



Wales

This is an executive summary of the latest Wales Productivity Forum Insight Paper authored by Melanie Jones.

> To read the full Paper go to productivity.ac.uk/research/wales-2025



Summary

Wales shares the UK’s productivity puzzle in that there has been a slowdown in productivity growth since the 2008 financial crisis. But a further challenge relates to a long-standing gap between productivity levels in Wales and the UK average. The magnitude of the gap is particularly acute in Wales and there has also been no evidence of convergence despite more than 20 years of devolution and the recent UK government ‘levelling up’ agenda.

In common with other UK regions, there is also substantial variation in productivity across local areas within Wales, with areas such as Powys, Gwynedd and Conwy and Denbighshire among the least productive in the UK. Productivity levels higher than the Welsh average are clustered in less peripheral areas within both South and North Wales, including Flintshire and Wrexham, Cardiff and the Vale of Glamorgan, and Monmouthshire and Newport. Among these areas, productivity growth since 2008 has been greatest in Flintshire and Wrexham where, at 25%, it has been considerably greater than the Welsh and UK average.

Nevertheless, it is important to note that no local area in Wales has productivity levels as high as the UK average, illustrating the consistent pattern of low productivity in Wales.

"Put very crudely, this means the average worker in the UK could work nearly one less day a week than the average worker in Wales and still achieve the same value of output."

Recent data

The most recent data from the ONS shows that Wales actually has the lowest productivity among all UK regions, with average productivity in 2022 more than 17% below the UK average. Put very crudely, this means the average worker in the UK could work nearly one less day a week than the average worker in Wales and still achieve the same value of output.

Even more concerning is that ONS documents an absolute and relative fall in productivity in Wales between 2019 and 2022. UK productivity growth over the period was 0.8% per year on average, whereas the corresponding figure for Wales was -0.4%. While the causes of this require detailed investigation, it suggests that the COVID-19 pandemic might have had a particularly negative impact on productivity in Wales, leading to divergence rather than convergence with the UK average.

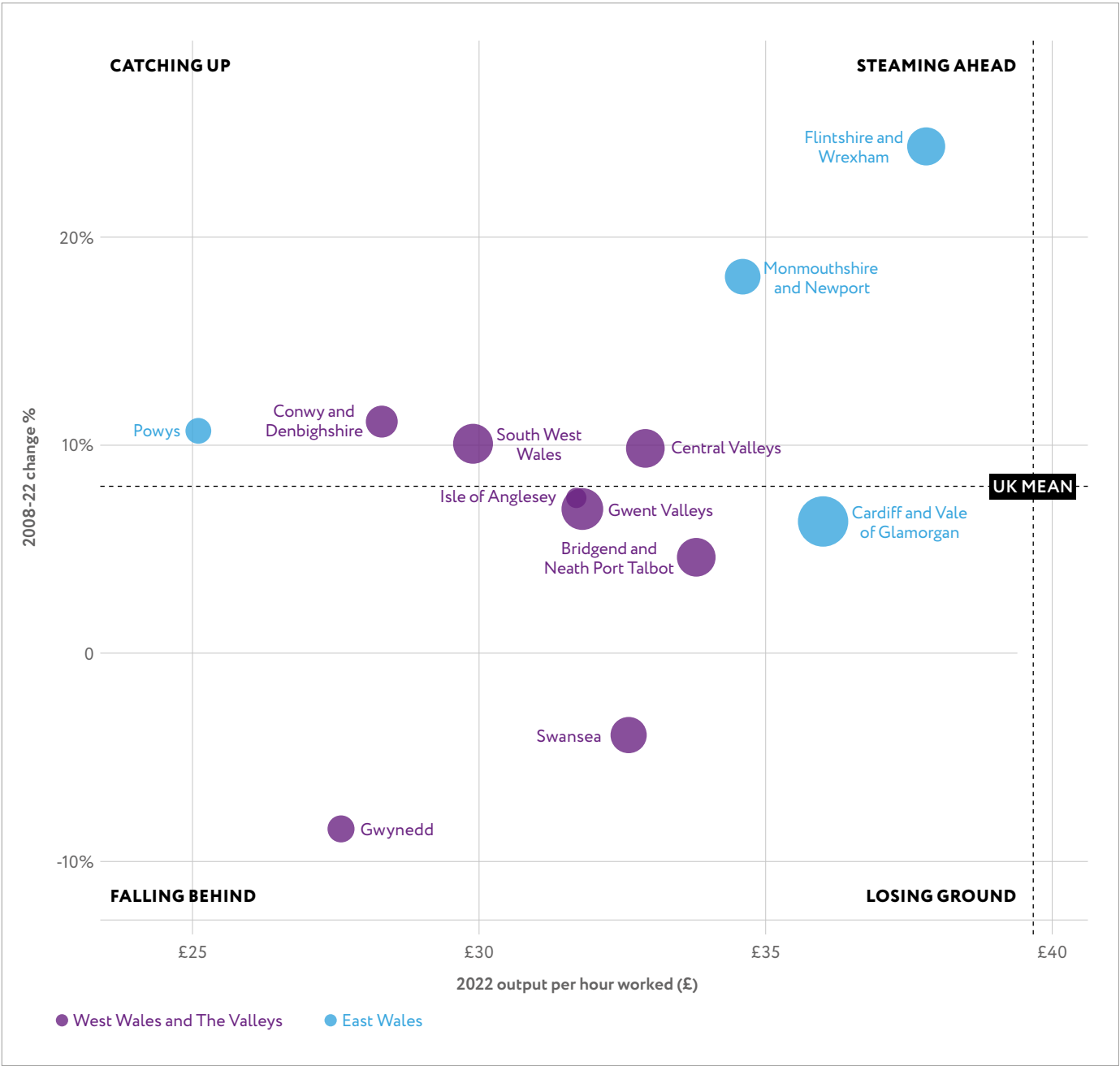
Evidence on the gap

Wales’ productivity gap is evident in non-manufacturing production (agriculture, energy and water) and across much of the service sector. It is most pronounced in non-manufacturing production, information and communication industries, and professional/scientific/technical activities where productivity is below 70% of the UK average.

Multiple factors likely contribute to Wales’ productivity gap. Firstly, business spending on R&D per job is lower in Wales than the UK average. Secondly, SMEs report greater barriers to accessing finance than the UK average, with the differential increasing over the long-term.

Wales also has a relatively high proportion of the working age population with low levels of education attainment. It also remains a region with relatively high levels of economic inactivity and high levels attributed to long-term ill health. Wales also faces challenges around investment, infrastructure and connectivity with indicators, including foreign direct investment, capital formation and digital infrastructure, below the UK average. Finally, Wales’ peripheral location and lack of large cities means it does not benefit from agglomeration economies.

Labour Productivity Performance by ITL3 Regions in Wales, levels (value added per hour in 2022, in £) and change (growth, in % real terms, 2008-22)



Notes: Size of bubble denotes working population for the region and colour denotes ITL2 region.
Source: Office for National Statistics, Subregional productivity: labour productivity indices by UK ITL2 and ITL3 subregions, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaaperhourworkedandgvaaperfilledjobindicesbyuknuts2andnuts3subregions>
June 2024. Ortega-Argilés, R. and Menukhin, O. (2025) UK Subnational Productivity Visualisations, TPI Productivity Forum detail DOI:10.48420/28212929

Wales ITL3 Scorecards for 2022

Category	Driver of Productivity	Wales	Flintshire and Wrexham	Cardiff and Vale of Glamorgan	Monmouthshire and Newport	Bridgend and Neath Port Talbot	Central Valleys
Productivity	Taxonomy relative to the UK	Catching up	Catching up	Falling behind	Catching up	Falling behind	Catching up
	Taxonomy relative to ITL1		Steaming ahead	Losing ground	Steaming ahead	Losing ground	Steaming ahead
	GVA ph worked	£32.80	£37.80	£36.00	£34.60	£33.80	£32.90
Business Performance	Export Intensity**	30.3%	45.6%	19.6%	28.7%	41.5%	57.2%
	New Businesses	11.6%	10.9%	14.3%	12.2%	15.8%	12.6%
Skills & Training	Low Skilled*	12.0%	13.4%	10.1%	10.0%	12.8%	15.7%
	High Skilled	41.4%	41.9%	49.7%	46.7%	38.6%	29.2%
Health & Well-being	Active	78.7%	81.7%	75.7%	81.4%	76.6%	74.2%
	Inactive due to Illness*	40.6%	48.9%	25.5%	42.7%	48.8%	47.5%
	Working Age	58.6%	58.7%	62.8%	54.8%	57.4%	60.7%
Investment, Infrastructure & Connectivity	4G connected	75.6%	65.1%	88.9%	85.2%	82.7%	78.2%
	Fibre connected	38.6%	56.4%	61.6%	30.6%	24.5%	36.5%
	GFCF per job***	£7,961	£7,007	£9,637	£6,728	£6,966	£8,235
	ICT per job***	£396	£597	£448	£359	£439	£350
	Intangibles per job***	£1,530	£1,563	£1,945	£1,374	£1,365	£2,078

Key:

Better: higher than 105% of weighted mean of ITL1 parent region

Equal: within 95% - 105% of weighted mean of ITL1 parent region

Worse: lower than 95% of weighted mean of ITL1 parent region

No data available

⚙

Reverse colour scale, lower values stimulate productivity

⚙⚙

This data is from 2021

⚙⚙⚙

This data is from 2020

Swansea	Gwent Valleys	Isle of Anglesey	South West Wales	Conwy and Denbighshire	Gwynedd	Powys
Falling behind	Falling behind	Falling behind	Catching up	Catching up	Falling behind	Catching up
Falling behind	Falling behind	Falling behind	Catching up	Catching up	Falling behind	Catching up
£32.60	£31.80	£31.70	£29.90	£28.30	£27.60	£25.10
26.4%	22.5%		39.9%	10.1%	10.7%	
11.6%	13.1%	8.5%	9.0%	9.1%	7.8%	7.2%
10.6%	15.0%	13.5%	10.7%	15.6%	8.7%	6.5%
45.9%	34.2%	35.8%	42.0%	38.6%	43.5%	43.8%
82.1%	79.4%	82.0%	78.3%	80.4%	81.2%	82.0%
37.1%	51.7%	29.4%	40.3%	47.7%	29.9%	35.2%
63.6%	59.0%	54.6%	56.3%	53.8%	60.5%	52.0%
81.2%	89.1%	30.9%	64.7%	67.8%	55.2%	61.9%
36.1%	25.6%	22.1%	34.0%	50.3%	22.6%	26.0%
£8,004	£10,274	£8,016	£7,858	£6,265	£5,537	£7,401
£323	£370	£341	£313	£344	£252	£438
£1,007	£2,093	£1,259	£845	£974	£745	£2,780

Cite as Garcia, F.; Gouma, F.R.; Ortega-Argilés, R.; Sarsfield, W.; Watson, R. (2024), TPI UK ITL1 Scorecards, TPI Productivity Lab, The Productivity Institute, University of Manchester.

<https://doi.org/10.48420/23791680>
Annex: Methods and Sources
CC BY 4.0

Scorecard summary for Wales

There are 12 ITL3 regions within the ITL1 region of the Wales and performance can be compared across these regions to gain a better understanding of how growth and productivity are developing within the region.

Productivity

GVA per hour worked varies, ranging from £25.10 in Powys to £37.80 in Flintshire and Wrexham. Cardiff and Vale of Glamorgan as well as Monmouthshire and Newport also prove to be doing well for this driver.

Business Performance

New Businesses: Cardiff and Vale of Glamorgan stands out with a high rate of new business formation (14.3%), suggesting a dynamic and entrepreneurial environment. In contrast, Powys performs poorly at 7.2%. which indicates the region could benefit from policies encouraging startup growth.

Skills and training

There is noticeable variance in the percentage of low and high skilled individuals across regions.

Low Skilled: Central Valleys has a relatively high percentage of low skilled workers at 15.7% which is going to negatively impact overall productivity. In contrast, Powys only has a 6.5% level of low skilled workers.

High Skilled: Cardiff and the Vale of Glamorgan appears to have a strong workforce with 49.7% of workers being high skilled. High skilled workforces are essential for sustaining high productivity levels. Central Valleys only has a percentage of 29.2% indicating it may be a region where focus should be concentrated on upskilling initiatives.

Health and wellbeing

Active: Most of the regions in the Wales appear to be performing either the same or above average apart from Central Valleys where activity is below average at 74.2%.

Inactivity due to illness: This driver exhibits variability across the regions with it being low for Cardiff and Vale of Glamorgan at 25.5% and high for Gwent Valleys at 51.7%.

Working age: This driver can help understand the population who are of working age within a region and therefore gives insight into potential labour supply. Swansea holds the highest value at 63.6% whereas Powys holds the lowest at 52%.

"We recommend establishing a Welsh Productivity Commission to inform and evaluate policy design. Such a body needs to be evidence-led, drawing on academic and practice-based expertise and learning from best practice across the UK and internationally."

Policy implications

WHAT
Wales needs to do:

- The Welsh Government needs to establish a long-term commitment to improving productivity, with independent guidance and assessment of performance.
- There is a need to enhance understanding of Wales’ productivity challenge and its implications for individuals, businesses, public sector service providers and communities. Addressing the country’s productivity challenge will require coordinated efforts across individuals, businesses, public sector service providers and local and national policymakers, many of whom have an incomplete understanding of the benefits of improving productivity.
- Business support needs to include advice, guidance and best practice on how to achieve productivity growth and its benefits. Many businesses in Wales, particularly SMEs, do not measure or target productivity improvements within their organisation.
- Productivity is often associated with business performance, but productivity improvements will be key in ensuring the sustainability of public service provision in Wales. Increasing demand for public services and restricted government budgets means there is increasing pressure on existing services. Productivity improvements offer a way of increasing future capacity and service quality.

HOW
it can do this:

- We recommend establishing a Welsh Productivity Commission to inform and evaluate policy design. Such a body needs to be evidence-led, drawing on academic and practice-based expertise and learning from best practice across the UK and internationally.
- The Welsh Government needs to launch a national conversation around productivity - what it is, why it is important, and how it can be improved.
- The Welsh Government should develop and disseminate a productivity toolkit for business with expert advice on the drivers of productivity and illustrative examples of business practice in improving productivity across industries.
- Public sector service providers need to innovate, adopting new processes and digital technologies to improve productivity. This will require government support and coordination, including through adopting a longer-term planning horizon.