Dirnad Economi Cymru
Economic Intelligence Wales

Economic Intelligence Wales

Quarterly report

November 2026

Cardiff University
Prifysgol Caerdydd
Office for National Statistics
Swyddfa Ystadegau Gwladol
Ysgol Busnes Bangor
Bangor Business School
ERC Enterprise Research Centre
Banc

Contents

Summary 3

1. Introduction 5

2. Global, UK and regional economic prospects 6

3. The SME picture in UK and Wales:
Changing conditions shaping demand for finance 14

4. Provision of SME finance and cost of finance 22

5. Development Bank of Wales activity 28

6. Conclusions 33

Appendix 1 34

Appendix 2 35

Mark Lang, Max Munday, Annette Roberts, Neil Roche

Welsh Economy Research Unit, Cardiff Business School
mundaymc@cf.ac.uk

For further information or to submit feedback and research proposals please email: EconomicIntelligence@developmentbank.wales

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.

Economic Intelligence Wales Limited, Unit J Yale Business Village, Ellice Way, Wrexham, Wales, LL13 7YL, 11001584.

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

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 first quarter of the 2026/27 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 closing months of 2026 are expected to see little relief from challenging economic conditions in the Welsh (and UK) economy. Inflationary pressures in the UK economy have been building alongside increases in the price of energy. The interdependence between UK economic prospects and oil and gas prices continues to be a concern for the UK Government. In the UK, public spending conditions remain tight, while volatility in energy prices is impacting consumer confidence. However, recent growth in UK GDP has been encouraging, not least in the context of more difficult labour market conditions evidenced by falling UK vacancies and payrolled employees in the year to the end of August.

Economic conditions

The **International Monetary Fund (IMF) revised the global growth projection for 2026 downwards by 0.1 percentage points to 3.0%.** The projection for 2027 was revised upwards to 3.4%.

Data from the ONS showed that twelve-month Consumer Price Index (CPI) **inflation in the UK was 3.1% in August 2026, up from 2.9% over the twelve months to July 2026.** The largest upward contribution to the CPI annual inflation rate came from transport, particularly motor fuels.

The Bank of England voted to maintain the Bank Rate at 3.75% in September 2026 noting that the ongoing conflict in the Middle East had contributed to further volatility in energy prices.

UK gross domestic product (GDP) was estimated to have increased by 0.4% in the three months to July 2026. This was largely driven by service sector increases in professional, scientific and technical activities (up 2.1%), information and communication (up 2.5%), and administration and support services (up 1.3%).

In June to August 2026, total **UK vacancies were down by 36,000** from the level of a year ago. Estimates from PAYE show a fall in the number of payroll employees in the UK for August 2026 to 30.2m, a decrease of 145,000 employees compared to August 2025. **In Wales, the number of payrolled employees fell by 7,300 to 1.31m in the year to August 2026.**

Economic inactivity remains a substantial restriction on economic growth in Wales. The **UK economic inactivity rate was 21.0%** in the year to March 2026, a decrease of 0.6 percentage points compared to that of a year previously (April 2024 to March 2025). **In Wales** the comparative figure was **24.5%**, up 0.6 percentage points from the twelve months ending in March 2025.

The index of construction industry output for Wales remained 19.2% below its 2023 level in 2026Q1, with the comparative figure for the UK reaching 1.4% below the 2023 UK levels.

The **value of goods exported from Wales increased by 5.3% to £20bn in the year ending June 2026.** This rise was mainly due to an increase in the value of machinery and transport equipment exported from Wales.

The average forecast for UK GDP growth in 2026 was 1.2% in September 2026. This was 0.1 percentage points above the average new forecast made in August 2026.

Changing economic conditions shaping demand for finance

The Federation of Small Businesses UK Small Business Index of **business confidence registered a fall during 2026 Q2 to -57.4**, with just 21.7% of UK SMEs reporting growth in the previous three months.

Summary

The SME Finance Monitor reported that a stable **27% of UK SMEs** (excluding starts) **experienced growth over the last 12 months to July 2026.**

The **number of business deaths in Wales exceeded the number of business births during 2026Q2.** Total business births in Wales in 2026Q2 were 2,535, whilst the number of business deaths in Wales during the same period were 2,780.

The ONS Business Impacts and Conditions Survey for 1 to 31 July 2026 reported that **36.8% of Welsh businesses expected their performance would increase in the year ahead** (UK 31.9%).

ONS data showed that **Welsh house prices increased by 1.8% in the 12 months to June 2026**, and the average house price in Wales in June 2026 was £213,162. The S&P Global UK **Construction Purchasing Managers' Index registered 44.3 in overall construction activity in August 2026**, remaining below the 50.0 mark that differentiates expansion from contraction in this index.

Supply and demand for finance

Lenders reported that **credit availability for small and medium businesses slightly decreased and was unchanged for large businesses in 2026Q2.** Lenders reported that **demand for lending from small and medium businesses decreased and was unchanged for large businesses in 2026Q2**.

UK Finance reported that **during 2026 Q2 overall gross lending by the main high street lenders to SMEs was 26% up on the same quarter a year ago.** At £5.35bn, gross lending reached a new post-pandemic high.

The SME Finance Monitor found that **56% of UK SMEs had used some form of external finance in the 3 months to the end of July 2026.** Credit cards remained the most common form of business finance. **The effective interest rate on new loans to SMEs was 6.61% in July 2026,** up from 6.36% in June 2026.

Development Bank of Wales activity

In 2026/27Q1, the **Development Bank of Wales completed 151 investments with a total value of £48.4m. These investments were associated with almost 1,140 new and safeguarded jobs.**

Businesses in the **construction sector dominated investment** in 2026/27Q1, together securing one-third of investments by value (£13.7m).

The **highest number of jobs** created or safeguarded by Development Bank investments in 2026/27Q1 were in the **human health and social work sector** (193 jobs). Businesses in this sector secured £6.8m of investment in this period, largely relating to residential care activities.

Introduction 1

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 first quarter of the 2026/27 financial year. The report includes commentary on the global and local economic context and conditions affecting the supply and demand for finance in Wales.

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

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

The drafting of this report was completed on 23 September 2026.

Economic Intelligence Wales has recently published the following reports:

- SME business ownership and succession planning.[1]
- Productivity heroes in Wales: who they are and why they matter.[2]

A series of other outputs will be published during 2026-27, including reports on:

- The governance and financing of community-led ventures in Wales.
- Understanding defence opportunities in Wales: How can we better support Welsh SMEs?
- Welsh trade performance and trading futures.

[1] https://developmentbank.wales/sme-business-ownership-succession-planning
[2] https://developmentbank.wales/productivity-heroes-wales-who-they-are-and-why-they-matter

Global, UK and regional economic prospects 2

- With the conflict continuing in the Middle East, the International Monetary Fund's global growth forecast for 2026, was downgraded by 0.1 percentage points to 3.0%. The 2027 projection was upgraded to 3.4%.
- Twelve-month Consumer Price Index (CPI) inflation in the UK was 3.1% in August 2026, up from 2.9% over the twelve months to July 2026.
- The Monetary Policy Committee of the Bank of England voted to maintain the Bank Rate at 3.75% in September 2026.
- The index of construction industry output for Wales increased by 4.7% between 2025Q4 and 2026Q1 but remained 19.2% below the Wales 2023 level in 2026Q1. The comparative figure for the UK being 1.4% below the UK 2023 level.

Global prospects

The International Monetary Fund's (IMF) World Economic Outlook Update[3] published in July 2026 noted the uneven prospects facing world economies. While the conflict in the Middle East has been "weighing on energy importers and vulnerable economies", this has been somewhat offset by artificial intelligence (AI) related demand "lifting countries integrated into the global technology value chain".

The IMF report provides growth forecasts under different assumptions, with these including energy prices remaining higher than they were before the war, "less supportive" monetary policy given the return of inflationary pressures, and continued geopolitical uncertainty through 2027. Under these assumptions the IMF forecasted global growth of 3.0% for 2026, revised down by 0.1 percentage points from the IMF's World Economic Outlook[4] published in April 2026. The forecast for 2027 was for global growth of 3.4%, an upward revision of 0.2 percentage points.

In the United States, the IMF forecast growth to be 2.3% in 2026, the same percentage as projected in the April IMF World Economic Outlook, and forecast growth to be 2.2% in 2027, an upward revision of 0.1 percentage points from April. The comparative figures for the Euro area are for growth of 0.9% in 2026 and 1.2% in 2027. In the UK, the IMF growth projection is for 1.0% in 2026, an upwards revision of 0.2 percentage points. Growth in the UK is expected to be 1.3% in 2027, the same as forecast in April.

[3] https://www.imf.org/en/publications/weo/issues/2026/07/08/world-economic-outlook-update-july-2026
[4] https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026

UK inflationary pressures

The twelve-month CPI inflation in the UK was 3.1% in August 2026, up from 2.9% over the twelve months to July 2026,[5] according to data published by the ONS. The largest upward contribution to the CPI annual inflation rate came from transport, particularly motor fuels. There were no large offsetting downward contributions.

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. In the twelve months to August 2026, Core CPI increased by 2.6%, unchanged from the comparative figure for the twelve months to July 2026.[6]

Producer output (factory gate) prices increased by 3.7% in the year to August 2026, up from the revised increase of 3.3% in the year to July 2026.[7] The largest upward contribution to the annual output inflation rate in August 2026 came from outputs of coke and refined petroleum products. Prices for coke and refined petroleum products increased by 49.1% in the year to August 2026, compared with a revised increase of 35.4% in the year to July 2026. The on-going conflict in the Middle East is disrupting global oil markets, and the resulting uncertainty led to a sharp rise in the prices of refined petroleum products in August 2026. The expectation of further disruption and less oil available in the future has created a number of impacts: crude prices increase before any actual physical shortage; refiners and wholesalers may be faced with paying a premium to refill stocks; and as oil tankers are confronted with riskier or longer routes, the freight and insurance costs associated increase.

In the year to August 2026, prices for other outputs from manufacturing increased 3.5%, compared to a revised rise of 4.5% in the year to July 2026 – here, increased oil prices resulted in higher prices for plastic products. Prices of basic metals, fabricated metal products and machinery rose by 5.6% in the year to August 2026, an increase from the revised 4.9% in the year to July 2026. The ONS noted that higher prices for machining services (where a metal component, or semi-finished piece, is cut, shaped, drilled or otherwise mechanically processed), were a major contributory factor. These higher prices for machining services were likely due to a combination of factors including rising energy costs, price increases for steel/metal inputs,[8] and raised labour costs in skilled engineering.[9]

The largest downward contributions to the annual output inflation rate were from outputs of food products (prices fell by 0.9% in the year to August 2026), and outputs of motor vehicles and other transport equipment (prices fell by 1.4% in the year to August 2026).

[5] www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2026
[6] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2026
[7] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2026
[8] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2026
[9] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/k5ae/emp

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

In September 2026, the Bank of England maintained the Bank Rate at 3.75%. The Monetary Policy Summary[10] for September noted that the ongoing conflict in the Middle East had contributed to further volatility in energy prices, and with UK CPI inflation increasing to 3.1% in August, "...monetary policy is being set to ensure inflation comes down to 2% sustainably as the economy adjusts to the energy shock...".

UK GDP increases in the three months to July 2026

In comparison with the three months to April 2026, UK real gross domestic product (GDP) is estimated to have increased by 0.4% in the three months to July 2026.[11] This followed growth, also of 0.4%, in the three months to June 2026.

By sector, output in UK services was the main contributor to the increase in GDP in the three months to July 2026. Output in UK services grew by 0.6% in the three months to July 2026, following growth of 0.5% in the three months to June 2026, and 0.6% in the three months to May 2026. The largest positive contributors to services output in the three months to July 2026 were professional, scientific and technical activities (up 2.1%, boosted by growth in scientific research and development, legal activities, and advertising and market research); information and communication (up 2.5%, driven by growth in computer programming, consultancy and related activities); and administrative and support service activities (up 1.3%), with relatively high growth in rental and leasing activities, and services to buildings and landscape activities.

The largest negative contributor to output in services was from wholesale and retail trade; repair of motor vehicles and motorcycles (down 0.5%, driven by a decrease in wholesale trade, except of motor vehicles and motorcycles); and education (down 0.3%) driven by a fall in non-market education, with the ONS noting that "this aligns with the closure of some schools during the heatwave conditions seen across much of the UK during June".

In the three months to July 2026, output in the UK production sector is estimated to have contracted by 0.5% when compared with the three months to April 2026. This follows no increase in the three months to June 2026, and an increase of 0.2% in the three months to May 2026. The contraction in the production sector was driven by falls from water supply; sewerage, waste management and remediation activities (down 4.0%); electricity, gas, steam and air conditioning supply (down 1.5%); and mining and quarrying (down 2.6%). This was partially offset by a growth of 0.5% in manufacturing output in the three months to July 2026 compared with the three months to April 2026 - with positive contributions from: manufacturing of computer, electronic and optical products; manufacture of machinery and equipment n.e.c.; and manufacture of food products, beverages and tobacco.

Monthly UK GDP estimates reveal that there was an increase of 0.4% in July 2026. This followed growth of 0.3% in June 2026 and no growth in May 2026.

[10] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/september-2026
[11] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/july2026

UK business investment increased in 2026Q2

According to figures published by the ONS[12], UK business investment increased by 1.7% in 2026Q2 (April to June). This was 0.8% above the level of 2025Q2.

Number of UK job vacancies continues to fall

The estimate of the number of UK job vacancies in the period June to August 2026 was 702,000, a fall of 8,000 from the previous quarter (March to May 2026).[13] As noted in previous Economic Intelligence Wales reports, the fall in vacancies over recent months in the UK has been linked 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.[14]

In June to August 2026 total vacancies were down by 36,000 (4.9%) from the level of the previous year and were 86,000 (10.9%) below their pre-COVID-19 pandemic January to March 2020 level.[15] The largest volume decreases in vacancies in June to August 2026 from the previous quarter were in education (a fall of 5,000 vacancies), and manufacturing, information & communication, administrative & support service activities, and human health & social work activities (all down 3,000). The ONS noted that feedback from their Vacancy Survey "...continues to suggest that smaller firms may not be recruiting because of increases in labour costs...".[16]

Pay as You Earn Real Time Information[17] early estimates reveal a fall in the number of payroll employees in the UK for August 2026 to 30.2 million, a decrease of 145,000 employees (or 0.5%) compared with the figure for August 2025. In the year to August 2026, increases in payrolled employees in the UK were largest in the administrative and support services sector (employees rising by 72,000 or 3.0%), while the largest decrease was in the wholesale and retail sector (a decrease of 76,000 employees, or -1.8%).[18] Between August 2025 and August 2026 there was also a decrease in the number of payrolled employees in a diverse range of other sectors, including manufacturing, construction, accommodation and food service activities, information and communication, and professional, scientific and technical services.

In the year to August 2026, the number of payrolled employees in Wales decreased by 7,300 (or -0.6%) to 1.31m.[19] The UK regional data on payroll employees by sector is updated less frequently, but the data for July 2026 shows the volume decrease in payroll employees in Wales over the year was most evident in accommodation and food services (a decrease of 3,500 employees or -3.7%), wholesale and retail (a fall of 3,300 employees, or -1.9%), and manufacturing (a fall of 2,400 employees or -2.0%).[20] Cost-sensitive and consumer facing sectors in Wales therefore continued to experience weakness in employment conditions.

[12] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/apriltojune2026provisionalresults
[13] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/september2026
[14] https://www.theguardian.com/business/2026/feb/23/uk-job-vacancies-fall-to-lowest-level-since-pandemic
[15] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/september2026
[16] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/september2026
[17] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemploymentfrompayasyouearnrealtimeinformationuk/september2026
[18] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted
[19] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted
[20] 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 March 2026 (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 March 2026, the UK unemployment rate (all aged 16+) was an estimated 4.4%[21]. This represented an increase of 0.6 percentage points from the figure for the year to March 2025.

The highest UK regional unemployment rates in the twelve-months ending March 2026 were in London (6.2%), West Midlands (5.7%), North East (4.7%), and Yorkshire and the Humber (4.6%), while the lowest rates were in Northern Ireland (2.1%), South West (3.2%), South East (3.5%), and East (3.9%). In Wales, the unemployment rate for the twelve-month period to March 2026 was 4.3%, representing an increase of 0.8 percentage points from the unemployment rate during the twelve-months ending March 2025.

The unemployment benefit claimant count increases in the UK and Wales

During the year to August 2026, the UK unemployment-related benefit claimant count (not seasonally adjusted) increased by 34,900 to 1.70m people.[22]

In Wales, 64,795 people claimed unemployment-related benefits in July 2026 (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), an increase of 2,570 in the number of claimants compared with July 2025.[23] It should be noted that the values for April 2026 were provisional at the time of writing this report.

According to the data for July 2026, the Welsh unitary authorities with the highest proportion of working age population claiming unemployment-related benefits, were Newport (4.5%), Cardiff (3.9%), Blaenau Gwent (3.8%), Conwy (3.6%), Torfaen (3.6%), Denbighshire (3.5%) and Isle of Anglesey (also 3.5%), and those with the lowest proportions were Monmouthshire (2.3%), Powys (2.6%), Ceredigion (2.6%), Gwynedd (2.8%), Carmarthenshire (2.9%) Flintshire (3.0%), Wrexham (3.0%), and Bridgend (3.0%).

Economic inactivity increases in Wales but decreases in the UK

Inactivity in Wales remains higher than the UK average, despite some recent progress, limiting the available labour supply. The UK inactivity rate (aged 16 to 64 years) in the year ending March 2026 was 21.0% according to the ONS Annual Population Survey data[24], a decrease of 0.6 percentage points compared to that of a year previously (April 2024 to March 2025). In Wales, the comparative figure was 24.5% in the twelve months ending March 2026, up 0.6 percentage points from the figure in the twelve months ending March 2025.

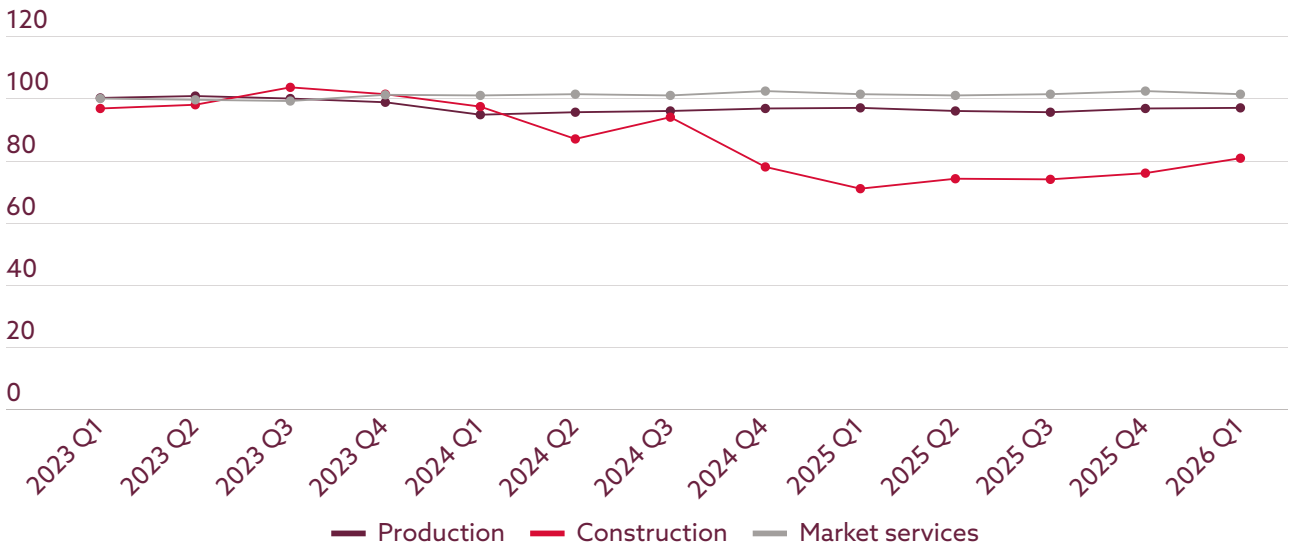
[21] ONS, Annual Population Survey, https://www.nomisweb.co.uk/
[22] https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits/datasets/claimantcountcla01
[23] https://stats.gov.wales/en-GB/64d58bef-c97c-4413-8aed-2298eac3a419
[24] ONS, Annual Population Survey, https://www.nomisweb.co.uk/

Welsh construction industry output increases from 2025Q4 to 2026Q1

Figure 2.1 shows the indices of production, construction, and market services for Wales from 2023Q1 to 2026Q1. The Welsh production index in 2026Q1 was 2.9% below the 2023 level, with the equivalent figure for the UK being 1.4% below the 2023 level. A negative factor bearing on the production index in Wales during the end of 2024 and the start of 2025 was decreasing output at Tata steel in south Wales.

The index of construction industry output for Wales recorded substantial growth in 2022 and 2023, reflecting the impact of several major construction projects undertaken across the region. More recently, the Welsh construction index increased by 4.7% between 2025Q4 and 2026Q1 but remained 19.2% below the Wales 2023 level in 2026Q1. The comparative figure for the UK being 1.4% below the 2023 level. The Welsh market services index remained fairly stable over the time period analysed, being 1.5% above the 2023 level by 2026Q1. The comparative figure for the UK reached 3.3% above the 2023 level.

Figure 2.1. ***Welsh output indices: trend 2023Q1 – 2026Q1 (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

The Bank of England Agents' Summary of Business Conditions report[25], published in July 2026, noted that "elevated geopolitical uncertainty and rising cost pressures" had reduced economic confidence and slowed decision making, leading to falls in construction output. The report does note steady public sector demand, continued industrial activity growth, and healthy pipelines for defence and major infrastructure spending – with the caveat that projects might be sluggish to come to completion. Prospects for the construction sector were therefore seen as subdued for the coming months with concerns around political uncertainty and steel quotas further adding to concerns.

[25] https://www.bankofengland.co.uk/agents-summary/2026/july-2026

The value of goods exported from Wales increased in the year to 2026Q2

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).

For the period to 2026 Q2, the trade in goods data for the UK regions shows that there had been a decrease in the value of exports from Scotland but an increase in the value of exports from England, Wales, and Northern Ireland in the twelve months ending June 2026 compared with the previous twelve months.[26] The value of goods exported from Wales increased by 5.3% to £20.00bn in the twelve months ending June 2026 (compared with a decrease of 8.9% in Scotland, and increases of 3.2% in England and 3.6% in Northern Ireland).

Total goods export values in Wales increased in selected product categories over the year to June 2026.[27] The export value of machinery and transport equipment increased to £9.93bn in the year ending 2026Q2, from £9.24bn in the previous twelve months, an increase of 7.5%. The value of mineral fuels, lubricants and related materials rose to £3.26bn in the year ending 2026Q2 from £2.77bn in the previous twelve months, an increase of 17.7%. However, the value of manufactured goods classified chiefly by material fell to £2.16bn in the year ending 2026Q2 from £2.35bn in the previous twelve months, a decline of 8.3%.

The total exporter count for Wales in 2026Q2 was 3,054, a decrease of 0.7% from 2025Q2 where the figure was 3,076 (using the Whole Number Method).[28] In the same time period, there was a decrease of 2.3% for the UK as a whole.[29] HM Revenue & Customs published trade volume data for the year to 2026Q2 showed that a net mass of 7.48 billion kilograms were exported from Wales, a decrease of 0.7% from the previous twelve months.[30]

The continued vulnerability of Wales to changes in global demand and trade conditions are revealed in the data for international goods trade. Over the year to 2026Q2, total Welsh export value by products to the United States increased to £2.85bn, from £2.72bn in the previous twelve months, a rise of 5.1%.[31] The United States was the second highest destination country (by value) for exports from Wales, with Germany the top destination in the year to 2026Q2.

In the year to June 2026, the value of goods imported to Wales increased by 4.8% to £21.58bn when compared to the previous twelve months. This compared to increases in the value of imports in Scotland of 6.8%, in England of 6.5%, and Northern Ireland of 2.0%.[32]

In Wales, the total importer count in 2026Q2 was 7,590, a decrease of 5.7% from the figure in 2025Q2. In the UK the total importer count increased by 3.8% over the same period.[33] Trade volume data published by HM Revenue & Customs, for the year to 2026Q2, showed that a net mass of 16.10 billion kilograms was imported into Wales, an increase of 5.4% from the previous year to the end of 2025Q2.[34]

[26] https://www.uktradeinfo.com/trade-data/regional/2026/uk-regional-trade-in-goods-statistics-second-quarter-2026/
[27] https://www.gov.wales/international-goods-trade-interactive-dashboard
[28] "Whole number method": A business counts as 1 in each region they have employees.
[29] https://www.uktradeinfo.com/trade-data/regional/2026/uk-regional-trade-in-goods-statistics-second-quarter-2026/#datasets
[30] https://www.gov.wales/international-goods-trade-interactive-dashboard
[31] https://www.gov.wales/international-goods-trade-interactive-dashboard
[32] https://www.uktradeinfo.com/trade-data/regional/2026/uk-regional-trade-in-goods-statistics-second-quarter-2026/
[33] https://www.uktradeinfo.com/trade-data/regional/2026/uk-regional-trade-in-goods-statistics-second-quarter-2026/#datasets
[34] https://www.gov.wales/international-goods-trade-interactive-dashboard

UK economy forecasts

A comparison of independent forecasts received between the 9 and 14 of September 2026 was published in the September 2026 HM Treasury Forecasts for the UK Economy.[35] The average of new forecasts for UK GDP growth in 2026 was 1.2%, an increase of 0.1 percentage points from that projected by the average of new forecasts in the August 2026 publication.[36]

Appendix 2 of this report shows a summary of selected GDP forecasts for the UK for 2026 and 2027, together with forecasts for the LFS Unemployment rate, and the growth in prices for both Consumer Price Index (CPI), and Retail Price Index (RPI) inflation.

[35] https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-september-2026
[36] https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-august-2026

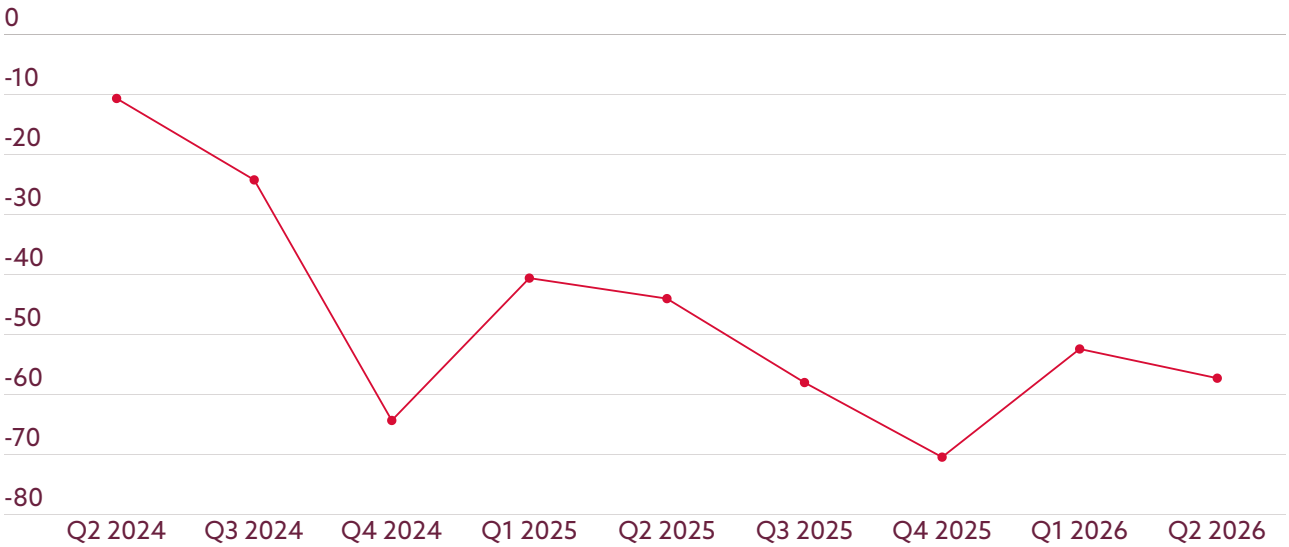
- UK small business confidence remains subdued in 2026Q2.
- 21.7% of UK SMEs reported growth during 2026Q2.
- Business deaths in Wales exceeded business births during 2026Q2.
- UK construction activity remains weak.

UK small business confidence declined in 2026Q2

The Federation of Small Businesses (FSB) UK Small Business Index (SBI)[37] registered a fall in business sentiment during the second quarter of 2026 to -57.4, from -52.5 in 2026Q1[38]. Figure 3.1 shows the trend of the FSB SBI between 2024Q2 and 2026Q2.

The percentage of small businesses reporting revenue growth over the previous three months to the FSB survey during 2026 Q2 fell to 21.7%, down from 29.1% during 2026 Q1, whilst 55.3% of small businesses reported a fall in revenues over the same period. Meanwhile, small business expectations for revenue growth over the next 12 months stood at 17.8% during 2026 Q2, the lowest ever recorded by the FSB SBI, whilst 31.5% of small businesses expected to shrink, sell up or close entirely over the next twelve months.

Figure 3.1. ***UK Small Business Confidence Index, 2024Q2 – 2026Q2***



Source: FSB Small Business Index[39]

[37] 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'.

[38] The FSB noted that the sample size for Wales was insufficient for accurate reporting during 2026Q2.

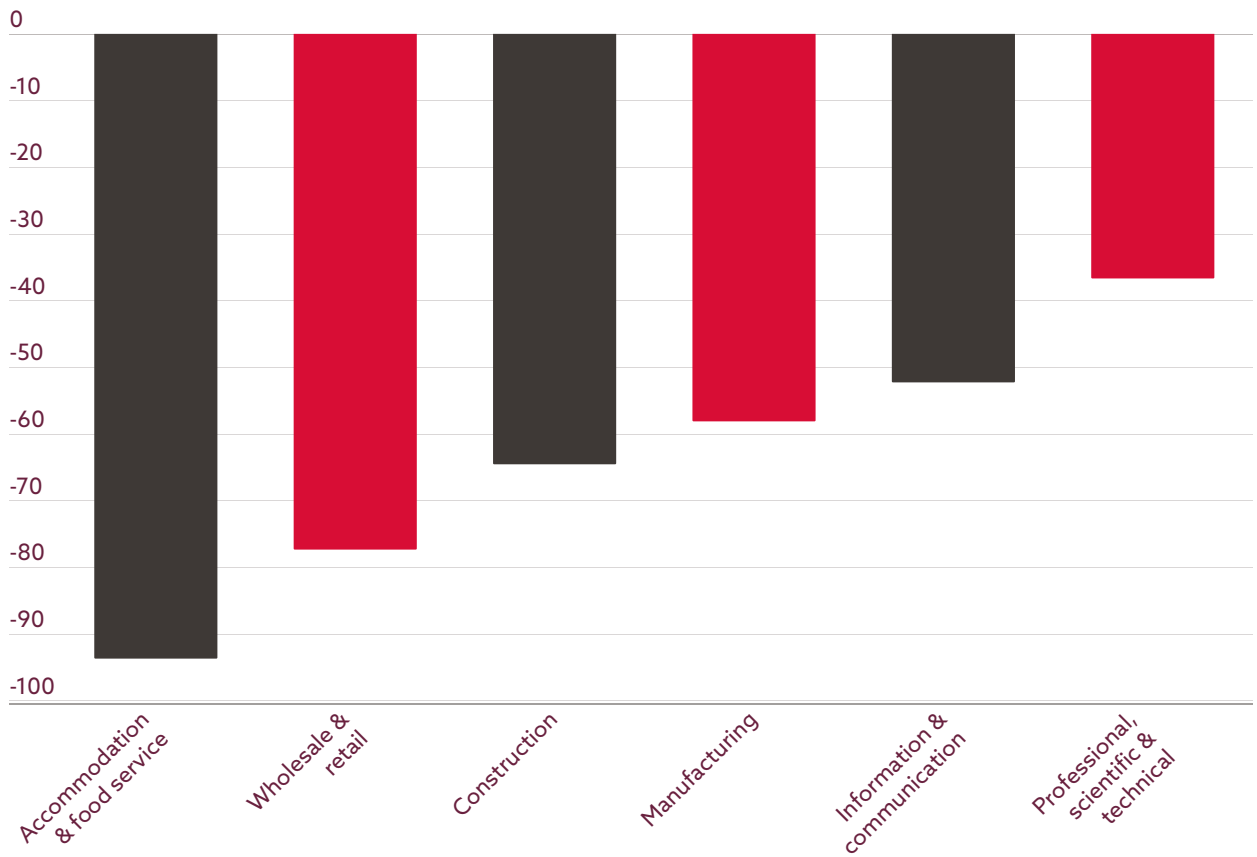
[39] FSB Small Business Index www.fsb.org.uk/resources/reports/small-business-index

All sectors recorded negative SBI readings during 2026Q2

During 2026Q2 all sectors continued to record negative SBI readings, with accommodation and food services (-93.7), wholesale and retail trade (-77.4), and construction (-64.6) the most subdued sectors.

Figure 3.2 shows the FSB Sectoral SBI for 2026Q2.

Figure 3.2.
FSB Sectoral Small Business Index 2026Q2



The domestic economy continues to be the main concern for SMEs

The domestic economy continued to be the most frequently cited barrier to small business growth in 2026Q2, and the tax burden and labour costs remained the next most cited barriers. An increasing number of businesses cited consumer demand and fuel costs as barriers to business growth during 2026Q2. 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 2026Q2 also fell back, reporting overall UK business confidence at -14.6, the lowest level since 2022Q4. The index remains significantly below its historical norm of +5.3.[40] The BCM identified that regional business confidence was in negative territory in every UK region and nation except for Yorkshire and Humber during 2026Q2, with confidence falling significantly in every other region. Business confidence in Wales fell back to -14.1 (down from -3.7 in 2026Q1).

The most recent FSB Small Business Index (SBI) is derived from a survey conducted among 1,113 small business owners and sole traders, carried out between 9-23 June 2026. 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 13 April to 19 June 2026. 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.

27% of UK SMEs reported growth over the previous 12 months to July 2026

The SME Finance Monitor UK[41] reported that a stable 27% of all responding UK SMEs (excluding starts) had reported growth over the previous 12 months to the end of July 2026. This is in line with 2025, but it remains well below the typical pre-pandemic level of around 40%. Experience continued to vary significantly by SME size, with 57% of UK businesses employing 50-249 employees, 45% of those employing 10-49, 35% employing 1-9, and 23% of those with no employees, experiencing growth.

The Finance Monitor also reported that to July 2026, 48% of SMEs listed the economic climate and 40% listed political uncertainty as the most significant barriers to their growth. Looking forward, 64% of SMEs employing 50-249, 62% employing 10-49, 53% employing 1-9 employees, and 44% with no employees had plans to grow their businesses.

[40] 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

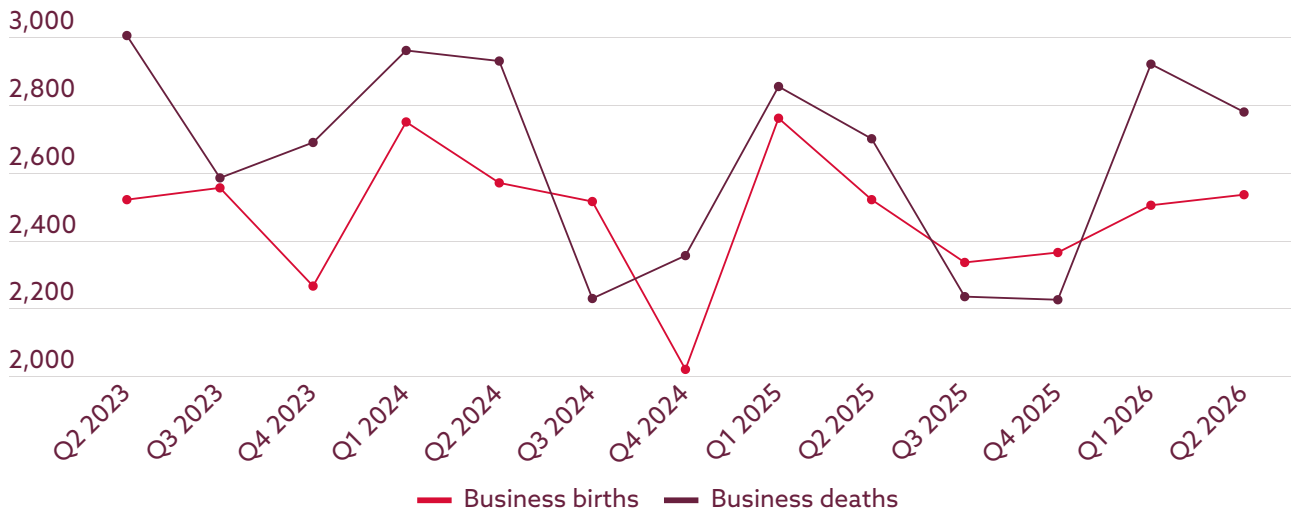
[41] https://www.ipsos.com/en-uk/sme-finance-monitor#reports

Business deaths exceed business births in Wales

The ONS reported an estimated total of 79,325 UK business births, recorded as new VAT/PAYE registrations, during 2026Q2, compared with 76,840 business deaths. Figure 3.3 reveals the variation of quarterly business births and deaths in Wales over the period 2023Q2 to 2026Q2.[42]

The number of business births in Wales in 2026Q2 was 2,535 (up from 2,505 in 2026Q1), whilst the number of business deaths during the same period was 2,780 (down from 2,920 in 2026Q1).

Figure 3.3.
Quarterly business demography in Wales, 2023Q2 – 2026Q2



Source: ONS Business Demography, Quarterly Experimental Statistics, UK.[43]

[42] https://www.uktradeinfo.com/trade-data/regional/2026/uk-regional-trade-in-goods-statistics-second-quarter-2026/
[43] www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk

Business Impacts and Conditions Survey

The ONS Business Impacts and Conditions Survey (BICS) for 1 to 31 July (wave 162)[44] reported that 33.3% of surveyed Welsh businesses experienced increased turnover in July 2026 compared with the previous month (UK 28.5%). Some 28.3% of surveyed businesses in Wales expected turnover to increase in September 2026 against a UK average of 24.1%.[45]

The BICS also revealed that, during July 2026, 19.5% of surveyed businesses in Wales (UK 21.5%) reported that the prices of goods and services bought by their businesses had increased when compared with the previous month. Meanwhile, 9.4% of surveyed businesses in Wales (UK 9.8%) reported that the prices of goods and services sold by their businesses had increased from the previous month.

Some 17.4% of Welsh firms reported that they expected their number of employees to increase in September 2026 (UK 15.1%). Compared with the same period in 2025, 31.5% of surveyed Welsh businesses believed their performance had increased (UK 27.5%), with 16.6% believing it had decreased (UK 19.1%). In terms of future expectations, 36.8% of Welsh businesses expected their performance would increase in the year ahead (UK 31.9%).

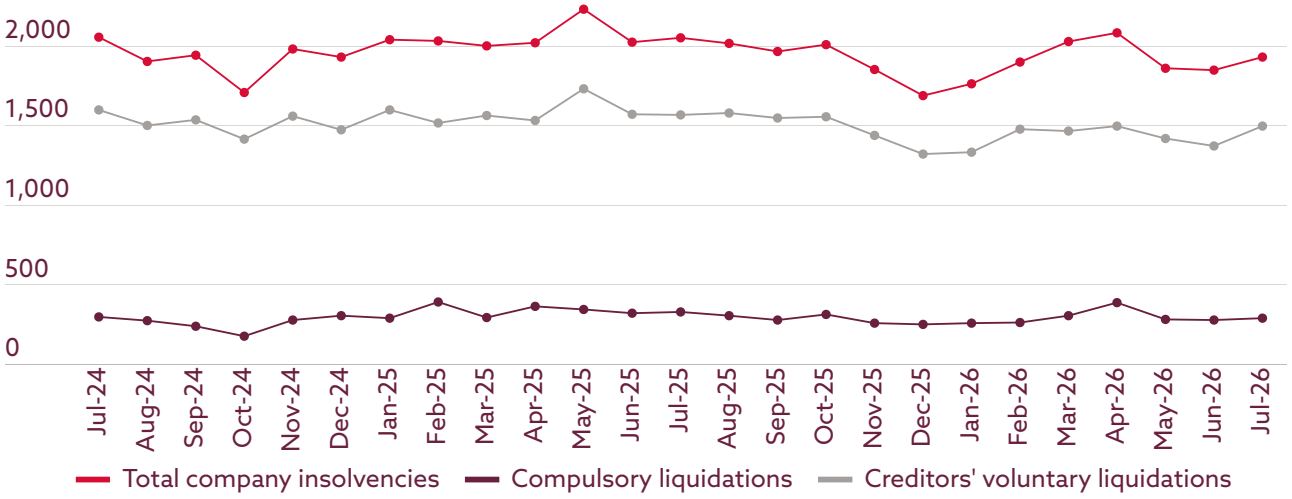
[44] www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy

[45] 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 July 2024 to July 2026. Total monthly insolvencies in July 2026 were 1,931, lower than 12 months previously, when there were 2,053 insolvencies. This overall rate is driven by creditors' voluntary liquidations, which stood at 1,497 in July 2026, whilst the number of compulsory liquidations was 288 in the same month.

Figure 3.4.
Monthly registered company insolvencies, England and Wales, July 2024 – July 2026 (seasonally adjusted)



Source: UK Government Insolvency Monthly Statistics[46]

County Court judgments for debt can indicate possible future insolvencies as part of a broader trend. Provisional data indicates that during 2026Q2 there were a total of 571,000 County Court claims, an 11% increase when compared with the same period in 2025. Of these, 87% were money claims, up by 13% on the same quarter in 2025.[47]

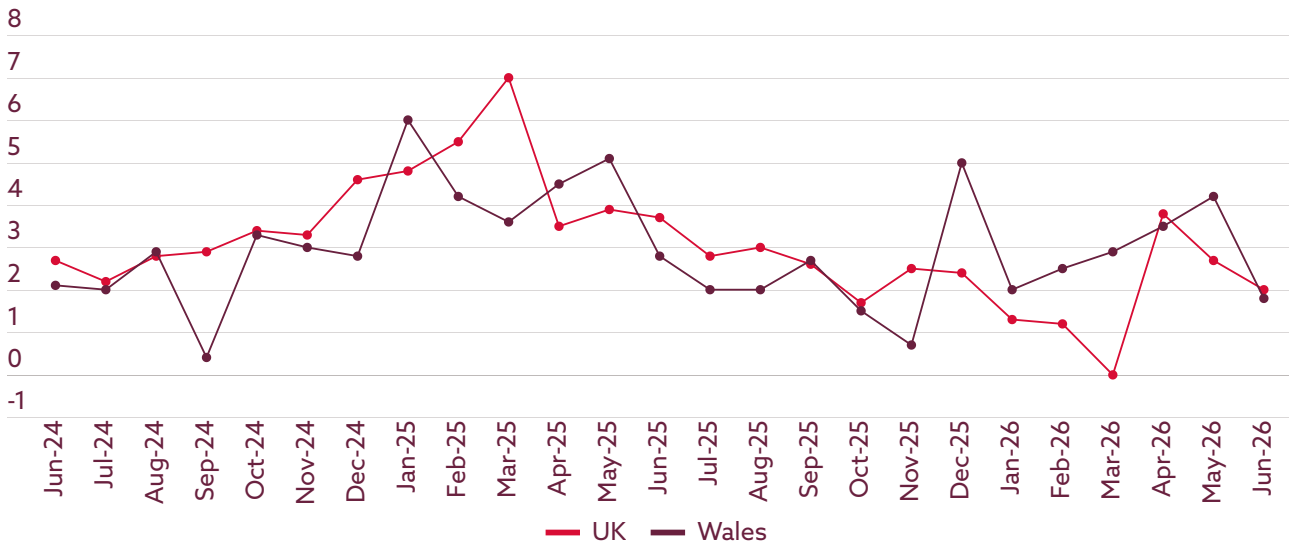
[46] www.gov.uk/government/collections/company-insolvency-statistics-releases
[47] https://www.gov.uk/government/collections/civil-justice-statistics-quarterly#2024

House prices in Wales increased by 1.8% in the year to June 2026

ONS data that captures both cash and mortgage-based purchases shows that the average house price in Wales in June 2026 was £213,162, representing a 1.8% increase from June 2025. Overall, UK house prices increased by 2.0% in the 12 months to June 2026, and the average UK house price in June 2026 was £272,000, which was £5,000 higher than 12 months previously.[48]

The Bank of England reported that in July 2026[49] net mortgage approvals for house purchases were 56,100, whilst net borrowing of mortgage debt by individuals was £4.3 billion in July. Meanwhile, the Bank also reported that the effective interest rate (the actual interest rate paid) on newly drawn mortgages increased to 4.45% in July (from 4.35% in June) and rose to 3.97% on the outstanding stock of mortgages (from 3.96% in June). Remortgaging approvals increased to 34,500 in July from 34,100 in June, however 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, June 2024 – June 2026***



Source: ONS House Price Index[50]

[48] www.gov.uk/government/collections/uk-house-price-index-reports
[49] www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest
[50] www.gov.uk/government/collections/uk-house-price-index-reports

UK construction activity experiences sustained downturn

The S&P Global UK Construction Purchasing Managers' Index[51] registered 44.3 in August 2026, down from 44.7 in July, remaining below the neutral 50.0 threshold for the twentieth consecutive month. Residential construction was the weakest area of activity in August, registering 37.6, whilst commercial building recorded 47.8, and civil engineering 40.5. Meanwhile, in its Monetary Policy Report, published in July, the Bank of England reported that housing market activity remains subdued[52].

Commercial property market performance remains mixed in 2026

The UK's commercial property market has continued to show mixed signs during 2026, with some indication of recovery in prime locations alongside continuing challenges elsewhere. In 2026, the UK commercial property market has experienced robust tenant demand and low vacancies, particularly in London where vacancy rates are forecast to be zero by 2028[53], and other prime locations[54]. Investment markets have been dampened by ongoing global geopolitical risks[55] and investors remain highly selective.[56]

[51] www.pmi.spglobal.com/Public/Release/PressReleases
[52] www.bankofengland.co.uk/monetary-policy-report/monetary-policy-report
[53] www.ft.com/content/7cce7c38-bce2-4718-b6e7-d0f4ae4c8751?syn-25a6b1a6=1
[54] www.ft.com/content/ffd4951c-b623-4ad3-bfde-562f2207c8e0?syn-25a6b1a6=1
[55] www.ft.com/content/56a57f36-dae2-4413-ba18-2a081ad7ef6c?syn-25a6b1a6=1
[56] www.ft.com/content/9b696d24-da71-4fdf-8738-feb792e83781

- During 2026Q2 gross lending to UK SMEs by the main high street banks increased by 26% when compared with the same period in 2025.
- 56% of SMEs had used some form of external finance in the 3 months to July 2026.
- The effective interest rate on new loans to SMEs was 6.61% in July 2026, up from 5.80% in July 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 2026 Q2 survey asked lenders to report on their perceived changes in the supply of, and demand for, credit for the three months to the end of May 2026, relative to the three months ending February 2026.[57]

Lenders were also asked about their expectations of changes up to the end of August 2026. The survey was conducted between 26 May and 12 June 2026 and does not account for any changes occurring since.

Lenders reported that the overall availability of credit to the corporate sector was unchanged in 2026Q2. However, when broken down by size of business, lenders reported that credit availability for small and medium businesses slightly decreased and was unchanged for large businesses in 2026Q2. The Bank of England explained that this difference can exist 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 2026Q3.

Meanwhile, lenders reported that demand for lending from small and medium businesses decreased and was unchanged for large businesses in 2026Q2. Demand was expected to be unchanged for all business sizes during 2026Q3.

UK Finance found that during 2026Q2 overall gross lending by the main high street lenders to SMEs was 26% up on the same quarter a year ago. At £5.35bn, gross lending reached a new post-pandemic high.[58]

[57] www.bankofengland.co.uk/credit-conditions-survey/2026/2026-q2
[58] www.ukfinance.org.uk/data-analysis/data

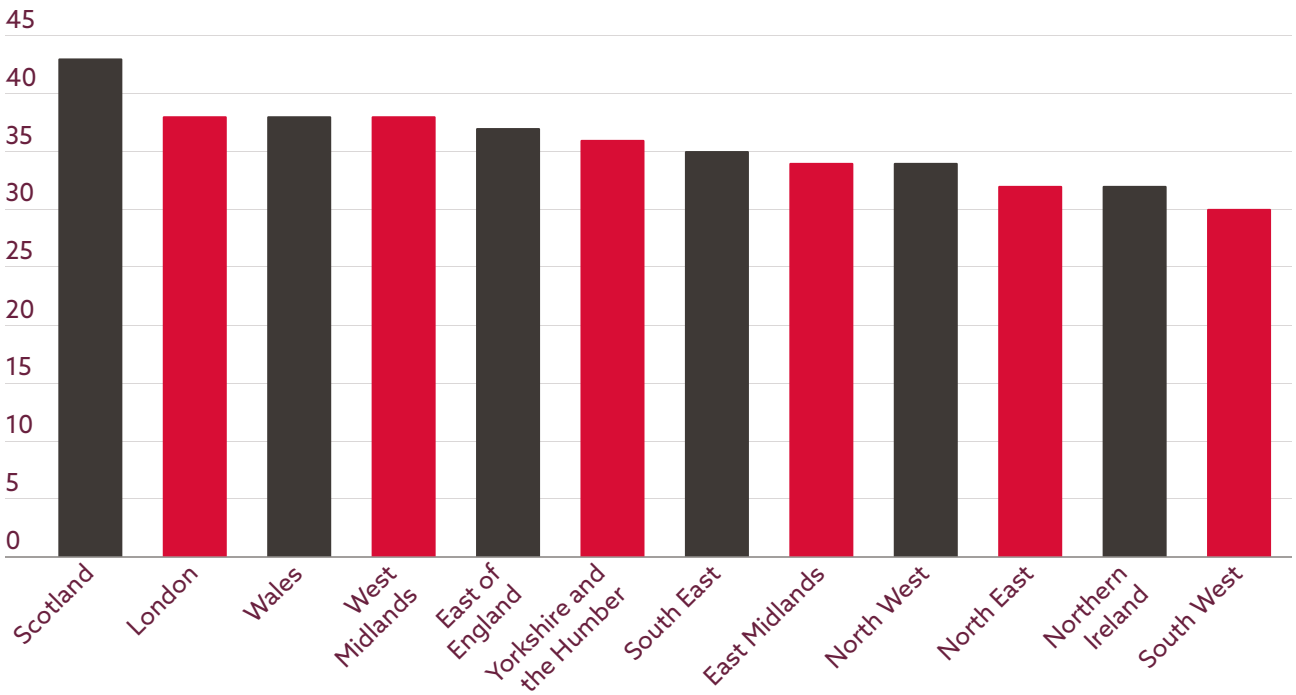
56% of SMEs had used some form of external finance in the 3 months to July 2026

The SME Finance Monitor found that 56% of UK SMEs had used some form of external finance in the 3 months to the end of July 2026.[59] In terms of finance types, credit cards (23%) were the most frequently used form of finance among UK SMEs. Meanwhile, overdrafts (18%) were the next most frequently used, followed by leasing and HP (13%), bank loan or mortgage (9%), and grants (2%).

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 the 3 months to the end of July 2026. 38% of Welsh SMEs reported such an impression, this was above the 34% registered in 2026Q1.

Figure 4.1

UK region/nation SME impression of difficulty in securing finance, 3 months from May to July 2026,%



Source: SME Finance Monitor[60]

[59] www.bankofengland.co.uk/credit-conditions-survey/2026/2026-q2
[60] www.ipsos.com/en-uk/sme-finance-monitor#reports

The average interest rate on SME loans in July 2026 was higher 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 July 2025 to July 2026.[61] The growth rate of borrowing by SMEs remained steady at 4.1% during July 2026.

Meanwhile, the effective interest rate on new loans to SMEs rose to 6.61% in July 2026, up from 6.36% in June 2026 and 5.80% in July 2025.

Figure 4.2.
Growth rate SME loans and effective interest rate loans to SMEs, July 2025 – July 2026,%



Source: Bank of England[62]

[61] 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.

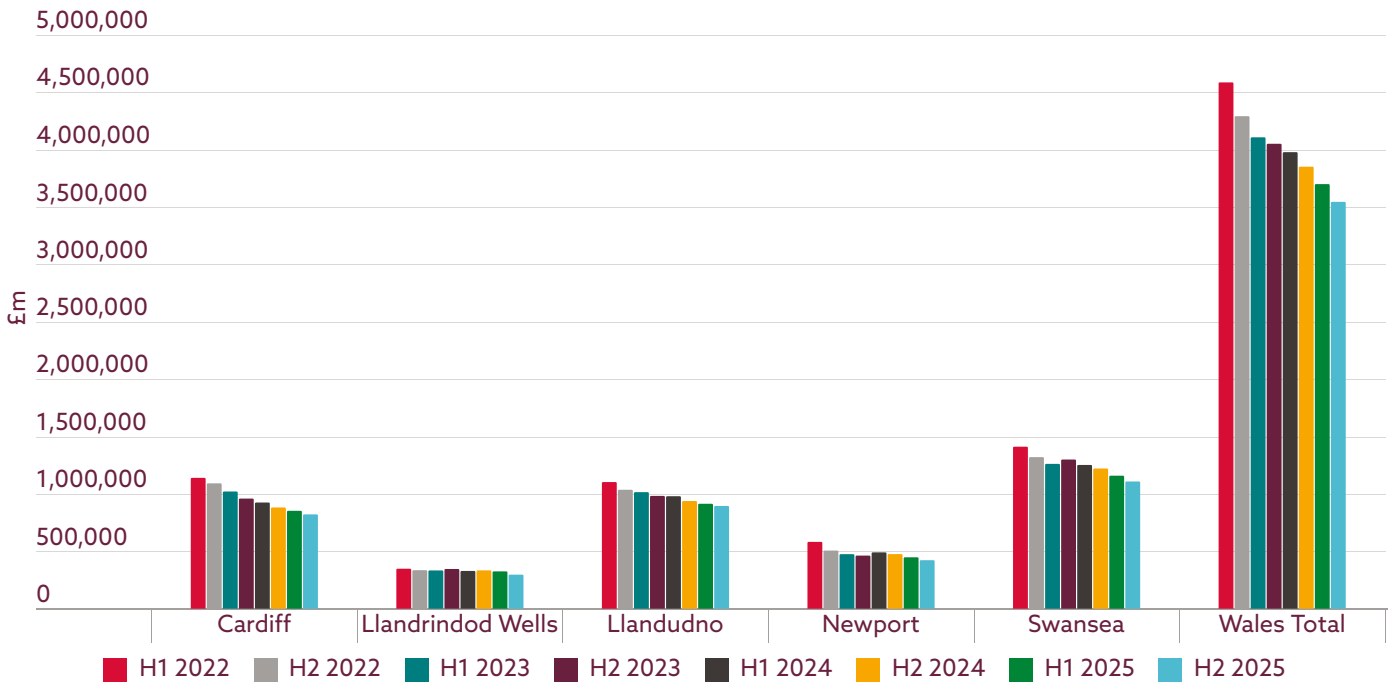
[62] www.bankofengland.co.uk/news/?NewsTypes=571948d14c6943f7b5b7748ad80bef29&Taxonomies=65c741d9573d48c09359a3c48020fe76&InfiniteScrolling=False&Direction=Latest

The volume of lending to Welsh SMEs

As previously reported, the most recently published UK Finance SME lending data for UK postcodes identified a decline in lending to Welsh SMEs during 2025[63]. The overall lending volume decreased from around £3.855bn in 2024 H2 to £3.548bn in 2025 H2. The data for 2026H1 is due to be published in January 2027.

Figure 4.3 shows SME lending by Welsh postcode area between 2022 H1 to 2025 H2. During 2025 H2, the Swansea area postcode received £1,109,527,317 of lending, Llandudno received £896,014,358, Cardiff £822,472,955, Newport £423,019,307, and Llandrindod Wells £296,907,514.

Figure 4.3.
SME lending, Welsh postcode area, 2022H1 – 2025H2



Source: UK Finance Postcode Lending Data, SMEs[64]

[63] www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes
[64] www.ukfinance.org.uk/data-and-research/data/sme-lending-within-uk-postcodes

Equity investments

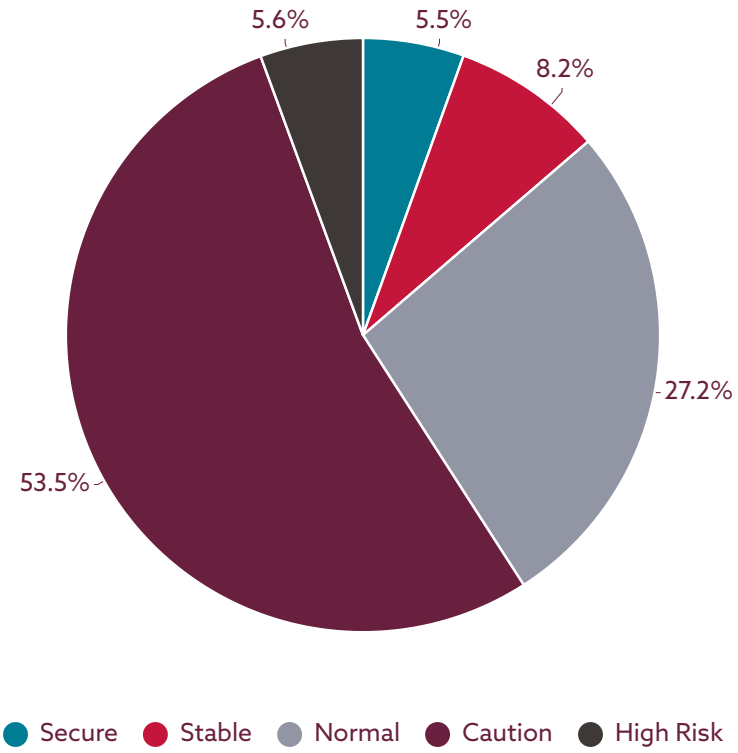
Equity investments in SMEs are facilitated by entities such as venture capital funds, angel investors, crowdfunding platforms, corporations, and governmental funds, and may be deployed across different stages of business development.[65] UK smaller business equity investment values fell by 4% during 2025.[66] As previously reported, although Wales saw a 1% rise in total investment value during 2025, the overall number of deals in Wales fell by 45% (UK -17%) and it experienced the second lowest number of deals of all UK nations and regions (45 in total). Development Bank of Wales equity investments are noted in the following section, with the value of these investments increasing during the first six months of 2026.

Welsh SMEs credit risk update

The Bureau van Dijk FAME database of Companies House data was searched in September 2026 to seek evidence of the proportion of Welsh SMEs that were in different credit risk categories. The search yielded 104,418 SMEs with a known credit rating. Figure 4.4 reveals that of this total, 5.6% of SMEs in Wales were estimated to be in the Highest risk credit rating category (down from 5.9% in April 2026 but still equating to an estimated 5,888 enterprises in Wales). The Caution category comprised 55,841 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.

[65] https://developmentbank.wales/sites/default/files/2019-04/Equity%20Clusters%20Report_final.pdf
[66] www.british-business-bank.co.uk/about/research-and-publications

Figure 4.4.
Estimates of proportions of Welsh SMEs in different credit rating categories (September 2026)



Source: FAME data

Development Bank of Wales activity

- In 2026/27Q1, the Development Bank of Wales completed 151 investments with a total value of £48.4m. These investments were associated with almost 1,140 new and safeguarded jobs.
- Businesses in the south east Wales region accounted for the highest share of investment value (almost 55%) in 2026/27Q1 and secured almost 52% of total jobs in the same period.
- In 2026/27Q1, businesses in the construction sector secured one-third of investments by value (£13.7m).
- The highest number of jobs created or safeguarded by Development Bank investments in 2026/27Q1 were in the human health and social work sector (193 jobs). Businesses in this sector secured £6.8m of investment in this period.

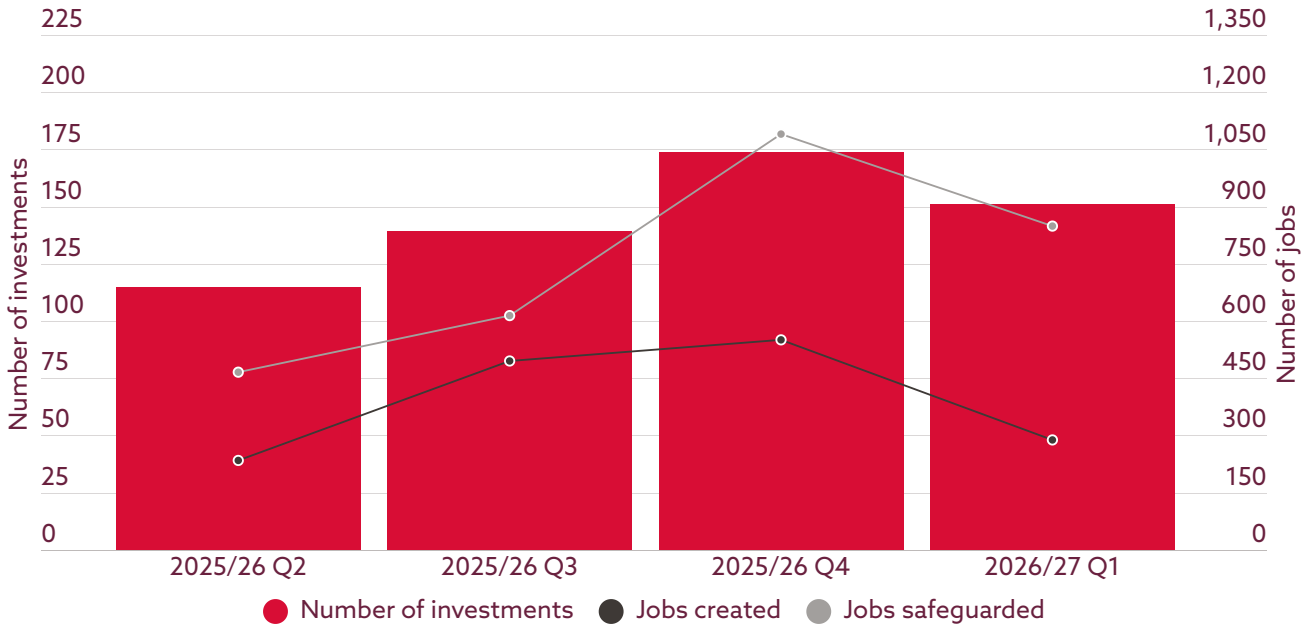
The Development Bank completed 151 investments in 2026/27Q1, supporting almost 1,140 jobs

Figure 5.1 shows a decrease in the number of investments made by the Development Bank of Wales in 2026/27Q1 when compared with the previous quarter. However, the number of investments made in 2026/27Q1 is above the levels of the other periods shown in Figure 5.1.

In 2026/27Q1 around 60% of deals were for 'growing a business', with a further 15% for 'starting a business'. In the year to 2026/27Q1 a total of almost 580 investments were made by the Development Bank.[67]

[67] The funding available for the Development Bank's investment activities is influenced by Welsh Government budget allocations. A range of other factors will also underpin investment levels and funding availability, including loan repayment values and demand for finance.

Figure 5.1.
Investments and jobs created and safeguarded, 2025/26Q2 – 2026/27Q1



The number of jobs created or safeguarded linked to Development Bank investments was 1,136 in 2026/27Q1. This is a decrease compared with the previous quarter, but again an increase on the jobs total for 2025/26Q2 and 2025/26Q3 and an increase when compared with the same quarter in the previous year (916 jobs in 2025/26Q1). Around three-quarters of jobs in 2026/27Q1 were safeguarded jobs, and around one-quarter were jobs created. During the last four quarters, an average of 34% of total jobs were jobs created.

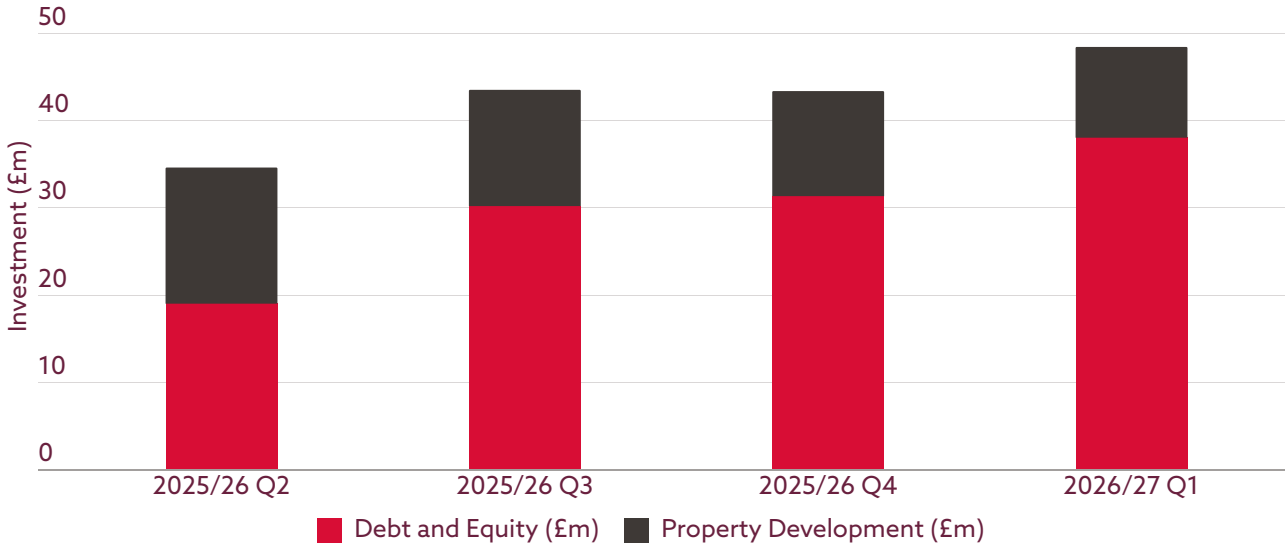
Caution is needed when interpreting quarterly investment data which can be volatile and influenced by a small number of significant investments, particularly where sectoral or regional concentrations are present.

The total value of investments made during 2026/27Q1 was £48.4m

Figure 5.2 shows that new debt and equity investment in 2026/27Q1 was £38m, with a further £10.4m of property development investment. The total investment value for 2026/27Q1 (£48.4m) is higher than the previous three quarters shown in Figure 5.2. The increase is due to debt and equity investments, which were almost £7m higher than the previous quarter, although there was a decline in property investments from just over £12m in the final quarter of the previous year, to £10.4m in 2026/27Q1. Almost half of property investment (£4.8m) was to businesses in north Wales in 2026/27Q1.

Equity investment (not shown separately in Figure 5.2) increased to £5.7m in 2026/27Q1. This is the highest quarterly value of equity investment since 2024/5Q3. As in previous quarters, most of the equity investment (£4.1m) in 2026/27Q1 was in businesses in south east Wales.

Figure 5.2.
New Investment by investment type, £m, 2025/26Q2 – 2026/27Q1



The regional distribution of investment activity tends to broadly reflect differences in population, business density and project scale across Wales. Figure 5.3 shows businesses in south east Wales received 55% (£26.5m) of total investment funds in 2026/27Q1. These businesses secured 66 investments (44% of the total), which created or safeguarded just over 585 jobs (52% of the total). The unitary authority areas securing the highest levels of investments were Rhondda Cynon Taff, Bridgend and Blaenau Gwent. Together these unitary authority areas accounted for almost half of the value of investment in south east Wales.

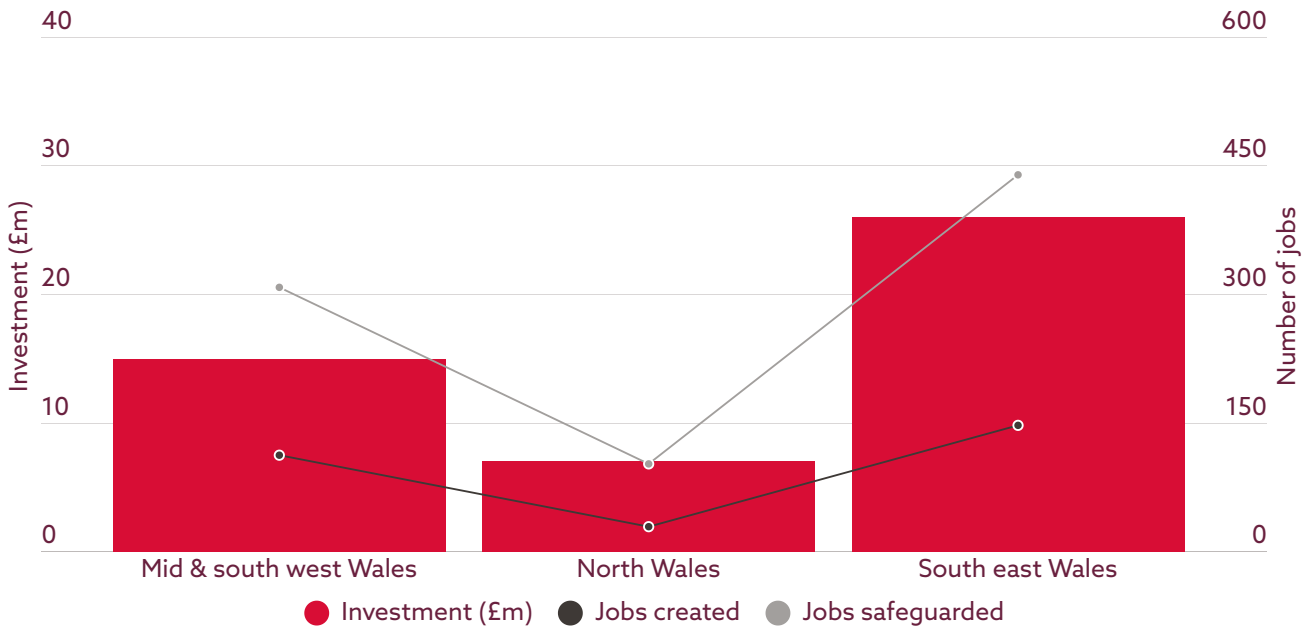
Businesses in mid and south west Wales received over £14.5m of Development Bank funding from 46 investments, linked to 420 new or safeguarded jobs in 2026/27Q1. Businesses in the unitary authority areas of Carmarthenshire and Pembrokeshire received the highest levels of investments in mid and south west Wales. Businesses in north Wales secured 39 investments totalling £7.4m and supporting just over 130 new or safeguarded jobs. Businesses in Flintshire accounted for almost 50% of funds invested in north Wales in 2026/27Q1.

On average, each investment made by the Development Bank in 2026/27Q1 was connected to £320,600 of funding

The average investment value in 2026/27Q1 is above that of the previous quarter (£249,600) and is comparable to the recent high of £323,000 in 2024/25Q3. There was a degree of variation in average investment values by region in 2026/27Q1, with these ranging between £400,100 in south east Wales, £316,300 in mid and south west Wales, and £190,000 in north Wales.

Average investment values vary by sector and by investment type. For example, in 2026/27Q1 average investment values were highest for property investments at £740,400, followed by equity investments which averaged £632,200. Loans (debt investment) accounted for almost 85% of total investment deals made by the Development Bank in 2026/27Q1, with an average value of £252,800.

Figure 5.3.
Investment values, £m, and jobs created and safeguarded by location 2026/27Q1

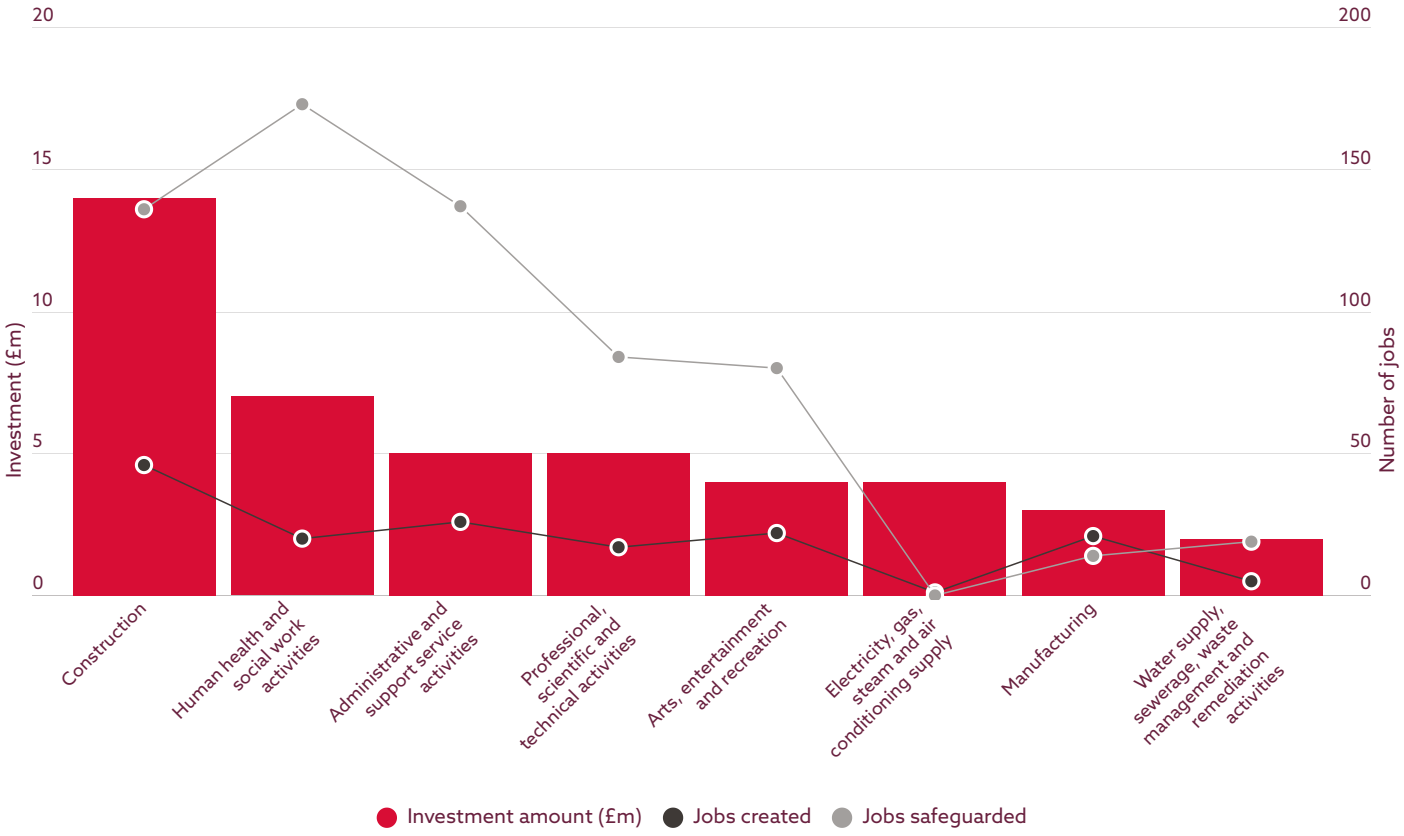


The construction sector dominated investment in 2026/27Q1, accounting for £13.7m of funding

Figure 5.4 shows the sectors of the economy which received over £2m of Development Bank investment funding during 2026/27Q1. Businesses in the construction sector secured around 28% of investment funding. The top eight sectors shown in Figure 5.4, ranked by investment value, accounted for 88% of all investment funding, and 70% of jobs in 2026/27Q1. The highest number of jobs created and safeguarded by Development Bank investments in 2026/27Q1 were in the human health and social work sector (193 jobs), with this sector securing £6.8m of funding. Most of the funding and jobs in this sector were in residential care activities. Construction sector investments created or safeguarded 182 jobs with administrative and support services investments connected to 163 jobs in 2026/27Q1.

Amongst those sectors shown in Figure 5.4, the highest ranked sectors for jobs created and safeguarded per £1m funds invested were administrative and support services (almost 35 jobs per £1m invested) and human health and social work (just over 28 jobs per £1m invested). Across all sectors, each £1m of total investment by the Development Bank in 2026/27Q1 supported almost 24 new or safeguarded jobs. When excluding Property Funds (see note to Figure 5.4), each £1m of debt and equity funding supported around 30 new or safeguarded jobs.

Figure 5.4. *Investment value, £m, and jobs by sector 2026/27Q1. 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.

Conclusions

6

The closing months of 2026 are expected to see little relief from challenging economic conditions in the Welsh (and UK) economy. The Bank of England Monetary Policy Committee maintained the bank rate at 3.75% in its September 2026 meeting. However, inflationary pressures in the UK economy have been building alongside increases in the price of energy. The interdependence between UK economic prospects and oil and gas prices continues to be a concern for the UK Government and with limited prospect of a speedy conclusion to tensions in the Middle East. Equally there are few indications of progress toward a ceasing of conflict in Ukraine.

In the UK public spending conditions remain tight and with volatility in energy prices impacting consumer confidence. However, the growth in UK GDP by 0.4% in the three months to end July 2026 was encouraging, not least in the context of more difficult labour market conditions evidenced by falling UK vacancies and payrolled employees in the year to the end of August 2026.

For Wales specifically the findings of the ONS Business Impacts and Conditions Survey for July 2026 were also encouraging with close to 37% of Welsh businesses expecting to see an improvement in their performance in the year to July 2027.

Plans for a new national development agency for Wales have progressed, with the agency expected to attract inward investment and support indigenous businesses to grow. An expert panel has been established to consider its remit, which is likely to include improving productivity across the Welsh economy. In September 2026, the Wales Productivity Forum warned that skills gaps, difficulties in meeting employers' specific needs and funding constraints continue to limit Wales's long-term productivity ambitions.[68]

These challenges are particularly significant for SMEs, many of which are focused on resilience and survival under current economic conditions rather than productivity-enhancing investment. Achieving the Welsh Government's productivity ambitions will therefore require a balanced approach that supports Welsh SMEs to grow and invest, develops the regional skills base, and attracts external capital from high-growth industries.

The Development Bank of Wales provided loans, equity and property investments with a value of £48.4m to SMEs in Wales during the opening quarter of the 2026/27 financial year, creating and supporting almost 1,140 jobs. During the year to 2026/27Q1 investments have totalled £170m. Development Bank investments have been made across Wales, and to all sectors of the economy. In 2026/27Q1 around 60% of deals were for 'growing a business', with a further 15% for 'starting a business'. These investments help to fill some of the identified funding gaps faced by SMEs in Wales.

[68] Skills Mismatch and Funding Gaps 'Undermining Productivity Ambitions' in 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	September 2026	1.2	1.1
Heteronomics	September 2026	1.3	1.1
NIESR	August 2026	1.1	1.1
Other non-city forecasters			
OECD	June 2026	0.9	1.1
Experian Economics	September 2026	1.3	1.2
Oxford Economics	July 2026	0.9	0.9
City forecasters			
Capital Economics	September 2026	1.2	1.0
JP Morgan	September 2026	1.4	1.4
KPMG	August 2026	1.2	1.2

Source: https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-september-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	September 2026	4.9	4.7
Heteronomics	September 2026	4.7	4.7
NIESR	August 2026	5.3	5.1
Other non-city forecasters			
CBI	June 2026	5.5	5.3
Experian Economics	September 2026	5.1	5.2
Oxford Economics	July 2026	5.5	5.3
City forecasters			
Capital Economics	September 2026	5.2	5.2
JP Morgan	September 2026	5.0	4.9
KPMG	August 2026	5.0	5.1

Source: https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-september-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	September 2026	3.3	2.1
Heteronomics	September 2026	3.5	3.3
NIESR	August 2026	3.6	2.6
Other non-city forecasters			
OECD	June 2026	4.3	1.1
Experian Economics	September 2026	3.2	2.1
Oxford Economics	July 2026	3.1	2.1
City forecasters			
Capital Economics	September 2026	3.8	2.1
JP Morgan	September 2026	3.3	2.2
KPMG	August 2026	3.4	2.0

Source: https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-september-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	September 2026	4.4	3.2
Beacon Economic Forecasting	September 2026	4.0	3.6
NIESR	August 2026	4.8	4.0
Other non-city forecasters			
Heteronomics	September 2026	4.1	4.1
Experian Economics	September 2026	3.8	2.9
Oxford Economics	July 2026	3.6	3.4
City forecasters			
Capital Economics	September 2026	4.7	3.4
HSBC	September 2026	4.6	3.1
UBS	September 2026	3.9	2.5

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

Dirnad Economi Cymru
Economic Intelligence Wales

bancdatblygu.cymru
developmentbank.wales

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