



Welsh Government Evidence Paper - Economy

03/07/2025

The Economy, Trade and Rural Affairs Committee has invited the Cabinet Secretary for Economy, Energy and Planning to attend a general scrutiny session on the Economy on 17 July 2025. This paper is intended to inform the discussion, providing an update on policy developments in this area, and actions the Welsh Government has taken to grow the economy of Wales.

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1. Introduction

1. The Welsh Government continues to be focused upon the delivery of the First Minister's priorities, including in relation to jobs and green growth. This aligns with work across the four national priority areas set out within our Economic Mission delivered over this term of Government, with the aim of creating a prosperous and well-being economy that builds on Welsh strengths and opportunities, reduces inequalities, and spreads wealth.

2. We use a range of policy and operational levers connected to skills, finance, advice, research and development, energy and planning to support sustainable job creation, productivity and growth. Whilst there continues to be a focus upon delivery and support to specific geographic areas such as Port Talbot - as well as wider work in areas including Freeports and Investment Zones - Welsh Ministers have been in significant discussions with the UK Government relating to the economic growth agenda in Wales.

3. These discussions include how the Welsh Government can support a focus across a suite of strategies, plans and legislation, and to identify where we see the collective strengths for Wales. On 23 June, the UK Government published its Industrial Strategy. This has been developed working with the Welsh Government, where we have provided evidence, which has helped to shape the priorities for Wales. These align with our Economic Mission, confirming a common approach and one where my portfolio will play an integral part.

2. The Welsh Economy

Current Economic Position

4. The latest annual growth estimate of labour productivity in Wales between 2022 and 2023 was 1.3%, the second highest of any UK country or region. UK labour productivity decreased by 0.2% in 2023.
5. Whilst we welcome the relative improvement in labour productivity in Wales in 2023, overall these latest figures highlight deep-rooted imbalances in the UK economy. London and the Southeast of England continue to have by far the highest rates of productivity of the UK country and regions.
6. While it is clear labour market conditions are challenging in parts of the private sector, it is encouraging that earnings growth continues to outstrip inflation which is helping many households throughout Wales cope with cost-of-living pressures.
7. In the year ending December 2024, the unemployment rate for people aged 16 and over in Wales was 3.2%, down 0.5 percentage points compared with the previous year. The UK rate was 3.8%, up 0.1 percentage points over the year.
8. In 2023 there were 1.3 million employee jobs in Wales, 1.8% higher than in 2022 and higher than the 1.4% increase in Great Britain as a whole.
9. Total gross disposable household income (GDHI) in Wales in 2022 was £58 billion, an increase of 4.4% compared to 2021.

UKG Industrial Strategy

10. On 23 June, the UK Government published the Industrial Strategy, which is a 10-year plan to significantly increase business investment in eight growth-driving sectors (IS-8) (The UK's Modern Industrial Strategy 2025 - GOV.UK).
11. Its focus and intention is about making it quicker and easier for businesses to invest and to provide the certainty and stability needed for long-term investment decisions.
12. The sectors identified are those with the greatest growth potential over the next decade and which have a critical role to play in supporting economic security and resilience, net zero and regional growth. Each has a bespoke Sector

Plan, developed with industry, setting out a vision of the sector's transformation by 2035.

13. In Wales, we have several high growth sectors, such as Advanced Manufacturing, Clean Energies, Digital and Technologies, Creative, Life Sciences and Financial Services. However, we know that there are a range of sub-sectors which can be scaled in parallel. For example, the First Minister's priorities continue to be focussed on green jobs and skills, where Wales is making great strides to realise multiple opportunities. This includes across offshore wind, onshore wind, nuclear, carbon capture, tidal stream and hydrogen. But we know there are barriers relating to issues such as grid capacity, planning and finance which are prohibiting the pace and scale we can move at. We want to work with the UK Government at pace to unlock this potential.

14. Cluster Sectors identified above are already aligned to four potential place-based clusters, which includes the Celtic Sea with a focus on Port Talbot and Milford Haven, the South-East Corridor, the North-East Corridor and Anglesey. The good news is that these areas already have a strong foundation for growth. We are already delivering joint Welsh and UK programmes including across City and Growth deals, Freeports and the ongoing development of Investment Zones. But there are also several Welsh Government programmes across skills and business support which can continue to drive an innovative eco-system. Our position remains strong on the commitment to green steel, its link to renewables and, in particular, offshore wind. We also have a significant presence in construction and specifically concrete and timber, which are both critical for infrastructure projects. We will need to push hard on access to sites with grid and energy, which is hampering efforts around growth, particularly clean energy and digital delivery.

15. Five of the eight Sector Plans have been published so far, with Life Sciences, Defence and Financial Services to follow. I have asked for implementation to proceed at pace so over the coming weeks we will be working with the UK Government to consider the specific details of the strategy and to understand next steps in relation to delivery and continued collaboration. Delivery must be anchored in our regional partnerships, and we will work alongside Local Authorities and other partners to continue to drive economic growth through Corporate Joint Committees.

National Wealth Fund (NWF)

16. One serious lever for delivering the UK Government's clean growth mission is the National Wealth Fund (NWF). It reflects a clear, credible ambition to drive economic growth, support the creation of skilled jobs in renewables, and accelerate the transition to a low-carbon economy.

17. Recently the NWF published a new statement of intent (Financing the Future a statement of intent by the National Wealth Fund) which sets out how the NWF is responding to the Statement of Strategic Priorities (<https://www.gov.uk/government/publications/statement-of-strategic-priorities-to-the-national-wealth-fund>) to support the Government's Industrial Strategy and 10-year Infrastructure Strategy, and its Clean Power Action Plan 2030.

18. Published on 17 June, it outlines their broader role and mandate to include:

- A triple bottom line - delivering the growth and clean energy missions, crowd in significant private capital and generate a return for the taxpayer.
- Allow investment in nascent markets and earlier stage technologies.
- Local Authority Advisory Services continue to be provided at no charge.
- Local Authority Lending of £4bn to help deliver capital-intensive projects.
- Early-stage Project Development support with the NWF's 4 Strategic Partnerships.

19. I have met with the Chair of the NWF and found him fully engaged in Wales, its strengths and its potential. I understand that ahead of developing their strategic plan, they will be testing the approach with devolved governments and stakeholders to understand how and where they can best support sectors. There has been positive engagement with the Development Bank of Wales, where there are opportunities to consider investments which are aligned and strategic.

Steel

20. In order to compete on a level playing field internationally the steel sector in Wales and the UK wants to see a truly competitive electricity pricing structure, greater leverage for using UK steel through public procurement, and robust trade remedies.

21. Inclusion in the UK Government's Industrial Strategy of an increase to the Network Charging Compensation from 60% to 90% in 2026, was welcomed by the steel sector. The scheme compensates the steel industry for the carbon taxes paid via electricity bills.

22. The Welsh Government attends the UK Government's UK Steel Council, which was re-established to advise the Secretary of State for Business and Trade and Minister for Industry on a range of matters relating to the development and delivery of the UK Steel Strategy, due to be published later in the summer. The Steel Strategy is an important piece of work investigating the policy issues our domestic steel sector continues to face, as well as researching the best opportunities for capital investment. We need to understand future steel markets such as floating offshore wind, and future steel demand. We would like the strategy to also strengthen the role of RD&I through our well-established steel universities.

23. On 26 June, the UK Government announced a new Public Procurement Notice for public sector procurers to consult the UK Steel's digital catalogue and to consider if the national security exemptions in the Procurement Act 2023 are relevant to the procurement being undertaken. As a devolved matter, officials are exploring whether this can be adopted or adapted to apply to Welsh public sector procurement.

24. Also on 26 June the UK Government published the UK's Trade Strategy which states the UK Government will seek to introduce legislation to adjust the Trade Remedies Authority's policy guidance and operating framework, enabling it to adopt a more assertive approach on issues like imports from countries with unfair market distortions. The strategy has been welcomed by the UK steel sector recognising it will provide robust trade protections for the sector.

Domestic Activity

25. Here in Wales, we have a number of initiatives designed to provide support for businesses, such as:

- Business Wales - provides businesses and entrepreneurs with a single point of contact for business information, advice and support from the public, private and voluntary sectors.

- Development Bank of Wales - provides SMEs with access to finance, from loans to equity investment.

26. To provide some context, since the beginning of this Senedd term, Business Wales has dealt with 185,000 enquiries, demonstrating the scale of need, and our commitment to meeting it. This has translated into direct support for 28,000 businesses and entrepreneurs. Evidence shows businesses who engage with Business Wales have stronger survival rates.

27. The Development Bank of Wales continues to play an increasingly important role in our economic strategy. This Senedd term it has supported more than 18,800 jobs through over £512 million of investment. This is critical in ensuring businesses have the tools they need to succeed and remain rooted in their local communities.

28. Recognising the importance of place-based economic development, our regional economy teams (North, Mid & South West, South East) work with a range of indigenous and overseas investors to support their ambitions for growth. Each region has a published Regional Economic Framework (<https://www.gov.wales/regional-economic-frameworks>) that sets out high-level regional priorities, strengths and challenges and was co-produced with partners and stakeholders. Business Wales, works closely with our innovation and regional economy teams and in partnership with local authorities and the wider ecosystem.

Circular Economy

29. The Welsh Government is committed to moving to a circular economy in Wales, where waste is avoided, and resources are kept in use for as long as possible.

30. Our circular economy strategy, Beyond Recycling was published in 2021 and sets out key actions to accelerate our transition to a circular economy - our target is to be a zero waste, net zero carbon nation by 2050, which uses a fair share of our planet's resources.

31. To date, we have transformed from a nation which recycled less than 5% of its municipal waste and landfilled over 95% in 1999 to now reaching over 66% recycling and landfilling only 1.6%. Recycling is now simply a part of who we are as a nation.

32. We intend to build on these strong foundations by accelerating the move towards a circular economy in Wales and going Beyond Recycling.

Economic opportunities

33. We are second best in the world in terms of recycling. This is something everyone in every community in Wales should be proud of because it has happened due to the efforts of households across Wales. This puts us in a great position to reap the economic benefits from moving to a circular economy as well as making our supply chains more resilient to global volatility and climate impacts.

34. The transition to a circular economy presents significant opportunities for Wales to unlock greater economic value from the materials we are world class in collecting. The Circular Economy Fund for Business provides funding for businesses to take important steps like adapting their processes to use recycled material and reduce the materials they need to use. 42 businesses have benefited from this funding so far.

35. Our supply of high-quality recycled materials is also helping to attract inward investment and create jobs in Wales. In Deeside, the redevelopment of Shotton Mill has attracted investment of over £1 billion and safeguarded 147 jobs. The site will become one of the UK's largest recycled packaging centres, creating a further 220 jobs. Businesses like this know that in coming to Wales they can access good quality recycling thanks to the efforts of people in Wales. Other examples include the establishment of a new facility to extract precious metals and reusable components from electronic waste (Royal Mint), the production of containers from recycled glass (Ciner) and the processing of plastic for recycling (Jayplas).

Comprehensive Spending Review

36. The Welsh and UK governments are united in the mission to achieve economic growth. Over the Spending Review period (2025-26 to 2028-29) we have an additional £6bn compared to what we would have had under the previous UK Government. All this means significantly more funding for the Welsh Government to support public services and investment in infrastructure than the

previous UK Government had committed to over the previous spending review period.

37. The extra funding for the Welsh Government builds on the £1.6bn in 2025-26 from the UK Autumn Budget and helps us to better respond to Welsh priorities and deliver improvements across our public services.

38. The Spending Review also confirmed:

- £80m for the port of Port Talbot, recognising the significance of ports in Wales to support the delivery of offshore wind projects. As a key port, Port Talbot will provide the infrastructure required to support the delivery of floating offshore wind.
- The final stage of sign-off of the Celtic Freeport business case by HM Treasury - a key step in releasing up to £25m of seed capital. The Celtic Freeport is focused on supporting emerging floating offshore wind and advanced materials and manufacturing opportunities for the South-West Region.

International Activity

39. Through the Export Action Plan for Wales, the Welsh Government is supporting businesses across Wales to develop existing and new export markets for their products and services, to drive growth in Welsh exports. The focus is on inspiring businesses to take up exporting; building export capability; helping businesses to identify new overseas customers; and supporting businesses to get to overseas markets. Since the publication of the Export Action Plan, businesses in Wales have secured more than £370m of new export business as a direct result of Welsh Government export support.

40. Since the publication of the International Strategy (April 2020), there have been 280 investments by foreign-owned companies which have created and safeguarded more than 24,000 jobs. In the last financial year (2024-25), 65 foreign direct investment projects were recorded, an increase of 23% on the previous financial year, the second highest increase of any nation / region of the UK. This saw 2,470 new jobs created in Wales, a 30% increase compared to 2023-24, again, the second highest percentage increase of any nation / region of the UK; and safeguarding 1,652 jobs - the highest number of all nations and regions in the UK. Our Investment Summit later this year will further showcase Wales as an outstanding investment destination.

41. Working with our Wales-based teams and the UK government overseas network, our Welsh Government overseas offices in key markets across the world (USA, Canada, India, China, Japan, France, Germany, Belgium, Ireland, Dubai) also support Wales's global ambitions, including supporting Welsh businesses to export and promoting Wales as an excellent place to establish a business.

Conclusion

42. I recently set out Wales' record on the creation of quality jobs in an Oral Statement to the Senedd on 24 June.

43. This demonstrated what we have achieved, in significant headwinds, and how we are supporting businesses and are now working with a UK Government that listens to and acts on Welsh economic needs. This government, however, remains focused on long-term impact and ensuring that we engage in the sectors of future such as AI, life sciences and creative industries. Our ambition is clear - to build a resilient, inclusive, and sustainable economy. We remain committed to a Wales where quality jobs, strong businesses, and thriving communities.