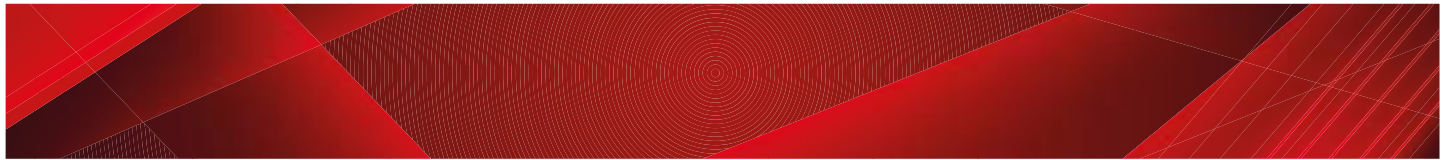


# Wales Economic and Fiscal Report 2025



Llywodraeth Cymru  
Welsh Government

## Five Essential Insights — October 2025



### What is the Wales Economic and Fiscal Report?

- The Wales Economic and Fiscal Report (WEFR) is published by the Welsh Government and provides an overview of Wales' economic performance.
- The report examines key trends including economic output, productivity, living standards, inflation, employment, wages, and trade, as well as providing a fiscal outlook.
- The report also analyses two increasingly important issues: climate change and artificial intelligence.

### 1. Wales within the wider UK economy

- Wales' economy is closely linked to the UK economy.
- Most goods and services produced in Wales are sold within the UK.
- Economic trends in Wales typically follow UK changes, such as output, living standards, inflation and employment.

### 2. Growth of economic output and living standards in the UK

- Economic growth and living standards have slowed across the UK.
- Wales and the UK have experienced slower economic growth since the pandemic.
- Economic growth still drives living standards (measured by people's incomes and purchasing power).
- Living standards across the UK have stagnated recently, with many households affected by higher prices and slow wage growth.

### 3. Living standards in Wales

- Welsh living standards are below the UK average but more comparable to regions outside London and the South East.
- The UK average is impacted by higher living standards in London and the South East.
- The gap in living standards between Wales and the UK may be smaller than income data suggests.

### 4. Employment

- Welsh employment rate is close to historic high according to official data.
- However, recent labour market data shows some weakness, particularly in private sector industries.
- While unemployment remains relatively low, relatively high economic inactivity remains.

### 5. Fiscal implications

- UK Government spending, taxes and debt are at their highest since the 1940s, affecting Wales' funding.
- UK public finances face pressures from rising costs, slow economic growth and an ageing population.
- The Welsh Government's budget is expected to grow modestly, while demand for public services continues to increase.
- This creates difficult decisions about future spending priorities.