



# Lloyds TSB Wales PMI®

## Lloyds TSB Commercial

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**The Lloyds TSB Wales PMI® (Purchasing Managers' Index®)** is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in December 2012 from a representative panel of companies based in Wales and operating in both manufacturing and service sectors.

The Wales survey forms part of a series of ten regional surveys published by Lloyds TSB Commercial and is derived from the highly regarded national PMI surveys produced by Markit.

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14th January 2013

## Further improvement in Welsh business conditions during December

### Key findings:

- Further rise in business activity
- Employment levels rise for first time in four months
- Output price inflation records joint-highest level since July 2011

Business activity and new business placed at Welsh private sector firms continued to increase during December. Companies reported higher employment levels for the first time in four months, while the level of outstanding business declined further. Input and output prices rose, and the rate of output price inflation reached its joint-highest level since July 2011.

### Output and demand

December data signalled a further rise in business activity at Welsh private sector companies. While the rate of growth was slower than in the previous month, it remained well above the UK average.

After a slight decrease in November, the volume of new orders at Welsh private sector firms increased during December, while it remained broadly unchanged in the UK as a whole. The Welsh manufacturing and services sectors both reported growth of new work.

### Employment and backlogs

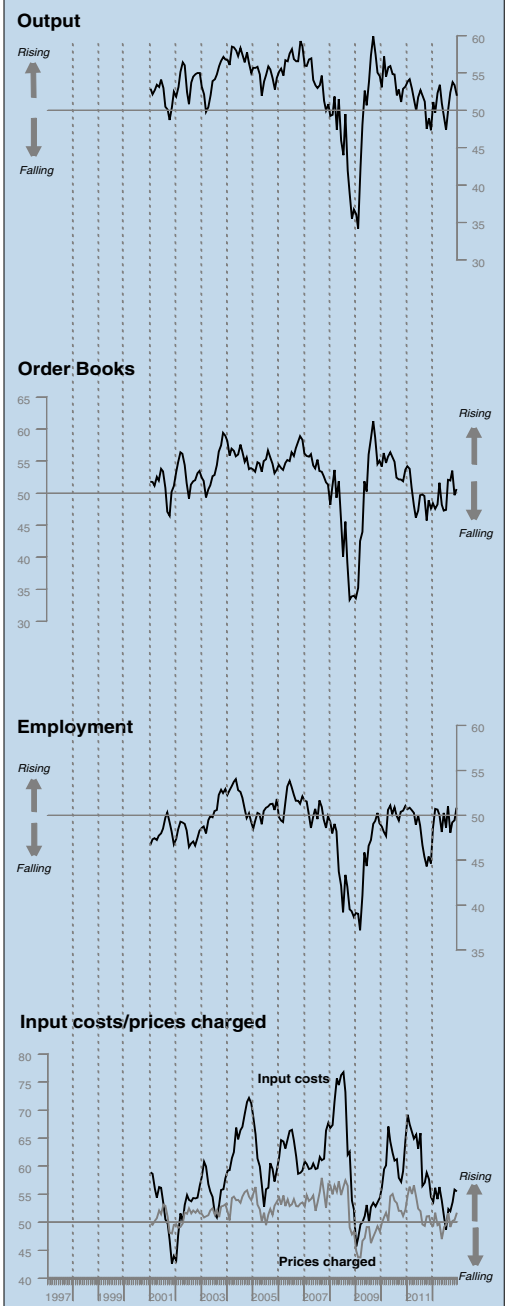
Staffing levels in the Welsh private sector increased for the first time in four months during December. Higher output levels was among the reasons behind the latest increase. Sector data suggested that a decrease in payroll numbers in the manufacturing sector was offset by the hiring of additional staff in the services sector. Meanwhile, the level of outstanding business declined for the twenty-fourth successive month during December, and at a faster pace than that observed at the UK level.

### Input and output prices

Input prices at Welsh private sector companies rose for the fifth successive month during December, and the rate of inflation was below that observed in the UK as a whole. An increase in raw material prices and general inflationary pressures were cited as some of the reasons behind the latest increase.

Average tariffs set by Welsh private sector firms rose during December, and at the joint-sharpest rate since July 2011. According to anecdotal evidence the latest rise was partly driven by increased input costs.

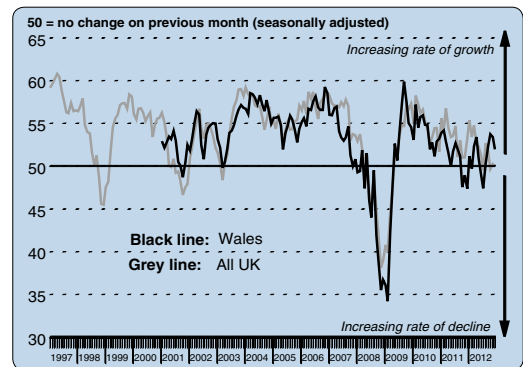
### Wales Business Conditions



Output / Business Activity

Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	37.3	47.5	15.3	61.0	<b>53.4</b>	<b>52.7</b>
	May	25.0	45.0	30.0	47.5	<b>51.0</b>	<b>52.3</b>
	Jun	26.2	41.0	32.8	46.7	<b>49.0</b>	<b>51.3</b>
	Jul	23.1	50.8	26.2	48.5	<b>47.4</b>	<b>49.5</b>
	Aug	30.2	47.6	22.2	54.0	<b>50.3</b>	<b>52.7</b>
	Sep	31.7	44.4	23.8	54.0	<b>52.4</b>	<b>51.7</b>
	Oct	26.9	47.8	25.4	50.7	<b>53.8</b>	<b>49.7</b>
	Nov	26.7	50.0	23.3	51.7	<b>53.4</b>	<b>50.2</b>
	Dec	27.3	48.5	24.2	51.5	<b>52.0</b>	<b>50.0</b>

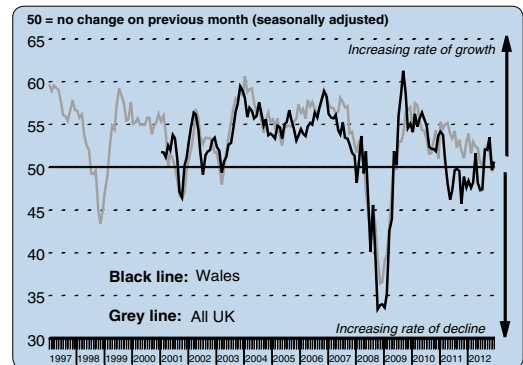


Business activity at Welsh private sector firms grew again during December, and for the fifth successive survey period. The rate of growth was, however, the slowest in four months. More than 27% of respondents reported higher levels of business activity and partly linked this to an increase in sales. While activity in Wales continued to increase solidly, output stagnated in the UK as a whole.

New Orders / Incoming New Business

Q. Is the level of new orders or incoming new business at your company higher, the same or lower this month than one month ago?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	32.2	47.5	20.3	55.9	<b>51.6</b>	<b>52.4</b>
	May	30.0	40.0	30.0	50.0	<b>48.2</b>	<b>52.3</b>
	Jun	28.3	36.7	35.0	46.7	<b>47.3</b>	<b>50.5</b>
	Jul	32.3	40.0	27.7	52.3	<b>47.4</b>	<b>50.2</b>
	Aug	40.3	38.7	21.0	59.7	<b>52.1</b>	<b>51.9</b>
	Sep	36.5	34.9	28.6	54.0	<b>52.0</b>	<b>52.6</b>
	Oct	30.3	45.5	24.2	53.0	<b>53.5</b>	<b>51.9</b>
	Nov	25.0	48.3	26.7	49.2	<b>49.7</b>	<b>49.7</b>
	Dec	28.8	40.9	30.3	49.2	<b>50.7</b>	<b>49.9</b>

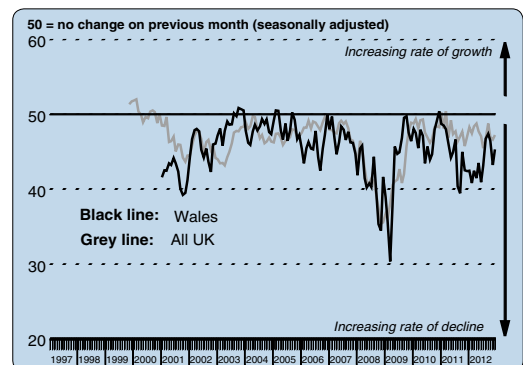


The seasonally adjusted New Orders Index posted a level above the 50.0 threshold that separates growth from contraction in December. While new business placed at Welsh private sector firms expanded – marking the fourth increase in five months – it stayed broadly unchanged at the UK level. Improvements in sales and more orders from the US were mentioned among the reasons behind the latest increase.

Business Outstanding

Q. Is the level of business outstanding at your company higher, the same or lower this month than one month ago?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	11.5	61.5	26.9	42.3	<b>41.5</b>	<b>48.8</b>
	May	18.5	53.7	27.8	45.4	<b>43.6</b>	<b>47.7</b>
	Jun	20.0	45.5	34.5	42.7	<b>41.0</b>	<b>47.1</b>
	Jul	21.7	51.7	26.7	47.5	<b>43.2</b>	<b>45.5</b>
	Aug	20.7	55.2	24.1	48.3	<b>46.8</b>	<b>46.8</b>
	Sep	19.3	54.4	26.3	46.5	<b>47.4</b>	<b>48.8</b>
	Oct	20.7	50.0	29.3	45.7	<b>46.5</b>	<b>47.0</b>
	Nov	3.7	74.1	22.2	40.7	<b>43.3</b>	<b>46.7</b>
	Dec	16.7	61.7	21.7	47.5	<b>45.3</b>	<b>47.3</b>

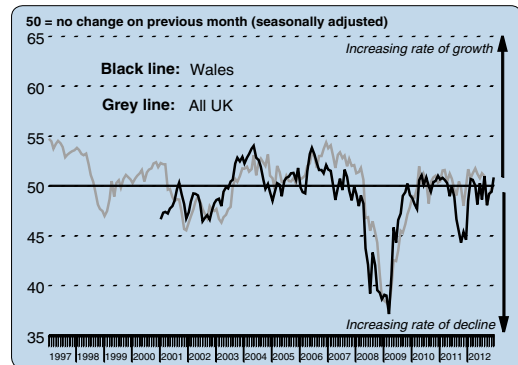


As has been the case in every month since January 2011, the level of outstanding business at Welsh private sector companies decreased during December. More than one-in-five respondents recorded lower levels of work-in-hand and partly linked this to subdued market conditions. The rate at which outstanding business decreased was lower than in November, but was sharper than that of the UK as a whole for the fourth month in a row.

Employment

Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	16.9	69.5	13.6	51.7	<b>50.0</b>	<b>51.8</b>
	May	6.7	83.3	10.0	48.3	<b>48.2</b>	<b>51.3</b>
	Jun	10.0	85.0	5.0	52.5	<b>50.3</b>	<b>50.8</b>
	Jul	12.3	75.4	12.3	50.0	<b>48.7</b>	<b>51.3</b>
	Aug	15.9	79.4	4.8	55.6	<b>51.0</b>	<b>51.0</b>
	Sep	11.1	74.6	14.3	48.4	<b>48.1</b>	<b>48.2</b>
	Oct	11.9	73.1	14.9	48.5	<b>49.2</b>	<b>49.2</b>
	Nov	6.7	81.7	11.7	47.5	<b>49.5</b>	<b>49.9</b>
	Dec	12.1	81.8	6.1	53.0	<b>50.9</b>	<b>49.8</b>

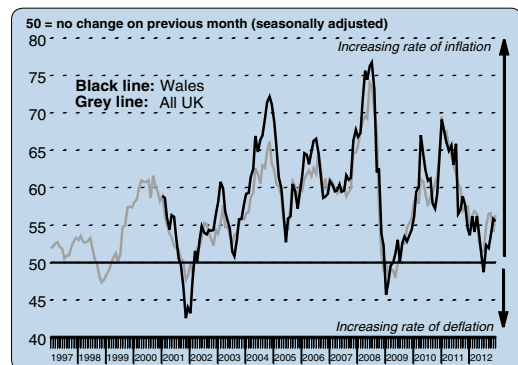


After three months of job shedding, employment levels increased in the Welsh private sector during December. Only 6% of respondents indicated lower staffing levels, while 12% reported an expansion in workforce numbers. According to anecdotal evidence the latest increase was partly driven by higher output levels. Sector data for Wales suggested that the rise in payroll numbers was mainly centred on the services sector.

Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	28.8	62.7	8.5	60.2	<b>56.3</b>	<b>56.6</b>
	May	20.3	72.9	6.8	56.8	<b>53.9</b>	<b>52.8</b>
	Jun	11.5	75.4	13.1	49.2	<b>50.8</b>	<b>51.4</b>
	Jul	12.5	73.4	14.1	49.2	<b>48.7</b>	<b>51.5</b>
	Aug	15.9	76.2	7.9	54.0	<b>52.4</b>	<b>54.9</b>
	Sep	14.3	76.2	9.5	52.4	<b>52.0</b>	<b>56.5</b>
	Oct	22.7	68.2	9.1	56.8	<b>53.6</b>	<b>56.6</b>
	Nov	23.3	70.0	6.7	58.3	<b>55.8</b>	<b>54.1</b>
	Dec	16.7	72.7	10.6	53.0	<b>55.5</b>	<b>56.4</b>

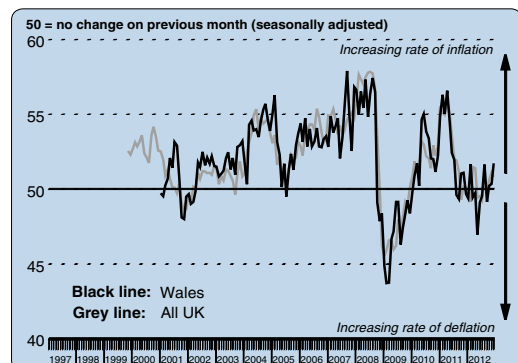


December data signalled a further rise in input prices at Welsh private sector firms. The rate of input cost inflation was at a slightly slower pace than in the previous month, and was below the UK average. Both the manufacturing and service sectors registered higher input costs. General inflationary pressures and an increase in raw material prices were cited as some of the reasons behind the latest rise.

Output Prices

Q. Are the average prices charged for goods and services by your company higher, the same or lower this month than one month ago?

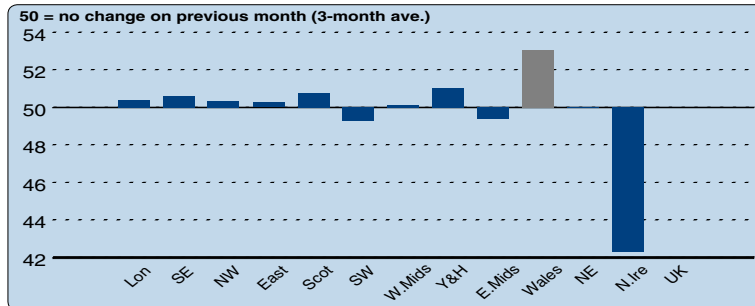
		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	11.9	78.0	10.2	50.8	<b>49.8</b>	<b>51.4</b>
	May	10.2	76.3	13.6	48.3	<b>47.0</b>	<b>49.4</b>
	Jun	9.8	85.2	4.9	52.5	<b>49.1</b>	<b>49.5</b>
	Jul	7.8	84.4	7.8	50.0	<b>49.5</b>	<b>49.3</b>
	Aug	6.3	90.5	3.2	51.6	<b>51.7</b>	<b>50.7</b>
	Sep	4.8	90.5	4.8	50.0	<b>49.2</b>	<b>50.0</b>
	Oct	9.0	83.6	7.5	50.7	<b>50.2</b>	<b>50.6</b>
	Nov	6.7	85.0	8.3	49.2	<b>50.4</b>	<b>51.1</b>
	Dec	7.6	90.9	1.5	53.0	<b>51.7</b>	<b>50.8</b>



Prices charged at private sector companies in Wales rose for the third consecutive survey period during December, and at the joint-highest rate since July 2011. While less than 2% of panellists indicated a fall in output prices, nearly 8% recorded a rise. The rate of output price inflation in Wales was higher than it was in the UK as a whole. There was some evidence that increased input costs was one of the drivers behind the latest rise.

## Regional Comparisons: Output

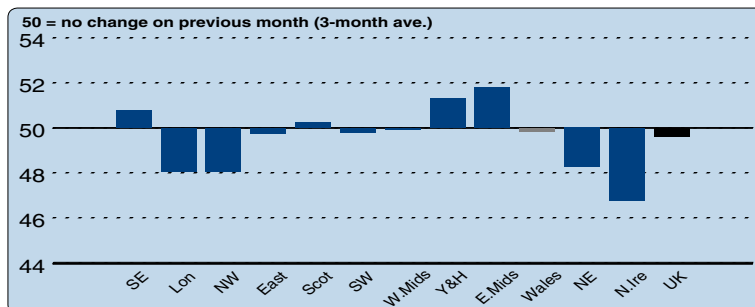
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting a solid expansion. In contrast, Northern Ireland registered a further steep contraction.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.4	50.4	50.3
South East	(14.7%)	52.1	50.6	49.1
North West	(9.5%)	51.4	50.4	47.9
East of England	(8.7%)	51.7	50.3	50.8
Scotland	(8.3%)	51.4	50.7	51.2
South West	(7.7%)	50.4	49.3	50.4
West Midlands	(7.3%)	53.9	50.1	51.8
Yorks & Humber	(7.0%)	52.5	51.0	52.5
East Midlands	(6.4%)	52.5	49.4	48.6
Wales	(3.6%)	51.3	53.1	52.0
North East	(3.2%)	49.0	50.0	49.9
N.Ireland	(2.2%)	43.6	42.3	44.8
<b>UK</b>	<b>(100.0%)</b>	<b>52.0</b>	<b>50.0</b>	<b>50.0</b>

## Regional Comparisons: Employment

The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Eight of the twelve UK regions posted lower staffing levels on average during Q4 2012, but the rates of decline were generally only modest. Of the regions to register higher employment in the three months to December, the fastest rise was in the East Midlands.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.1	50.8	51.3
London	(12.3%)	49.2	48.1	48.5
North West	(10.9%)	48.8	48.1	47.9
East of England	(9.6%)	50.9	49.8	50.2
Scotland	(8.7%)	51.0	50.3	50.6
South West	(8.6%)	50.2	49.8	49.7
West Midlands	(8.6%)	52.2	49.9	49.3
Yorks & Humber	(8.2%)	51.3	51.3	51.8
East Midlands	(7.3%)	53.3	51.8	52.2
Wales	(4.6%)	49.6	49.8	50.9
North East	(3.9%)	49.2	48.3	48.4
N.Ireland	(2.7%)	47.0	46.8	48.2
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>49.6</b>	<b>49.8</b>

## PMI Survey Methodology

### PMI surveys

Purchasing Managers' Indexes® (or PMIs) are monthly surveys of carefully selected companies which provide an advance indication of what is really happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. The PMI® surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made.

Questionnaires are completed in the latter half of each month and are collected and processed by economists at Markit Economics. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

### Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Reasons given by survey respondents for any changes are analysed to provide insight into the causes of movements in the indices and are also used to adjust for expected seasonal variations. The indexes are seasonally adjusted to take into consideration expected variations for the time of year, such as summer holiday shutdowns and national holidays such as Christmas.

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