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#### **Notes for Contributors**

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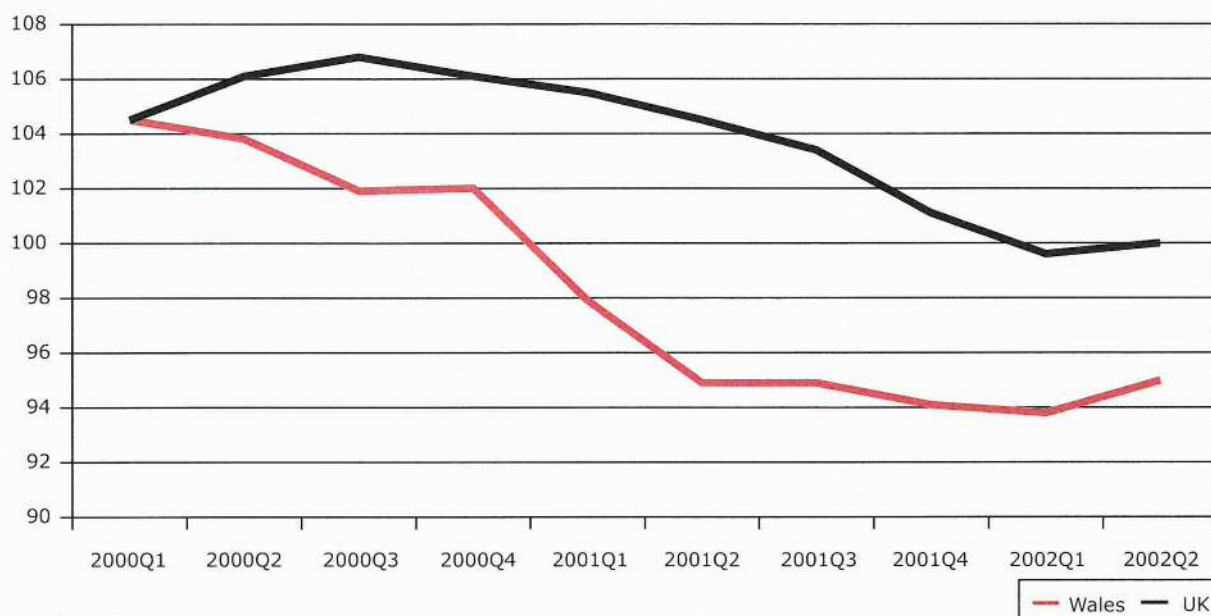
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# Industrial Activity

The Index of Production provides a general measure of changes in industrial output. The index is produced jointly by the Statistical Directorate at the Welsh Assembly Government and the Office for National Statistics, with the majority of data to construct the index being derived from the ONS's monthly production inquiry.

Figure 3: Index of Production, Wales and UK, 2000Q1-2002Q1, 1995=100



Source: Welsh Assembly Government

Figure 3 shows the progress of indices of Welsh and UK production for the period 2000Q1-2002Q2. The Welsh index of production showed a steadily falling trend for the nine quarters to 2002Q1, but recovered slightly in 2002Q2. The Welsh index fell by 4.2% in the year to 2002Q1, compared to a fall of 5.6% in the UK index over the same period. During 2002Q2 the index of production increased by 1.2%, whereas it was virtually unchanged for the UK as a whole.

Figure 4 reveals the progress of selected constituent elements of the Welsh index of production – manufacturing and electricity, gas and water. The index of activity in electricity, gas and water increased by 36.5% in the year to 2002Q1. This was largely due to increases in electricity going on to the National Grid as a result of the re-opening of the Wylfa power station on Anglesey. However the index for electricity, gas and water fell by 10% between 2001Q1 and 2002Q2. In manufacturing the picture is little improved, with the index falling by 7.6% in the year to 2002Q1. Over the same period the UK index of manufacturing production fell by 6.5%. By 2002Q1 the index of manufacturing had been falling in Wales for seven consecutive quarters. However, during 2002Q2 the index of

manufacturing output increased by 2.6%.

Some areas of manufacturing performed far worse than others in the year to 2002Q2. For example, over this period the index of textile production in Wales fell by 14.1%, basic metals by 2.4%, electrical and optical equipment by 16.2%, and engineering by 7.1%. The output index for each of these sectors is expected to record further falls in 2002 and through into 2003. For example, in basic metals the reduction in output caused by the closure of ASW could serve to reduce the index in basic metals by a further 10%. Other redundancies were announced in basic metals in the first half of 2002 with, for example, Alcoa in Swansea announcing 80 job losses in April as a result of restructuring, and the Corus Ebbw Vale facility closing during July.

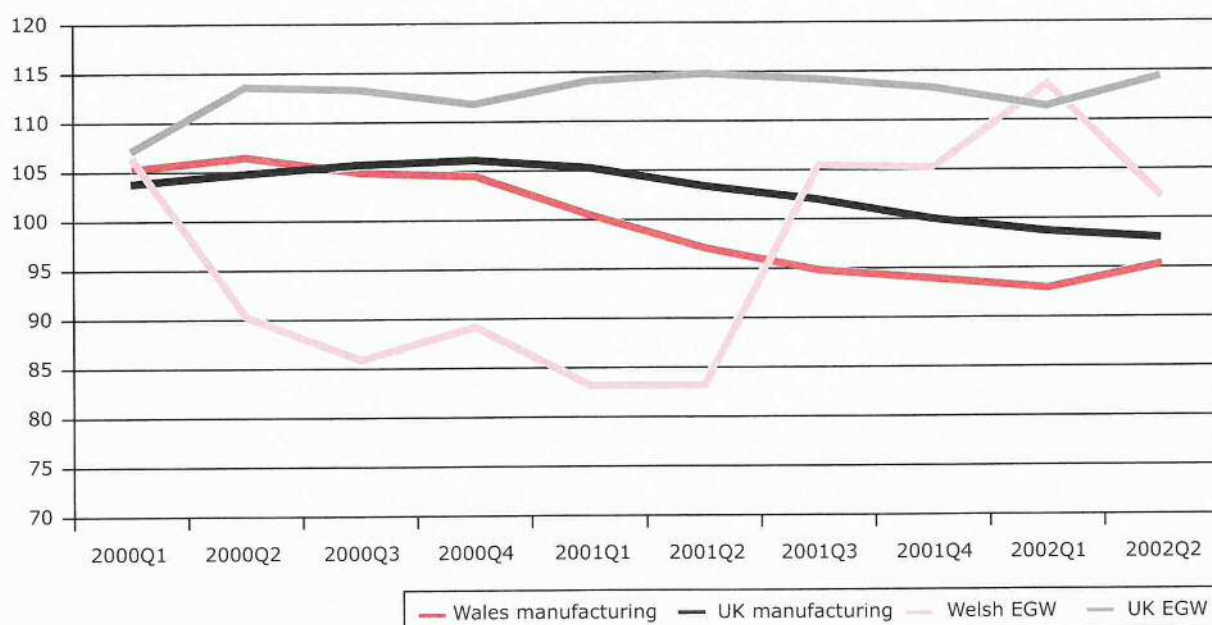
In some parts of the consumer electronics sector prospects are also uncertain. Sharp at Wrexham announced 300 redundancies during March of this year. Other electronics 'casualties' during the first half included LG Phillips Displays at Newport which announced 100 job losses in April. At Aiwa in Newbridge there was better news, with 200 jobs secured as the plant was sold by its Japanese owners in

May. The firm has moved away from producing Aiwa branded goods towards the contract electronics market.

The index of transport equipment production in Wales fell by just 0.8% in the year to 2002Q2. In March TRW, the US automotive components producer announced that it was intending to sell off its plants at Pontypool and Resolven (near Neath). Together the plants employ around 1,750 people. Also in March, Exide at Cwmbran announced that it would close its battery factory with 170 job losses. Other elements of the transport equipment sector have mixed prospects. BE Aerospace at Llanelli announced it was closing its plant producing aircraft cabin interiors with effect from February 2003, and around 270 jobs losses are expected. However, there was better sector news with Virgin Atlantic Airways confirming that it had placed a £1.35bn order for 10 Airbus jets and 50 Rolls-Royce engines. This order will help secure jobs at Airbus' Broughton plant which will make the wings for these aircraft. Lufthansa is also now expected to purchase 10 Airbus A330-300s which would support activity at Broughton.

One manufacturing industry which has managed to show stronger growth in the year to 2002Q2 has been food and

**Figure 4: Index of Manufacturing and Electricity, Gas and Water, Wales and UK, 2000Q1–2002Q2, 1995=100**



Source: Welsh Assembly Government

drink. Expansions have included Beacon Foods, which is creating 60 jobs with the extension of the firm’s hi-tech production facilities on the Brecon Enterprise Park. A growing part of the food and drink sector in Wales is production of spring and mineral waters. For example, Brecon Carreg is creating 19 new jobs at Trapp near Ammanford, bottling spring waters at source. Other good news (see Diary section of this Review) for this sector came when Newport based Avana Bakery secured new business with Marks & Spencer in July (over 150 new jobs expected). Moreover, St.Merryn meats at Merthyr Tydfil announced in July that it was expanding its workforce from 600 to nearly 1,000 people to meet new demand from Tesco supermarkets.

The July CBI Wales Quarterly Industrial trends survey showed that business confidence had remained unchanged since its previous survey (April), that

domestic and export orders remained flat, and that regional manufacturers had reduced employment in the four months to July. In the CBI Quarterly Regional Trends Survey, published during August, it was reported that Welsh manufacturers were expecting falls in UK new orders in the period to November. Under these poor trading conditions it is expected that the majority of Welsh manufacturing sectors will see a fall in real output during 2002. Cambridge Econometrics, a regional forecasting group, reported in their July edition of *Regional Economic Prospects*, that gross value added in Welsh manufacturing was expected to fall in real terms by 3.3% this year, with some recovery and growth of 1.7% forecast in 2003.

### Regional Trade Performance

The poor showing of the Welsh index of manufacturing during 2001 connects through to a weak growth in exports of

goods during last year. Welsh exports of goods to areas outside of the EU were £1.94bn during 2001, up 5.2% on 2000. However, the most recent figures for exports outside the EU for 2002Q1 reveal a figure of just £379m, which was 23.2% down on the same quarter in the previous year.

Exports to the EU from Wales increased by 3.6% between 2000 and 2001 to reach a figure of £4.74bn. Once again, however, the results for the latest available quarter were disappointing. In 2002Q1 Welsh exports on goods to the EU were just £1077m, down 11.3% on the same quarter in 2001.

Overseas imports of goods to Wales in total (EU and other) increased by 2.7% between 2000 and 2001 to reach £5.75bn. Total imports of goods in the 2002Q1 were £1.43bn, down 16% on the same quarter in 2001.

**Table 7: Welsh Trade in goods 2000-2002Q1 (£m)**

	2000	2001	2002Q1
Exports outside EU	1,846	1,947	379
Exports to EU	4,570	4,736	1,077
Total exports	6,416	6,683	1,456
Imports outside EU	3,741	3,781	894
Imports to EU	1,856	1,968	540
Total imports	5,597	5,749	1,434

Source: www.hmce.gov.uk