



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 February 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 March 2013

Business activity continues to increase, but the rate of growth eases slightly

Key findings:

- Business activity and new orders rise
- Staffing levels increase
- Input cost inflation eases sharply

February data signalled a further improvement in business conditions at Welsh private sector companies. While growth in business activity slowed slightly from January, new orders increased at the fastest pace in four months. The rate of job creation picked up, and was the highest since August 2007. Meanwhile, input cost inflation eased sharply.

Output and demand

The headline seasonally adjusted Lloyds TSB Wales PMI Business Activity Index registered 52.8 in February, down slightly from January's 54.1. While the rate of expansion was weaker than in the previous month, it remained above the overall UK average. Panellists attributed the latest rise mainly to increased new orders.

Private sector companies in Wales reported higher volumes of incoming business during the latest survey period. New work grew at the fastest pace in four months with around 29% of panellists reporting an increase in order book volumes.

Employment and backlogs

Staffing levels in the Welsh private sector increased for the third month running during February. The rate of job creation picked up from January, and was the sharpest since August 2007. Manufacturers and service providers both reported higher staffing levels and some companies linked the rise to increased new business.

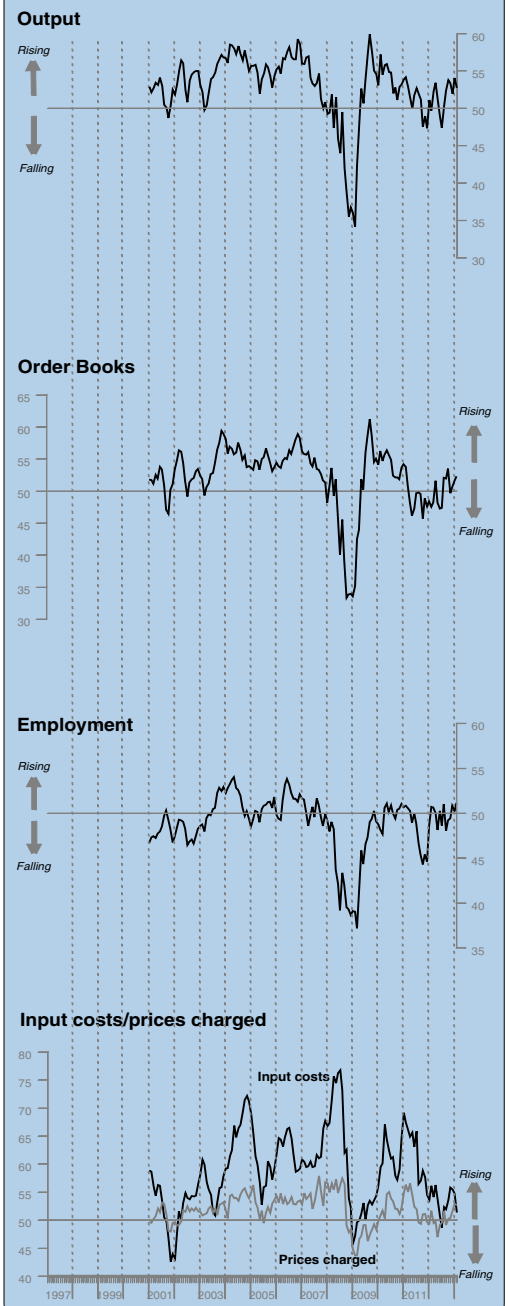
Driven by contract losses at some firms and a weak property market, outstanding business continued to fall in February. Sector data suggested that much of the decline was centred around companies in the services sector.

Input and output prices

Input costs rose for the seventh consecutive survey period, albeit at a remarkably weaker rate than in the previous month. Companies in Wales linked the increase to higher raw material prices.

Companies in both the manufacturing and service sectors reported higher output prices during February. The rate of charge inflation in Wales remained above the overall UK average for the third consecutive survey period.

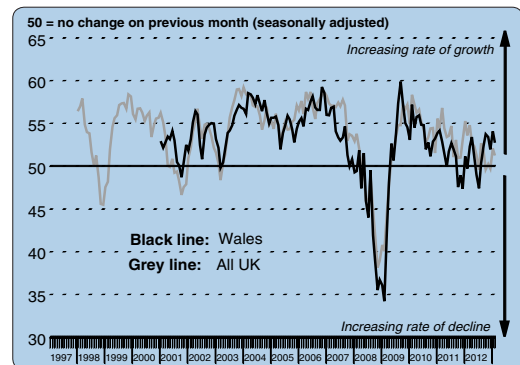
Wales Business Conditions



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	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	52.7
	Sep	31.7	44.4	23.8	54.0	52.4	51.8
	Oct	26.9	47.8	25.4	50.7	53.8	49.6
	Nov	26.7	50.0	23.3	51.7	53.4	50.2
	Dec	27.3	48.5	24.2	51.5	52.0	49.7
2013	Jan	24.1	46.6	29.3	47.4	54.1	52.1
	Feb	31.0	43.1	25.9	52.6	52.8	51.2

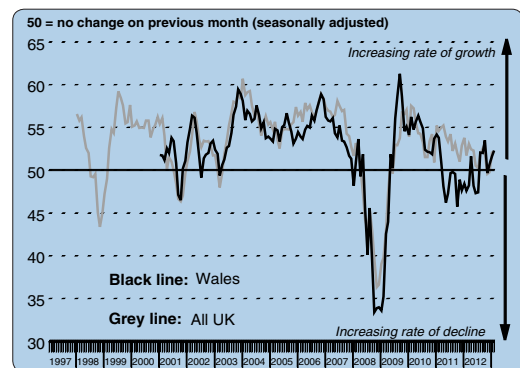


Private sector companies in Wales reported increased business activity for the seventh successive survey period during February. While the rate of expansion eased slightly from January, it remained above the overall UK average. Increased new business was reported by panellists to have contributed to the latest rise. Production continued to increase at manufacturers, while activity in the services sector contracted.

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	Jun	28.3	36.7	35.0	46.7	47.3	50.5
	Jul	32.3	40.0	27.7	52.3	47.4	50.3
	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	49.6
	Dec	28.8	40.9	30.3	49.2	50.7	49.8
2013	Jan	27.6	37.9	34.5	46.6	51.6	52.1
	Feb	29.3	51.7	19.0	55.2	52.3	52.2

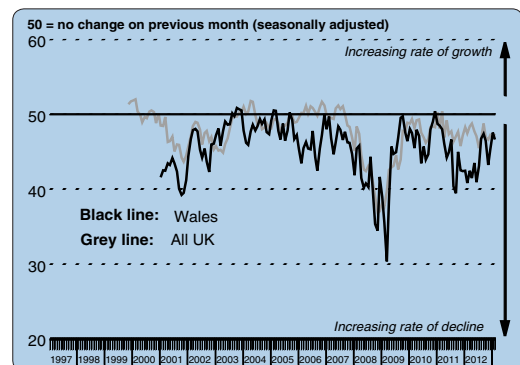


New business placed at Welsh private sector firms rose during February, and for the third successive survey period. Around 29% of panellists reported increased order book volumes, while 19% indicated a decline. The rate of expansion was higher than in January and broadly in line with the UK average. Sector data suggested that growth of new work in Wales was mainly centred around the manufacturing sector.

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	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
	Feb	15.4	63.5	21.2	47.1	46.6	47.4

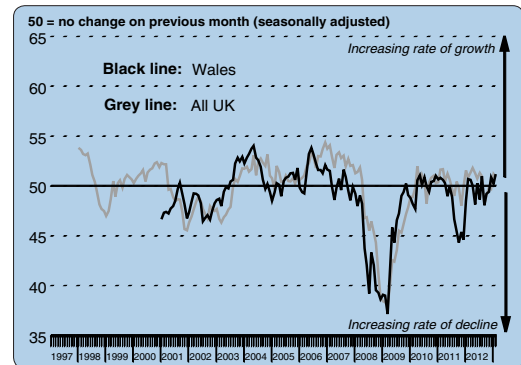


As has been the case throughout most of the survey history, the level of outstanding business in the Welsh private sector continued to decrease in February. This was highlighted by the seasonally adjusted Business Outstanding Index posting below the neutral 50.0 threshold. Work outstanding at service providers declined substantially and accounted for much of the overall contraction. There was some anecdotal evidence that the loss of contracts and a weak property sector led to the latest decline in work-in-hand.

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	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	49.1
	Nov	6.7	81.7	11.7	47.5	49.5	49.9
	Dec	12.1	81.8	6.1	53.0	50.9	49.7
2013	Jan	6.9	77.6	15.5	45.7	50.3	51.2
	Feb	15.5	75.9	8.6	53.4	51.2	50.9

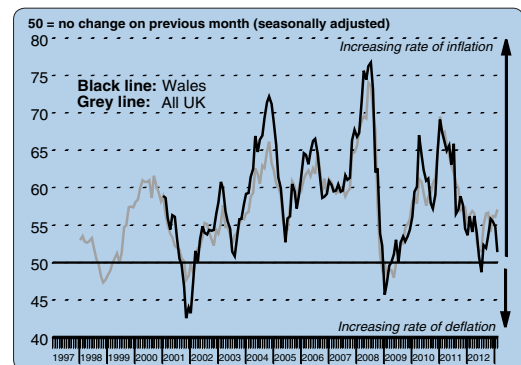


February data signalled a rise in employment levels at Welsh private sector firms. Around 16% of respondents indicated higher staffing levels, and less than 9% reported a decline. Service providers and manufacturers both reported an increase in payroll numbers. Some panellists linked the latest development to improved inflows of new business. While workforce numbers increased for the third month running and at the fastest pace since August 2007, the rate of job creation was only modest.

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	Jun	11.5	75.4	13.1	49.2	50.8	51.5
	Jul	12.5	73.4	14.1	49.2	48.7	51.6
	Aug	15.9	76.2	7.9	54.0	52.4	55.0
	Sep	14.3	76.2	9.5	52.4	52.0	56.6
	Oct	22.7	68.2	9.1	56.8	53.6	56.7
	Nov	23.3	70.0	6.7	58.3	55.8	54.1
	Dec	16.7	72.7	10.6	53.0	55.5	56.2
2013	Jan	8.8	84.2	7.0	50.9	54.8	56.1
	Feb	12.1	77.6	10.3	50.9	51.4	57.1

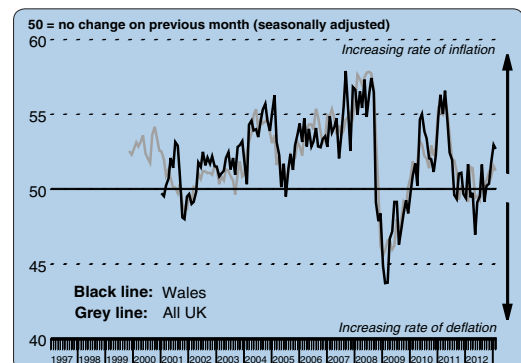


Private sector companies in Wales reported an increase in input costs during February. While costs rose for the seventh consecutive survey period, the rate of input price inflation eased sharply from January, and was the lowest in the current sequence. This was in contrast to data at the UK level, where prices rose at an accelerated pace and at the sharpest rate since December 2011. Where increased input costs were reported, most companies linked this to a rise in raw material prices.

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	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
	Feb	10.3	86.2	3.4	53.4	52.7	51.3

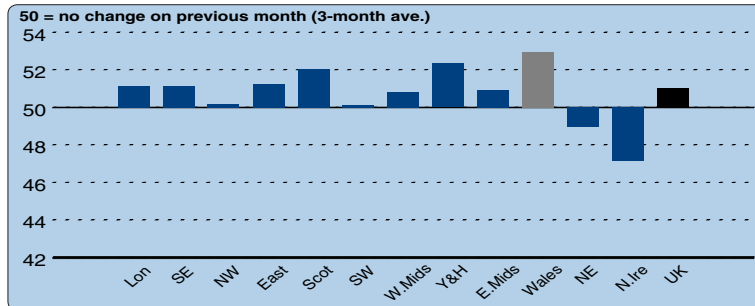


Average prices charged at Welsh private sector companies continued to increase during the latest survey period. While the rate of charge inflation eased slightly from January, it was the second-highest in 21 months and remained above the UK average. Only 3% of respondents indicated falling output prices, while 10% recorded an increase. Sector data indicated rising charges in both the manufacturing and service sectors.



Regional Comparisons: Output

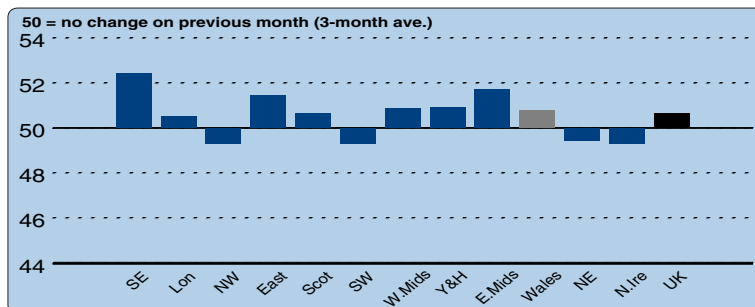
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted the fastest pace of expansion, followed by Yorkshire & Humber and Scotland.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.7	51.1	50.8
South East	(14.7%)	51.5	51.1	51.9
North West	(9.5%)	50.5	50.2	52.2
East of England	(8.7%)	51.1	51.3	52.0
Scotland	(8.3%)	51.6	52.0	52.5
South West	(7.7%)	50.4	50.1	48.8
West Midlands	(7.3%)	52.5	50.8	50.7
Yorks & Humber	(7.0%)	52.0	52.3	51.3
East Midlands	(6.4%)	51.9	50.9	51.6
Wales	(3.6%)	51.8	52.9	52.8
North East	(3.2%)	48.5	48.9	48.7
N.Ireland	(2.2%)	44.0	47.2	48.4
UK	(100.0%)	51.5	51.0	51.2

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). The majority of UK regions saw an increase in staffing levels during the three months to February, but the rates of job creation were generally only marginal. South East companies recorded the strongest rise in workforce numbers, followed by 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%)	51.2	52.4	52.2
London	(12.3%)	49.7	50.5	51.9
North West	(10.9%)	48.8	49.3	50.2
East of England	(9.6%)	50.9	51.4	52.2
Scotland	(8.7%)	50.9	50.7	50.7
South West	(8.6%)	49.8	49.3	49.6
West Midlands	(8.6%)	51.8	50.9	52.0
Yorks & Humber	(8.2%)	50.6	50.9	48.9
East Midlands	(7.3%)	53.0	51.7	51.2
Wales	(4.6%)	49.8	50.8	51.2
North East	(3.9%)	48.8	49.4	50.0
N.Ireland	(2.7%)	47.6	49.3	49.0
UK	(100.0%)	50.6	50.6	50.9

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.