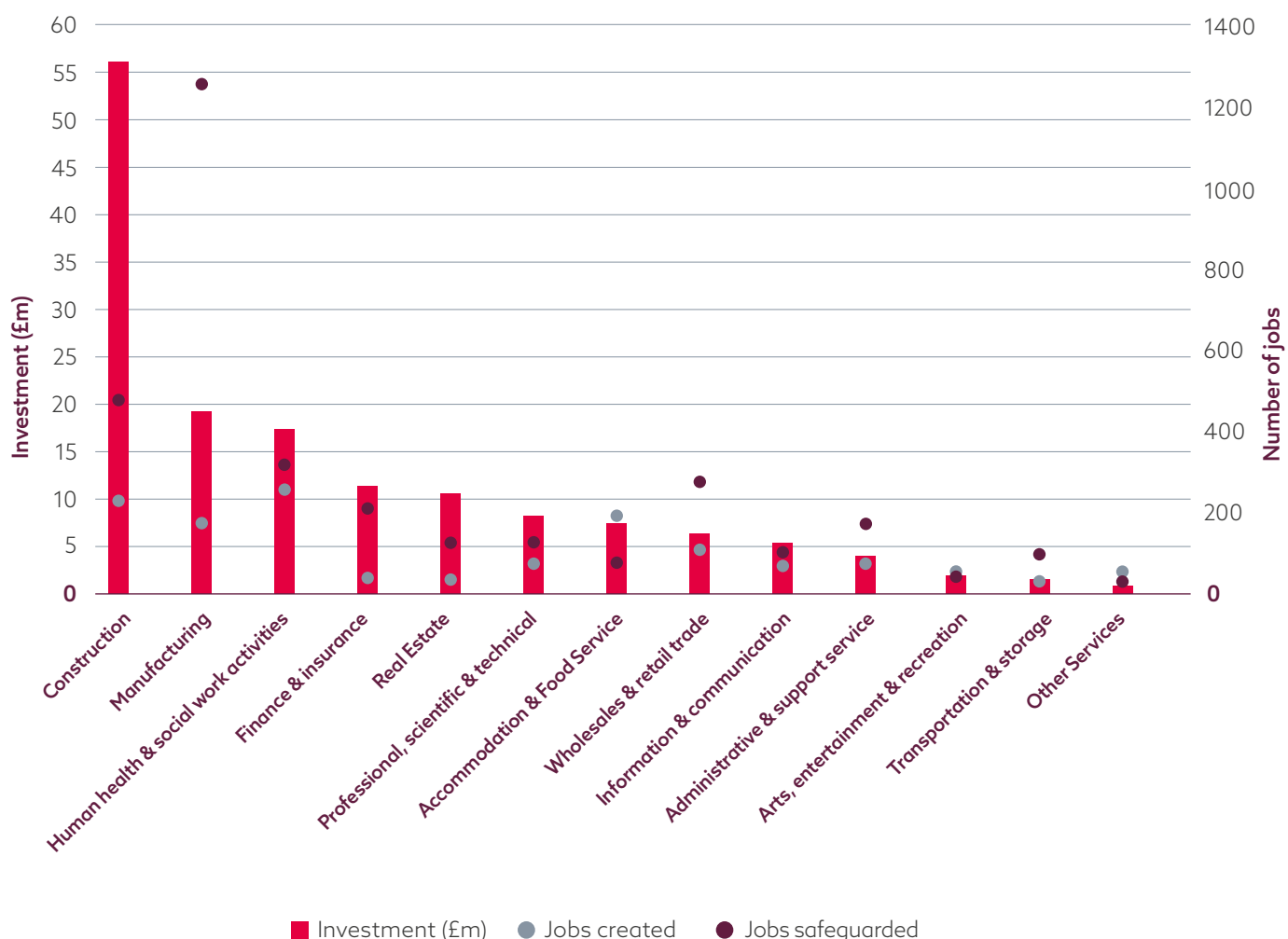
In similarity to previous years, figure 5.7 shows that firms in the construction sector received the highest share (just over 37%) of investment funds during the 2024/25 financial year. The top five sectors shown in Figure 5.7, ranked by investment value (construction, manufacturing, human health and social work

activities, financial and insurance activities, and real estate activities) accounted for three quarters of total investment funding during the 2024/25 financial year, and around 64% of total jobs created and safeguarded. Each of these top 5 sectors received over £10m of Development Bank investment during 2024/25.



**Figure 5.7**

*Investment value, £m, and jobs by sector during 2024/25. Selected sectors with investment value above £1m*



**The cumulative value of investments for the five-year period to the end of 2024/25 was just over £616m (excluding the £92m Covid-19 Wales Business Loan Scheme (CWBLS))**

The cumulative number of the Development Bank of Wales investments during the last five years reached almost 2,500 by the end of the 2024/25 financial year, when excluding

the 1,300 CWBLS investments. These investments have created or safeguarded 16,660 jobs at point of investment, in addition to the 16,000 jobs safeguarded by CWBLS.

## An increase in the value of co-investment during the 2024/25 financial year

Figures 5.8 and 5.9 provide some historical context to the Development Bank's investment activities. Figure 5.8 tracks the nominal value of investments made by the Development Bank, and the associated co-investment (private sector leverage) during the last five years, separating out the £92m from CWBLS that was administered during that period.

The value of investments shows an increasing trend since the pandemic period, reaching a record high in 2024/25. The value of co-investment declined in 2020/21, but recovered slightly during the 2021/22 financial year, with a more significant upturn in debt and equity co-investment in 2022/23 to over £103m, which

exceeded the level of Development Bank investment in that year. The value of debt and equity co-investment was however much lower in the 2023/24 financial year, but with some recovery to almost £50.5m in the most recent year. The lower levels of co-investment during the last two years (both in absolute terms, and as a percentage of Development Bank funding) is potentially a consequence of the particularly challenging business and lending environment during this period. Over the five-year period shown in Figure 5.8, co-investments have totalled almost £290m. Each £1m of Development Bank debt and equity investment during the five-year period (excluding CWBLS) has been connected to around £0.74m of co-investment.

**Figure 5.8**

*Debt and equity investment and co-investment, £m, 2020/21 – 2024/25*

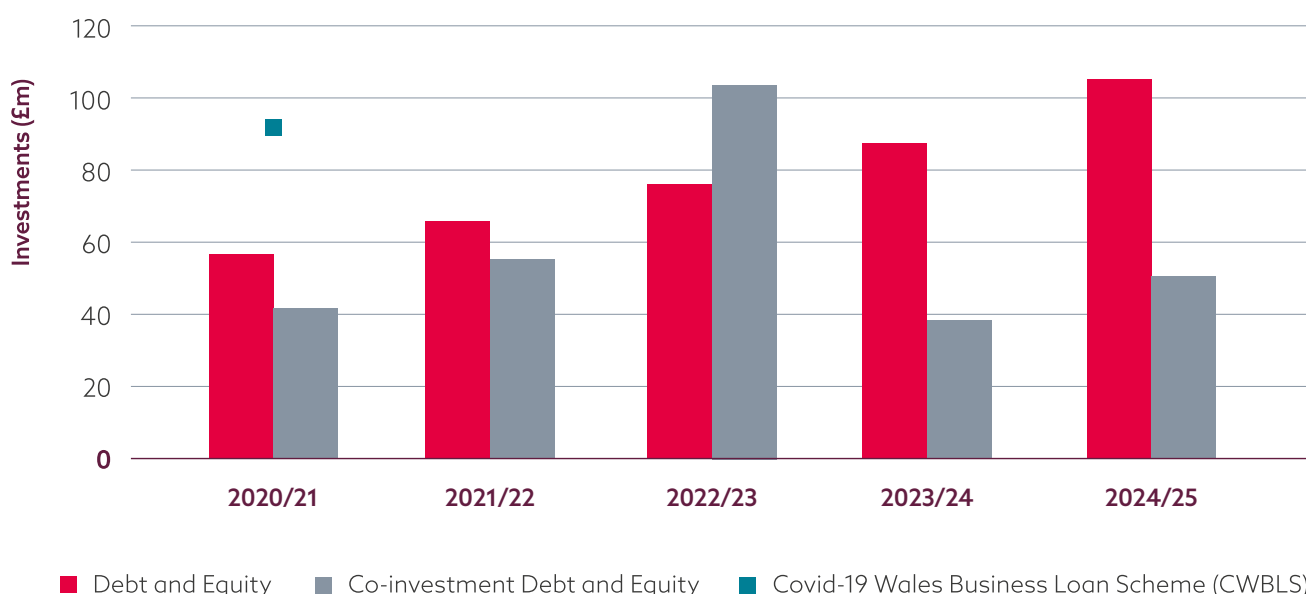
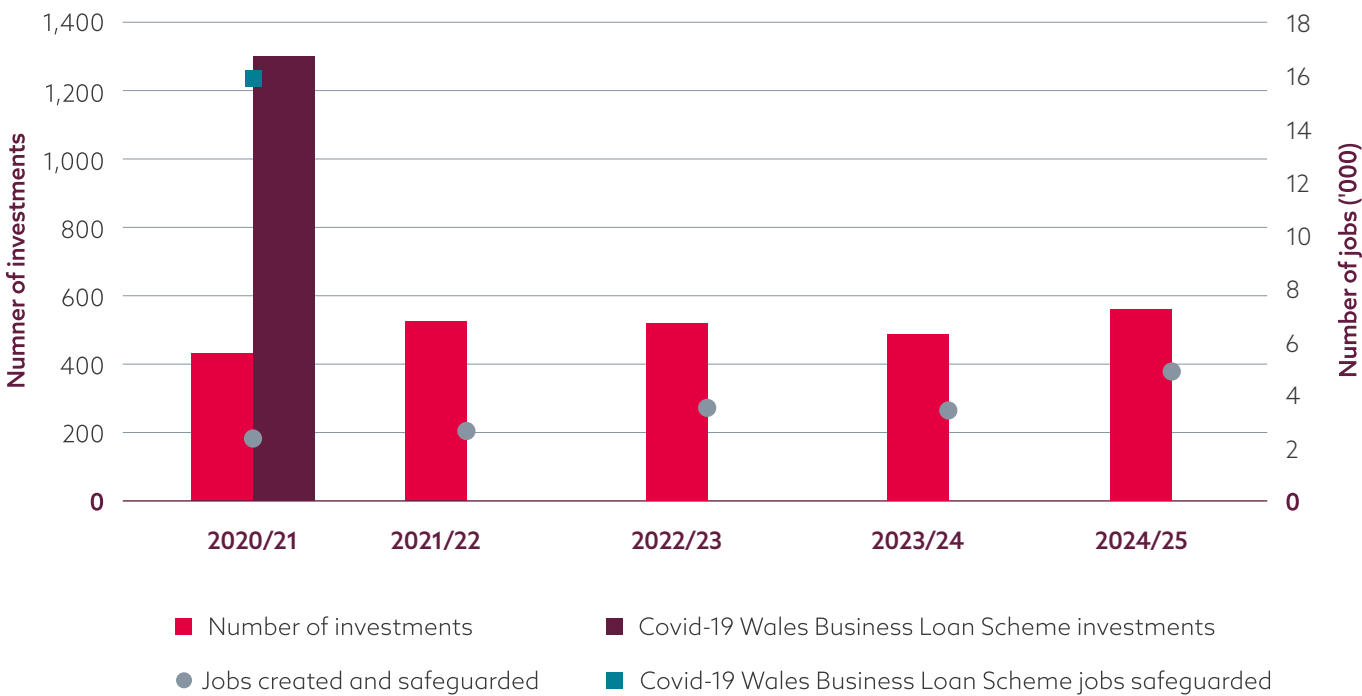


Figure 5.9 illustrates the scale of the lending during 2020/21 financial year, as over 400 business as usual investments were made, creating and safeguarded over 2,300 jobs, in addition to the 1,300 investments made via CWBLS which safeguarded over 16,000 jobs in 2020/21. Figure 5.9 also illustrates the jobs created and safeguarded over the period, excluding those associated with CWBLS.

The number of investments made each year since the 2020/21 period exceed those in the year before the pandemic. Figure 5.9 again shows the increase in Development Bank investments in 2024/25 in the context of activities in previous years. The total number of jobs created or safeguarded at point of investment has also been on an upward trajectory, although with a slight dip in total jobs connected with Development Bank investments in 2023/24.

**Figure 5.9**  
*Number of investments and jobs created and safeguarded, 2020/21 – 2024/25*



Prospects for SMEs in Wales continue to be affected by factors that shape UK and international growth. The overarching concerns for the UK economy revolve around four interrelated factors. The depth of the global economic slowdown, the rate of underlying inflation in the UK economy, growing geo-political tensions around tariff and non-tariff barriers, and energy price fluctuations. The latter has been brought back into focus following the escalation of hostilities between Iran and Israel. The threat posed to energy prices by the potential closure of sea routes close to Iran would have serious knock-on effects in many economies, although this risk is currently considered to be limited.<sup>86</sup> One real concern is that any escalation in energy prices would quickly rebound onto UK inflation rates. This then limits the scope for further decreases in UK interest rates and with direct impacts on the costs of business finance. It was expected in 2023-24 that the road to lower inflation rates would be difficult and lumpy i.e. spikes of higher inflation rates as part of a downward trend. However, these assumptions were made prior to the ramping-up of tariffs by the US, and prior to further global conflicts.

Ultimately, the combination of factors outlined above is expected to constrain UK and international growth, and with implications for UK business confidence in terms of investment. While businesses in the UK and Wales have escaped some of the worst tariff excesses, there is still indirect supply chain exposure where UK firms trade with businesses in economies that have been impacted. Finally, the pressures on the UK economy are restricting Treasury headroom and with tight public spending conditions expected to be the long-term norm, with some prospect of increasing tax rates during 2026.

In June 2025, the UK Government published its Modern Industrial Strategy, a '10-year plan to significantly increase business investment in 8 growth-driving sectors...'.<sup>87</sup> The Welsh economy is set to benefit from the strategy which aims to reduce energy costs and support sectors such as aerospace and compound semiconductors. The strategy also aims to improve access to finance, for example with 'the National Wealth fund working with the Development Bank of Wales to identify and secure financing for investment projects in Wales'.<sup>88</sup>

The overall picture then remains challenging. In Wales construction industry output has been declining, production industry output remains below 2022 levels, and the value of goods exported from Wales has fallen. The difficult economic conditions will have impacts on the demands for external finance in Wales, business optimism, and the supply side of finance with the main commercial banks. This annual report has again underlined the strategic role being played by the Development Bank in supporting SME investment, but critically, activity supported by the Bank is expected to have indirect effects across the Welsh economy. Under current economic conditions the role of the Bank is becoming ever more important.

In the 2024/25 financial year the Development Bank achieved record levels of investment, with over £152m of funds invested, connected to around 4,900 new and safeguarded jobs. Micro-sized businesses continued to gain a significant share (43%) of new funding. The Bank has invested in a wide range of projects in different industries across all regions of the Welsh economy.

<sup>86</sup> <https://www.bbc.co.uk/news/articles/cg5vr2rvzg4o>

<sup>87</sup> <https://www.gov.uk/government/publications/industrial-strategy>

<sup>88</sup> <https://www.gov.uk/government/news/industrial-strategy-to-boost-growth-and-jobs-in-wales>

# Appendix 1:

## Selected frequently updated resources

Some figures reported in the quarterly and annual 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:

### Selected forecasts for the UK economy 2025 and 2026

*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                               | April 2025       | 1.1                      | 1.4                      |
| OECD                              | June 2025        | 1.3                      | 1.0                      |
| NIESR                             | May 2025         | 1.2                      | 1.5                      |
| <b>Other non-city forecasters</b> |                  |                          |                          |
| CBI                               | March 2025       | 1.6                      | 1.5                      |
| Experian Economics                | June 2025        | 1.1                      | 1.2                      |
| Oxford Economics                  | June 2025        | 1.1                      | 0.9                      |
| <b>City forecasters</b>           |                  |                          |                          |
| Capital Economics                 | June 2025        | 1.0                      | 1.2                      |
| JP Morgan                         | June 2025        | 1.1                      | 0.9                      |
| KPMG                              | June 2025        | 1.2                      | 1.1                      |

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

## Appendix 2:

### Selected forecasts for the UK economy 2025 and 2026

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

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

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-may-2024>

## Appendix 2:

### Selected forecasts for the UK economy 2025 and 2026

*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                              | June 2025        | 3.1                             | 2.3                             |
| OECD                              | June 2025        | 3.1                             | 2.2                             |
| NIESR                             | May 2025         | 3.6                             | 2.8                             |
| <b>Other non-city forecasters</b> |                  |                                 |                                 |
| CBI                               | March 2025       | 2.6                             | 2.4                             |
| Experian Economics                | June 2025        | 3.6                             | 2.3                             |
| Oxford Economics                  | June 2025        | 3.2                             | 2.5                             |
| <b>City forecasters</b>           |                  |                                 |                                 |
| Capital Economics                 | June 2025        | 3.2                             | 2.2                             |
| JP Morgan                         | June 2025        | 3.2                             | 2.5                             |
| KPMG                              | June 2025        | 3.5                             | 1.8                             |

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-may-2024>



## Appendix 2:

### Selected forecasts for the UK economy 2025 and 2026

*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                              | June 2025        | 3.7                             | 3.1                             |
| Liverpool Macro Research          | June 2025        | 3.0                             | 3.0                             |
| NIESR                             | May 2025         | 5.0                             | 4.1                             |
| <b>Other non-city forecasters</b> |                  |                                 |                                 |
| CBI                               | March 2025       | 2.7                             | 2.6                             |
| Experian Economics                | June 2025        | 4.6                             | 3.3                             |
| Oxford Economics                  | June 2025        | 4.2                             | 3.7                             |
| <b>City forecasters</b>           |                  |                                 |                                 |
| Capital Economics                 | June 2025        | 4.6                             | 3.5                             |
| HSBC                              | June 2025        | 4.1                             | 3.0                             |
| UBS                               | June 2025        | 3.6                             | 2.6                             |

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-may-2024>

Dirnad Economi Cymru  
Economic Intelligence Wales



**[bancdatblygu.cymru](http://bancdatblygu.cymru)**  
**[developmentbank.wales](http://developmentbank.wales)**

Development Bank of Wales Plc (Banc Datblygu Cymru ccc) is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales (Banc Datblygu Cymru ccc) has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc (Banc Datblygu Cymru ccc) nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at [developmentbank.wales](http://developmentbank.wales).