

# Economic Intelligence Wales

## *Quarterly report*

**March 2026**

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

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 second quarter of the 2025/26 financial year**. The report includes commentary on the global and local economic context and conditions affecting the supply and demand for finance in Wales.

The report is largely developed using historical published statistical data, but it is noted that local economic conditions can change very quickly in response to new announcements. For example, the UK budget revealed welcome news in terms of the announcement of **two AI zones for Wales which it is hoped will be connected to 8,000 jobs** and the decision to press ahead with new nuclear capacity at Wylfa on Anglesey. The First Minister also announced in the closing months of 2025 that Wales could be gaining up to **£16bn of new investment**. Equally significant is an upboost in Welsh economic activity in the period 2026-30 connected to new water utility investment. The water industry regulator has authorised activity which would **allow Dŵr Cymru to commit around £6bn in the period to 2030** (this being an uplift from the £3.8bn from the previous 2020-2025 period). For Cardiff Capital Region there was good news in that the UKRI had targeted the area for the Local Innovation Partnerships Fund (LIPF) and with £30m expected to be invested developing local innovation clusters.

These investment projects in Wales are expected to lead to **new economic activity in Wales during 2026** at a time when UK labour markets appear to be weakening.

Since the drafting of this report and the cut-off for bringing in new data to the report (22 December 2025), it is noted that there has been **increasing geopolitical uncertainty** caused by announcements from the United States on its intentions in respect of Greenland, its direct intervention in Venezuela and the potential for near term interventions in Iran. The threat of new tariffs on selected countries within

Europe as well as on Canada as a result of their opposition to statements on the future of Greenland seems to have decreased as at the end of January 2026, but the international environment remains very volatile.

## Economic conditions

The **International Monetary Fund (IMF) revised the global growth projection for 2025 upwards by 0.2 percentage points to 3.2%**. However, the projection for 2026 remained at 3.1% due to uncertainty in the global market and greater volatility.

Data from the ONS showed that twelve-month Consumer Price Index (CPI) **inflation in the UK was 3.2% in November 2025, down from 3.6% in the twelve months to October 2025**. The largest downward contributor came from food and non-alcoholic beverages, and alcohol and tobacco divisions, while the largest upward contributors included the communication division.

In December 2025, **the Bank of England voted to cut the Bank Rate from 4.0% to 3.75%** following signs that inflation continued on a downward trajectory.

In **the three months to October 2025, UK gross domestic product (GDP)** was estimated to have **decreased by 0.1%**. This was largely driven by production sector decline in the period and notably a 17.7% fall in the manufacture of motor vehicles, trailers and semi-trailers partially resulting from a cyber-attack on Jaguar Land Rover starting in September 2025.

In September to November 2025, total **UK vacancies were down by 77,000** from the level of a year ago. Estimates from PAYE show a fall in the number of payroll employees in the UK for November 2025 to 30.3m, a decrease of 171,000 employees compared to November 2024. **In Wales, the number of payrolled employees fell by 11,600 to 1.31m in the year to November 2025.**

# Summary

The **UK economic inactivity rate was 21.1%** in the year to September 2025. **In Wales** the comparative figure was **24.1%**. Whilst this is a reduction across the UK and Wales, economic inactivity remains a significant constraint on economic growth.

The Welsh construction sector experienced a **second consecutive quarter of growth in 2025Q2**. However, **the Welsh construction index** remained 24.3% below the Wales 2023 level in 2025Q2, with the comparative figure for the UK as a whole reaching 2.2% above 2023 levels.

The **value of goods exported from Wales decreased by 7.3% to £16.9bn in the year ending September 2025**. This, with the decline in the exporter count over the same period, will impact economic activity and productivity.

**The average forecast for UK GDP growth in 2025 was 1.4% in December 2025.**

This was the same as the average new forecast made in November 2025.

## Changing economic conditions shaping demand for finance

The Federation of Small Businesses UK Small Business Index of **business confidence dropped further in 2025Q3 to -58.1**, but it remained above a four-year low of -64.5 registered in 2024Q4. The domestic economy continued to be the top concern for SMEs as a barrier to business growth.

The **SME Finance Monitor showed that 24% of UK SMEs** (excluding starts) **reported experiencing growth over the last 12 months during 2025Q3**, lower than the level reported in the previous quarter.

The **number of business births in Wales exceeded the number of business deaths during**

**2025Q3**. Total business births in Wales in 2025Q3 was 2,375, whilst the number of business deaths in Wales during the same period was 2,245.

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 31 October 2025 reported that **33.1% of Welsh businesses expected their performance would increase in the year ahead** (UK 32.8%).

ONS data showed that **Welsh house prices increased by 2.7% in the 12 months to September 2025**, and the average house price in Wales in September 2025 was £272,000.

The S&P Global UK **Construction Purchasing Managers' Index registered 39.4 in overall construction activity in November 2025**, well below the 50 mark that differentiates expansion from contraction.

## Supply and demand for finance

Lenders reported that the **availability of credit for small, medium, and large-sized businesses increased** during 2025Q3. Meanwhile, lenders also reported that **demand for lending from small and large businesses slightly increased**, and demand from medium-sized businesses was unchanged, during 2025Q3.

UK Finance reported that **during 2025Q3 gross lending to UK SMEs by the main high street banks increased by 6.4% year-on-year**.

The SME Finance Monitor found that **42% of Welsh SMEs had used some form of external finance during 2025Q2**. Credit cards remained the most common form of business finance used by Welsh SMEs.

The **effective interest rate on new loans to SMEs was 4.17% in October 2025**, down from 7.26% in October 2024.

# Summary

## Development Bank of Wales activity

In 2025/26Q2, the **Development Bank of Wales completed 115 investments** with a total value of £34.8m. These investments were associated with 700 new and safeguarded jobs.

The construction sector dominated investment activity in 2025/26Q2, accounting for 44% of investment value (£15.5m).

The **highest number of jobs** created or safeguarded by Development Bank investments in 2025/26Q2 were in the **water supply, sewerage, waste management and remediation** sector (120 jobs). Development Bank investments in the **manufacturing sector created or safeguarded 41 jobs** (6% of total jobs) in 2025/26Q2.

## Conclusions

**This quarterly report concludes that there is now every indication that 2026 will see limited improvement in UK economic prospects** and with signals that the UK labour market conditions is weakening.

However, **2025/26** has seen the announcement of a **series of energy, ICT, manufacturing and utility investment projects** in the Welsh economy which could add a significant boost to local economic activity in the period to 2030. These projects are focused on industries where there has already been strong productivity growth and so are expected to further boost Welsh productivity levels.

This report provides a review of economic data relevant to SME development in Wales, alongside a summary of the investment activities of the Development Bank of Wales during the second quarter of the 2025/26 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 examine 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 substantive drafting of this report was completed on 22 December 2025.

## **Economic Intelligence Wales has subsequently published the following reports:**

- Productive investment in Wales: what shapes investment decisions?<sup>1</sup>
- FinTech, relationship banking and lending to SMEs.<sup>2</sup>
- Wales SME Access to Finance report – in collaboration with the British Business Bank.<sup>3</sup>

## **It is planning to publish a series of outputs in the coming months, reflecting areas of continued analytical focus, 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

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<sup>1</sup> <https://developmentbank.wales/productive-investment-decisions-welsh-firms>

<sup>2</sup> See [FinTech, relationship banking and lending to SMEs - Dev Bank](#)

<sup>3</sup> [https://developmentbank.wales/sites/default/files/2026-02/BBB\\_Wales\\_DNA2F\\_Report\\_FINALv.pdf](https://developmentbank.wales/sites/default/files/2026-02/BBB_Wales_DNA2F_Report_FINALv.pdf)

- The International Monetary Fund's global growth forecast for 2025 was upgraded by 0.2 percentage points to 3.2%, while the 2026 projection remained at 3.1%.
- Twelve-month Consumer Price Index (CPI) inflation in the UK was 3.2% in November 2025, down from 3.6% in October 2025.
- After maintaining the Bank Rate at 4.0% since September 2025, the Monetary Policy Committee of the Bank of England voted to cut it to 3.75% in December 2025.
- In the twelve-months ending September 2025 the UK economic inactivity rate was 21.1%. In Wales the comparative figure was 24.1%.

## Global prospects

The International Monetary Fund's (IMF) World Economic Outlook<sup>4</sup> published in October 2025, indicated that "global growth remains subdued" with forecasted growth at 3.2% in 2025 and 3.1% in 2026. The new projection for 2025 was 0.2 percentage points higher than that noted in the July 2025 World Economic Outlook Update<sup>5</sup>, while the 2026 forecast for world growth remained the same in both periods. The IMF noted that activity supporting factors at the start of 2025, such as "front-loading" of some trade flows in anticipation of higher tariffs to come, were fading, and the overall environment remained volatile. These IMF forecasts were closely aligned with those in the Organization for Economic Cooperation's (OECD) Economic Outlook<sup>6</sup> published in December 2025, with growth at 3.2% in 2025 and 2.9% in 2026.

The IMF<sup>7</sup> forecast GDP growth in the United States to be 2.0% in 2025, an upwards revision of 0.1 percentage points, and expect it to rise in 2026 to 2.1%. The comparative figures for the Euro area are for growth of 1.2% in 2025 and 1.1% in 2026. In the UK, the IMF growth projection is for 1.3% in both 2025 and 2026.

Risks to global economic activity identified in the IMF World Economic Outlook report included continued uncertainty, higher levels of protectionism and labour supply shocks. Stability could be threatened by "fiscal vulnerabilities, potential financial market corrections, and erosion of institutions".<sup>8</sup>

<sup>4</sup> <https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025>

<sup>5</sup> <https://www.imf.org/en/Publications/WEO/Issues/2025/07/29/world-economic-outlook-update-july-2025>

<sup>6</sup> [https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-2\\_9f653ca1-en/full-report.html](https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-2_9f653ca1-en/full-report.html)

<sup>7</sup> <https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025>

<sup>8</sup> <https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025>

## UK inflationary pressures

According to ONS data, the twelve-month Consumer Price Index (CPI) inflation in the UK was 3.2% in November 2025, down from 3.6% in the twelve months to October.<sup>9</sup> The largest downward contributions to the CPI annual inflation rate came from the food and non-alcoholic beverages, and alcohol and tobacco divisions. The ONS noted that the downward contributions were “partially offset by a small upward contribution from communication”. This suggests that, while headline inflation is easing, underlying price pressures remain present in parts of the economy.

The Core Consumer Price Index is arguably a better indicator of the extent that inflation may still be embedded in the economy as it excludes volatile components of the CPI such as energy and food prices. Core CPI increased by 3.2% in the twelve months to November 2025, while the comparative figure in the twelve months to October 2025 was 3.4%.<sup>10</sup>

The accredited official statistics status of the ONS Producer Price Index<sup>11</sup> was suspended at the time of writing, pending a review, due to the identification of a problem with the chain-linking methods used to calculate the index. However, new data has now been released. In the year to November 2025, the annual rate of producer output (factory gate) prices increased by 3.4%, down from a rise of 3.6% in the year to October. The largest upward contributions to the annual output inflation rate in November 2025 came from outputs of food products (where prices rose 4.2%, compared with a rise of 4.6% in the year to October), and outputs of motor vehicles and other transport equipment (prices rose 7.2% in the year to November 2025, compared with a rise of 6.6% in the year to October 2025). The largest downward contribution to the annual output inflation rate was from outputs of coke and refined petroleum products, where prices fell by 0.6% in the year to November 2025, unchanged from the year to October 2025.

## The Bank of England cuts the Bank Rate in December 2025

After maintaining the Bank Rate at 4.0% since September 2025, the Monetary Policy Committee (MPC) of the Bank of England voted to cut the Bank Rate to 3.75% in December 2025.<sup>12</sup> The MPC noted in its summary report for December 2025 that the outlook for inflation will determine the degree of further loosening of monetary policy, noting: “The restrictiveness of

policy has fallen as Bank Rate has been reduced by 150 basis points since August 2024. On the basis of the current evidence, Bank Rate is likely to continue on a gradual downward path”. This reflects a shift away from restrictive monetary settings, while leaving policy sensitive to developments in inflation and wage growth.

<sup>9</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2025>

<sup>10</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2025#latest-movements-in-cpi-inflation>

<sup>11</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/november2025>

<sup>12</sup> <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/december-2025>

## UK GDP decreases in the three months to October 2025

UK real gross domestic product (GDP) is estimated to have fallen by 0.1% in the three months to October 2025 compared with the three months to July 2025.<sup>13</sup> The ONS notes that the 0.1% fall in the three months to October 2025 was the first such three monthly fall in real GDP since December 2023.

By sector, output in UK services had zero growth in the three months to October 2025, after growth in every three-month period from January 2024 to September 2025. The largest positive contributor to services output in the three months to October 2025 was real estate activities (up 0.4%). The professional, scientific and technical activities sector was the largest negative contributor (down 1.6%).

Output in the UK production sector fell by an estimated 0.5% in the three months to October 2025 compared with the three months to July

2025, following a fall of 0.5% in the three months to September 2025. The major contributor to this fall was the manufacturing sector (down 0.7%). Within the manufacturing sector, the largest negative contributors were in manufacture of transport equipment (down 8.7%, largely due to a fall in the manufacture of motor vehicles resulting from a cyber-attack starting in September 2025 on Jaguar Land Rover<sup>14</sup>), manufacture of chemicals and chemical products (down 2.4%), and manufacture of basic pharmaceutical products (down 1.0%). This underlines the extent to which short-term GDP outcomes have been influenced by sector-specific shocks, alongside broader weakness in production.

Monthly GDP estimates reveal that output in the UK economy fell by 0.1% in October 2025, with this following a similar decrease of 0.1% in September 2025.<sup>15</sup>

## UK business investment increased in 2025Q3

UK business investment increased by 1.5% in 2025Q3, revised up from a 0.3% decrease in the provisional estimate, according to results published by the ONS<sup>16</sup>. The ONS noted that the adjustment was mainly due to a "positive revision of other buildings and structures

because of later survey data". The revised figure was 2.7% above the level in 2024Q3. However, investment growth remains uneven across sectors and sensitive to revisions, highlighting the fragility of the recovery in capital spending.

<sup>13</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/october2025>

<sup>14</sup> <https://www.smm.co.uk/vehicle-production-down-in-october-but-growth-on-the-horizon/>

<sup>15</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/october2025>

<sup>16</sup> <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/julytoseptember2025revisedresults>

## Number of UK job vacancies continues to fall

In the period September to November 2025, the number of UK job vacancies was 729,000 – decreasing 2,000 from the previous quarter (June to August 2025).<sup>17</sup> In September to November 2025, total vacancies were down by 77,000 from the level of the previous year, and were 66,000 (8.3%) below their pre-coronavirus (COVID-19) pandemic January to March 2020 level. 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. These trends may reflect a combination of cyclical softening in demand and longer-standing structural constraints within parts of the labour market. The largest proportional decreases in vacancies in September to November 2025 from the previous quarter were in electricity, gas etc. supply sector (down 18.9%), mining and quarrying (a decrease of 15.4%), and human health and social work activities (down 6.3%).

Pay as You Earn Real Time Information<sup>18</sup> early estimates show a fall in the number of payroll employees in the UK for November 2025 to 30.3m, a decrease of 171,000 employees (or 0.6%) compared with the figure for November 2024. In the year to November 2025, increases in

payrolled employees in the UK were largest in the health and social work sector (an increase of 31,000 employees or 0.7%) while the largest decrease was in the wholesale and retail sector (a decrease of 70,000 or -1.6%).<sup>19</sup> A fall in payrolled employees between November 2024 and November 2025 was also seen in a number of other sectors, including manufacturing, construction, accommodation and food service activities, information and communication, professional, scientific and technical, administrative and support services, and education.

The number of payrolled employees in Wales decreased by 11,600 (or -0.9%) to 1.31m in the year to November 2025.<sup>20</sup> The UK regional data on payroll employees by sector is updated less frequently, but the data for October 2025 shows the volume decrease in payroll employees in Wales over the year was most evident in wholesale and retail (a fall of 3,400 employees or -1.9%), accommodation and food service activities (a decrease of 2,500 employees, or -2.7%), and education (2,000 employees, or -1.1%).<sup>21</sup> This pattern suggests that employment pressures in Wales remain concentrated in consumer-facing and costs sensitive sectors.

<sup>17</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/december2025>

<sup>18</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/december2025>

<sup>19</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

<sup>20</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

<sup>21</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted>

## Unemployment rates in the UK and in Wales

For the twelve month period to September 2025, the UK unemployment rate (all aged 16+) was an estimated 4.2% according to figures from the ONS Annual Population Survey.<sup>22</sup> This represented an increase of 0.5 percentage points from the figure for the year to September 2024.

The highest UK regional unemployment rates in the twelve-months ending September 2025 were in London (5.6%), West Midlands (5.4%), North

East (4.8%), and Wales (4.5%), while the lowest rates were in Northern Ireland (1.9%), South West (3.3%), South East (3.5%), and Scotland (3.7%). In Wales, the unemployment rate for the twelve-month period to September 2025 (noted above as 4.5%) represented an increase of 1.6 percentage points from the unemployment rate during the twelve-months ending September 2024.

## The unemployment benefit claimant count decreases in the UK and Wales

During the year to November 2025, the UK unemployment-related benefit claimant count (not seasonally adjusted) decreased by 58,700 to 1.67m people.<sup>23</sup>

In Wales, 63,395 people claimed unemployment-related benefits in November 2025 (equal to 3.3% of the resident population aged 16 to 64, not seasonally adjusted, compared with a figure of 3.9% for the UK), a decrease of 2,580 in the number of claimants compared with November 2024.<sup>24</sup> It should be noted that the values for

November 2025 are provisional at the time of writing this report.

The Welsh unitary authorities with the highest proportion of working age population claiming unemployment-related benefits, according to the data for November 2025, were Newport (4.5%), Blaenau Gwent (3.9%), Cardiff (3.7%), Torfaen (3.6%), and Conwy (3.6%), and those with the lowest proportions were Monmouthshire (2.3%), Powys (2.5%), Ceredigion (2.5%), and Flintshire (2.8%).

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

The UK inactivity rate (aged 16 to 64 years) in the year ending September 2025 was 21.1% according to ONS Annual Population Survey data.<sup>25</sup> This was the same rate as that of a year previously (October 2023 to September 2024). In Wales, the comparative figure was 24.1% in the

twelve months ending September 2025, down 1.0 percentage point from the figure in the twelve months ending September 2024. Despite recent improvements, inactivity remains elevated in Wales compared with the UK average, continuing to act as a constraint on labour supply.

<sup>22</sup> ONS, Annual Population Survey, <https://www.nomisweb.co.uk/>

<sup>23</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits/datasets/claimantcountcla01>

<sup>24</sup> <https://stats.gov.wales/en-GB/64d58bef-c97c-4413-8aed-2298eac3a419>

<sup>25</sup> ONS, Annual Population Survey, <https://www.nomisweb.co.uk/>

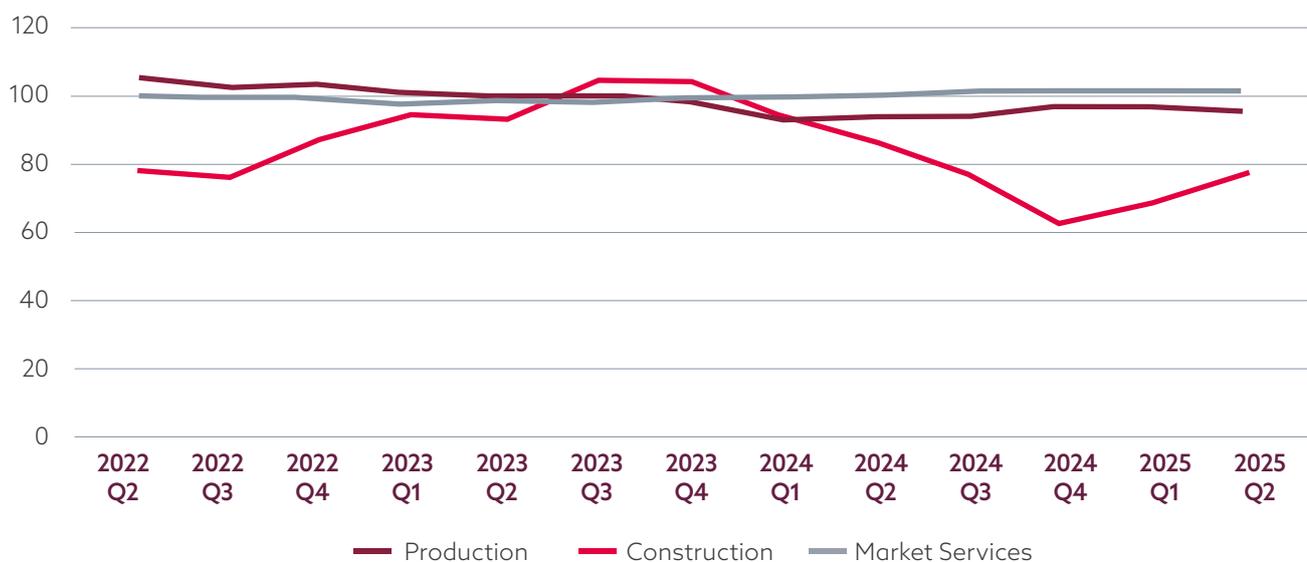
## An increase in Welsh construction industry output from 2024Q4 to 2025Q2

Figure 2.1 shows the trend in Welsh production, construction and market services indices from 2022Q2 to 2025Q2. During this time the market services index remained relatively stable, being 1.5% above the 2023 level for Wales in 2025Q2. The comparative figure for the UK as a whole reached 2.6% above the 2023 level. The Welsh production index in 2025Q2 was 3.8% below the 2023 level for Wales, with the equivalent figure for the UK as a whole being 2.0% below the 2023 level. The slowdown of activities at Tata steel in south Wales was one of the factors negatively impacting the index from the latter part of 2024 and into 2025.

The Welsh construction sector experienced a second consecutive quarter of growth in

2025Q2 - aided in some measure by the easing of interest rates- but the Welsh construction index remained 24.3% below the Wales 2023 level in 2025Q2, with the comparative figure for the UK as a whole reaching 2.2% above 2023 levels. Market commentators have noted the potential benefit to the construction sector from increasing data centre growth resulting from AI developments.<sup>26</sup> In Wales, Vantage Data Centers are reportedly planning to invest £10bn in south Wales at sites such as the former Ford Engine Plant in Bridgend.<sup>27</sup> While output levels remain well below 2023 benchmarks, announced pipeline investments point to potential medium-term support for construction activity.

**Figure 2.1.**  
Welsh output indices: trend 2022Q2 – 2025Q2 (2023=100)



**Source:** Stats Wales, Welsh Indices of Production and Construction (2023=100) by section and year and Index of Market Services (2023=100) by year and area.

<sup>26</sup> <https://www.rlbinsights.com/publications/construction-market-intelligence-cmi-q2-2025/introduction>

<sup>27</sup> [https://www.gov.wales/over-16-billion-investment-and-thousands-jobs-heading-wales?utm\\_content=&utm\\_medium=email&utm\\_name=&utm\\_source=govdelivery&utm\\_term=](https://www.gov.wales/over-16-billion-investment-and-thousands-jobs-heading-wales?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=)

## The value of goods exported from Wales decreased in the year to 2025Q3

A degree of caution is advised by the ONS when interpreting trade data as figures 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 2025Q3, 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 September 2025 compared with the previous twelve months.<sup>28</sup> The value of goods exported from Wales decreased by 7.3% to £16.9bn in the twelve months ending September 2025 (compared with a decrease of 0.4% in England and 1.0% in Northern Ireland, but an increase of 2.9% in Scotland).

Total goods export values in Wales decreased in most product categories over the year to September 2025.<sup>29</sup> The value of mineral fuels exports<sup>30</sup> fell to £0.78bn in the year ending 2025Q3, from £2.17bn in the previous twelve months, a decrease of 64.0%. The export value of manufactured goods (classified chiefly by material) fell to £2.28bn in the year ending 2025Q3, from £2.64bn in the previous twelve months, a decrease of 13.6%. However, the export value of machinery and transport equipment increased to £9.24bn in the year ending 2025Q3, from £8.69bn in the previous twelve months, an increase of 6.4%.

The total exporter count for Wales in 2025Q3 was 3,053, a decrease of 32 (or 1.0%) from 2024Q3 (using the Whole Number Method).<sup>31</sup> In the same time period, there was a decrease of 3.9% for the UK as a whole.<sup>32</sup> HM Revenue & Customs published trade volume data for the year to 2025Q3 showed that a net mass of 3.83 billion kilograms were exported from Wales, a decrease of 35.7% from the previous twelve months.<sup>33</sup>

Over the year to 2025Q3, total Welsh export value by products to the United States decreased to £2.18bn, from £2.55bn in the previous twelve months, a fall of 14.5%.<sup>34</sup> This points to Wales' continued exposure to shifts in global demand and trade conditions.

In the year to September 2025, the value of goods imported fell in Wales by 1.6% to £20.8bn when compared to the previous twelve months. This compared to increases in the value of imports in Scotland of 6.7%, in England of 1.9%, and Northern Ireland of 5.6%.<sup>35</sup>

In Wales, the total importer count in 2025Q3 was 8,217, a decrease of 7.6% from the figure in 2024Q3. In the UK the total importer count increased by 1.8% over the same period.<sup>36</sup> Trade volume data published by HM Revenue & Customs, for the year to 2025Q3, showed that a net mass of 16.16 billion kilograms was imported into Wales, a decrease of 6.2% from the previous year to the end of 2024Q3.<sup>37</sup>

<sup>28</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-third-quarter-2025/>

<sup>29</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>30</sup> HMRC published a pre-announcement of corrections to the UK Overseas Trade in goods Statistics following the identification of an error affecting exports of fuels (HS2 Chapter 27). Revised RTS accounting for the correction will be available on 19th March 2026 for all UK nations and regions including Wales, alongside a corrected timeseries back to March 2024. Ahead of publication, HMRC have estimated that the correction would increase Wales's goods exports for 2024 by approximately 7.9%, (£1.4 billion) compared with the current published annual 2024 total of £17.5 billion. For January - September 2025, exports are estimated to increase by around 12.1% (£1.5 billion) compared with the current 2025 published total of £12.7 billion.

<sup>31</sup> "Whole number method": A business counts as 1 in each region they have employees.

<sup>32</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-third-quarter-2025/#datasets>

<sup>33</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>34</sup> <https://www.gov.wales/international-goods-trade-interactive-dashboard>

<sup>35</sup> <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-third-quarter-2025/>

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

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

## UK economy forecasts

A comparison of independent forecasts received between the 1 and 12 of December 2025 was published in the December 2025 HM Treasury Forecasts for the UK Economy.<sup>38</sup> The average of new forecasts for UK GDP growth in 2025 was 1.4%, the same as that projected by the average of new forecasts in the November 2025 publication.<sup>39</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.

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<sup>38</sup> <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-december-2025>

<sup>39</sup> <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-november-2025>

- Small business confidence continued to fall back in 2025Q3.
- 24% of SMEs reported growth in the last 12 months during 2025Q3.
- Business births in Wales exceeded business deaths during 2025Q3.

### Small business confidence continues to fall back in 2025Q3

The Federation of Small Businesses (FSB) UK Small Business Index (SBI)<sup>40</sup> fell back further to -58.1 during 2025Q3 following a fall in the previous quarter that took the

index to -44.1, although it remains up from the four-year low of -64.5 it recorded during 2024Q4.<sup>41</sup> Figure 3.1 shows the trend of the FSB SBI between 2023Q3 and 2025Q3.

**Figure 3.1.**  
*UK Small Business Confidence Index, 2023Q3 – 2025Q3*



Source: FSB Small Business Index<sup>42</sup>

<sup>40</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>41</sup> FSB Small Business Index, 2025Q2 <https://www.fsb.org.uk/resources/reports/small-business-index>

<sup>42</sup> FSB Small Business Index, 2025Q2 op. cit.

In 2025Q3, the net balance of small businesses reporting revenue growth stood at -34.3, a further decline on the -26.8 in 2025Q2 and -25.4 in 2025Q1. Meanwhile, expectations for revenue growth during 2025Q4 stood at -27.3.

For the sixth consecutive quarter during 2025Q3 all sectors recorded a negative reading. Accommodation and food service businesses

remained the most pessimistic sector in 2025Q3 with a SBI reading of 88.6, down 13.4 points from the previous quarter. Information and communication and manufacturing experienced the most significant falls in business sentiment between 2025Q2 and 2025Q3. This indicates that weakness in confidence is broad-based, though its intensity varies across sectors.

### The domestic economy continues to be the main concern for SMEs

Overall, the domestic economy remained the most frequently cited barrier to growth in 2025Q3, whilst the tax burden, labour costs, and consumer demand remained the next most cited barriers to growth. Meanwhile, access to finance and the cost of finance were the least frequently cited barriers to growth.

The Business Confidence Monitor (BCM) of the Institute of Chartered Accountants in England and Wales (ICAEW) for 2025Q3 also reported a further fall in overall UK business confidence to -7.3 (from -4.2 in 2025Q2 and -3.0 in 2025Q1), the fifth consecutive quarterly decline. The index continues to remain significantly below its historical norm of +5.3.<sup>43</sup> The BCM identified that regional business confidence was mixed, with some UK regions falling further into negative territory during 2025Q3. Wales, however, was the only UK nation or region to record a positive reading, reaching +0.9, continuing the improvement identified in 2025Q2. In addition, 4.7% Welsh businesses reported increased

profits growth during 2025Q3, the strongest of all the UK nations and regions, whereas the UK average was 2.3%.

The most recent FSB Small Business Index (SBI) is derived from a survey conducted among 1,468 small business owners and sole traders, carried out between 11 September and 25 September 2025.<sup>44</sup> 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 July to 24 September 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.

<sup>43</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](http://www.icaew.com/technical/economy/business-confidence-monitor/business-confidence-monitor-national)

<sup>44</sup> <https://www.fsb.org.uk/media-centre/press-release/small-business-growth-hopes-plunge-chancellor-must-act-in-budget-MCJHXGO335K5HPPF27EKA3M5NIMM>

### In 2025Q3 24% of SMEs reported growth over the previous 12 months

The SME Finance Monitor UK 2025Q3<sup>45</sup> reported that 24% of all responding UK SMEs (excluding starts) had reported growth over the previous 12 months, lower than the 28% reported in the previous quarter, and remaining well below the typical pre-pandemic level of about 40%. Experience varied by SME size, however, with 50% of UK businesses employing 50-249 employees (an increase on the previous quarter), 43% of those employing 10-49, 34% employing 1-9, and 21% of those with no employees, experiencing growth during 2025Q3. The UK SME Finance Monitor also reported that during 2025Q3, 35% of respondent businesses noted higher costs, 37% noted the economic climate, and 36% noted political uncertainty, as the most significant barriers to SME growth.

SME Finance Monitor data for Wales<sup>46</sup> for 2025 H1 shows that 25% of SMEs in Wales (excluding starts) experienced growth during the first half of 2025, which was lower than the 30% that experienced growth during the first half of 2024. By business size, 45% of businesses employing 50-249 employees, 47% of those employing 10-49, 32% employing 1-9, and 22% of those with no employees, experienced growth during 2025 H1.

Meanwhile, by sector, 47% of transport, storage, and communication Welsh SMEs experienced growth during 2025 H1; agriculture (31%); hotels and restaurants (31%); real estate, renting and business advice (26%); wholesale and retail (24%); manufacturing (23%); health and social work (20%); and construction (19%).

### Business births in Wales exceed business deaths

The ONS reported an estimated total of 73,450 UK business births during 2025Q3. The ONS also reported that the number of UK business deaths in 2025Q3 was 63,205. Figure 3.2 reveals the variation of quarterly business births and deaths in Wales over the past 13 quarters.<sup>47</sup> The number of business births in Wales in 2025Q3 was 2,375,

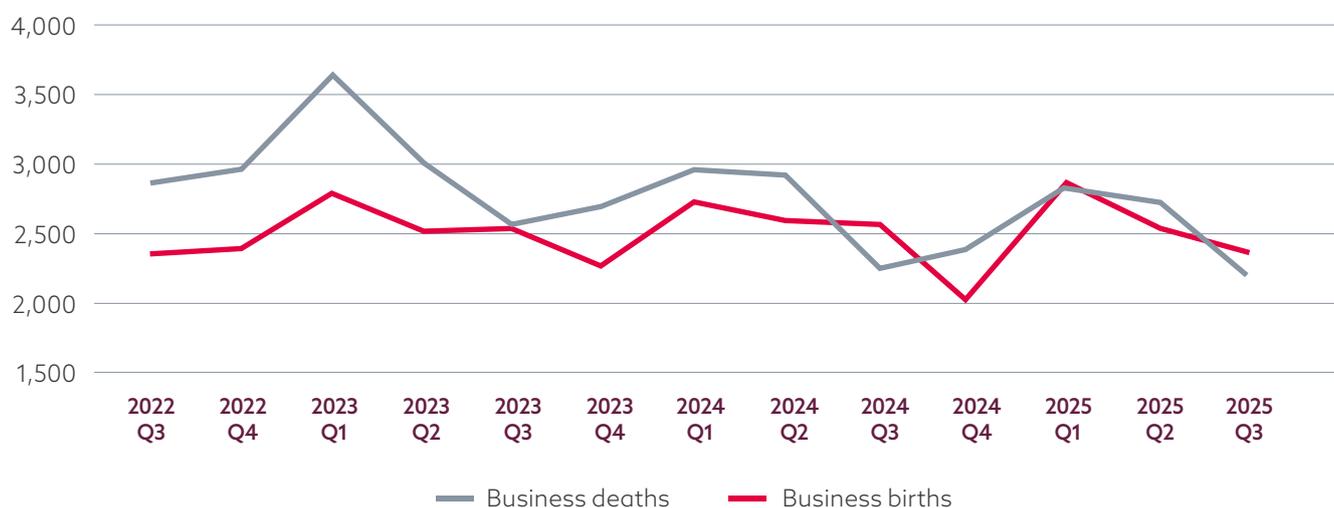
whilst the number of business deaths in Wales during the same period was 2,245. There was a continued decline in both business births and business deaths in Wales during 2025Q3 when compared with the previous quarter, although the number of births exceeded deaths.

<sup>45</sup> <https://www.bva-bdrc.com/sme-finance-monitor/#reports>

<sup>46</sup> Wales data is derived from an extract of the unweighted SME Finance Monitor provided by the Development Bank of Wales.

<sup>47</sup> <http://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk>

**Figure 3.2.**  
Quarterly business demography in Wales, 2022Q3 – 2025Q3



Source: ONS Business Demography, Quarterly Experimental Statistics, UK<sup>48</sup>

### Business Impacts and Conditions Survey

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 31 October (Wave 144)<sup>49</sup> reported that 32.0% of surveyed Welsh businesses experienced increased turnover in October 2025 compared with the previous month (UK 28.9%). Some 22.3% of surveyed businesses in Wales expected turnover to increase in December 2025 against a UK average of 20.3%.<sup>50</sup>

The BICS also revealed that, during October 2025, 7.3% of surveyed businesses in Wales (UK 7.8%) reported that the prices of the goods and services sold by their businesses had increased when compared with the

previous month. Meanwhile, 12.8% of surveyed businesses in Wales (UK 16.7%) reported that the prices they had paid for goods and services had increased from the previous month. Some 11.2% of Welsh firms reported that they expected their number of employees to increase in December 2025 (UK 11.8%).

Compared with the same period in 2024, 28.1% of surveyed Welsh businesses believed their performance had increased (UK 25.6%), with 19.8% believing it had decreased (UK 21.5%). In terms of expectations, 33.1% of Welsh businesses expected their performance would increase in the year ahead (UK 32.8%).

<sup>48</sup> ONS, *ibid.*

<sup>49</sup> <http://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheconomy>

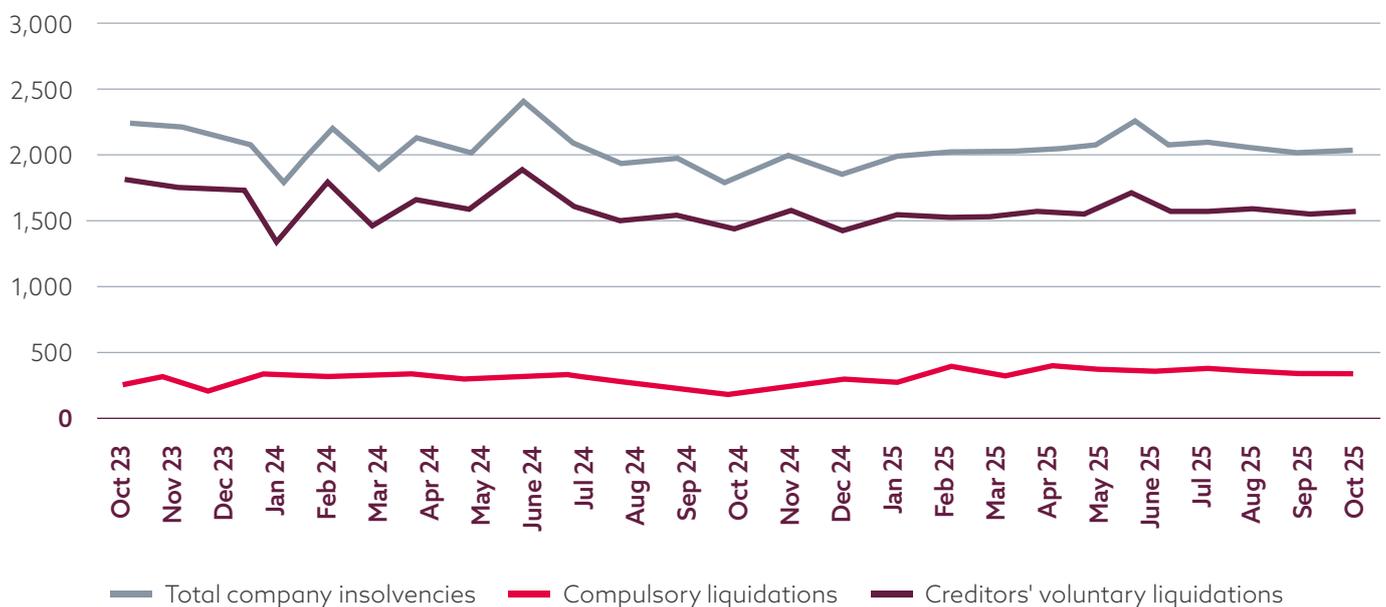
<sup>50</sup> Please note: to present the Wales data (and comparative UK data) for this period it has been necessary to use unweighted data showing the results of the ONS survey respondents only, which has not been adjusted to be representative of Wales (UK) wider business characteristics.

### Business insolvencies

Figure 3.3 shows the trend of registered company insolvencies in England and Wales from October 2023 to October 2025. The total monthly insolvencies in October 2025 were 2,029, higher than 12 months previously when there were 1,732 insolvencies. This overall rate continued to be driven by creditors' voluntary liquidations, which stood at 1,592 in October 2025. The number of compulsory liquidations was 301 in October 2025.

County Court judgments for debt can indicate possible future insolvencies as part of a broader trend. Provisional data indicates that during 2025Q3 there were 479,000 County Court claims, a 4% increase when compared with the same period in 2024. Of these, 400,000 were money claims, up by 4% on the same quarter in 2024.<sup>51</sup>

**Figure 3.3.**  
*Monthly registered company insolvencies, England and Wales, October 2023 – October 2025 (seasonally adjusted)*



Source: UK Government Insolvency Monthly Statistics<sup>52</sup>

<sup>51</sup> <http://www.gov.uk/government/collections/civil-justice-statistics-quarterly#2024>  
<sup>52</sup> <http://www.gov.uk/government/collections/company-insolvency-statistics-releases>

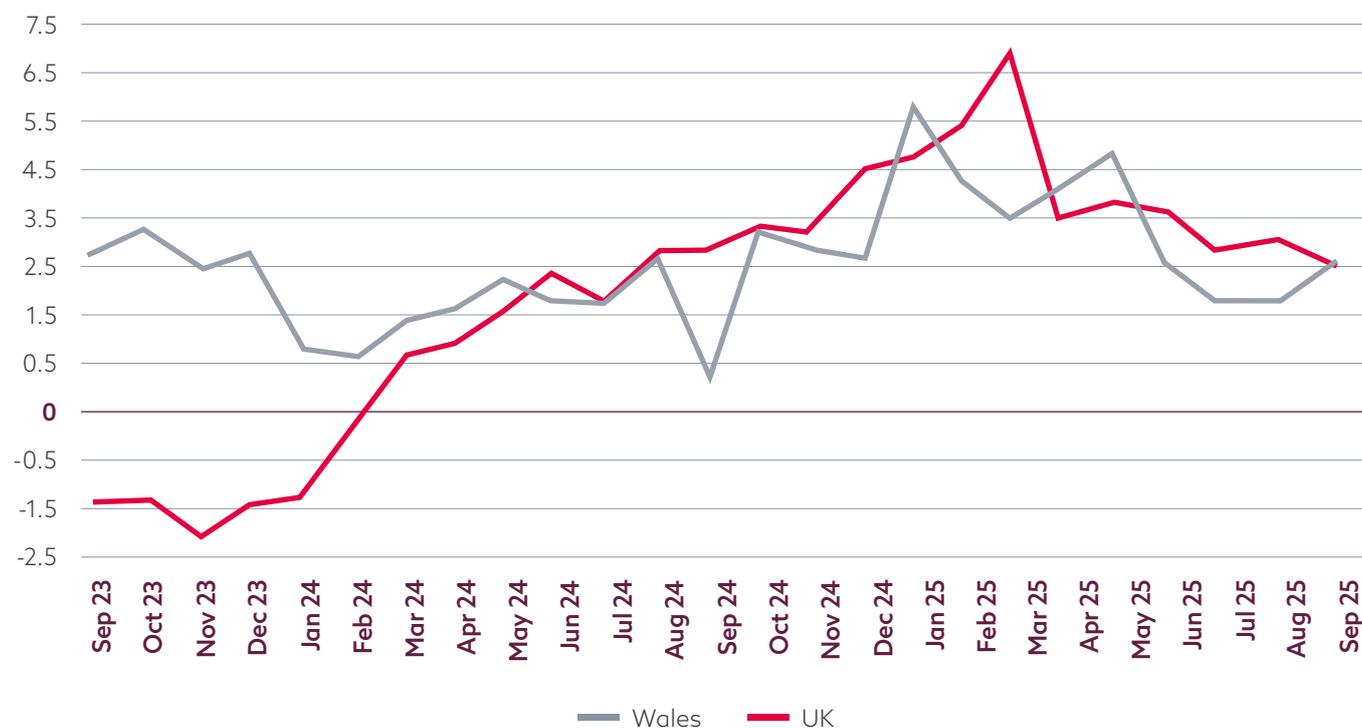
### Welsh house prices increased 2.7% in the year to September 2025

ONS data that captures both cash and mortgage-based purchases shows that the average house price in Wales in September 2025 was £209,000, representing a 2.7% increase from September 2024. Overall, UK house prices increased by 2.6% in the 12 months to September 2025, and the average UK house price

in September 2025 was £272,000, which was £7,000 higher than 12 months previously.<sup>53</sup> As previously noted, the substantial UK house price fall in April perhaps reflects the end of the stamp duty holiday in England and Northern Ireland.<sup>54</sup>

**Figure 3.4.**

**ONS Wales and UK House Price Index, Annual Percentage Change, September 2023 – September 2025**



Source: ONS House Price Index<sup>55</sup>

The Bank of England reported that in October 2025<sup>56</sup>, net mortgage approvals for house purchases were 65,000, whilst net borrowing of mortgage debt by individuals was £4.3 billion in October. Meanwhile, the Bank also reported that the effective interest rate (the actual interest rate

paid) on newly drawn mortgages decreased to 4.17% in October, and remained at 3.89% on the outstanding stock of mortgages. Remortgaging approvals decreased to 33,100 in October, but it is important to note that this data only includes remortgaging approvals with a different lender.

<sup>53</sup> <http://www.gov.uk/government/collections/uk-house-price-index-reports-2025>

<sup>54</sup> <http://www.ft.com/content/bbe3816c-c5db-461e-8e55-3365f9e03a99>

<sup>55</sup> ONS op. cit

<sup>56</sup> <http://www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest>

### UK housing investment is expected to rise during 2026

As previously reported, the Bank of England reported that although housing investment remains weak, it expects annual housing investment growth to strengthen to 5% in 2026, and 6% in 2027.<sup>57</sup> Meanwhile, the S&P Global UK Construction Purchasing Managers' Index<sup>58</sup> registered 39.4 in overall construction activity in November 2025 from

44.1 on October, well below the neutral 50.0 threshold, and representing the steepest downturn in UK construction output for five-and-a-half years. Civil engineering was the weakest area of activity in November at 30.0, whilst residential construction registered 35.4, and commercial building 43.8.

### Commercial property market shows mixed signs of recovery

The UK's commercial property market showed signs of recovery during in 2025, with lending to real estate businesses growing<sup>59</sup>, and indications that office rents and property values have been rising as demand appears to be growing<sup>60</sup>. Nevertheless, the performance

of the UK office market appears to be mixed, with the secondary office market of lower quality properties or those in weaker locations continuing to struggle, whilst grade A offices in prime locations are doing far better.<sup>61</sup>

<sup>57</sup> <http://www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report>

<sup>58</sup> <http://www.pmi.spglobal.com/Public/Release/PressReleases>

<sup>59</sup> <http://www.ft.com/content/142c605d-424b-4ef2-ab5d-1b7e150bbe40>

<sup>60</sup> <http://www.ft.com/content/a921b502-38ad-4008-99a3-b0ad51c02128>

<sup>61</sup> <http://www.ft.com/content/9b696d24-da71-4fdf-8738-feb792e83781>

- During 2025Q3 gross lending to UK SMEs by the main high street banks increased by 6.4% when compared with the same period in 2024.
- The effective interest rate on new loans to SMEs was 4.17% in October 2025, down from 7.26% in October 2024.
- 6.7% of SMEs in Wales were estimated to be in the Highest risk credit rating category (up from 6.1% in January 2025).

## Supply and demand for business lending

The Bank of England's quarterly Credit Conditions Survey examines trends and developments in UK credit conditions. The 2025Q3 survey asked lenders to report on their perceived changes in the supply of, and demand for, credit for the three months ending August 2025, relative to the three months ending May 2025.<sup>62</sup> Lenders were also asked about their expectations of changes up to the end of November 2025. The survey was conducted between 1 and 19 September 2025 and does not account for any changes occurring since.

Lenders reported that the overall availability of credit to the corporate sector slightly increased in 2025Q3. The availability of credit for small, medium, and large-sized businesses increased during 2025Q3. Overall availability of credit to the corporate sector was expected to slightly increase in 2025Q4.

Meanwhile, lenders reported that demand for lending from small and large businesses slightly increased, and demand from

medium-sized businesses was unchanged during 2025Q3. Demand was expected to increase slightly for small, medium, and large-sized businesses during 2025Q4.

UK Finance found that during 2025Q3 gross lending to all UK SMEs by the main high street banks increased by 6.4% year-on-year, down from 8.3% in the second quarter of 2025. This was the slowest since the recovery began in the first quarter of 2024. Gross lending to small businesses (under £2m turnover) nevertheless remained strong, up 15% on the same period during 2024, whilst lending to medium-sized businesses was up 3% over the same period.<sup>63</sup>

The Credit Conditions Survey indicated that default rates on loans to businesses of all sizes remained unchanged during 2025Q3. These rates are projected to remain unchanged for all business sizes during 2025Q4. Losses in the event of default remained unchanged for small and medium-sized businesses and increased slightly for large businesses during 2025Q3.

<sup>62</sup> <http://www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q3>

<sup>63</sup> [http://www.ukfinance.org.uk/system/files/2025-12/Business\\_Finance\\_Review\\_2025\\_Q3.pdf](http://www.ukfinance.org.uk/system/files/2025-12/Business_Finance_Review_2025_Q3.pdf)

## 42% of Welsh SMEs had used some form of external finance in 2025Q2

The SME Finance Monitor found that 44% of UK SMEs had used some form of external finance during 2025Q2, whilst 42% of Welsh SMEs had done so.<sup>64, 65</sup> Overall, during 2025

H1, 25% of Welsh SMEs used credit cards as a form of finance, overdrafts 13%, leasing and HP 9%, and bank loans or mortgages 7%, whilst grants remained steady at 3%.

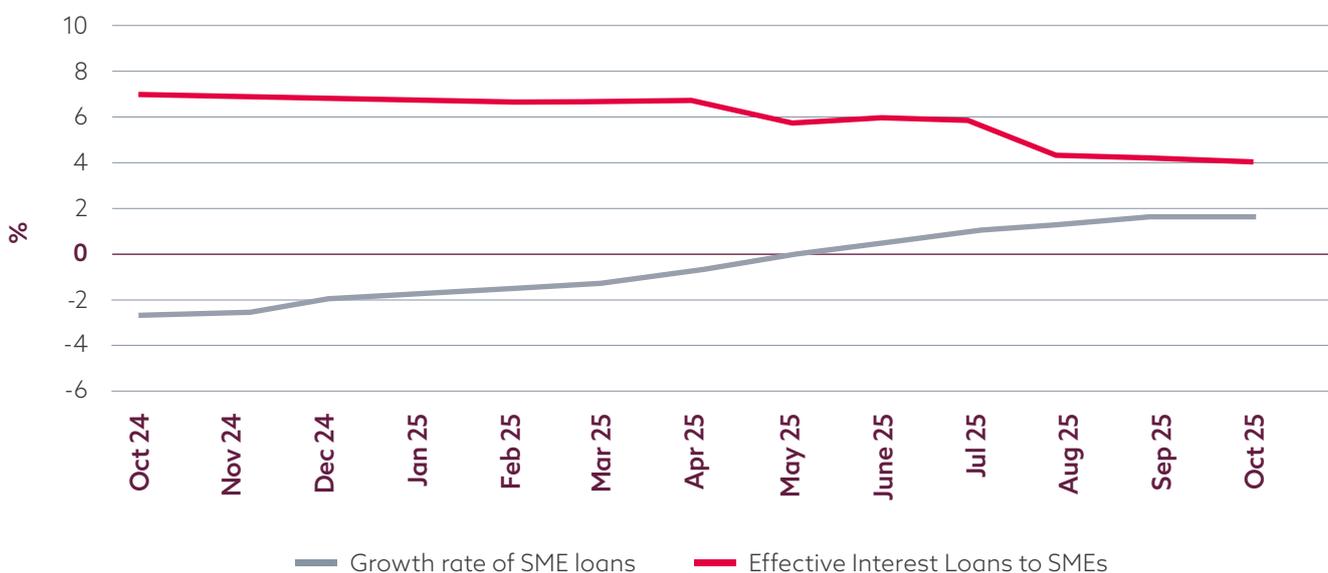
## The average interest rate on SME loans in October 2025 was lower than 12 months previous

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 October 2024 to October 2025.<sup>66</sup> The growth rate of borrowing by SMEs remained steady at 1.6%

during October 2025, following an otherwise rising monthly trend throughout 2024 and 2025. Meanwhile, the effective interest rate on new loans to SMEs was 4.17% in October 2025, down from 4.19% in September 2025.

**Figure 4.1**

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



Source: Bank of England<sup>67</sup>

<sup>64</sup> <http://www.bva-bdrc.com/sme-finance-monitor/#reports>

<sup>65</sup> Wales data is derived from an extract of the unweighted SME Finance Monitor provided by the Development Bank of Wales.

<sup>66</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.test.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&UsingCodes=Y&Filter=N&title=CFMZ6HQ&VPD=Y>

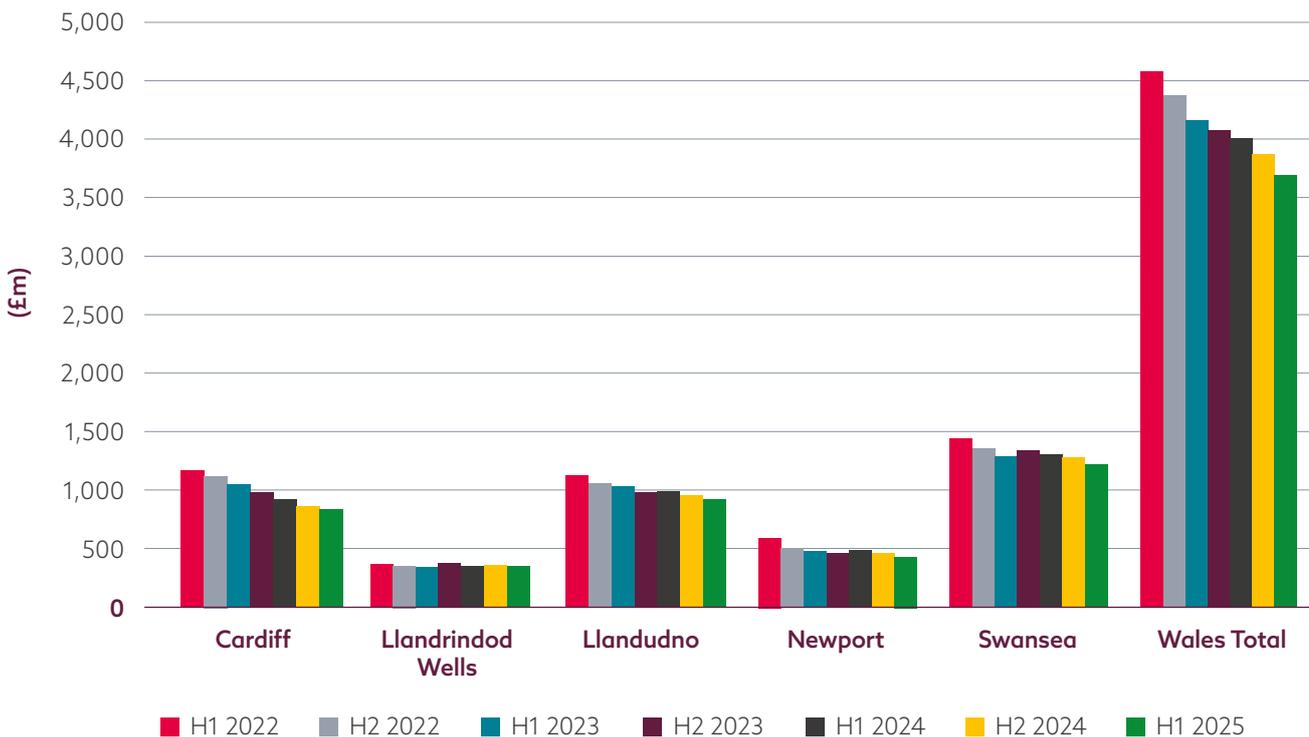
<sup>67</sup> Bank of England, Money and Credit <http://www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest>

## Stock of lending to Welsh SMEs continued to move back toward pre-pandemic levels at start of 2025

UK Finance SME lending data for UK postcodes, published for each half year period, showed a continued decline in the stock of lending to Welsh SMEs during the first half of 2025.<sup>68</sup> The overall lending volume decreased from around £3.855bn in 2024 H2 to £3.703bn. Figure 4.2 shows the SME lending by Welsh postcode area between 2022 H1 to 2025 H1. During 2025 H1,

the Swansea area postcode received around £1.16bn of lending, whilst Llandudno received around £915m, Cardiff around £854m, Newport around £448, and Llandrindod Wells around £326m. Lending appears to have continued to revert to pre-pandemic levels possibly reflecting the repayment of Covid-related loans.

**Figure 4.2.**  
SME Lending, Welsh Postcode Area, H1 2022 - H1 2025



Source: UK Finance Postcode Lending Data, SMEs<sup>69</sup>

<sup>68</sup> UK Finance, SME Lending, UK Postcodes <http://www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes>

<sup>69</sup> UK Finance [www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes](http://www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes)

## Equity investments

Equity investments in businesses are provided by sources such as venture capital funds, angel investors, crowdfunding, corporations, and government funds, and can be made at various business stages.<sup>70</sup> The British Business Bank's annual Small Business Finance Markets 2024/25<sup>71</sup> report outlined the changes in the UK debt markets during the last year. The report noted a slight decline in private debt funds' dry powder (the capital available for new investments), due to increased investments and lower fundraising.

Venture capital volume and fund numbers are down globally, with many funds ending investment periods still holding significant dry

powder. Market uncertainty has reduced the number of IPOs from venture-backed companies shifting to public trading.<sup>72</sup>

As previously reported, equity investments in UK small businesses decreased by 24.3% year-on-year to Q3 2024, although the decrease was less significant in Wales at 14.3%. In contrast, total year-on-year investment values across the UK increased by 6.6% up to the third quarter of 2024, although these values decreased by 45.7% in Wales. Whilst equity financing rose for growth and seed stages in early 2024, it faced challenges in Q3, resulting in overall year-on-year declines.<sup>73</sup>

## Welsh SMEs credit risk

The Bureau van Dijk FAME database of Companies House data was searched in December 2025 to seek evidence of the proportion of Welsh SMEs that fell into different credit risk categories. The search yielded 103,434 SMEs with a known credit rating. Figure 4.3 reveals that of this total, 6.7% of SMEs in Wales were estimated to be in the High Risk credit

rating category (up from 6.1% in January 2025). The Caution category comprised 54,876 SMEs or 53.1% 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.

<sup>70</sup> [https://developmentbank.wales/sites/default/files/2019-04/Equity\\_Clusters\\_Report\\_final.pdf](https://developmentbank.wales/sites/default/files/2019-04/Equity_Clusters_Report_final.pdf)

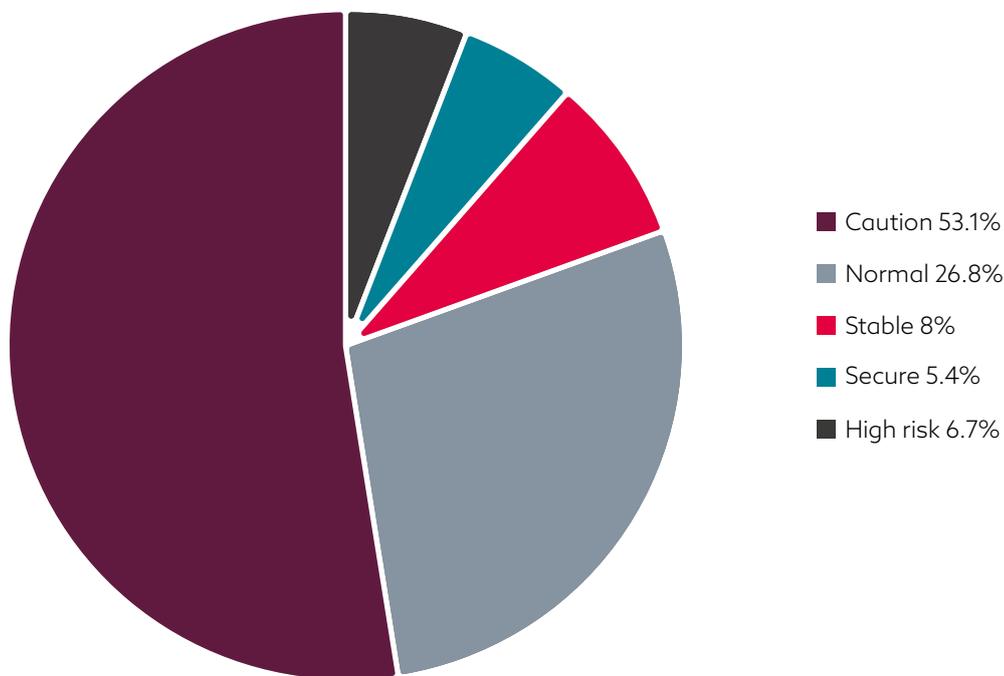
<sup>71</sup> British Business Bank (2025). Small Business Finance Markets 2024/25. <http://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2025-02/small-business-finance-market-report-2025.pdf>

<sup>72</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>73</sup> British Business Bank (2025). *ibid.*

**Figure 4.3.**

*Estimates of proportions of Welsh SMEs in different credit rating categories (December 2025)*



- In 2025/26Q2, the Development Bank of Wales completed 115 investments with a total value of £34.8m. These investments were associated with 700 new and safeguarded jobs.
- Businesses in the south east Wales region accounted for the highest share of investment value (44%) in 2025/26Q2. They also secured the highest share of total jobs (59%) in the same period.
- The construction sector dominated investment activity in 2025/26Q2, accounting for 44% of investment value (£15.5m).
- The highest number of jobs created or safeguarded by Development Bank investments in 2025/26Q2 were in the water supply, sewerage, waste management and remediation sector (120 jobs).
- Development Bank investments in the manufacturing sector created or safeguarded 41 jobs (6% of total jobs) in 2025/26Q2.

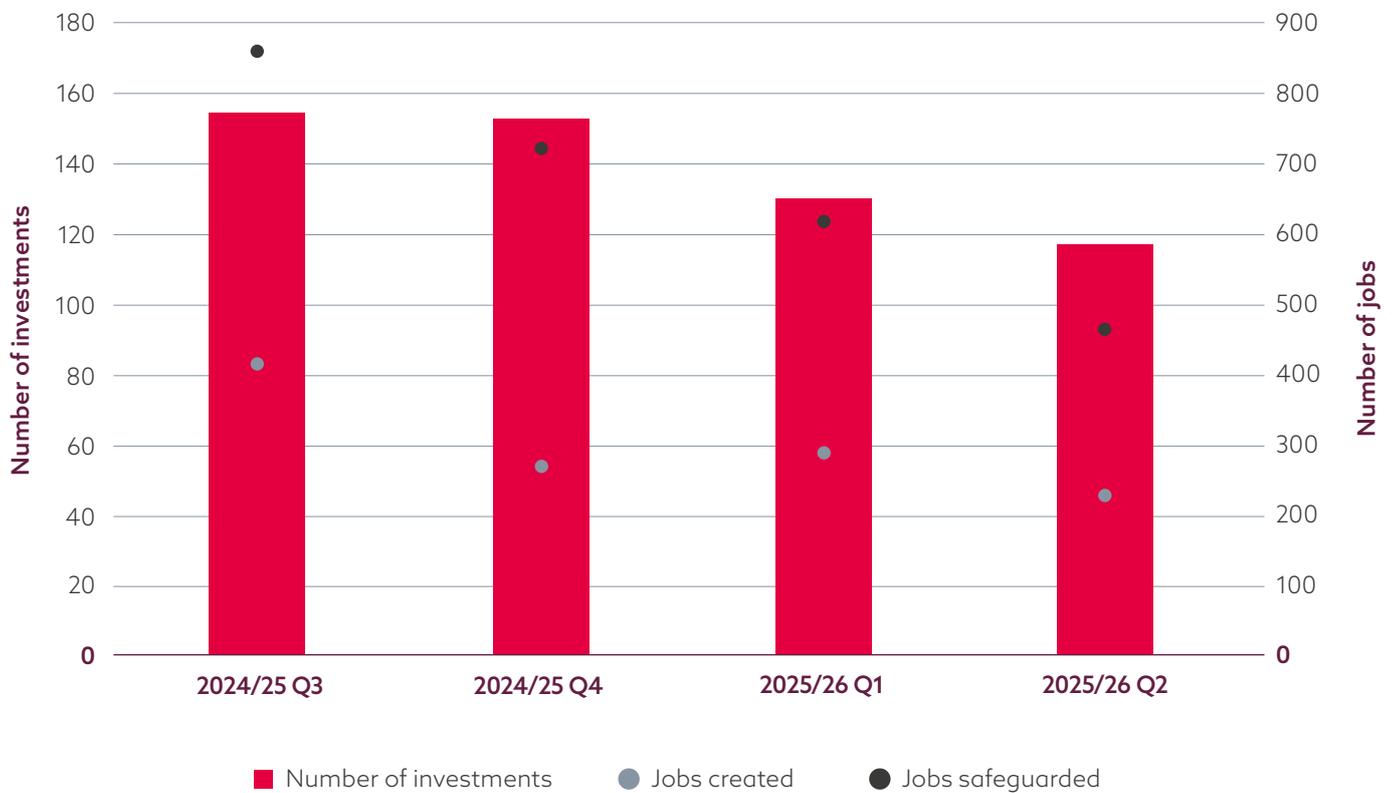
## The Development Bank completed 115 investments in 2025/26Q2, supporting 700 jobs

Figure 5.1 shows a decrease in the number of investments made by the Development Bank of Wales in the second quarter of the 2025/26 financial year when compared with the previous three quarters. During the 2024/25 financial year, the Development Bank reported record highs in terms of the number of investments, investment value and jobs created or safeguarded. The number of investments made in the second quarter of 2025/26 is however comparable with 2024/25Q2 (119 investments, not shown in Figure 5.1).

The number of jobs created or safeguarded linked to Development Bank investments was 700 in 2025/26Q2, a decrease compared to the eight previous quarters. Caution is needed when interpreting quarterly investment data which can be volatile and influenced by a small number of significant investments, particularly where sectoral or regional concentrations are present. Two-thirds of total jobs supported by Development Bank investments in 2025/26Q2 were safeguarded jobs, with the remaining one-third representing new jobs. This reflects the counter-cyclical role of Development Bank activity during periods of economic uncertainty.

**Figure 5.1.**

*Investments and jobs created and safeguarded, 2024/25Q3 – 2025/26Q2*



## The total value of investments made during 2025/26Q2 was almost £35m

Figure 5.2 shows that new debt and equity investment in 2025/26Q2 was £19m, with a further £15.6m of property development. Equity investment (not shown separately in Figure 5.2) in 2025/26Q2 was £3.9m, compared with £4.1m in the previous quarter, and £1.2m in 2024/25Q4, the latter being the weakest quarter for equity investment in the previous financial year.

In terms of the total value of investments, the 2025/26Q2 value (£34.8m), was above that of 2025/26Q1 (£26m) but below the previous two quarters shown in Figure 5.2.

The 2025/26Q2 total investment figure was higher than the second quarters of 2022/23 (£31m), 2023/24 (£24.3m), and 2024/25 (£33.8m).

**Figure 5.2.**  
**New Investment by investment type, £m, 2024/25Q3 – 2025/26Q2**

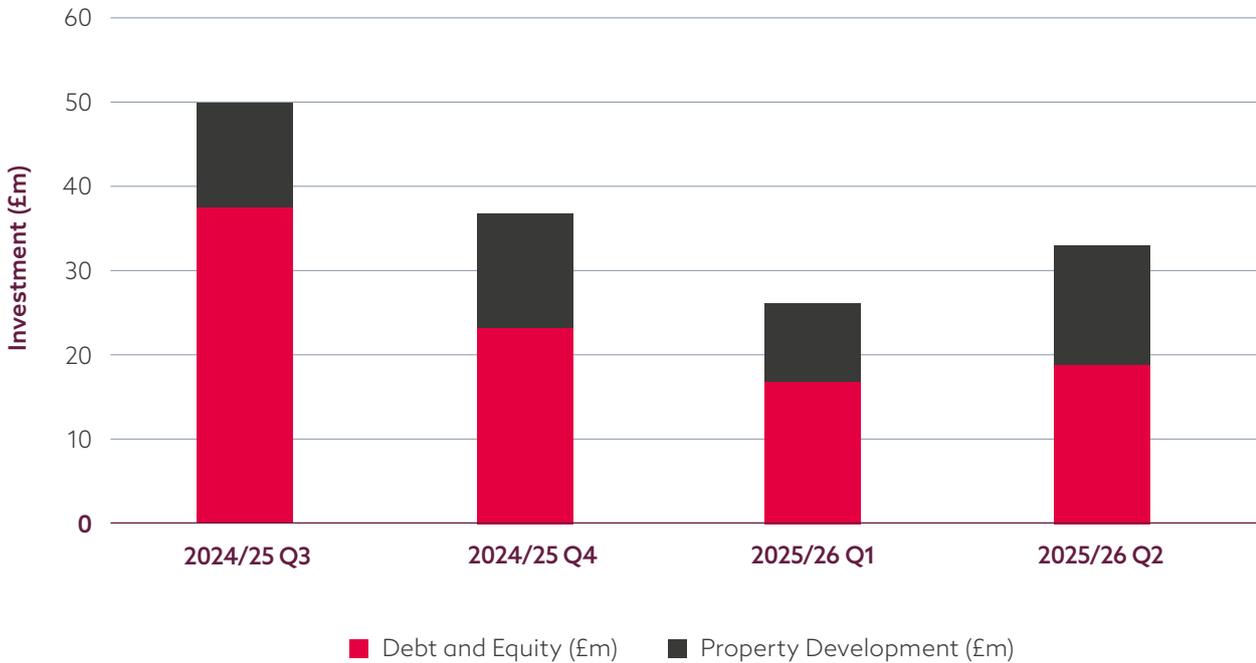


Figure 5.3 shows businesses in south east Wales received £15.3m (44%) of investment funds from 56 investments (49%), creating or safeguarding almost 420 jobs (59%) in 2025/26Q2. Businesses in mid and south west Wales secured just over £11m of Development Bank funding from 35 investments, linked to just over 175 new or

safeguarded jobs. Businesses in north Wales secured 24 investments totalling almost £8.4m of investment, supporting nearly 110 new or safeguarded jobs in 2025/26Q2.

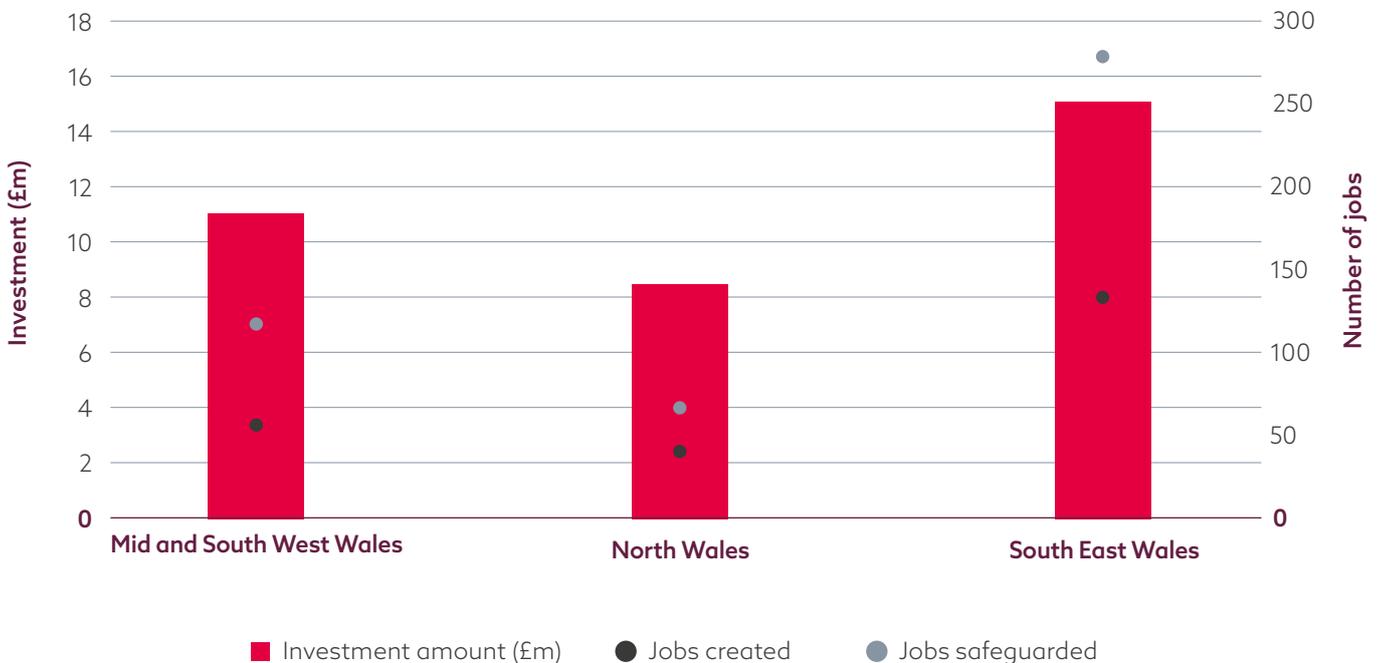
Regional distribution broadly reflects differences in population, business density and project scale across Wales.

**On average, each investment made by the Development Bank in 2025/26Q2 was connected to £302,800 of funding**

The average investment value in 2025/26Q2 is broadly comparable with the recent record high of £323,000 in 2024/25Q3. There was a degree of variation in average investment values by region

in 2025/26Q2, with these ranging from £272,600 in south east Wales, £318,900 in mid and south west Wales, and £349,900 in north Wales.

**Figure 5.3.**  
Investment values, £m, and jobs created and safeguarded by location 2025/26Q2



## The construction sector dominated lending in 2025/26Q2, 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 2025/26Q2. Business in the construction sector secured 44% of investment funding but accounted for only 13% of related jobs.<sup>74</sup> The top eight sectors shown in Figure 5.4, ranked by investment value, secured 93% of all investment funding, and 71% of jobs in 2025/26Q2. This mirrors broader investment patterns in the Welsh economy, where construction-related activity has been a focal point of recent capital expenditure.

The highest number of jobs created or safeguarded by Development Bank investments in 2025/26Q2 were in the water

supply, sewerage, waste management and remediation sector (120 jobs).

Compared to previous quarters, the immediate employment impact from investments in the manufacturing sector were relatively subdued in 2025/26Q2. The sector created or safeguarded 41 jobs (or 6% of the total) in 2025/26Q2 with almost 4% of investment funding (£1.4m). The comparative figures for 2025/26Q1 were over 400 jobs created or safeguarded (45% of all) with £2.2m (8%) of investment funding.

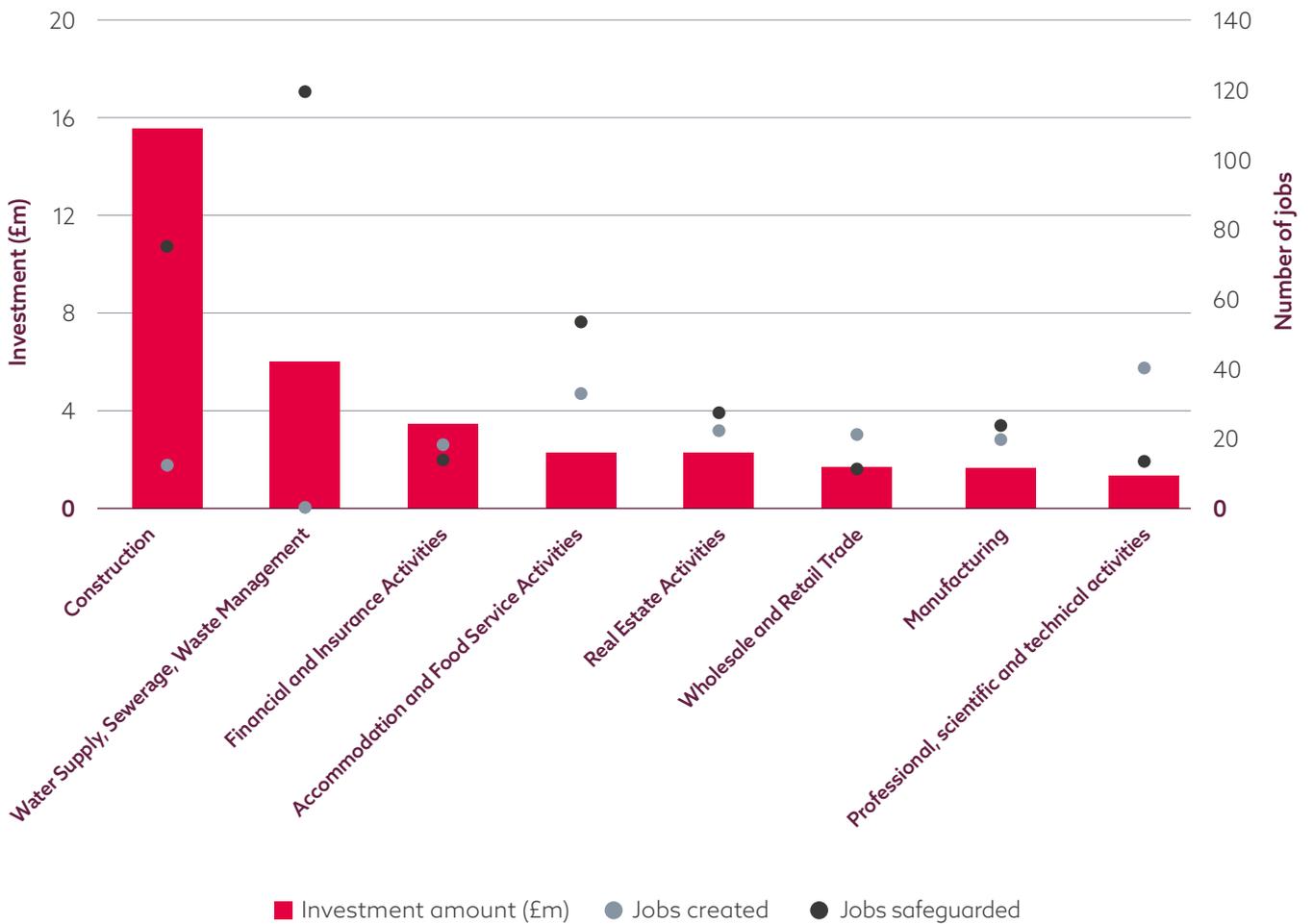
However, on average around 30 jobs were supported by each £1m investment in the manufacturing sector in 2025/26Q2

<sup>74</sup> For some funds accessed by businesses in this sector (relating to property/construction) jobs are not a key performance indicator (KPI) hence no, or very limited employment is directly linked to some of these investments.

compared with the average of 20 jobs per £1m invested across all sectors of the economy in the same period. This highlights the continued potential of manufacturing investments to deliver relatively strong employment outcomes per pound invested.

For comparison purposes, in 2025/26Q1 around 190 jobs were supported by each £1m investment in the manufacturing sector, compared with the average of 35 jobs per £1m invested across all sectors of the economy in 2025/26Q1.

**Figure 5.4.** Investment value, £m, and jobs by sector 2025/26Q2. Selected sectors with investment values above £1m



There is now every indication that 2026 will see limited improvement in UK economic prospects, with continued signs that labour market conditions are weakening, including rising unemployment and falling vacancies in several sectors. The OECD has revealed that it expects UK economic growth to be around 1.2% but with an improvement in 2027.<sup>75</sup> The UK budget provided limited relief for smaller firms and relatively modest incentives to stimulate investment.

For Wales, the UK budget revealed welcome news in terms of the announcement of two AI zones which it is hoped will be connected to 8,000 jobs and the decision to press ahead with new nuclear capacity at Wylfa on Anglesey. Together, these announcements point to a substantial medium-term investment pipeline across a range of sectors. In the Autumn, the First Minister announced that Wales could be gaining up to £16bn of new investment connected with a 5G rollout by Vodafone, an increase in investment at the GE aero engine facility near Caerphilly, new port investment at ABP and significant new investment by Vantage Data Centers at Bridgend. Moreover, RWE has announced a £200m investment in a battery storage facility at Pembroke. The out-turn employment projections connected with these investment announcements are difficult to quantify, particularly given the capital-intensity of several of the projects involved. However, the short-term economic potential connected with the construction stages of these projects could be significant for Wales, not least if local managing contractors are engaged in the process, and with knock-on effects through to Welsh SMEs.

Equally significant is an upboost in Welsh economic activity in the period 2026-30 connected to new water utility investment. The water industry regulator has authorised activity which would allow Dŵr Cymru to commit around £6bn in the period to 2030 (this being an uplift from the £3.8bn from the previous 2020-2025 period). Significant spending will be committed to new assets and service improvements including improving new storm overflows, customer metering, and reservoir safety. Taken together with new spending expected at Hafren in mid and north Wales, this is an uplift of close to £4bn for water company spending in Wales and is expected to have important local economy effects because of the intra-regional distribution of spending. For example, close to £0.8bn is being spent in the Merthyr area in new water treatment facilities.

For Cardiff Capital Region there was good news in that the UKRI had targeted the area for the Local Innovation Partnerships Fund (LIPF) and with £30m expected to be invested developing local innovation clusters.

At a time of disappointing growth in the UK economy, and with international geo-political tensions little changed from December 2024, these investment projects in Wales are expected to lead to new economic activity in Wales, and new demands on the Development Bank of Wales as local businesses seek to play a role in the supply chains to these strategic construction projects. This quarterly report has shown that the construction industry is one of the sectors that has benefitted greatly from Development Bank support. Selected of the projects outlined above could also provide a boost to Welsh productivity levels and with

<sup>75</sup> <https://www.oecd.org/en/topics/sub-issues/economic-surveys/united-kingdom-economic-snapshot.html>

activity focused in industries where there has been strong productivity growth. Moving into 2026 the core economic context for Wales in terms of poor record of productivity growth remains, but with a series of upcoming investments which could work to bridge gaps.

Since the drafting of this report and the cut-off for bringing in new data to the report (22 December 2025), it is noted that there has been increasing geopolitical uncertainty

caused by US announcements in respect of the security and sovereignty of Greenland, its direct intervention in Venezuela and the potential for near term interventions in Iran. The threat of new tariffs on selected countries within Europe (as well as on Canada) as a result of their opposition to statements on the future of Greenland seems to have decreased as at the end of January 2026, but the international environment remains very volatile.

# Appendix 1:

## Selected frequently updated resources

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:

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	October 2025	1.3	1.3
OECD	December 2025	1.4	1.2
NIESR	November 2025	1.5	1.2
<b>Other non-city forecasters</b>			
CBI	December 2025	1.4	1.3
Experian Economics	November 2025	1.5	1.2
Oxford Economics	December 2025	1.4	1.0
<b>City forecasters</b>			
Capital Economics	December 2025	1.4	1.0
JP Morgan	November 2025	1.5	1.0
KPMG	December 2025	1.4	1.0

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

## Appendix 2:

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	December 2025	5.0	4.9
Heteronomics	December 2025	5.0	5.0
NIESR	November 2025	4.9	5.1
<b>Other non-city forecasters</b>			
CBI	December 2025	5.0	5.0
Experian Economics	November 2025	4.9	4.9
Oxford Economics	December 2025	5.1	5.0
<b>City forecasters</b>			
Capital Economics	December 2025	5.2	5.1
JP Morgan	November 2025	5.1	5.1
KPMG	December 2025	5.1	5.1

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

## Appendix 2:

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	December 2025	3.5	2.1
OECD	December 2025	3.8	1.9
NIESR	November 2025	3.6	2.1
<b>Other non-city forecasters</b>			
CBI	December 2025	3.6	2.4
Experian Economics	November 2025	3.6	2.4
Oxford Economics	December 2025	3.6	2.5
<b>City forecasters</b>			
Capital Economics	December 2025	3.7	1.8
JP Morgan	November 2025	3.5	2.6
KPMG	December 2025	3.6	1.7

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

## Appendix 2:

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	December 2025	4.2	3.1
Liverpool Macro Research	December 2025	4.6	3.1
NIESR	November 2025	5.3	3.5
<b>Other non-city forecasters</b>			
CBI	December 2025	3.9	2.6
Experian Economics	November 2025	5.0	3.4
Oxford Economics	December 2025	4.5	3.2
<b>City forecasters</b>			
Capital Economics	December 2025	4.7	3.1
HSBC	December 2025	4.3	3.1
UBS	December 2025	4.2	2.2

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

Dirnad Economi Cymru  
Economic Intelligence Wales



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

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