



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 May 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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10th June 2013

Solid increase in business activity in May

Key findings:

- Output growth at 39-month high
- New orders increase at sharpest rate since October 2009
- Rates of input cost and output price inflation ease

Welsh private sector companies reported rising activity and new order levels in May. The corresponding rates of expansion were the sharpest in 39 and 43 months respectively. Meanwhile, employment levels continued to rise and the rates of both input cost and output price inflation eased from April.

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 56.7 in May, up slightly from April's 56.4. The latest reading extended the current sequence of output growth to ten months, and the pace of expansion was the fastest in 39 months. Anecdotal evidence suggested that the latest rise was driven by increased demand from both domestic and foreign markets.

New orders also increased at an accelerated pace in May, and for the sixth consecutive survey period. Some panellists attributed the expansion in order book volumes to improved marketing efforts.

Employment and backlogs

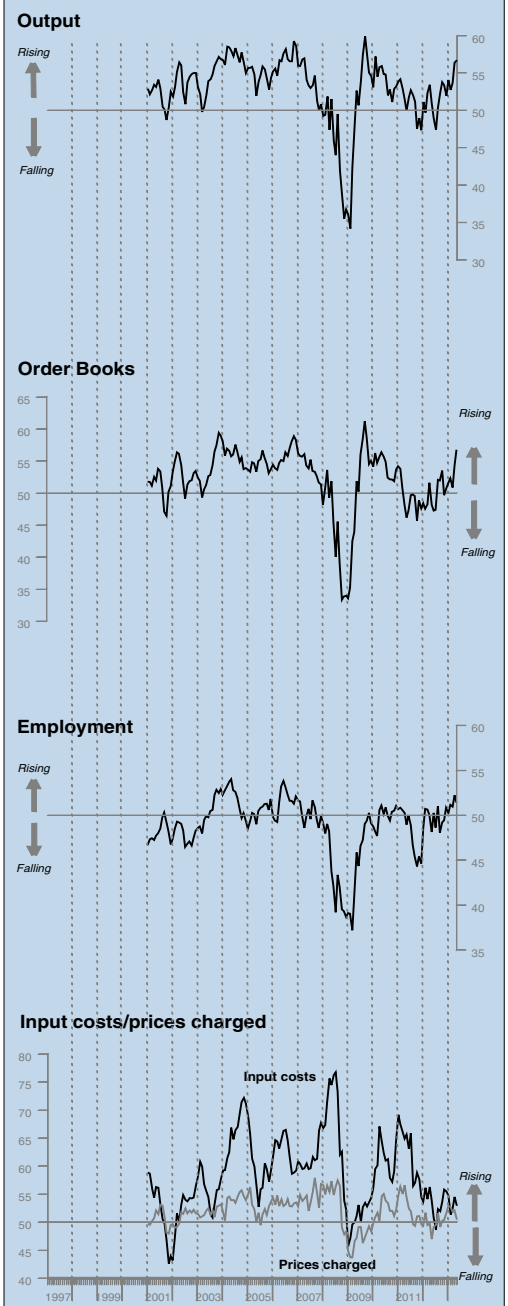
May data signalled a further rise in staffing levels in the Welsh private economy, mainly centred around the manufacturing sector. Panellists linked the hiring of additional workers to planned business expansions and increased activity. Meanwhile, the level of outstanding business was broadly unchanged from the previous month, as the majority of companies reported a stagnation in work-in-hand.

Input and output prices

Private sector companies in Wales recorded increased input prices in May. The rate of cost inflation eased, however, and was below the series average. Companies linked the weaker cost increase to a decline in some raw material prices.

Average output charges rose during the latest survey period. While output prices have now increased for eight consecutive months, the latest rise was only modest. Sector data suggested that falling charges in the manufacturing sector were offset by an increase at service providers.

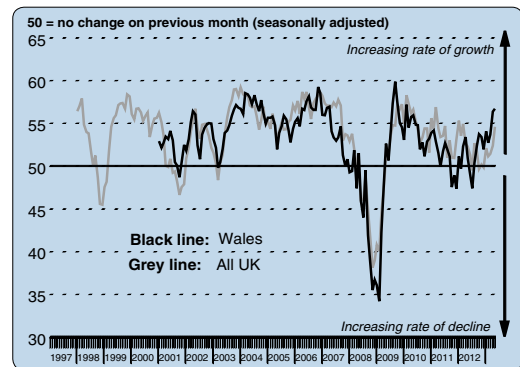
Wales Business Conditions



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	Sep	31.7	44.4	23.8	54.0	52.4	51.7
	Oct	26.9	47.8	25.4	50.7	53.8	49.7
	Nov	26.7	50.0	23.3	51.7	53.4	50.2
	Dec	27.3	48.5	24.2	51.5	52.0	49.9
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
	Mar	38.1	41.3	20.6	58.7	53.7	51.4
	Apr	51.6	35.5	12.9	69.4	56.4	52.4
	May	33.3	56.1	10.6	61.4	56.7	54.6

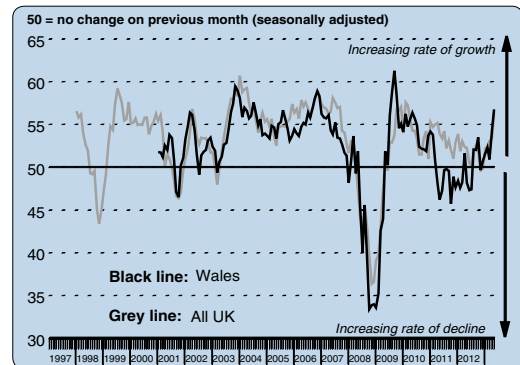


May data signalled a further rise in activity at Welsh private sector companies, extending the current sequence of growth to ten months. The rate of expansion was above the UK average, and the sharpest in 39 survey periods. Sector data suggested that the increase was mainly centred around the manufacturing sector. According to anecdotal evidence, the latest rise was driven by improved demand from both domestic and foreign markets.

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	Sep	36.5	34.9	28.6	54.0	52.0	52.5
	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	52.2
	Feb	29.3	51.7	19.0	55.2	52.3	52.4
	Mar	31.7	39.7	28.6	51.6	50.9	53.1
	Apr	45.2	45.2	9.7	67.7	54.3	53.4
	May	35.4	52.3	12.3	61.5	56.8	56.4

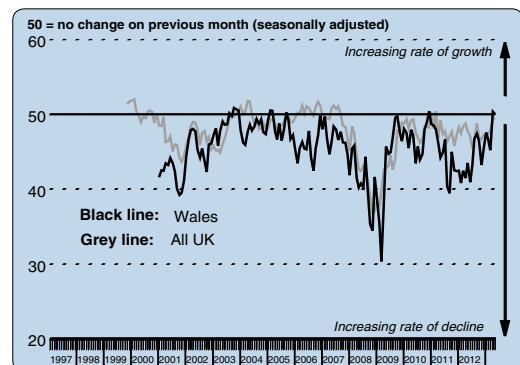


The seasonally adjusted New Orders Index posted above the no-change mark of 50.0 in May, as 35% of respondents reported increased volumes of incoming new business. Order book volumes rose for the sixth month in a row, and at the fastest pace since October 2009. While new orders increased sharply in the goods producing sector, service providers reported a stagnation of order book volumes. Some companies linked growth of new work to improved marketing efforts.

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	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
	Apr	35.7	53.6	10.7	62.5	50.4	49.4
	May	16.9	66.1	16.9	50.0	50.1	49.6

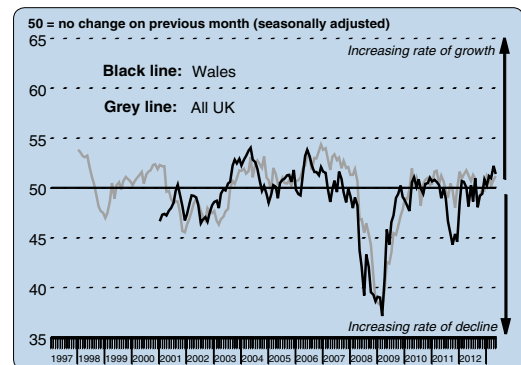


Welsh private sector companies recorded a stagnation in outstanding business in May, as the majority of panellists reported no change in levels of work-in-hand from April. Increased capacities and weak housing sales were mentioned by firms that reported a depletion in backlogs of work, while higher activity from Asian markets led to increased work outstanding at some companies. The latest reading was, however, the second-highest in 29 survey periods.

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	Sep	11.1	74.6	14.3	48.4	48.1	48.1
	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	50.3
	Apr	19.4	74.2	6.5	56.5	52.3	50.8
	May	12.1	80.3	7.6	52.3	51.4	51.2

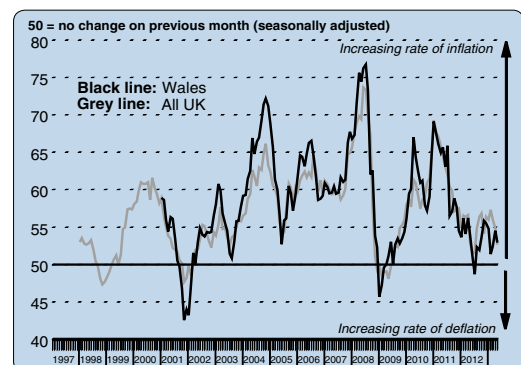


Staffing levels in the Welsh private sector continued to rise during the latest survey period, as the seasonally adjusted Employment Index posted above the neutral 50.0 threshold. The rate of job creation was down from April, but extended the current sequence of increasing payroll numbers to six months. Increased activity and business expansion plans were cited as drivers behind the latest job hiring, according to panellists.

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	Sep	14.3	76.2	9.5	52.4	52.0	56.4
	Oct	22.7	68.2	9.1	56.8	53.6	56.9
	Nov	23.3	70.0	6.7	58.3	55.8	54.2
	Dec	16.7	72.7	10.6	53.0	55.5	56.4
2013	Jan	8.8	84.2	7.0	50.9	54.8	56.0
	Feb	12.1	77.6	10.3	50.9	51.4	57.4
	Mar	19.0	73.0	7.9	55.6	52.5	56.0
	Apr	25.8	72.6	1.6	62.1	54.5	54.9
	May	16.7	78.8	4.5	56.1	52.9	52.7

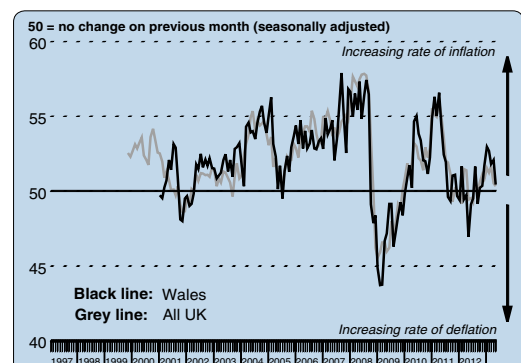


The latest survey data signalled increased input costs in the Welsh private sector. Around 17% of respondents recorded a rise in input prices, while only 5% reported a decrease. Companies' cost burdens have now risen for ten successive survey periods, although the latest increase was slower than in the previous month. A decline in some raw material prices accounted for much of the slowing cost inflation in May.

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?

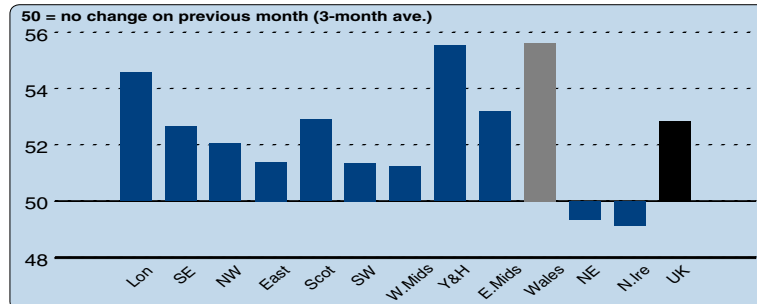
		Wales Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	4.8	90.5	4.8	50.0	49.2	50.0
	Oct	9.0	83.6	7.5	50.7	50.2	50.6
	Nov	6.7	85.0	8.3	49.2	50.4	51.1
	Dec	7.6	90.9	1.5	53.0	51.7	50.8
2013	Jan	19.0	77.6	3.4	57.8	53.0	51.5
	Feb	10.3	86.2	3.4	53.4	52.7	51.3
	Mar	3.2	92.1	4.8	49.2	51.8	51.7
	Apr	11.3	83.9	4.8	53.2	52.1	50.5
	May	4.5	89.4	6.1	49.2	50.5	50.4



Average prices charged by Welsh private sector companies rose during the latest survey period. Charges increased for an eighth consecutive month, albeit at the slowest pace since last November. The rate of output price inflation was in line with data from the overall UK level. Service providers raised their charges in May, while manufacturing firms lowered their output prices.

Regional Comparisons: Output

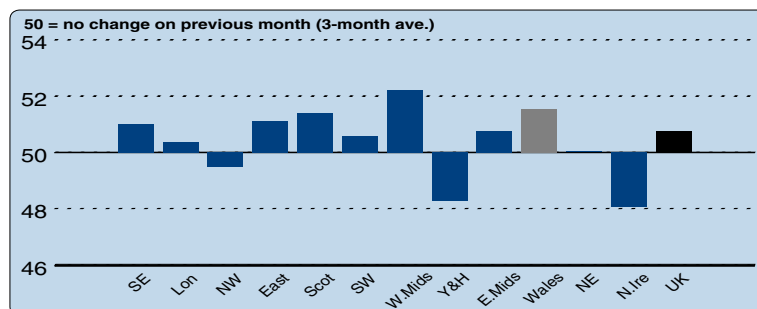
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales and Yorkshire & Humber. Only the North East and Northern Ireland posted a decline in activity.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.5	54.6	56.4
South East	(14.7%)	51.4	52.7	54.5
North West	(9.5%)	50.9	52.0	55.1
East of England	(8.7%)	50.7	51.4	52.2
Scotland	(8.3%)	51.6	52.9	54.4
South West	(7.7%)	50.2	51.4	53.4
West Midlands	(7.3%)	51.1	51.2	53.9
Yorks & Humber	(7.0%)	52.8	55.5	57.6
East Midlands	(6.4%)	51.8	53.2	54.5
Wales	(3.6%)	52.7	55.6	56.7
North East	(3.2%)	48.8	49.3	51.2
N.Ireland	(2.2%)	45.7	49.1	49.6
UK	(100.0%)	51.4	52.8	54.6

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 levels increased in the vast majority of UK regions on average in the three months to May. The West Midlands registered the fastest pace of jobs growth. Lower employment numbers were seen in Northern Ireland, the North West and Yorkshire & Humber.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.0	51.0	50.3
London	(12.3%)	49.8	50.4	51.2
North West	(10.9%)	48.8	49.5	50.4
East of England	(9.6%)	50.6	51.1	52.0
Scotland	(8.7%)	50.8	51.4	52.0
South West	(8.6%)	49.7	50.6	52.0
West Midlands	(8.6%)	51.6	52.2	52.4
Yorks & Humber	(8.2%)	49.9	48.3	49.6
East Midlands	(7.3%)	52.2	50.8	49.9
Wales	(4.6%)	50.3	51.6	51.4
North East	(3.9%)	48.7	50.0	49.6
N.Ireland	(2.7%)	47.8	48.1	48.1
UK	(100.0%)	50.4	50.8	51.2

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.

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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.