



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 March 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.

For further information, please contact:

economics@markit.com

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15th April 2013

Welsh private sector output rises during March

Key findings:

- Higher output levels recorded for eighth month running
- Growth of new work eases from previous survey period
- Employment levels rise slightly

Welsh private sector companies reported a further increase in business activity during March, and for the eighth successive survey period. This was underpinned by a further improvement in new order levels, which rose for the fourth month running. Meanwhile, employment levels continued to increase, but only moderately.

Output and demand

The headline **Lloyds TSB Wales Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 53.7 in March, up from February's 52.8. Driven by companies in the manufacturing sector, overall output increased for the eighth successive survey period, and the rate of expansion accelerated from February. Business activity at the UK level also rose, albeit at a slower pace than in Wales.

Incoming new business in the Welsh private sector increased during March, and for the fourth consecutive survey period. The rate of growth, however, eased to the weakest in three months. Sector data suggested that a contraction of new work in the service sector was offset by increased new business across manufacturers.

Employment and backlogs

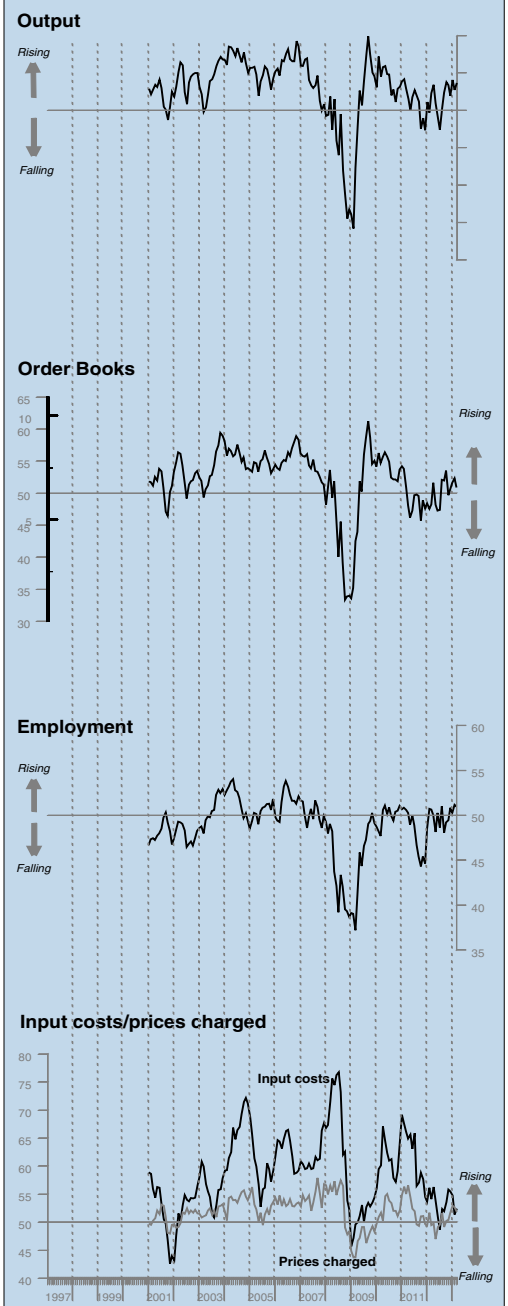
Workforce numbers across the Welsh private sector increased for the fourth month running during March. The rate of job creation, however, was only moderate. Companies linked the rise in employment levels partly to increased new business. Meanwhile, volumes of outstanding work dropped at the fastest pace in four months. A decline in work-in-hand was reported by companies across both the manufacturing and service sectors.

Input and output prices

Average cost burdens increased for an eighth successive month during March. While cost inflation picked up from February, it remained well below the series average. Input prices were reported to have risen in both the manufacturing and service sectors.

Average charges set by private sector firms in Wales also rose in March, but at the slowest pace in three months. The latest charge inflation was, however, in line with data at the UK level.

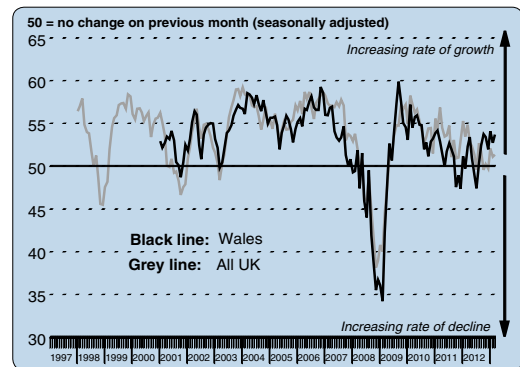
Wales Business Conditions



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	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	51.7
	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	51.1
	Mar	38.1	41.3	20.6	58.7	53.7	51.4

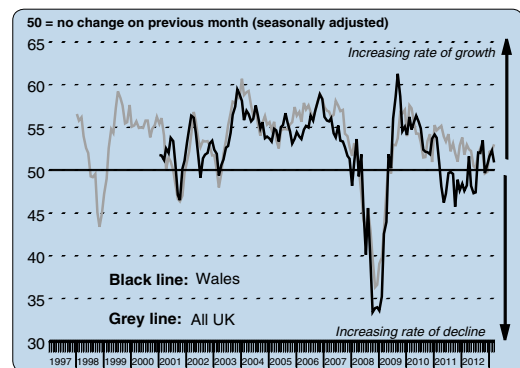


Welsh private sector companies reported higher business activity during March. Output levels have now risen for eight successive months, and the rate of expansion picked up from the previous survey period. Panellists linked the latest rise to higher order book volumes. Sector data indicated that the latest increase in output was centred around the manufacturing sector, while service provider faced a decline. Business activity in Wales grew at a faster pace than in the UK as whole for the seventh month running.

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	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	52.0
	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	52.2
	Feb	29.3	51.7	19.0	55.2	52.3	52.3
	Mar	31.7	39.7	28.6	51.6	50.9	53.0

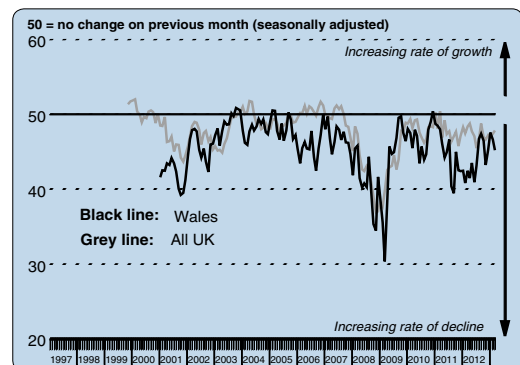


New business placed at Welsh private sector firms increased during the latest survey period, with the seasonally adjusted Incoming New Business Index posting above the 50.0 mark that separates growth from contraction. While new work has now increased for four consecutive months, the rate of expansion eased from February. Welsh manufacturers reported an increase in new orders, while firms in the service sector indicated contracting volumes of incoming new business.

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	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
	Mar	10.5	64.9	24.6	43.0	45.2	47.9

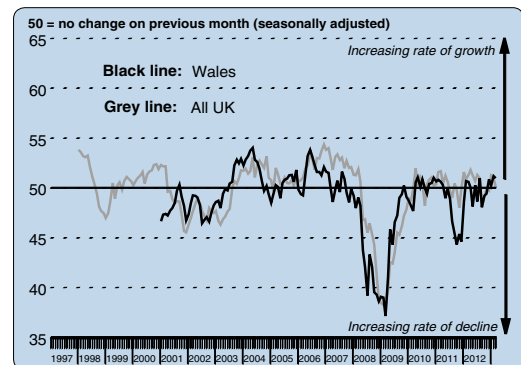


March data signalled a further decrease in work outstanding at Welsh private sector companies, with 25% of panellists reporting less work-in-hand. Overall volumes of incomplete business have decreased in every month since January 2011, and the latest rate of contraction was the sharpest in four survey periods. Sector data indicated a decline in outstanding business at both manufacturers and service providers. Levels of outstanding business also decreased at the UK level, albeit at a slower pace than in Wales.

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	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	49.8
2013	Jan	6.9	77.6	15.5	45.7	50.3	51.3
	Feb	15.5	75.9	8.6	53.4	51.2	51.0
	Mar	12.7	79.4	7.9	52.4	51.0	50.2

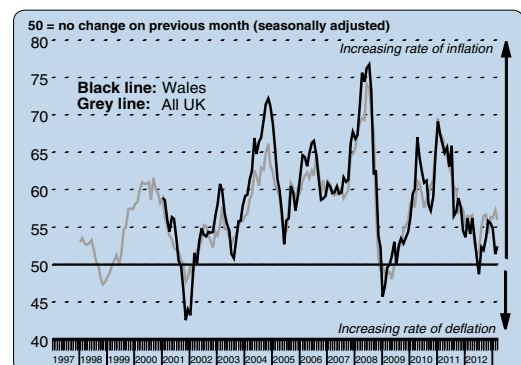


Employment levels in the Welsh private sector continued to increase in March. Workforce numbers have now risen for four successive survey periods, but the rate of job creation remained moderate. Increased new business was cited as one of the main reasons behind the latest rise in staffing levels. Sector data indicated that manufacturers took on more staff, while service providers reduced payroll numbers.

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	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	56.6
	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	56.3
2013	Jan	8.8	84.2	7.0	50.9	54.8	56.2
	Feb	12.1	77.6	10.3	50.9	51.4	57.3
	Mar	19.0	73.0	7.9	55.6	52.5	56.0

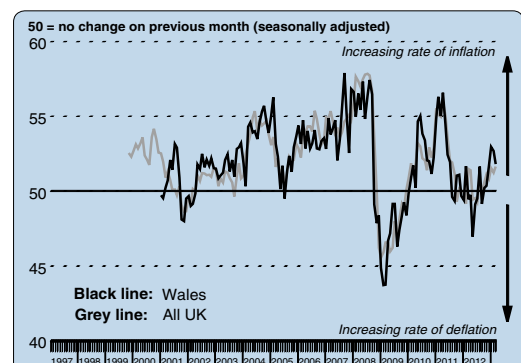


The latest survey data pointed to a further rise in input costs at private sector firms in Wales. Exactly 19% of respondents recorded an increase in input prices, while only 8% reported a fall. The rate of input price inflation remained well below the series average and was weak in comparison to UK data. Companies in both the Welsh manufacturing and service sectors reported rising input costs. According to anecdotal evidence, an increase in fuel prices and general inflationary pressures accounted for much of the latest cost 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?

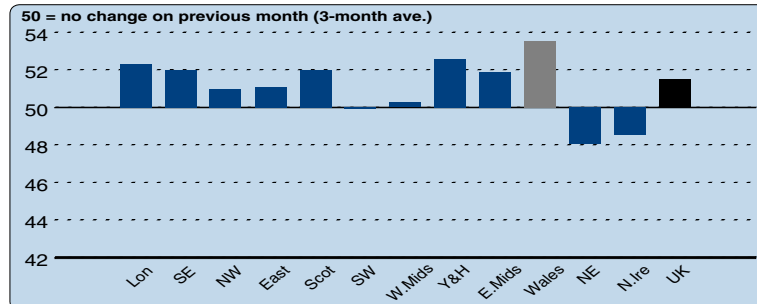
		Wales Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	7.8	84.4	7.8	50.0	49.5	49.3
	Aug	6.3	90.5	3.2	51.6	51.7	50.7
	Sep	4.8	90.5	4.8	50.0	49.2	50.0
	Oct	9.0	83.6	7.5	50.7	50.2	50.6
	Nov	6.7	85.0	8.3	49.2	50.4	51.1
	Dec	7.6	90.9	1.5	53.0	51.7	50.8
2013	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
	Mar	3.2	92.1	4.8	49.2	51.8	51.7



Average selling prices set by Welsh private sector companies rose during March. Output prices increased for the sixth successive survey period, but the majority of companies reported unchanged charges from February. Sector data suggested that manufacturers and service providers both raised their output charges. Moreover, the latest charge inflation was in line with the UK average.

Regional Comparisons: Output

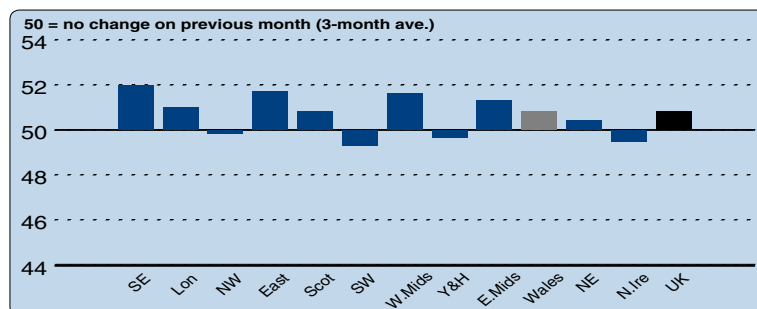
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern Ireland were the exceptions to the overall upward trend.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.3	52.3	53.8
South East	(14.7%)	51.2	52.0	51.7
North West	(9.5%)	50.3	51.0	50.4
East of England	(8.7%)	50.8	51.1	50.4
Scotland	(8.3%)	51.3	52.0	51.1
South West	(7.7%)	50.1	49.9	49.7
West Midlands	(7.3%)	51.7	50.3	50.0
Yorks & Humber	(7.0%)	52.0	52.6	53.3
East Midlands	(6.4%)	51.7	51.9	51.5
Wales	(3.6%)	51.9	53.5	53.7
North East	(3.2%)	48.4	48.1	47.3
N.Ireland	(2.2%)	44.7	48.5	48.9
UK	(100.0%)	51.2	51.5	51.4

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). Job creation was recorded in eight of the twelve UK regions monitored by the survey in the first quarter of 2013. Employment growth was strongest in the South East, while the South West posted the most marked drop in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.0	52.0	50.0
London	(12.3%)	49.8	51.0	50.0
North West	(10.9%)	48.8	49.9	49.5
East of England	(9.6%)	50.8	51.7	51.0
Scotland	(8.7%)	50.8	50.8	51.0
South West	(8.6%)	49.7	49.3	49.7
West Midlands	(8.6%)	51.6	51.6	51.4
Yorks & Humber	(8.2%)	50.4	49.7	48.0
East Midlands	(7.3%)	52.7	51.3	51.0
Wales	(4.6%)	49.9	50.8	51.0
North East	(3.9%)	48.9	50.4	51.4
N.Ireland	(2.7%)	47.8	49.5	48.8
UK	(100.0%)	50.5	50.8	50.2

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.