



Lloyds TSB Wales PMI®

Lloyds TSB Commercial

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We recognise the importance of working closely with our customers so we can fully understand their needs and we are actively looking to meet their funding requirements.

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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 January 2013 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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11th February 2013

Business activity grows at fastest pace in 23 months

Key findings:

- Output continues to increase
- Employment levels rise further, but only marginally
- Output price inflation accelerates

Business activity in the Welsh private sector continued to increase during January, and the pace of expansion picked up. While workforce numbers expanded for the second month running, the rate of job creation was only marginal and below the overall UK average. Meanwhile output charges rose at the sharpest rate since May 2011.

Output and demand

The latest survey data signalled a further rise in business activity at Welsh private sector firms. The rate of expansion accelerated, and was the sharpest in 23 months. Moreover, output in Wales grew faster than in the UK as a whole. The latest increase was driven by growth in both the manufacturing and services sectors.

New business placed at private sector firms in Wales rose for the second month running during January. The rate of expansion, however, was below the UK average.

Employment and backlogs

Employment levels in the Welsh private sector rose only marginally during January. Although this marked the second successive month of rising payroll numbers, the rate of job creation was weaker than in December and below the average observed at the UK level.

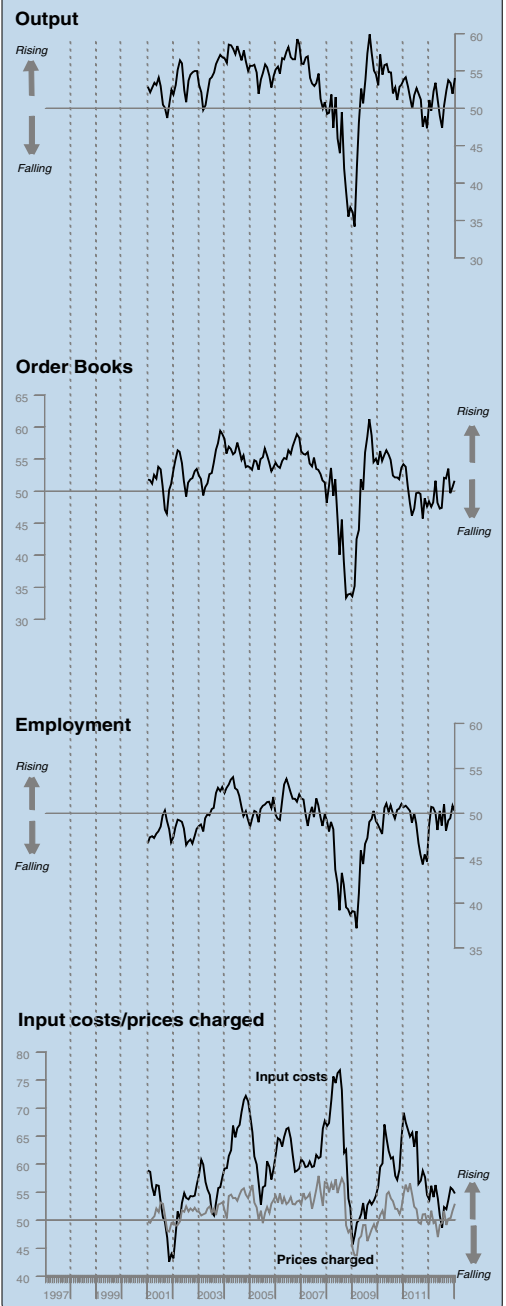
The level of outstanding business continued to decline in January. Almost 29% of respondents indicated a decrease in work outstanding, while only 17% reported a rise.

Input and output prices

As has been the case for six successive months, input costs at Welsh private sector companies increased during January. However, the rate of inflation eased from December and recorded a level below the overall UK average. There was some evidence that the latest rise was driven by increased prices for dairy products and energy.

Average prices charged by private sector companies in Wales rose during January. While 19% of panellists indicated an increase in output prices, only 3% recorded a decline. The rate of charge inflation accelerated, and was the sharpest since May 2011.

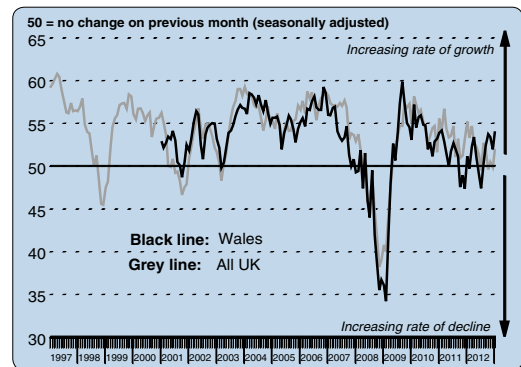
Wales Business Conditions



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	May	25.0	45.0	30.0	47.5	51.0	52.3
	Jun	26.2	41.0	32.8	46.7	49.0	51.3
	Jul	23.1	50.8	26.2	48.5	47.4	49.6
	Aug	30.2	47.6	22.2	54.0	50.3	52.8
	Sep	31.7	44.4	23.8	54.0	52.4	51.9
	Oct	26.9	47.8	25.4	50.7	53.8	49.6
	Nov	26.7	50.0	23.3	51.7	53.4	50.5
	Dec	27.3	48.5	24.2	51.5	52.0	49.9
2013	Jan	24.1	46.6	29.3	47.4	54.1	52.0

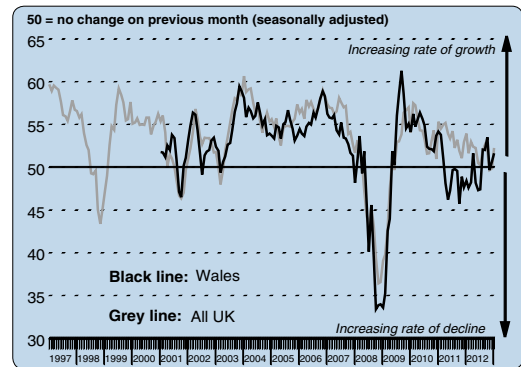


Private sector companies in Wales indicated an increase in output during January. The rate of expansion accelerated, and was the sharpest in 23 months. Furthermore, the growth rate in business activity in Wales was higher than that observed at the UK level for the fifth month running. There was some evidence that the latest rise was driven by increased client demand.

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	May	30.0	40.0	30.0	50.0	48.2	52.3
	Jun	28.3	36.7	35.0	46.7	47.3	50.5
	Jul	32.3	40.0	27.7	52.3	47.4	50.2
	Aug	40.3	38.7	21.0	59.7	52.1	51.9
	Sep	36.5	34.9	28.6	54.0	52.0	52.6
	Oct	30.3	45.5	24.2	53.0	53.5	51.9
	Nov	25.0	48.3	26.7	49.2	49.7	49.7
	Dec	28.8	40.9	30.3	49.2	50.7	49.9
2013	Jan	27.6	37.9	34.5	46.6	51.6	52.3

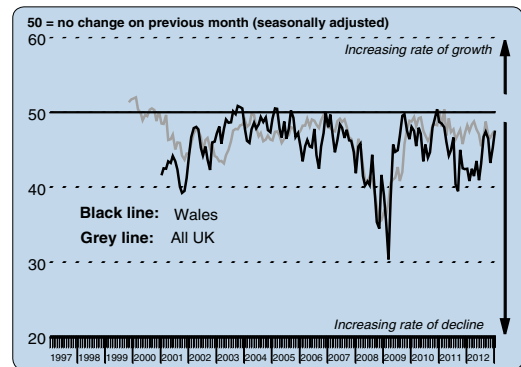


January data signalled a further rise in business placed at Welsh private sector companies. This was highlighted by the seasonally adjusted New Orders Index posting a reading above the 50.0 mark that separates growth from contraction. Some panellists linked the increase in incoming new business to new sales strategies. While the pace of expansion picked up from December, it was below the overall UK average.

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	May	18.5	53.7	27.8	45.4	43.6	47.7
	Jun	20.0	45.5	34.5	42.7	41.0	47.1
	Jul	21.7	51.7	26.7	47.5	43.2	45.5
	Aug	20.7	55.2	24.1	48.3	46.8	46.8
	Sep	19.3	54.4	26.3	46.5	47.4	48.8
	Oct	20.7	50.0	29.3	45.7	46.5	47.0
	Nov	3.7	74.1	22.2	40.7	43.3	46.7
	Dec	16.7	61.7	21.7	47.5	45.3	47.3
2013	Jan	17.3	53.8	28.8	44.2	47.6	47.0

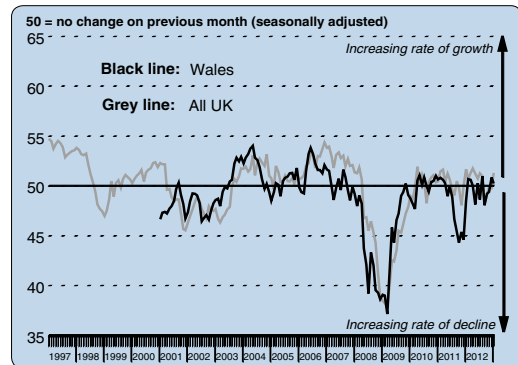


Welsh private sector firms reported a decline in business outstanding in January. Work-in-hand decreased in every month since January 2011. However, the rate of contraction slowed, and was the weakest in 22 months. Around 29% of respondents indicated a fall in work outstanding, while only 17% recorded a rise. The decline was evident in both the manufacturing and the services sector.

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	May	6.7	83.3	10.0	48.3	48.2	51.3
	Jun	10.0	85.0	5.0	52.5	50.3	50.7
	Jul	12.3	75.4	12.3	50.0	48.7	51.3
	Aug	15.9	79.4	4.8	55.6	51.0	51.0
	Sep	11.1	74.6	14.3	48.4	48.1	48.2
	Oct	11.9	73.1	14.9	48.5	49.2	49.2
	Nov	6.7	81.7	11.7	47.5	49.5	49.9
	Dec	12.1	81.8	6.1	53.0	50.9	49.8
2013	Jan	6.9	77.6	15.5	45.7	50.3	51.3

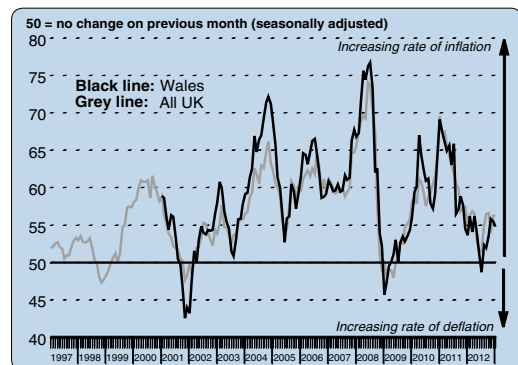


Payroll numbers in the Welsh private sector rose slightly during January, highlighted by the seasonally adjusted Employment Index posting just above the 50.0 no-change mark. The rate of job creation was weaker than in December and below the UK average. Sector data suggested that lower staffing levels in the manufacturing sector were offset by an expansion of workforce numbers in 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	May	20.3	72.9	6.8	56.8	53.9	52.8
	Jun	11.5	75.4	13.1	49.2	50.8	51.4
	Jul	12.5	73.4	14.1	49.2	48.7	51.6
	Aug	15.9	76.2	7.9	54.0	52.4	54.9
	Sep	14.3	76.2	9.5	52.4	52.0	56.5
	Oct	22.7	68.2	9.1	56.8	53.6	56.6
	Nov	23.3	70.0	6.7	58.3	55.8	54.1
	Dec	16.7	72.7	10.6	53.0	55.5	56.3
2013	Jan	8.8	84.2	7.0	50.9	54.8	56.2

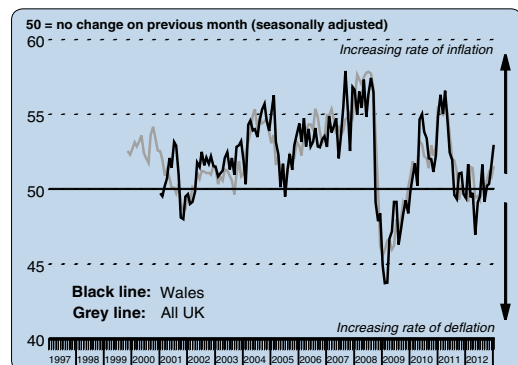


Input prices at Welsh private sector companies rose during January and for the sixth successive survey period. The rate of input cost inflation eased from December and posted below the UK average for the second month running. While 7% of panellists reported a fall in input prices, 9% indicated a rise. Some companies attributed higher costs to increased prices for dairy products and energy.

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?

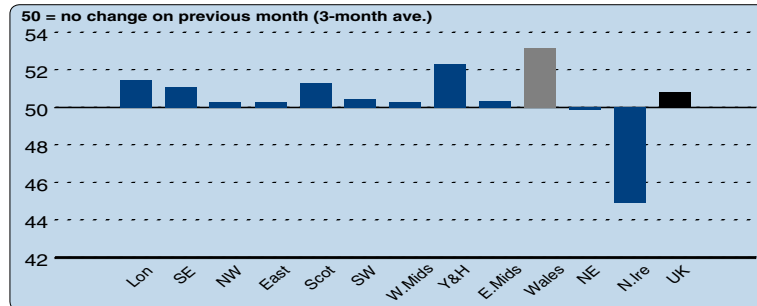
		Wales Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	10.2	76.3	13.6	48.3	47.0	49.4
	Jun	9.8	85.2	4.9	52.5	49.1	49.5
	Jul	7.8	84.4	7.8	50.0	49.5	49.3
	Aug	6.3	90.5	3.2	51.6	51.7	50.7
	Sep	4.8	90.5	4.8	50.0	49.2	50.0
	Oct	9.0	83.6	7.5	50.7	50.2	50.6
	Nov	6.7	85.0	8.3	49.2	50.4	51.1
	Dec	7.6	90.9	1.5	53.0	51.7	50.8
2013	Jan	19.0	77.6	3.4	57.8	53.0	51.5



The latest survey data signalled a further rise in prices charged by private sector firms in Wales. The rate of output price inflation picked up, and was the sharpest since May 2011. Exactly 19% of respondents reported higher average charges, while only 3% recorded a reduction. According to anecdotal evidence, the rise in average prices charged was partly driven by higher raw material and energy prices.

Regional Comparisons: Output

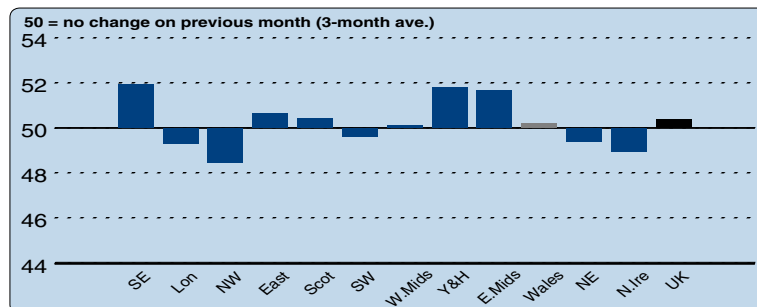
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales recorded the strongest pace of output expansion, followed by Yorkshire & Humber.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.0	51.5	52.3
South East	(14.7%)	51.7	51.1	52.4
North West	(9.5%)	50.8	50.3	50.4
East of England	(8.7%)	51.4	50.3	50.9
Scotland	(8.3%)	51.5	51.3	52.3
South West	(7.7%)	50.4	50.4	51.2
West Midlands	(7.3%)	53.2	50.3	50.1
Yorks & Humber	(7.0%)	52.3	52.3	53.1
East Midlands	(6.4%)	52.2	50.3	52.5
Wales	(3.6%)	51.6	53.2	54.1
North East	(3.2%)	48.6	49.9	48.1
N.Ireland	(2.2%)	43.7	44.9	48.3
UK	(100.0%)	51.7	50.8	52.0

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). Staffing numbers increased in just over half of the UK regions monitored by the survey during the three months to January, although in each case the pace of job creation was only marginal. Of those regions that saw a drop in employment, the fastest fall was in the North West.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.1	51.9	53.7
London	(12.3%)	49.3	49.3	51.1
North West	(10.9%)	48.8	48.5	49.9
East of England	(9.6%)	50.8	50.7	51.8
Scotland	(8.7%)	51.0	50.4	50.7
South West	(8.6%)	49.9	49.6	48.6
West Midlands	(8.6%)	51.9	50.1	51.4
Yorks & Humber	(8.2%)	51.1	51.8	52.1
East Midlands	(7.3%)	53.2	51.7	51.7
Wales	(4.6%)	49.8	50.2	50.3
North East	(3.9%)	48.9	49.4	49.9
N.Ireland	(2.7%)	47.4	49.0	50.7
UK	(100.0%)	50.6	50.4	51.3

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.

About Lloyds TSB Commercial and Markit Economics

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Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index® (PMI®) series, which is now available for 32 countries and also for key regions including the Eurozone. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.