



## 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 April 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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13th May 2013

## Rate of output growth accelerates to 38-month high

### Key findings:

- Solid rise in output levels
- Order book volumes increase at fastest pace in 33 months
- Rate of job creation sharpest since August 2006

April data indicated solid increases in both output and incoming new business at Welsh private sector companies with output rising at the sharpest rate since February 2010. Meanwhile, employment levels increased for a fifth consecutive month.

### 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 56.4 in April, up from March's 53.7. Output has now risen for nine consecutive survey periods, and the pace of expansion was the fastest in 38 months. The rise was centred around companies in the manufacturing sector and many panellists linked higher output levels to increased new orders.

Welsh private sector companies indicated a fifth consecutive monthly increase in incoming new business during April. Driven by a solid rise in order book volumes at manufacturers, the rate of growth accelerated to the highest since July 2010. Increased international demand and the securing of new clients accounted for much of the latest expansion, according to panellists.

### Employment and backlogs

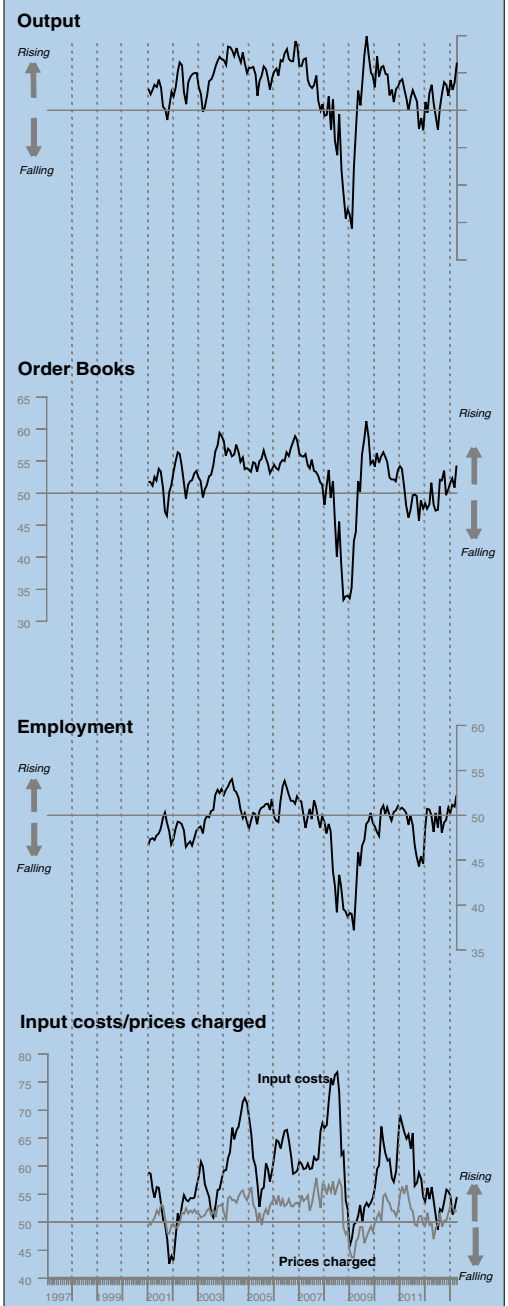
Employment levels increased for the fifth successive month during April, and the rate of job creation was the highest since August 2006. According to anecdotal evidence, the hiring of additional staff was driven by increased production and business expansion plans. Workforce numbers increased in both the manufacturing and service sectors. Meanwhile, backlogs of work increased for the first time since December 2010, albeit only marginally.

### Input and output prices

Input costs continued to rise in April, with more than one-in-four respondents indicating increased cost burdens. The rate of cost inflation was the highest in three months, but below the overall UK average.

Private sector companies in Wales raised their average charges during the latest survey period and for a seventh month running. Panellists partly linked the latest charge inflation to increased raw material prices.

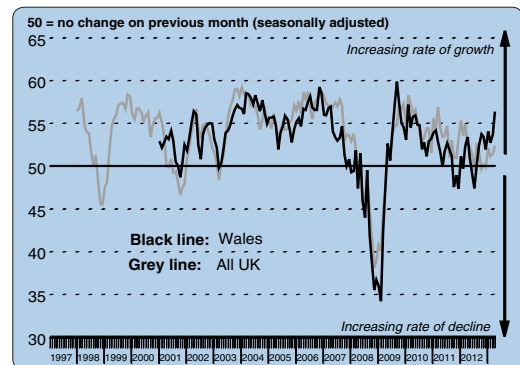
### Wales Business Conditions



## 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	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>49.9</b>
2013	Jan	24.1	46.6	29.3	47.4	<b>54.1</b>	<b>52.1</b>
	Feb	31.0	43.1	25.9	52.6	<b>52.8</b>	<b>51.2</b>
	Mar	38.1	41.3	20.6	58.7	<b>53.7</b>	<b>51.4</b>
	Apr	51.6	35.5	12.9	69.4	<b>56.4</b>	<b>52.4</b>

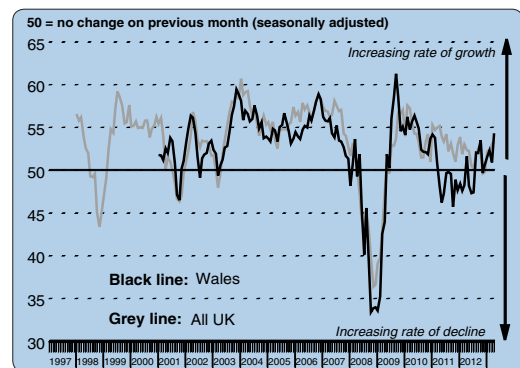


Welsh private sector companies indicated a solid rise in business activity during the latest survey period, with more than half of respondents reporting an increase in output. Driven by firms in the manufacturing sector, the latest rise extended the sequence of growth to nine months, and the pace of expansion accelerated to a 38-month high. Increased new business was the primary factor highlighted by firms that reported output growth. The rate of expansion in Wales was markedly higher than 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	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>52.5</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>49.6</b>
	Dec	28.8	40.9	30.3	49.2	<b>50.7</b>	<b>49.8</b>
2013	Jan	27.6	37.9	34.5	46.6	<b>51.6</b>	<b>52.2</b>
	Feb	29.3	51.7	19.0	55.2	<b>52.3</b>	<b>52.4</b>
	Mar	31.7	39.7	28.6	51.6	<b>50.9</b>	<b>53.1</b>
	Apr	45.2	45.2	9.7	67.7	<b>54.3</b>	<b>53.4</b>

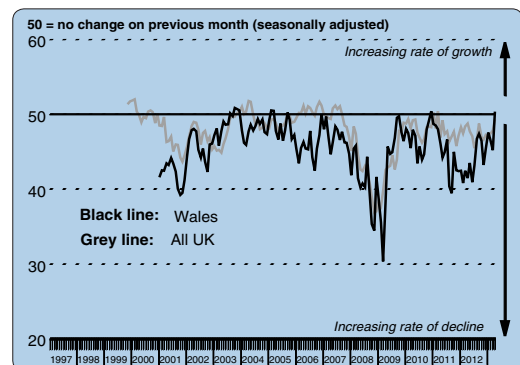


Order book volumes in the Welsh private sector increased for a fifth successive survey period during April and the rate of growth in new work was the sharpest in 33 months. While service providers reported a decline in volumes of incoming new business, manufacturers indicated a solid increase. According to anecdotal evidence, the latest rise was driven by increased international demand and the securing of new clients. Incoming new orders in Wales expanded at a faster pace than in the UK as a whole for the first time since last December.

## 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	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>
2013	Jan	17.3	53.8	28.8	44.2	<b>47.6</b>	<b>47.0</b>
	Feb	15.4	63.5	21.2	47.1	<b>46.6</b>	<b>47.4</b>
	Mar	10.5	64.9	24.6	43.0	<b>45.2</b>	<b>47.9</b>
	Apr	35.7	53.6	10.7	62.5	<b>50.4</b>	<b>49.4</b>

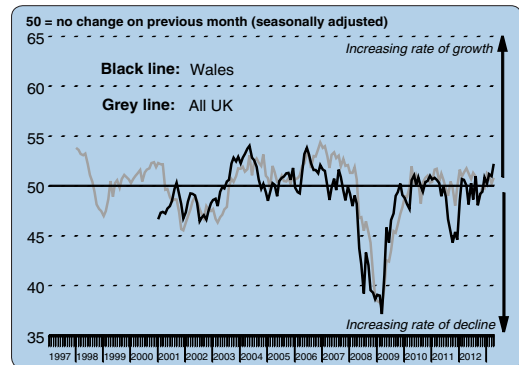


April data signalled a rise in work outstanding in the Welsh private sector. Overall volumes of incomplete business increased for the first time since December 2010, but the rate of backlog accumulation was only marginal. Sector data suggested that a decline in outstanding business at service providers was offset by an increase at manufacturing firms. Some companies that reported more work-in-hand indicated that they were struggling to keep up with the pace of increased demand.

## 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	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>48.1</b>
	Oct	11.9	73.1	14.9	48.5	<b>49.2</b>	<b>49.1</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>
2013	Jan	6.9	77.6	15.5	45.7	<b>50.3</b>	<b>51.3</b>
	Feb	15.5	75.9	8.6	53.4	<b>51.2</b>	<b>51.0</b>
	Mar	12.7	79.4	7.9	52.4	<b>51.0</b>	<b>50.3</b>
	Apr	19.4	74.2	6.5	56.5	<b>52.3</b>	<b>50.8</b>

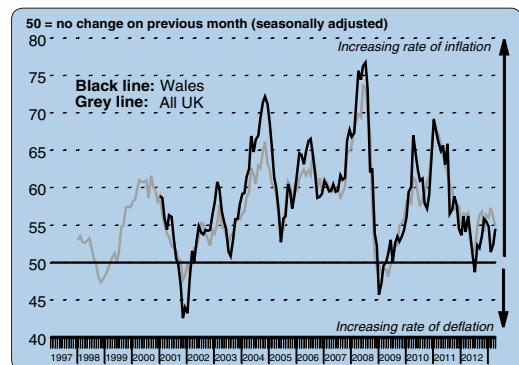


Welsh private sector companies hired additional staff during April, with the seasonally adjusted Employment Index recording a level above the neutral 50.0 threshold. The latest reading marked a fifth consecutive monthly increase in payroll numbers, and the rate of job creation was the sharpest since August 2006. Increased production and business expansion plans were reported by panellists to have contributed to the latest rise in employment levels. Companies in both the manufacturing and service sectors reported increased workforce numbers in April.

## 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	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>56.4</b>
	Oct	22.7	68.2	9.1	56.8	<b>53.6</b>	<b>56.9</b>
	Nov	23.3	70.0	6.7	58.3	<b>55.8</b>	<b>54.2</b>
	Dec	16.7	72.7	10.6	53.0	<b>55.5</b>	<b>56.4</b>
2013	Jan	8.8	84.2	7.0	50.9	<b>54.8</b>	<b>56.0</b>
	Feb	12.1	77.6	10.3	50.9	<b>51.4</b>	<b>57.4</b>
	Mar	19.0	73.0	7.9	55.6	<b>52.5</b>	<b>56.0</b>
	Apr	25.8	72.6	1.6	62.1	<b>54.5</b>	<b>54.9</b>

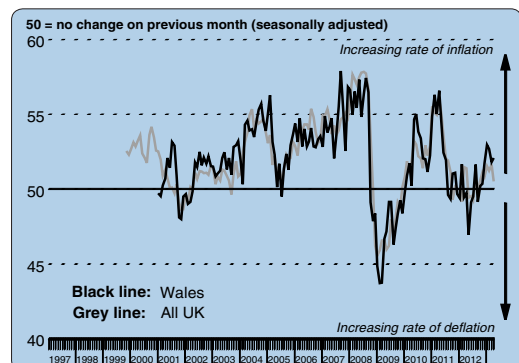


Average cost burdens in the Welsh private sector continued to increase in April. Input prices have now risen for nine survey periods in a row, and the rate of cost inflation accelerated to a three-month high. Around 26% of panellists reported an increase in input costs, while 2% indicated a fall. The hiring of additional staff and increased food and raw material prices accounted for much of the latest inflation. Sector data suggested that the cost increase was centred around the services sector.

## 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	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>
2013	Jan	19.0	77.6	3.4	57.8	<b>53.0</b>	<b>51.5</b>
	Feb	10.3	86.2	3.4	53.4	<b>52.7</b>	<b>51.3</b>
	Mar	3.2	92.1	4.8	49.2	<b>51.8</b>	<b>51.7</b>
	Apr	11.3	83.9	4.8	53.2	<b>52.1</b>	<b>50.5</b>

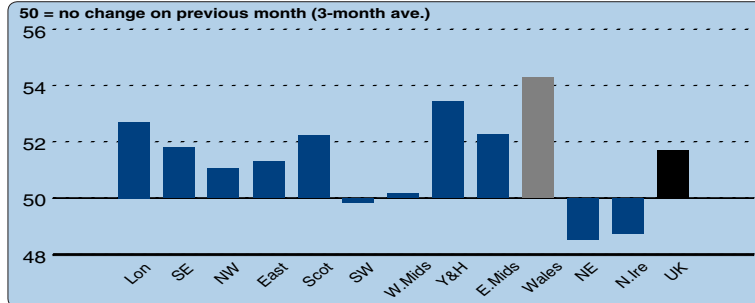


Average output prices charged by Welsh private sector companies rose in April, and for a seventh successive survey period. The rate of charge inflation was up slightly from March, and remained above the UK average for the fifth month running. Around 11% of companies raised their charges and partly linked this to an increase in raw material prices. Falling charges for goods at manufacturers were offset by a rise in output prices at service providers.



## Regional Comparisons: Output

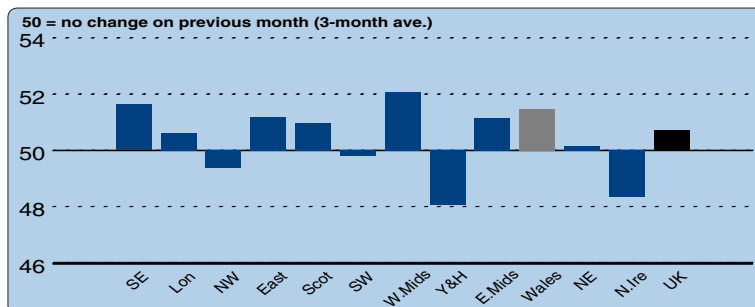
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland and South West registered lower output on average in the three months to April.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.2	52.7	53.4
South East	(14.7%)	51.2	51.8	51.8
North West	(9.5%)	50.3	51.1	50.6
East of England	(8.7%)	50.7	51.3	51.5
Scotland	(8.3%)	51.3	52.3	53.1
South West	(7.7%)	50.2	49.8	51.0
West Midlands	(7.3%)	51.1	50.2	49.8
Yorks & Humber	(7.0%)	52.2	53.4	55.7
East Midlands	(6.4%)	51.8	52.2	53.6
Wales	(3.6%)	52.2	54.3	56.4
North East	(3.2%)	48.5	48.5	49.5
N.Ireland	(2.2%)	45.0	48.7	48.9
<b>UK</b>	<b>(100.0%)</b>	<b>51.2</b>	<b>51.7</b>	<b>52.4</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). Jobs growth was registered in the majority of UK regions during the three months to April, with West Midlands companies posting the fastest expansion. Meanwhile, Yorkshire & Humber saw the most marked slide in workforce numbers.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.3	51.6	52.7
London	(12.3%)	49.7	50.6	49.9
North West	(10.9%)	48.7	49.4	48.5
East of England	(9.6%)	50.6	51.2	50.4
Scotland	(8.7%)	50.7	51.0	51.2
South West	(8.6%)	49.6	49.8	50.1
West Midlands	(8.6%)	51.7	52.1	52.9
Yorks & Humber	(8.2%)	50.1	48.1	47.3
East Midlands	(7.3%)	52.5	51.2	51.3
Wales	(4.6%)	50.0	51.5	52.3
North East	(3.9%)	48.7	50.2	49.1
N.Ireland	(2.7%)	47.7	48.4	47.3
<b>UK</b>	<b>(100.0%)</b>	<b>50.4</b>	<b>50.7</b>	<b>50.8</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.

## 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.