

Economic Intelligence Wales

Quarterly report

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The ONS has advised on the production of this report but is not responsible for the views or statistics presented and has not validated the content.

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Summary

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 third 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.

At the end of February 2026, armed conflict began between the combined forces of the United States of America and Israel, against Iran. One of the immediate effects on the global economy was a rise in energy prices caused by supply disruptions. Due to delays between data collection and publication, much of the data in this report relates to the period before the conflict.

Economic conditions

The **International Monetary Fund (IMF) revised the global growth projection for 2026 upwards by 0.2 percentage points to 3.3%**. The projection for 2027 remained at 3.2% due to greater volatility and uncertainty in the global market.

Data from the ONS showed that twelve-month Consumer Price Index (CPI) **inflation in the UK was 3.0% in February 2026, unchanged from the twelve months to January 2026**.

The largest upward contributions to the CPI annual inflation rate came from clothing and footwear, miscellaneous goods and services, and furniture and household goods. The largest, offsetting, downward contributions were alcohol and tobacco, and transport.

In March 2026, **the Bank of England voted to maintain the Bank Rate at 3.75%** following the uncertainty arising from the conflict in Iran.

In **the three months to January 2026, UK gross domestic product (GDP) was estimated to have increased by 0.3%**. This was largely driven by production sector increases in the manufacturing sector (up 1.5%) and electricity, gas, steam and air conditioning supply (up 2.2%).

In December 2025 to February 2026, total **UK vacancies were down by 76,000** from the level of a year ago. Estimates from PAYE show a fall in the number of payroll employees in the UK for February 2026 to 30.3m, a decrease of 49,000 employees compared to February 2025. **In Wales, the number of payrolled employees fell by 2,500 to 1.31m in the year to February 2026**

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.

Revised figures for the Welsh construction sector indicated a **third consecutive quarter of decline in 2025Q3**. The **Welsh construction index** remained 23.0% below the Wales 2023 level in 2025Q3, with the comparative figure for the UK reaching 2.3% above 2023 levels.

The **value of goods exported from Wales increased by 1.4% to £19.16bn in the year ending December 2025**. This, combined with the maintaining of numbers in the exporter count over the same period, will help to positively impact productivity and economic activity.

The average forecast for UK GDP growth in 2026 was 0.9% in March 2026. This was a decrease of 0.2 percentage points from the average new forecast made in February 2026.

Changing economic conditions shaping demand for finance

The Federation of Small Businesses UK Small Business Index of **business confidence fell further in 2025Q4 to -70.6**, a new post-pandemic low, with the economy remaining as the top concern for SMEs. **Welsh SME business confidence stood at -58.8 during 2025Q4**.

The SME Finance Monitor reported that **28% of UK SMEs (excluding starts) experienced growth over the last 12 months during 2025Q4**, higher than the level reported in the previous quarter.

Summary

The **number of business births, recorded as new VAT/PAYE registrations, in Wales exceeded the number of business deaths during 2025Q4.**

Total business births in Wales in 2025Q4 was 2,405, whilst the number of business deaths in Wales during the same period were 2,225.

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 31 January 2026 (wave 150) reported that **39.4% of Welsh businesses expected their performance would increase in the year ahead** (UK 37.0%).

ONS data showed that **Welsh house prices increased by 2.0% in the 12 months to January 2026**, and the average house price in Wales in January 2026 was £210,186.

The S&P Global UK **Construction Purchasing Managers' Index registered 44.5 in overall construction activity in February 2026**, below the 50 mark that differentiates expansion from contraction.

Supply and demand for finance

Lenders reported that the **availability of credit for small businesses increased and increased slightly for medium and large-sized businesses during 2025Q4.** Meanwhile, lenders reported that **demand for lending from small, medium, and large businesses was unchanged** during 2025Q4.

UK Finance reported that **gross lending to small firms in 2025 was up by a quarter compared with 2024**, whilst lending to medium-sized businesses rose by 4%.

66% of Welsh SMEs were using some form of external finance during 2025Q4. Credit cards remained the most common form of business finance used by Welsh SMEs.

The **effective interest rate on new loans to SMEs was 6.26% in February 2026**, up from 6.14% in January 2026.

Development Bank of Wales activity

In 2025/26Q3, the **Development Bank of Wales completed 139 investments with a total value of £43.5m. These investments were associated with over 1,100 new and safeguarded jobs.**

The **construction sector dominated investment activity** in 2025/26Q3, accounting for one-third of investments by value (£14.6m).

The **highest number of jobs** created or safeguarded by Development Bank investments in 2025/26Q3 were in the **accommodation and food services sector** (209 jobs). Businesses in this sector secured £5.4m of investment in this period.

Conclusions

UK Government efforts have been focused on bringing inflation under control, but the current conflict will lead to higher prices and the prospect of, at best, no further rate cuts this year.

The conflict has once more highlighted the UK's dependence on imported hydrocarbons and the intricate connections between oil and gas, food and manufacturing prices. Inevitably uncertainty on prices will have spillover effects on business confidence and investment decisions through the remainder of 2026.

For Wales the impacts of the Middle East crisis are made more acute by high levels of fuel poverty, relatively high numbers of households dependent on heating oil which has seen significant price increases, and with more dependence on agriculture and manufacturing whose output is more closely linked to oil prices.

In the current more challenging economic circumstances, the Development Bank will continue to play a critical role for Wales in terms of the provision of loan and equity finance to local businesses facing higher levels of investment uncertainty.

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 third 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 drafting of this report was completed on 9 April 2026.

Economic Intelligence Wales has recently published the following reports:

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

A series of publications are planned during 2026 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
- Small business ownership succession planning strategies.
- Understanding defence industry opportunities in Wales: How can we better support Welsh businesses?

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

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

³ https://developmentbank.wales/sites/default/files/2026-02/BBB_Wales_DNA2F_Report_FINALv.pdf

- At the end of February 2026, armed conflict began between the combined forces of the United States of America and Israel, against Iran. Rising energy prices, due to disruption of supply, was one of the immediate repercussions on the global economy. With the time-lag between the collection and publication of information, much of the data in this section of the report relates to the pre-conflict period.
- The International Monetary Fund's global growth forecast for 2026 (published in January 2026), was upgraded by 0.2 percentage points to 3.3%, while the 2027 projection remained at 3.2%.
- Noting a range of possibilities that could arise from the conflict in Iran, the Monetary Policy Committee of the Bank of England voted to maintain the Bank Rate at 3.75% in March 2026.
- Twelve-month Consumer Price Index (CPI) inflation in the UK was 3.0% in February 2026, unchanged from January 2026.

Global prospects

Before the conflict in Iran began at the end of February 2026, the International Monetary Fund's (IMF) World Economic Outlook Update⁴ (published in January 2026) noted that a balancing of "divergent forces" had resulted in steady progress for the global economy. Negative impacts of trade tensions, such as the tariff barriers introduced by the United States of America, were seen to be offset by increased investment in technology (particularly in Asia and North America). The IMF forecasted global growth at 3.3% in 2026 and 3.2% in 2027. The new projection for 2026 was 0.2 percentage points higher than that noted in the October 2025 World Economic Outlook,⁵ while the 2027 forecast for world growth remained the same in both periods. The IMF indicated that key downside risks were a "re-evaluation of technology expectations and escalation of geopolitical tensions".

In the United States, the IMF forecast growth to be 2.4% in 2026, an upward revision of 0.3 percentage points, and expect growth to fall to 2.0% in 2027. The comparative figures for the Euro area are for growth of 1.3% in 2026 and 1.4% in 2027. In the UK, the IMF growth projection is for 1.3% in 2026 and 1.5% in 2027.

At the time of writing, the full economic impact from the fall-out of the war in Iran is still being revealed, but global increases in the price of items including energy (particularly petrol and diesel), fertiliser, and shipping (with increased insurance premiums) resulted from the conflict and particularly the closure of the major shipping trade route through the Strait of Hormuz, blocking supply.

⁴ <https://www.imf.org/en/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026>

⁵ <https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025>

UK Chancellor's Spring Statement

In the Spring Statement of March 2026, the UK Chancellor of the Exchequer highlighted revised growth forecasts for the UK economy from the Treasury watchdog, the Office for Budget Responsibility (OBR). The UK growth forecast for 2026 was downgraded to 1.1% (a decrease of 0.3 percentage points from the forecast in November), while GDP growth was expected to average 1.6% a year from 2027 to 2030.⁶

The analysis also predicted that the 2% inflation target for the UK economy would be achieved in 2026, and forecast that UK unemployment would increase to 5.3% in 2026, before tailing off to 4.1% by 2030. However, the forecasts did not incorporate any prospective impacts from the Middle East conflict.⁷

UK inflationary pressures

The conflict in Iran has created uncertainty in the UK's inflation trajectory. It should be noted that the following figures were collected by the ONS before the Iran war began disrupting energy markets. The twelve-month CPI inflation in the UK, according to the ONS, was 3.0% in February 2026, unchanged from the rate from the twelve months to January 2026.⁸ The largest upward contributions to the CPI annual inflation rate came from clothing and footwear, miscellaneous goods and services, and furniture and household goods. The largest, offsetting, downward contributions were alcohol and tobacco, and transport.

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 February 2026, while the comparative figure in the twelve months to January 2026 was 3.1%.⁹

In the year to February 2026, the annual rate of producer output (factory gate) prices increased by 1.7%, down from a rise of 2.5% in the year to January 2026.¹⁰

The largest upward contributions to the annual output inflation rate in February 2026 came from outputs of food products (where prices rose 2.4%, compared with a revised increase of 3.2% in the year to January 2026), and other outputs from manufacturing (where prices increased by 2.7% in the year to February 2026, down from a revised 2.9% in the year to January 2026).

The largest downward contribution to the annual output inflation rate was from the coke and refined petroleum product group. Here prices fell by 8.6% in the year to February 2026, decreasing from a revised fall of 7.7% in January.

⁶ <https://assets.publishing.service.gov.uk/media/69a6d7b62e1f4fbd4252208/economic-and-fiscal-outlook-march-2026-web-accessible.pdf>

⁷ <https://www.bbc.co.uk/news/live/cwy81d7y9zqt>

⁸ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2026>

⁹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2026#latest-movements-in-cpih-inflation>

¹⁰ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/producerpriceinflation/february2026>

The Bank of England holds the Bank Rate steady in March 2026

In March 2026, the Bank of England maintained the Bank Rate at 3.75%, with the Bank's Governor reportedly noting that with energy prices already being pushed up "...monetary policy cannot reverse this shock to supply. Its resolution depends on action at its source to restore the safe passage of shipping through the Strait of Hormuz...".¹¹ The Monetary Policy Summary for March noted that, before

the shock, monetary policy had been deemed to be fairly restrictive but subsequently there was a range of possibilities that depended on different developments in the Iran conflict – if the shock was brief or economic slack increased, reducing inflationary pressures, a less restrictive policy stance would be appropriate, while a larger, prolonged shock with stronger wage and price effects would require tighter policy.¹²

UK GDP increases marginally in the three months to January 2026

Compared with the three months to October 2025, UK real gross domestic product (GDP) is estimated to have increased by 0.3% in the three months to January 2026.¹³

By sector, output in UK services grew by 0.2% in the three months to January 2026, with this following no growth in each of the three months to October, November, and December 2025.¹⁴ The largest positive contributors to services output in the three months to January 2026 were wholesale and retail trade; repair of motor vehicles and motorcycles (up 1.0%), information and communication (up 0.8%) and transportation and storage (up 1.1%). The largest negative contributors to output in services were Real estate activities (down 0.2%), accommodation and food services (down 0.7%) due to a 2.9% decrease in accommodation, and arts, entertainment and recreation (down 1.1%).

In the three months to January 2026, output in the UK production sector is estimated to have grown by 1.3% compared with the three months to October 2025. The major contributors to this increase were the manufacturing sector (up

1.5%) and electricity, gas, steam and air conditioning supply (up 2.2%). Within the manufacturing sector, the largest positive contributors in the three months to January 2026 were manufacture of transport equipment (up 8.1%), other manufacture and trade (up 4.7%) and manufacture of computers, electronic and optical products (up 2.4%). The largest manufacturing sector negative contributors were manufacture of chemicals and chemical products (down 4.0%), manufacture of food products, beverages and tobacco (down 0.9%), and manufacture of wood and paper products, and printing (down 1.9%).

In the production sector as a whole, in the three months to January 2026, growth was partially offset by decreases of 0.5% in water supply; sewerage, waste management and remediation activities, along with 0.1% in mining and quarrying.

Monthly GDP estimates reveal that there was no growth in the month to January 2026. This followed growth of 0.1% in December 2025 and 0.2% in November 2025.

¹¹ <https://www.bbc.co.uk/news/live/cm2r295p8p9t>

¹² <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/march-2026>

¹³ <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/february2026>

¹⁴ <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/january2026>

¹⁵ <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/octobertodecember2025revisedresults>

UK business investment decreased in 2025Q4

In 2025Q4 (October to December) UK business investment decreased by 2.5%, revised up from a 2.7% decrease in the provisional estimate, according to figures published by the ONS.¹⁵ The largest contributors to the decrease in business investment in October to December

2025 were transport, and information and communications technology (ICT) and other machinery and equipment. The revised figure was 2.0% above the level in 2024Q4, but the revival in capital spending remained inconsistent across sectors.

Number of UK job vacancies continues to fall

Over recent months the fall in vacancies in the UK has been connected with the increase in the National Minimum Wage and the National Living Wage from April 2025, adding to rising costs for employers, and an associated stemming of recruitment.¹⁶ The early estimate of the number of UK job vacancies in the period December 2025 to February 2026 was 721,000 – a fall of 6,000 from the previous quarter (September to November 2025).¹⁷

In December 2025 to February 2026 total vacancies were down by 76,000 (9.5%) from the level of the previous year and were 74,000 (9.3%) below their pre-COVID-19 pandemic January to March 2020 level. The largest proportional decrease in vacancies in December 2025 to February 2026 from the previous quarter were in water supply, sewerage, waste and remediation activities (down 11.4%), and construction (a decrease of 10.6%).

Pay as You Earn Real Time Information¹⁸ early estimates reveal a fall in the number of payroll employees in the UK for February 2026 to 30.3 million, a decrease of 49,000 employees (or 0.2%) compared with the figure for February 2025. In the year to February 2026, increases in

payrolled employees in the UK were largest in the health and social work sector (an increase of 42,000 employees or 0.9%) while the largest decrease was in the wholesale and retail sector (a decrease of 49,000 or -1.1%).¹⁹ Between February 2025 and February 2026 there was also a decrease in the number of payrolled employees in a number of sectors including manufacturing, construction, accommodation and food service activities, information and communication, and administrative and support services.

Employment concerns in the Welsh economy persisted in consumer-facing and cost-sensitive sectors. In the year to February 2026, the number of payrolled employees in Wales decreased by 2,500 (or -0.2%) to 1.31m.²⁰ The UK regional data on payroll employees by sector is updated less frequently, but the data for January 2026 shows the volume decrease in payroll employees in Wales over the year was most evident in wholesale and retail (a fall of 3,500 employees or -2.0%), manufacturing (a decrease of 2,200, or -1.8%) and accommodation and food service activities (a decrease of 2,100 employees, or -2.2%).²¹

¹⁶ <https://www.theguardian.com/business/2026/feb/23/uk-job-vacancies-fall-to-lowest-level-since-pandemic>

¹⁷ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/march2026>

¹⁸ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/march2026>

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

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

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

Unemployment rates in the UK and in Wales

The latest unemployment data available from the Annual Population Survey (APS), at the time of writing, was for the twelve-month period to September 2025 (due to continuing data quality issues with the ONS Labour Force Survey, the APS data has been used in this report).

In the year to September 2025, the UK unemployment rate (all aged 16+) was an estimated 4.2%.²² 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 February 2026, the UK unemployment-related benefit claimant count (not seasonally adjusted) decreased by 33,400 to 1.72m people.²³

In Wales, 65,985 people claimed unemployment-related benefits in February 2026 (equal to 3.4% of the resident population aged 16 to 64, not seasonally adjusted, compared with a figure of 3.9% for the UK), a decrease of 770 in the number of claimants compared with February 2025.²⁴ It should be noted that the values for February 2026

are provisional at the time of writing this report.

According to the data for January 2026, the Welsh unitary authorities with the highest proportion of working age population claiming unemployment-related benefits, were Newport (4.5%), Blaenau Gwent (4.1%), Cardiff (3.9%), Isle of Anglesey (3.8%), Conwy (3.8%), and Torfaen (also 3.8%), and those with the lowest proportions were Monmouthshire (2.4%), Powys (2.7%), Ceredigion (2.7%), Carmarthenshire (2.9%), and Flintshire (2.9%).

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 the ONS Annual Population Survey data²⁵, a decrease of 0.6 percentage points compared to 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.

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

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

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

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

Welsh construction industry output decreases from 2024Q4 to 2025Q3

The indices of Welsh production, construction, and market services, are shown for 2022Q3 to 2025Q3 in Figure 2.1. The Welsh production index in 2025Q3 was 4.2% below the 2023 level, with the equivalent figure for the UK being 1.3% below the 2023 level. During the latter part of 2024 and into 2025, the output decline in Tata steel, south Wales, was one of the elements negatively impacting the production index.

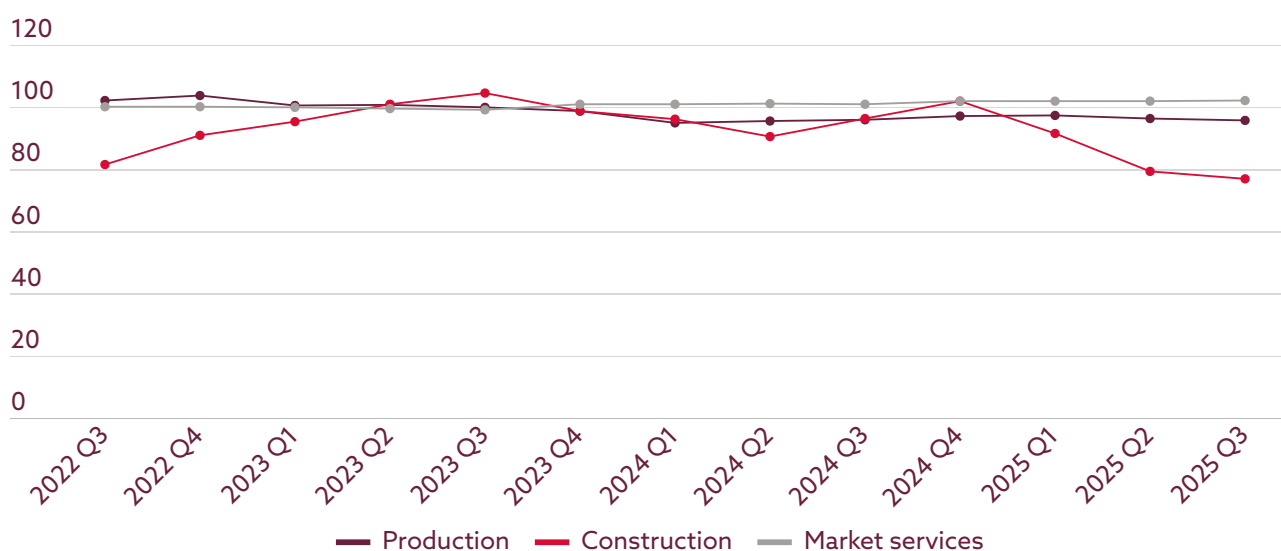
The Welsh index of construction saw a period of substantial growth in 2022 and 2023 due to several large construction projects taking place in Wales. However recent revised data for construction output revealed that the sector in Wales experienced a third consecutive quarter of decline in 2025Q3.

The Welsh construction index remained 23.0% below the Wales 2023 level in 2025Q3, with

the comparative figure for the UK being 2.3% above the 2023 level. The rate of decline of the Welsh construction index, however, slowed somewhat in 2025Q3. The Welsh market services index remained fairly stable over the time period analysed, being 2.2% above the 2023 level by 2025Q3. The comparative figure for the UK reached 2.5% above the 2023 level.

The Bank of England Agents' Summary of Business Conditions²⁶ report, published in March 2026, noted that construction activity in the UK was constrained by elevated costs, weak demand, delayed or uncertain public funding, limited access to financing, and persistent planning and regulatory hold-ups. The report indicated that recovery expectations in the sector had been pushed out into early 2027 (see also section 3).

Figure 2.1.
Welsh output indices: trend 2022Q3 - 2025Q3 (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.

²⁶ <https://www.bankofengland.co.uk/agents-summary/2026/march-2026>

The value of goods exported from Wales increased in the year to 2025Q4

ONS advise a degree of caution 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).

The trade in goods data for the UK regions shows that there had been an increase in the value of exports from all UK countries, except Scotland, in the twelve months ending December 2025 compared with the previous twelve months.²⁷ The value of goods exported from Wales increased by 1.4% to £19.16bn in the twelve months ending December 2025 (compared with an increase of 1.2% in England and 1.1% in Northern Ireland, but a decrease of 4.4% in Scotland).

Over the year to December 2025, total goods export values in Wales increased in a number of product categories.²⁸ The export value of machinery and transport equipment increased to £9.33bn in the year ending 2025Q4, from £8.84bn in the previous twelve months, an increase of 5.5%. The value of food and live animal exports rose to £0.91bn in the year ending 2025Q4, from £0.80bn in the previous year, an increase of 14.7%. However, the export value of manufactured goods (classified chiefly by material) decreased to £2.22bn in the year ending 2025Q4, from £2.55bn in the previous twelve months, a decrease of 13.1%.

The total exporter count for Wales in 2025Q4 was 3,094 – virtually no change from 2024Q4

where the figure was 3,096 (using the Whole Number Method).²⁹ In the same time period, there was a decrease of 3.7% for the UK as a whole.³⁰ HM Revenue & Customs published trade volume data for the year to 2025Q4 showed that a net mass of 7.83 billion kilograms were exported from Wales, an increase of 4.6% from the previous twelve months.³¹

In Wales, continued vulnerability to shifts in global demand and trade conditions are revealed in the data for international goods trade. Over the year to 2025Q4, total Welsh export value by products to the United States decreased to £2.72bn, from £2.84bn in the previous twelve months, a fall of 4.2%.³² Despite this, the United States remained the top destination country (by value) for exports from Wales.

In the year to December 2025, the value of goods imported to Wales fell by 4.4% to £20.38bn when compared to the previous twelve months. This compared to increases in the value of imports in Scotland of 7.7%, in England of 2.8%, and Northern Ireland of 3.6%.³³

In Wales, the total importer count in 2025Q4 was 8,162, a decrease of 8.3% from the figure in 2024Q4. In the UK the total importer count increased by 2.1% over the same period.³⁴ Trade volume data published by HM Revenue & Customs, for the year to 2025Q4, showed that a net mass of 16.01 billion kilograms was imported into Wales, a decrease of 3.9% from the previous year to the end of 2024Q4.³⁵

²⁷ <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-fourth-quarter-2025/>

²⁸ <https://www.gov.wales/international-goods-trade-interactive-dashboard>

²⁹ "Whole number method": A business counts as 1 in each region they have employees.

³⁰ <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-fourth-quarter-2025/#datasets>

³¹ <https://www.gov.wales/international-goods-trade-interactive-dashboard>

³² <https://www.gov.wales/international-goods-trade-interactive-dashboard>

³³ <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-fourth-quarter-2025/>

³⁴ <https://www.uktradeinfo.com/trade-data/regional/2025/uk-regional-trade-in-goods-statistics-fourth-quarter-2025/#datasets>

³⁵ <https://www.gov.wales/international-goods-trade-interactive-dashboard>

³⁶ <https://www.gov.wales/sites/default/files/statistics-and-research/2026-03/size-analysis-businesses-2025-012003.pdf>

Size analysis of active businesses in Wales

Latest data from the Size Analysis of Active Businesses in Wales, published in a Welsh Government statistical bulletin³⁶ in March 2026, estimated that there were 246,500 enterprises active in Wales in 2025 – representing a fall of 2.9% from the equivalent figure for 2024. In 2025, active enterprises in Wales employed 1.1 million people (down 1.0% on the previous year), with a combined turnover of £148.5bn (decreasing 0.8% when compared to 2024). The bulletin indicates the importance of small and medium-sized enterprises (SMEs) to the Welsh economy, with them being accountable for 62.3% of employment, and 42.5% of turnover in 2025. In the same time period, 37.7% of employment in Wales was in large enterprises (defined as having 250 employees or more). This compares to 40.2% in the UK as a whole.

By industry, the structure of employment in SMEs in Wales in 2025 was “broadly similar” to the UK, with the construction sector having the largest proportion of employment in SMEs in Wales and the UK. The largest difference was in the financial and business services sector with 61.6% of employment in Wales within SMEs, compared to the UK figure of 57.2%. An estimated 0.7% of enterprises active in Wales in 2025 were foreign owned (up 8.5% on the figure for 2024). This cohort accounted for 15.9% of employment (up 3.5% on 2024).

UK economy forecasts

A comparison of independent forecasts received between the 2 and 13 of March 2026 was published in the March 2026 HM Treasury Forecasts for the UK Economy.³⁷ The average of new forecasts for UK GDP growth in 2026 was 0.9%, a decrease of 0.2 percentage points from that projected by the average of new forecasts in the February 2026 publication.³⁸

Appendix 2 of this report shows a summary of selected GDP forecasts for the UK for 2026 and 2027, 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.

³⁷ <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2026>

³⁸ <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-february-2026>

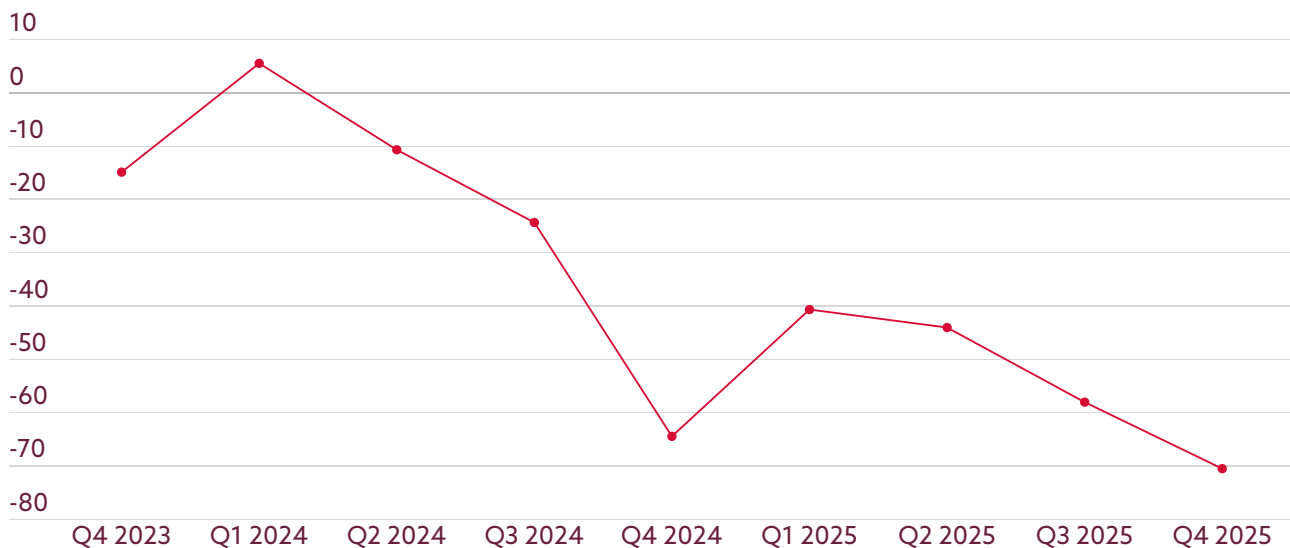
- UK small business confidence continued its downward trajectory in 2025Q4.
- 28% of SMEs reported growth in the last 12 months during 2025Q4.
- Business births in Wales exceeded business deaths during 2025Q4.
- Overall, UK construction activity remains weak.

UK small business confidence continued its downward trajectory in 2025Q4

The Federation of Small Business (FSB) UK Small Business Index (SBI)³⁹ continued its downward trajectory during the final quarter of 2025, falling

a further 12 points to a new post-pandemic low of -70.6. Figure 3.1 shows the trend of the FSB SBI between 2023Q4 and 2025Q4.

Figure 3.1.
UK Small Business Confidence Index, 2023Q4 – 2025Q4



Source: FSB Small Business Index⁴⁰

³⁹The 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.'

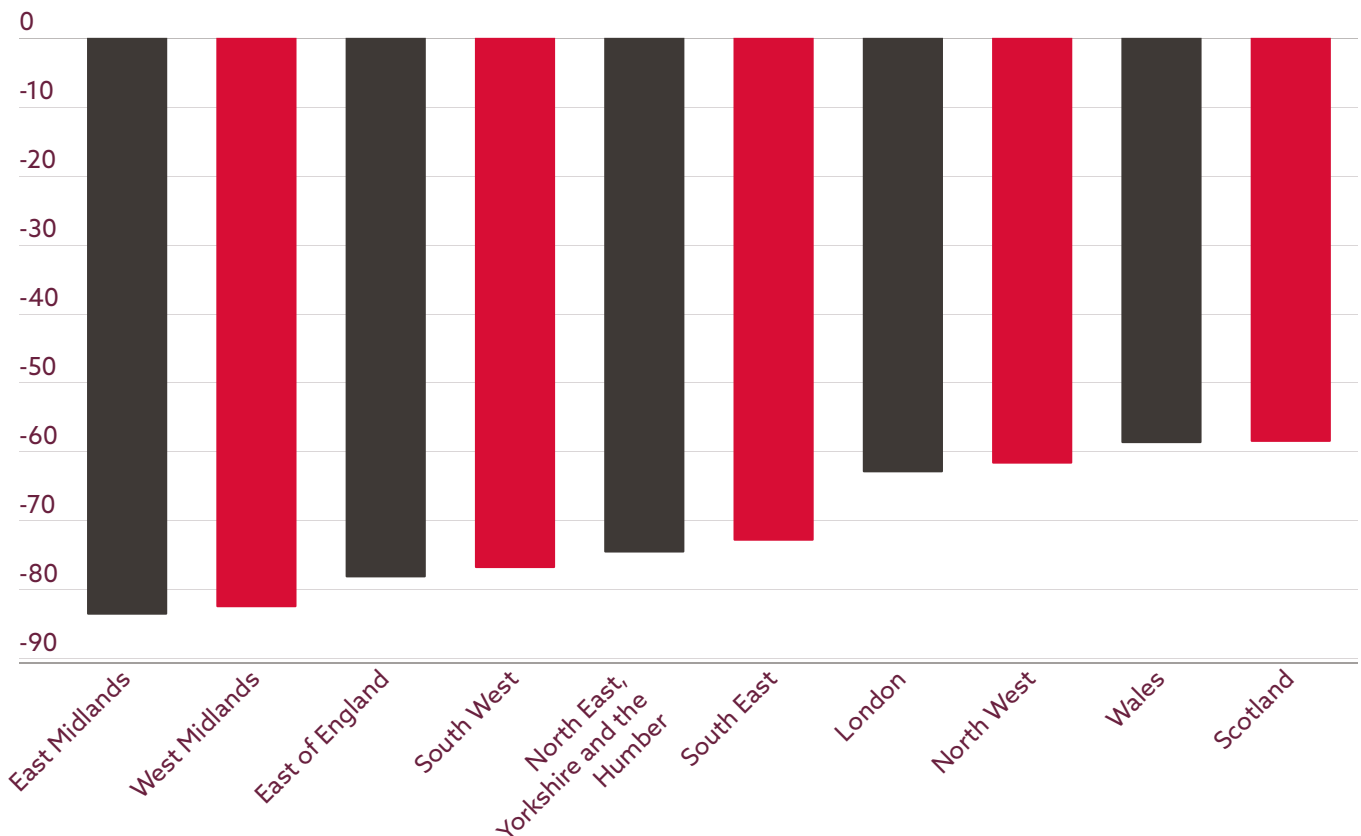
⁴⁰ FSB Small Business Index, <https://www.fsb.org.uk/resources/reports/small-business-index>

Wales small business confidence more positive than UK average during 2025Q4

The FSB also released SBI findings for Wales during 2025Q4, which it had previously been unable to report due to an insufficient sample size. The SBI for Wales during 2025Q4 stood at -58.8, which was the second most positive GB nation/region after Scotland. Figure 3.2 shows

the SBI by GB region/nation during 2025Q4. The sample size in Northern Ireland remained insufficient for reliable results, and the North East region was merged with Yorkshire and the Humber for similar reasons.

Figure 3.2.
GB Regions/Nations Small Business Confidence Index, 2025Q4



In 2025Q4, the net balance of small businesses reporting revenue growth fell further to a new low of -34.9, following previous declines of -34.3 in 2025Q3, -26.8 in 2025Q2, and -25.4 in 2025Q1. Meanwhile, expectations for revenue growth during 2026Q1 stood at -34.3.

For the seventh consecutive quarter during 2025Q4 all sectors recorded a negative reading.

With construction (down 25.5), wholesale and retail trade (down 22.2), and accommodation and food services (down 15.5) recording the largest sectoral declines in business sentiment from the previous quarter. Accommodation and food service businesses remained the most pessimistic sector in 2025Q4, recording a sectoral SBI of -104.1.

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

The domestic economy continues to be the main concern for SMEs

The domestic economy remained the most frequently cited barrier to growth in 2025Q4, whilst the tax burden, labour costs, and consumer demand remained the next most cited barriers to growth. Meanwhile, the cost of finance and access to 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 2025Q4 also reported a further fall in overall UK business confidence to -11.1, following falls of -7.3 in 2025Q3, -4.2 in 2025Q2, and -3.0 in 2025Q1. This was the sixth consecutive quarterly decline for this index. The index therefore remains significantly below its historical norm of +5.3.⁴²

The BCM identified that regional business confidence was mixed. The North West was the only region to experience positive confidence during 2025Q4, whilst Wales fell back into

negative territory of -7.8 (from +0.9 in 2025Q4), although it remained above the UK average of -11.1. Meanwhile, Welsh business reporting annual profits growth slowed to 2.4% during 2025Q4, from 4.7% during 2025Q3, and was below the UK average of 2.7%.

The most recent FSB Small Business Index (SBI) is derived from a survey conducted among 1,200 small business owners and sole traders, carried out between 9 and 23 December 2025.⁴³ 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 8 October to 11 December 2025. One of the main methodological differences between these surveys is that while the SBI survey focuses on small businesses, the BCM includes companies of all sizes.

In 2025Q4 28% of SMEs reported growth over the previous 12 months

The SME Finance Monitor UK 2025Q4⁴⁴ reported that 28% of all responding UK SMEs (excluding starts) had reported growth over the previous 12 months, higher than the 24% reported during 2025Q3, but consistent with 2025Q1 and Q2. Nevertheless, this remained well below the typical pre-pandemic level of around 40%. Experience varied by SME size, with 42% of UK businesses employing 50-249 employees (a decrease on the previous quarter), 46% of those employing 10-49, 36% employing 1-9, and 25% of those with no employees, experiencing growth during 2025Q4.

The Finance Monitor also reported that during 2025Q4, 41% of SMEs listed political uncertainty, 40% listed the economic climate, and 37% listed higher costs, as the most significant barriers to their growth.

Looking forward, the British Business Bank and Economic Intelligence Wales' SME Access to Finance Report found that 48% of Wales-based SMEs expected stability during 2026, while 30% expected growth, 11% expected their businesses to contract, 9% expected difficult trading conditions or risk of closure, and 2% were unsure.⁴⁵

⁴² 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

⁴³ https://www.fsb.org.uk/media-centre/press-release/sort-out-the-cost-hikes-facing-small-firms-chancellor-told-MCFKKNLWVCLLKFTXMM#:~:text=Notes%20to%20editors%20*%20The%20confidence%20score,and%20sole%20traders%20between%209%2D23%20December%202025

⁴⁴ <https://www.bva-bdrc.com/sme-finance-monitor/#reports>

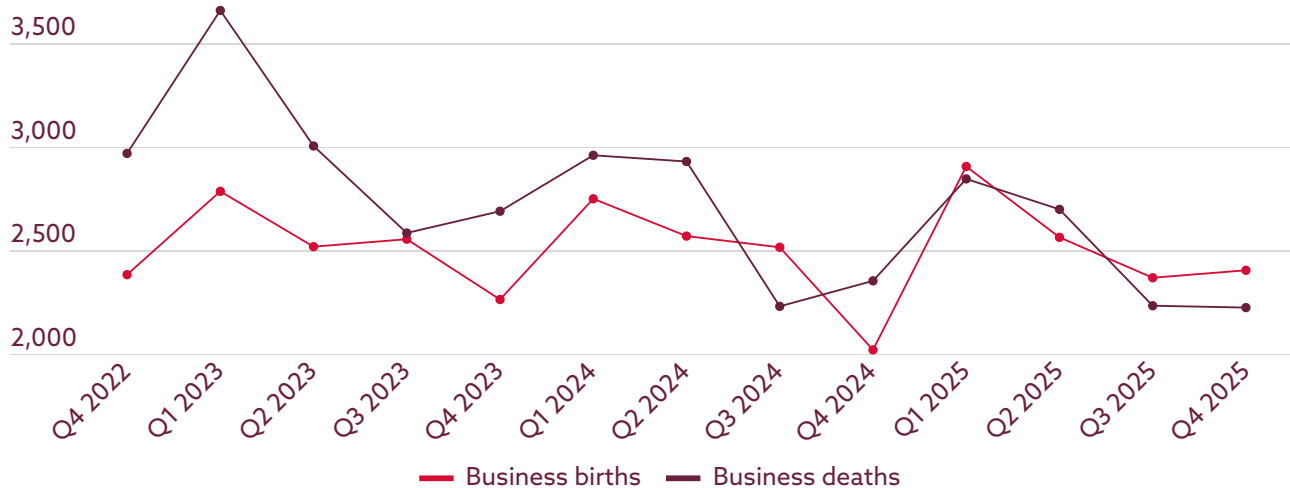
⁴⁵ https://developmentbank.wales/sites/default/files/2026-02/BBB_Wales_DNA2F_Report_FINALv.pdf

Business births in Wales exceed business deaths

The ONS reported an estimated total of 71,935 UK business births, recorded as new VAT/PAYE registrations, during 2025Q4, compared with 65,750 business deaths. Figure 3.3 reveals the variation of quarterly business births and deaths in Wales over the period 2022Q4 to 2025Q4.⁴⁶

The number of business births in Wales in 2025Q4 was 2,405, whilst the number of business deaths during the same period was 2,225, the second consecutive quarter where business births exceeded business deaths.

Figure 3.3.
Quarterly business demography in Wales, 2022Q4 - 2025Q4



Source: ONS Business Demography, Quarterly Experimental Statistics, UK⁴⁷

⁴⁶ <http://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk>

⁴⁷ ONS, *ibid.*

Business Impacts and Conditions Survey

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 31 January (Wave 150)⁴⁸ reported that 25.1% of surveyed Welsh businesses experienced increased turnover in January 2026 compared with the previous month (UK 26.1%). Some 39.1% of surveyed businesses in Wales expected turnover to increase in March 2026 against a UK average of 35.6%.⁴⁹

The BICS also revealed that, during January 2026, 12.5% of surveyed businesses in Wales (UK 12.4%) reported that the prices of the goods and services sold by their businesses had increased when compared with the previous month.

Meanwhile, 21.6% of surveyed businesses in Wales (UK 22.8%) reported that the prices they had paid for goods and services had increased from the previous month.

Some 16.2% of Welsh firms reported that they expected their number of employees to increase in March 2026 (UK 16.7%). Compared with the same period in 2025, 25.8% of surveyed Welsh businesses believed their performance had increased (UK 24.5%), with 21.0% believing it had decreased (UK 22.3%). In terms of future expectations, 39.4% of Welsh businesses expected their performance would increase in the year ahead (UK 37.0%).

⁴⁸ www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy

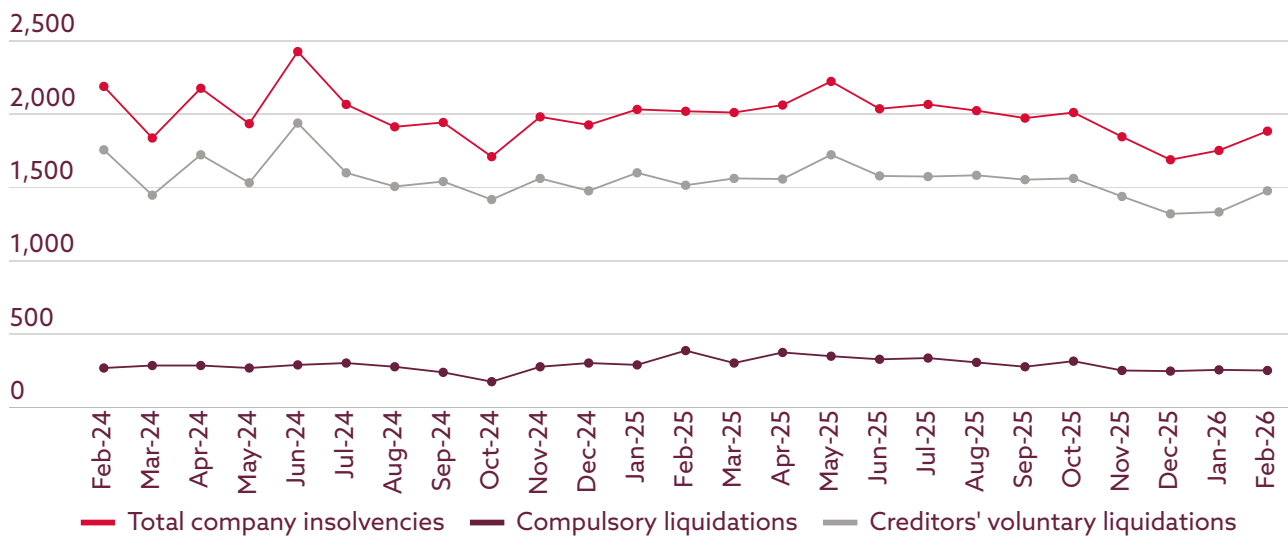
⁴⁹ Please note: to present the Wales data (and comparative UK data) for this period it has been necessary to use unweighted data showing the results of the ONS survey respondents only, which has not been adjusted to be representative of Wales (UK) wider business characteristics.

Business insolvencies

Figure 3.4 shows the trend of registered company insolvencies in England and Wales from February 2024 to February 2026. The total monthly insolvencies in February 2026 were 1,878 lower than 12 months previously when there were 2,015 insolvencies.

This overall rate is driven by creditors' voluntary liquidations, which stood at 1,473 in February 2026, whilst the number of compulsory liquidations was 249 in the same month.

Figure 3.4.
Monthly Registered Company Insolvencies, England and Wales, February 2024 - February 2026 (seasonally adjusted)



Source: UK Government Insolvency Monthly Statistics⁵⁰

County Court judgments for debt can indicate possible future insolvencies as part of a broader trend. Provisional data indicates that during 2025Q4 there were a total of 454,000 County Court claims, a 3% increase

when compared with the same period in 2024. Of these, 85% were money claims, up by 7% on the same quarter in 2024.⁵¹

⁵⁰ www.gov.uk/government/collections/company-insolvency-statistics-releases
⁵¹ www.gov.uk/government/collections/civil-justice-statistics-quarterly#2024

House prices in Wales increased by 2.0% in the year to January 2026

ONS data that captures both cash and mortgage-based purchases shows that the average house price in Wales in January 2026 was £210,186, representing a 2.0% increase from January 2025. Overall, UK house prices increased by 1.3% in the 12 months to January 2026, and the average UK house price in January 2026 was £268,000, which was £3,000 higher than 12 months previously.⁵²

The Bank of England reported that in February 2026⁵³ net mortgage approvals for house

purchases were 62,500, whilst net borrowing of mortgage debt by individuals was £4.8 billion in February. Meanwhile, the Bank also reported that the effective interest rate (the actual interest rate paid) on newly drawn mortgages slightly increased to 4.10% in February (from 4.09% in January), and to 3.95% on the outstanding stock of mortgages (from 3.90% in January). Remortgaging approvals increased to 41,200 in February, but it is important to note that this data only includes remortgaging approvals with a different lender.

Figure 3.5.
ONS Wales and UK House Price Index, Annual Percentage Change, January 2024 – January 2026



Source: ONS House Price Index⁵⁴

⁵² www.gov.uk/government/collections/uk-house-price-index-reports

⁵³ www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest

⁵⁴ ONS op. cit.

UK construction activity remains weak

The S&P Global UK Construction Purchasing Managers' Index⁵⁵ registered 44.5 in February 2026, down from 46.4 in January, remaining below the neutral 50.0 threshold. Residential construction was the weakest area of activity in February, registering 37.0, whilst civil engineering recorded 41.0, and commercial building 46.5.

Meanwhile, in its latest Monetary Policy Report, published in February, the Bank of England reported that it expected relatively strong annual housing investment growth during 2027 and 2028.⁵⁶

Commercial property market continues to show mixed signs of recovery

The UK's commercial property market has continued to show mixed signs during the final quarter of 2025 and the first quarter of 2026, with some signs of recovery alongside continuing challenges. There has been a rebound in prime

office locations, such as in London, but in other areas conditions remain challenging.⁵⁷ Investors are increasingly selective and have focused on higher value and well-connected locations.⁵⁸

⁵⁵ www.pmi.spglobal.com/Public/Release/PressReleases

⁵⁶ www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report

⁵⁷ www.ft.com/content/40a45c02-a52d-4a0e-97d8-2fb0417d0427?syn-25a6b1a6=1

⁵⁸ www.ft.com/content/9b696d24-da71-4fdf-8738-feb792e83781

- During 2025Q4 gross lending to UK SMEs by the main high street banks increased by just over 6% when compared with the same period in 2024.
- The effective interest rate on new loans to SMEs was 6.26% in February 2026, down from 6.90% in February 2025.

Supply and demand for business lending

The Bank of England's quarterly Credit Conditions Survey considers trends and developments in prevailing UK credit conditions. The 2025Q4 survey asked lenders to report on their perceived changes in the supply of, and demand for, credit for the three months ending November 2025, relative to the three months ending August 2025.⁵⁹

Lenders were also asked about their expectations of changes up to the end of February 2026. The survey was conducted between 10 November and 3 December 2025 and does not account for any changes occurring since.

Lenders reported that the overall availability of credit to the corporate sector was unchanged in 2025Q4. The availability of credit for small businesses increased, and increased slightly for medium and large-sized businesses during 2025Q4. The Bank of England explains, this difference exists as individual lenders may report increased availability for one size of business, with unchanged availability for businesses of other sizes and so for corporates overall. Overall availability of credit to the corporate sector was expected to be unchanged in 2026Q1.

Meanwhile, lenders reported that demand for lending from small, medium and large businesses was unchanged in 2025Q4, and was expected to remain unchanged for businesses of all sizes during 2026Q1.

UK Finance found that 2025 was the second year in a row when overall lending by the main high street banks to SMEs increased, although to a lesser extent than in 2024. Although year-on-year growth in gross lending continued into 2025Q4 at just over 6%, the pattern of decelerating growth seen throughout the year continued into the final quarter.⁶⁰ Gross lending to small firms in 2025 was up by a quarter compared with 2024, whilst lending to medium-sized businesses rose by 4%.

⁵⁹ www.bankofengland.co.uk/credit-conditions-survey/2025/2025-q4

⁶⁰ www.ukfinance.org.uk/data-analysis/data

66% of Welsh SMEs had used some form of external finance in 2025Q4

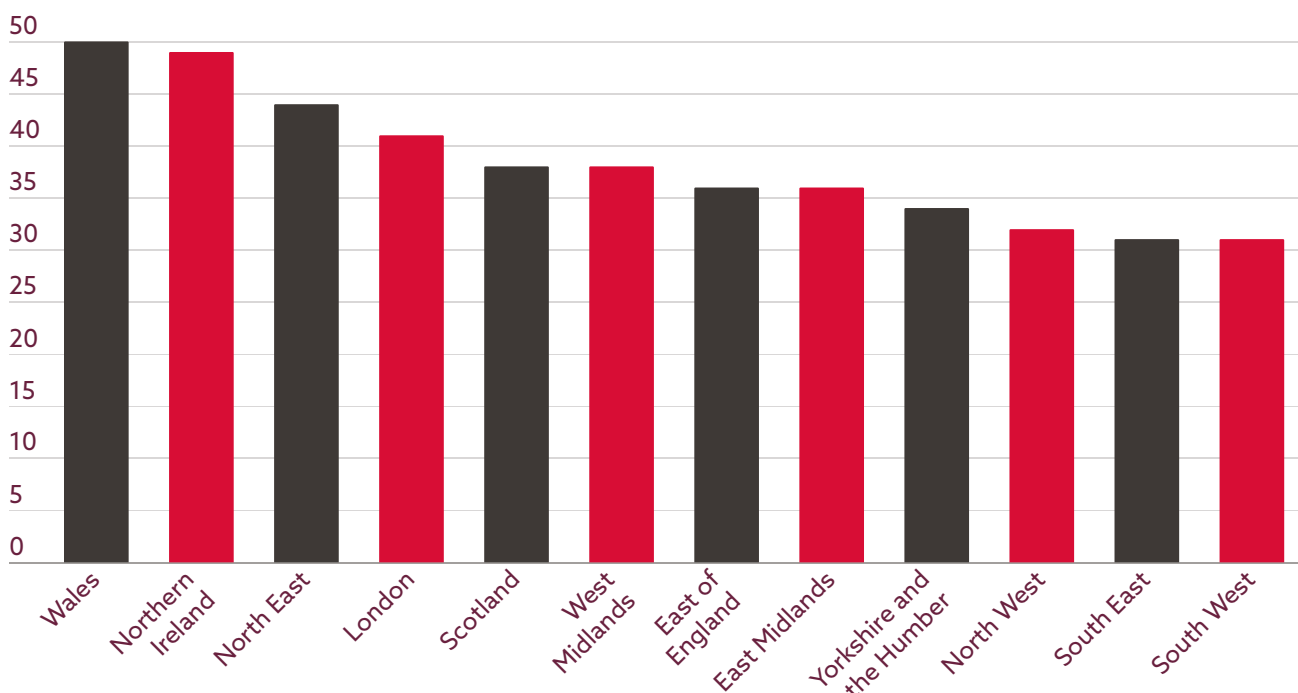
The SME Finance Monitor found that 47% of UK SMEs had used some form of external finance during 2025Q4.⁶¹ Meanwhile, evidence from the British Business Bank and Economic Intelligence Wales indicates that, during the final quarter of 2025, 66% of Welsh SMEs were using some form of external finance.⁶² In terms of finance types, business (31%) and personal (23%) credit cards were the most frequently used among by SMEs in Wales.

Meanwhile, Covid-19 loans and business overdrafts, the next most frequently used form of small business finance in Wales, were both at 22% during the final quarter of 2025.

Figure 4.1 shows the percentage of SMEs in each UK Nation/Region reporting an impression that it was difficult to secure business finance during 2025Q4. Welsh SMEs were most likely to report such an impression at 50%, whilst the UK average was 36%.

Figure 4.1

UK Region/Nation SME Impression of Difficulty in Securing Finance, 2025Q4



Source: SME Finance Monitor⁶³

⁶¹ www.bva-bdrc.com/sme-finance-monitor/#reports

⁶² https://developmentbank.wales/sites/default/files/2026-02/BBB_Wales_DNA2F_Report_FINALv.pdf

⁶³ www.ipsos.com/en-uk/sme-finance-monitor#reports

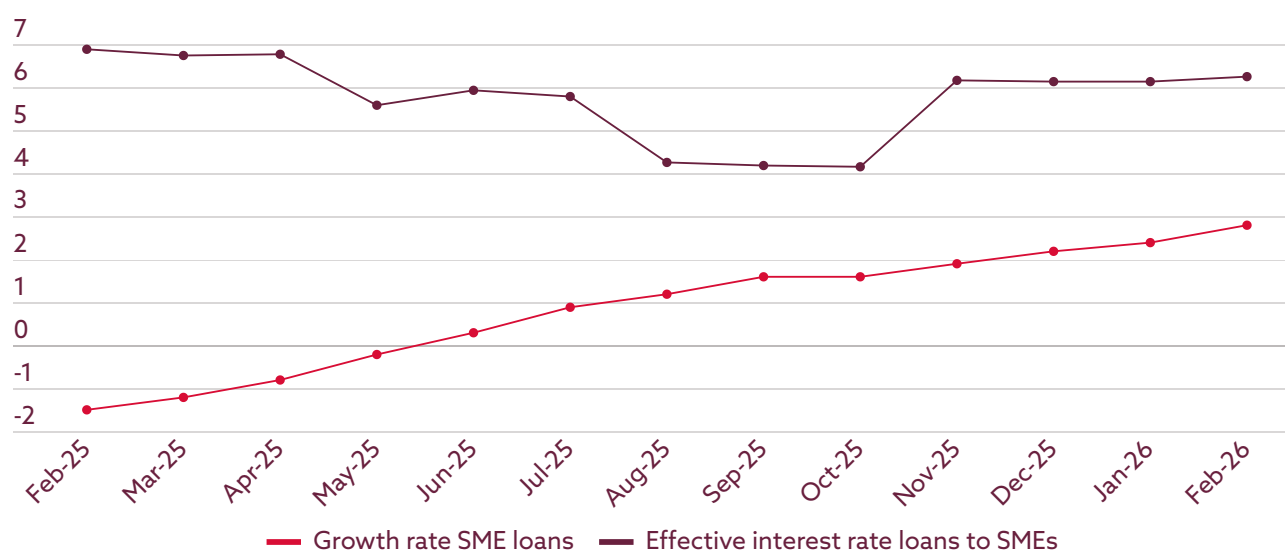
The average interest rate on SME loans in February 2026 was lower than 12 months previous

Figure 4.2 shows the monthly growth rate of SME loans, and the weighted interest rate based on Bank of England data for the period February 2025 to February 2026.⁶⁴ The growth rate of borrowing by SMEs increased to 2.8% during February 2026, up from 2.4% in January.

Meanwhile, the effective interest rate on new loans to SMEs rose to 6.26% in February 2026, up from 6.14% in January 2026, but remained lower than in February 2025.

Figure 4.2.

Growth rate SME loans and effective interest rate loans to SMEs, February 2025 – February 2026



Source: Bank of England⁶⁵

⁶⁴ 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.

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

Equity investments

Equity investments in SMEs are facilitated by entities such as venture capital funds, angel investors, crowdfunding platforms, corporations, and governmental funds, and may be deployed across different stages of business development.⁶⁶

The British Business Bank's annual Small Business Finance Markets 2025/26⁶⁷ report outlined the changes in the UK debt markets during the last year. The report noted a slight increase in private debt funds' dry powder (the capital available for new investments) due to a growth in fundraising. At the end of 2025, UK private debt funds had accumulated dry powder of £53.7bn, up from £50.2bn at the end of 2024.

Globally, during 2025 private equity and venture capital fundraising continued to struggle. Venture capital volume and fund numbers are down globally on the previous year.⁶⁸

The number of equity investments in UK small businesses decreased by 23% year-on-year to 2025Q3, whilst there was a more significant 53% decrease in Wales over the same period. Meanwhile, the value of equity investment into UK small businesses also decreased (by 20%) during the first three quarters of 2025, with the total value of investment into Welsh SMEs declining more significantly (by 63%) over the same period.⁶⁹

Welsh SMEs credit risk

The Bureau van Dijk FAME database of Companies House data was searched in April to seek evidence of the proportion of SMEs in Wales that fell into different credit risk categories. The search yielded 103,427 SMEs with a known credit rating. Figure 4.3 reveals that of this total, 5.9% of SMEs in Wales were estimated to be in the

Highest risk credit rating category (down from up from 6.7% in December 2025). The Caution category comprised 55,331 SMEs or 53.5% 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.

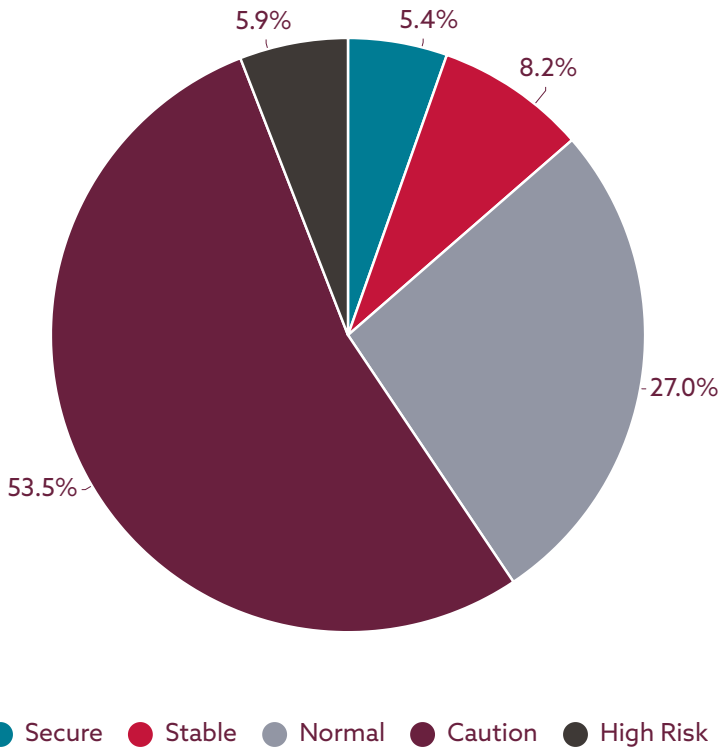
⁶⁶ https://developmentbank.wales/sites/default/files/2019-04/Equity%20Clusters%20Report_final.pdf

⁶⁷ British Business Bank (2026). Small Business Finance Markets 2025/26. www.british-business-bank.co.uk/about/research-and-publications

⁶⁸ Pitchbook (2026). Global Private Market Fundraising Report. <https://pitchbook.com/news/reports/2025-annual-global-private-market-fundraising-report>

⁶⁹ British Business Bank (2026). *ibid.*

Figure 4.3.
Welsh SMEs by Credit Rating, % (April 2026)



Source: FAME data

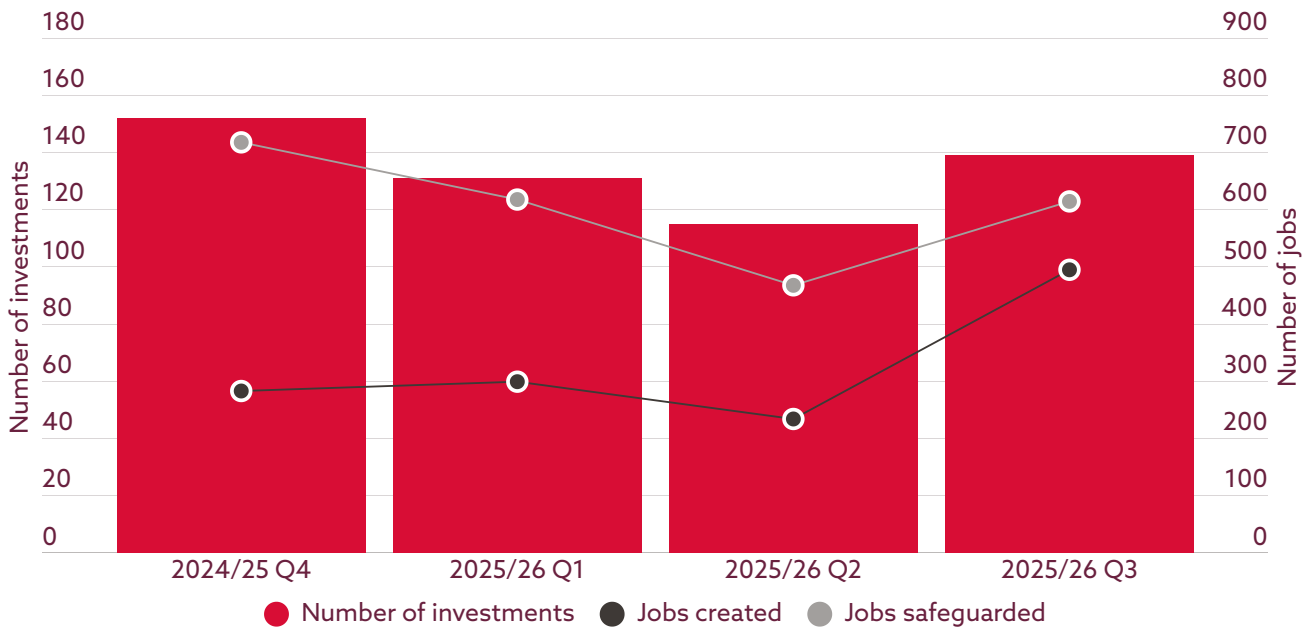
- In 2025/26Q3, the Development Bank of Wales completed 139 investments with a total value of £43.5m. These investments were associated with over 1,100 new and safeguarded jobs.
- Businesses in the south east Wales region accounted for the highest share of investment value (almost 60%) in 2025/26Q3. They also secured the highest share of total jobs (almost 70%) in the same period.
- The construction sector dominated investment activity in 2025/26Q3, accounting for one-third of investments by value (£14.6m).
- The highest number of jobs created or safeguarded by Development Bank investments in 2025/26Q3 were in the accommodation and food services sector (209 jobs). Businesses in this sector secured £5.4m of investment in this period.

The Development Bank completed 139 investments in 2025/26Q3, supporting over 1,100 jobs

Figure 5.1 shows an increase in the number of investments made by the Development Bank of Wales in 2025/26Q3 when compared with the previous two quarters. However, the number of investments made in 2025/26Q3 is below that of the final quarter of the previous financial year (152 investments), and below the number of investments made in the same quarter of the previous year (154 investments made in 2024/25Q3, not shown in Figure 5.1). During the previous 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 jobs created or safeguarded at point of investment was 1,109 in 2025/26Q3, an increase compared to previous quarters shown in Figure 5.1. Almost 45% of total jobs supported by Development Bank investments in 2025/26Q3 were jobs created, the comparable figure for the previous two quarters shown in Figure 5.1 is around one-third, and slightly below this in 2025/25Q4. 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 (see later).

Figure 5.1.
Investments and jobs created and safeguarded, 2024/25Q4 - 2025/26Q3



The total value of investments made during 2025/26Q3 was £43.5m

Figure 5.2 shows that new debt and equity investment in 2025/26Q3 was £30.2m, with a further £13.3m of property development investment. The total investment value for 2025/26Q3 (£43.5m), was above that of the previous three quarters shown in Figure 5.2, with an increasing trend shown for the 2025/26 financial year to quarter 3.

Equity investment (not shown separately in Figure 5.2) in 2025/26Q3 was £4.4m, compared with £3.9m in the previous quarter, £4.1m in 2025/26Q1, and £1.2m in 2024/25Q4, the latter being the weakest quarter for equity investment in the previous financial year. As in previous quarters, most of the equity funding in 2025/26Q3 was invested into businesses in south east Wales.

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

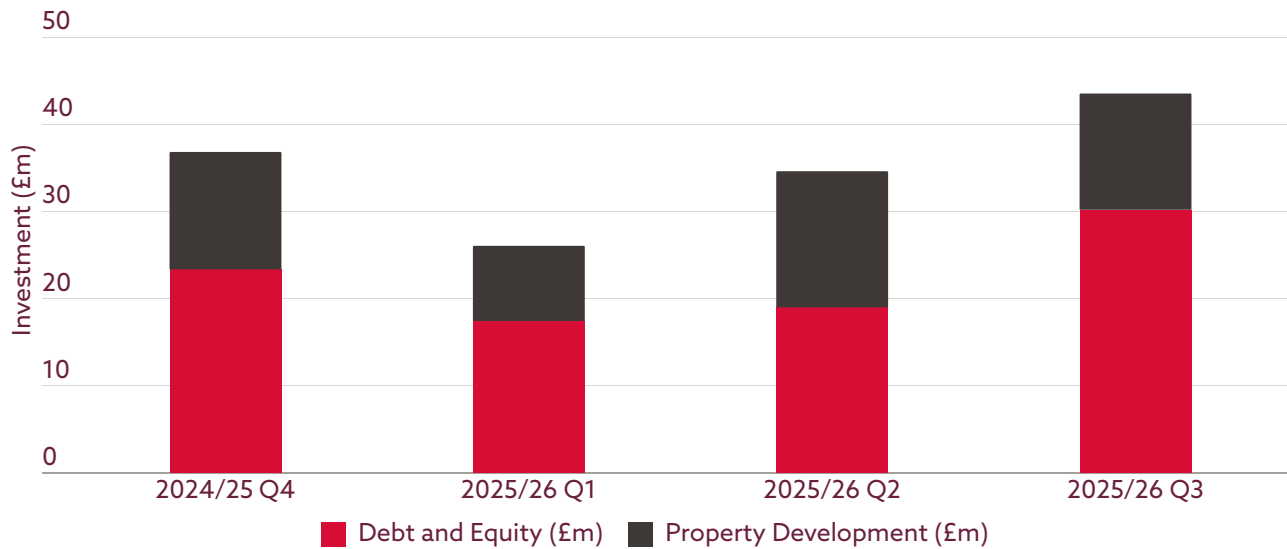


Figure 5.3 shows businesses in south east Wales received the majority of total investment funds in 2025/26Q3 at just over £25.5m (almost 59%). This was from 80 investments (58% of the total), which created or safeguarded over 760 jobs (69% of the total) in south east Wales. Businesses in mid and south west Wales secured just over £9m of Development Bank funding from 30 investments, linked to 145 new or safeguarded jobs in 2025/26Q3, with businesses in north Wales securing 29 investments totalling £8.8m of investment, supporting 202 new or safeguarded jobs.

The regional distribution of investment activity tends to broadly reflect differences in population,

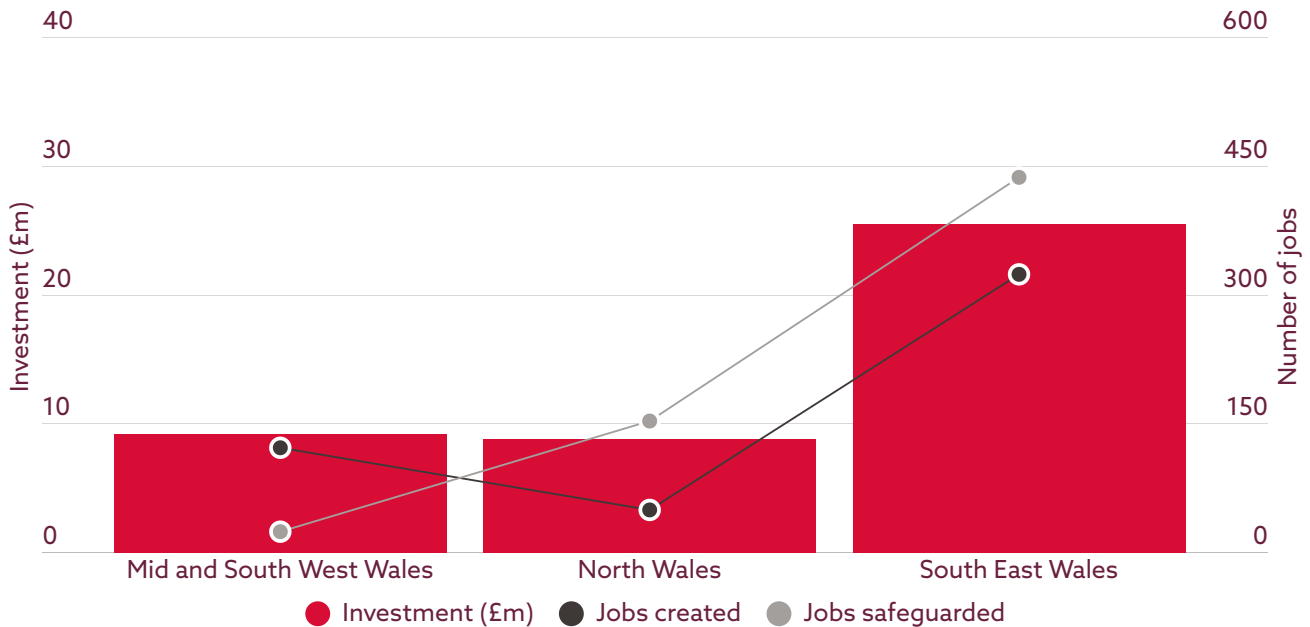
business density and project scale across Wales. However, the share of investment activity in south east Wales for 2025/26Q3 was particularly high. Businesses in the Cardiff and Newport unitary authority areas secured the highest investment values in 2025/26Q3, accounting for around half of investment value and jobs created or safeguarded in south east Wales. In the previous quarter, businesses in Carmarthenshire (mid and south west Wales) received the highest unitary authority share of investment funds, followed by Blaenau Gwent (south east Wales). This again illustrates the quarterly variability in investment activity.

On average, each investment made by the Development Bank in 2025/26Q3 was connected to £312,900 of funding

The average investment value in 2025/26Q3 is marginally above that of the previous quarter (£302,800) and 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 2025/26Q3, with these ranging between £319,100 in south east Wales, £315,700 in mid and south west Wales, and £293,700 in north Wales.

Figure 5.3.
Investment values, £m, and jobs created and safeguarded by location 2025/26Q3



The construction sector dominated investment in 2025/26Q3, accounting for almost £14.6m of funding

Figure 5.4 shows the sectors of the economy which secured over £2m of Development Bank investment funding during 2025/26Q3. Business in the construction sector secured around 34% of investment funding. Construction has tended to be the dominant sector in terms of the value of investments secured by businesses each quarter, with most of these funds coming from the Development Bank’s Residential Property Fund. This Fund supports SMEs in building new homes (with loans of up to £10m). These investments will be important to construction businesses in Wales, with the wider sector facing challenging conditions (see earlier sections of this report).

The top eight sectors shown in Figure 5.4, ranked by investment value, secured 87% of all investment funding, and 61% of jobs in 2025/26Q3. The highest number of jobs created or safeguarded by Development Bank investments in 2025/26Q3 were in the accommodation and food services

sector (209 jobs), followed by information and communications sector (118 jobs, not shown in Figure 5.4) and then human health and social work (110 jobs).

When comparing the number of jobs created or safeguarded to the value of investment, the information and communication sector is ranked highest, with 94 jobs at point of investment per £1m of investment, followed by the arts, entertainment, and recreation sector, with almost 91 jobs at point of investment per £1m invested in 2025/26Q3.

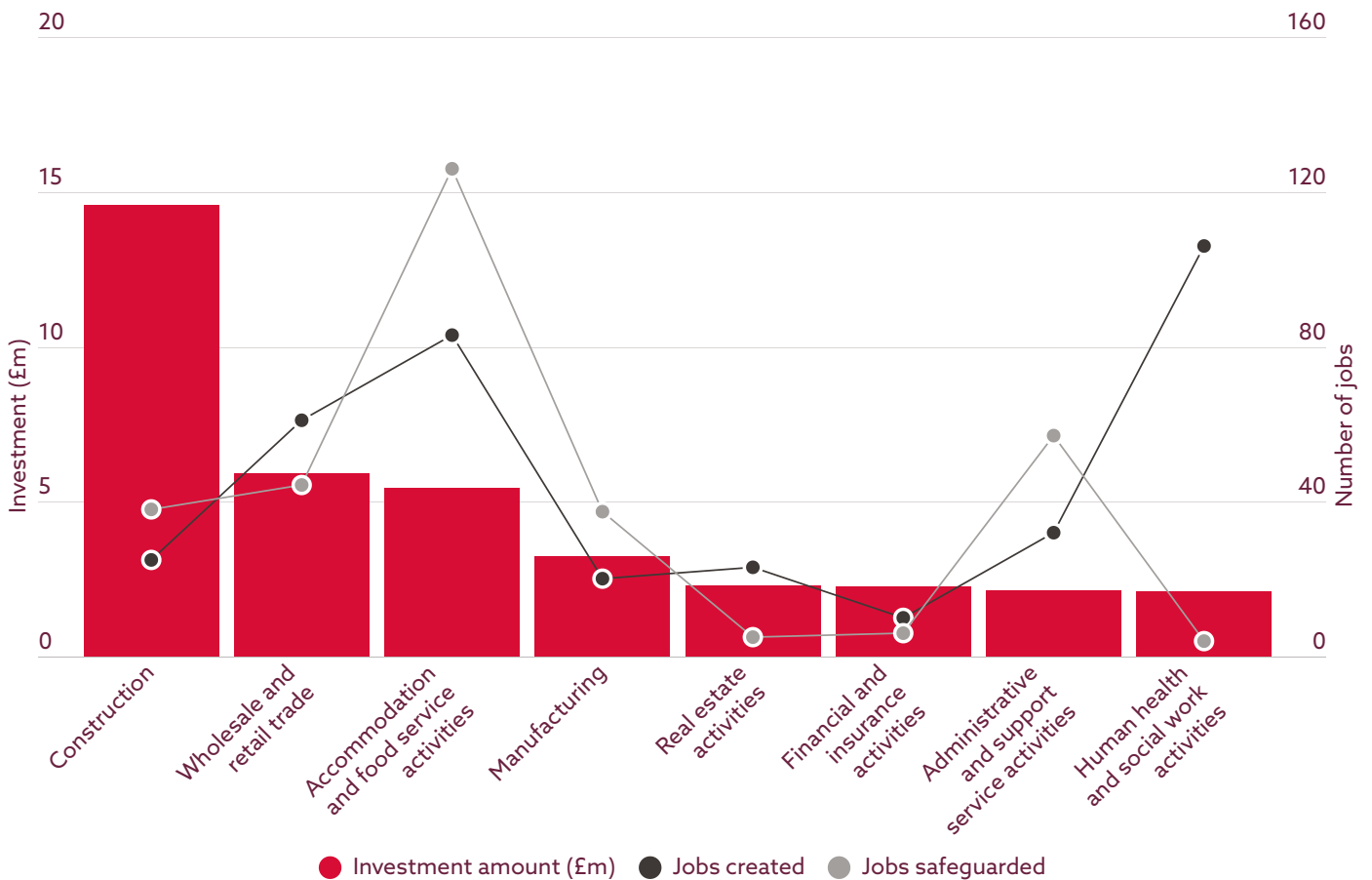
However, both sectors secured relatively small sums of investment. Amongst those sectors shown in Figure 5.4, the highest ranked sectors for jobs created at point of investment per £1m funds invested were human health and social work (52 jobs at point of investment per £1m invested), administration and support services (42 jobs at point of investment per £1m invested) and accommodation and food services (38 jobs at point of investment per £1m invested).

Across all sectors, each £1m of total investment by the Development Bank in 2025/26Q3 supported 25.5 new or safeguarded jobs at point of investment. When excluding Property Funds (see note to Figure 5.4), each £1m of debt and equity funding supported almost 37 new or safeguarded jobs at point of investment.

However, there was an increase in investment funding accounted for by businesses in the manufacturing sector in 2025/26Q3 (£3.2m, 7.4% of total investment value) compared with the previous quarter (£1.4m of investment funding, almost 4% of the total).

As in 2025/26Q2, the immediate employment impact from investments in the manufacturing sector were subdued in 2025/26Q3. The sector created or safeguarded 58 jobs (just over 5% of total jobs) in 2025/26Q3.

Figure 5.4. Investment value, £m, and jobs by sector 2025/26Q3. Selected sectors with investment values above £2m



Note: For some funds accessed primarily by businesses in the construction 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.

The March 2026 quarterly report concluded that this year would see some improvement in UK economic prospects. Much of the statistical commentary in this quarterly report was based on material that pre-dated the current problems in the Middle East. The rapid escalation of events, not least the partial closure of the Straits of Hormuz, will have particularly serious ramifications for the UK economy. Indeed, recent events reveal how difficult it can be for economic forecasters to predict trends in output and prices in our tightly interconnected global economy.

UK Government efforts have been focused on bringing inflation under control, but the current conflict will lead to higher prices and the prospect of, at best, no further rate cuts this year. The Bank of England is now predicting an inflation rate of up to 3.5% in the second and third quarters of this year⁷⁰, set alongside the original expectation at the close of 2025 that inflation would bottom out at around 2% this year. This will affect borrowing costs for businesses and households alike. For households, the interest rates on fixed term mortgages quickly reacted to events in the Middle East, while lenders have also removed selected mortgage products from the market, reducing choice for borrowers. There is also the spectre of consumer demand being hit later this year once energy price caps are removed.

The conflict has once more highlighted the UK's dependence on imported hydrocarbons and the intricate connections between oil and gas, food and manufacturing prices. Inevitably uncertainty on prices will have spillover effects on business confidence and investment decisions through the remainder of 2026. Already at the time of finalising this quarterly report (in April), forecasts for UK output growth have been reduced with current forecasts varying between 0.4% and 0.7% for this year, down from the 1.1% initially expected by the Office for Budget Responsibility.

For Wales the impacts of the Middle East crisis are made more acute by high levels of fuel poverty, relatively high numbers of households dependent on heating oil which has seen significant price increases, and with more dependence on agriculture and manufacturing whose output is more closely linked to oil prices.

In May there are elections for the new Senedd. The new administration, of whatever political persuasion, will face testing conditions around public spending. Moreover, labour market conditions in Wales continue to cause concern. A recent report from the Institute for Fiscal Studies identified relatively low employment rates in Wales, significant geographical inequality within Wales in employment and earnings, relatively low household income and with some 22% of people in Wales in relative poverty after housing costs.⁷¹ The persistence of these socio-economic differences between Wales and other parts of the UK, and within Wales, will form the critical context for policy development in the new Senedd as will the associated poor productivity performance of Wales.

In the current more challenging economic circumstances, the Development Bank will continue to play a critical role for Wales in terms of the provision of loan and equity finance to local businesses facing higher levels of investment uncertainty.

⁷⁰ <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/march-2026#:~:text=Preliminary%20staff%20estimates,in%20Budget%202025>

⁷¹ <https://ifs.org.uk/publications/labour-market-living-standards-and-poverty-trends-wales>

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 2026 and 2027
(% annual growth)

Forecasters	Date of forecast	2026 GDP % annual growth	2027 GDP % annual growth
CEBR	March 2026	1.1	1.3
Heteronomics	March 2026	0.6	0.9
NIESR	February 2026	1.4	1.3
Other non-city forecasters			
ITEM Club	February 2026	0.9	1.3
Experian Economics	March 2026	0.8	1.4
Oxford Economics	February 2026	0.9	1.3
City forecasters			
Capital Economics	March 2026	0.5	1.3
JP Morgan	March 2026	0.9	1.0
KPMG	March 2026	0.7	1.2

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2026>

Appendix 2:

Selected LFS Unemployment rate forecasts for the UK economy
2026 and 2027 Q4

Forecasters	Date of forecast	LFS Unemployment rate 2026 Q4	LFS Unemployment rate 2027 Q4
CEBR	March 2026	5.3	5.1
Heteronomics	March 2026	5.3	5.2
NIESR	February 2026	5.4	5.2
Other non-city forecasters			
ITEM Club	February 2026	4.9	4.7
Experian Economics	March 2026	5.2	4.9
Oxford Economics	February 2026	5.1	4.9
City forecasters			
Capital Economics	March 2026	5.1	4.9
JP Morgan	March 2026	5.5	5.3
KPMG	March 2026	5.3	5.2

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2026>

Appendix 2:

Selected Growth in prices forecasts for the UK economy 2026 and 2027 (% growth Q4-on-Q4): Consumer Price Index (CPI) inflation

Forecasters	Date of forecast	2026 CPI (Q4 on Q4 year ago, %)	2027 CPI (Q4 on Q4 year ago, %)
CEBR	March 2026	2.0	2.1
Heteronomics	March 2026	3.3	3.3
NIESR	February 2026	2.2	2.0
Other non-city forecasters			
ITEM Club	February 2026	2.3	2.1
Experian Economics	March 2026	2.7	2.2
Oxford Economics	February 2026	2.5	2.6
City forecasters			
Capital Economics	March 2026	2.6	1.5
JP Morgan	March 2026	2.6	2.3
KPMG	March 2026	3.1	1.2

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2026>

Appendix 2:

Selected Growth in prices forecasts for the UK economy 2026 and 2027 (% growth Q4-on-Q4): Retail Price Index (RPI) inflation

Forecasters	Date of forecast	2026 RPI (Q4 on Q4 year ago, %)	2027 RPI (Q4 on Q4 year ago, %)
CEBR	March 2026	3.0	3.0
Beacon Economic Forecasting	March 2026	3.1	4.2
NIESR	February 2026	3.3	3.5
Other non-city forecasters			
Heteronomics	March 2026	4.1	4.2
Experian Economics	March 2026	3.5	2.8
Oxford Economics	February 2026	3.6	3.7
City forecasters			
Capital Economics	March 2026	3.7	2.7
HSBC	March 2026	2.8	2.8
UBS	March 2026	2.3	2.4

Source: <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2026>

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