



## 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 June 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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8th July 2013

## Further sharp increase in activity in June

### Key findings:

- Growth rates of business activity and new orders remain marked
- Rate of job creation accelerates
- Backlogs of work accumulate at fastest pace in survey history

June data signalled further increases in both activity and order intakes in June. Employment levels also rose, and the rate of job creation accelerated from the previous survey period. Concurrently, levels of outstanding business accumulated at the fastest pace in the survey history, as companies struggled to keep up with a sharp rise in incoming new work.

### 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 June, unchanged from May. Business activity has now increased for eleven successive survey periods, and at the joint-fastest pace in 40 months. Sector data suggested that the rise was mainly centred around the manufacturing sector.

Incoming new business placed at Welsh private sector companies also increased in June, and for a seventh successive survey period. The pace of expansion was down from May, although sharp overall. There was some anecdotal evidence that the latest rise in new work was driven by increased consumer confidence.

### Employment and backlogs

Improved order book volumes was the main driver for the latest increases in employment and work-in-hand. Around 18% of companies hired additional workers, and the rate of job creation picked up from May to be the sharpest since July 2006. Meanwhile, backlogs of work accumulated at the quickest pace in the survey history, albeit only modestly overall.

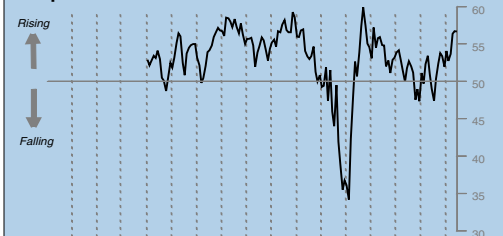
### Input and output prices

Driven by general inflationary pressures and increased shipping and distribution costs, input prices in the Welsh private sector economy increased further in June. The rate of cost inflation accelerated to the sharpest in 19 months, and was above the overall UK average.

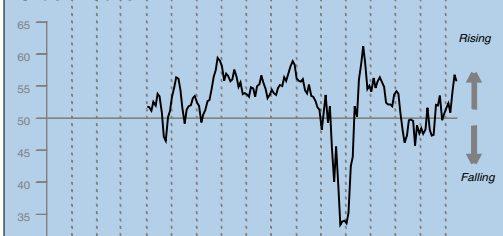
In response to increased cost burdens, Welsh private sector firms raised their output charges in June, although only marginally.

### Wales Business Conditions

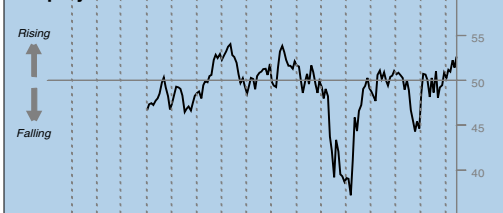
#### Output



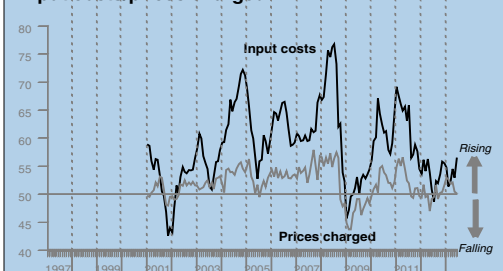
#### Order Books



#### Employment



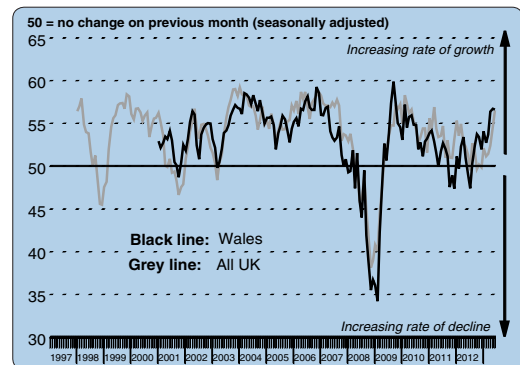
#### Input costs/prices charged



## 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	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>
	May	33.3	56.1	10.6	61.4	<b>56.7</b>	<b>54.6</b>
	Jun	27.0	55.6	17.5	54.8	<b>56.7</b>	<b>56.5</b>

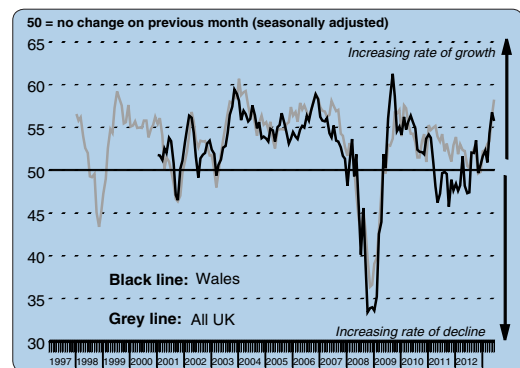


Welsh private sector companies reported a further rise in activity in June, highlighted by the seasonally adjusted Business Activity Index registering above the 50.0 no-change mark. The pace of expansion was the joint-quickest since February 2010 and driven by a sharp increase in production at manufacturers. More new business was commonly mentioned as the main driver behind the latest expansion, according to panellists.

## 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	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>
	May	35.4	52.3	12.3	61.5	<b>56.8</b>	<b>56.4</b>
	Jun	30.6	45.2	24.2	53.2	<b>55.8</b>	<b>58.3</b>

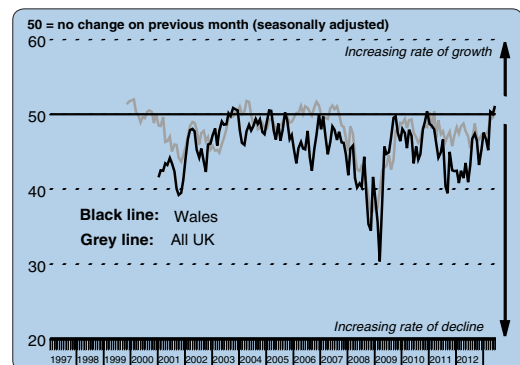


Order intakes at Welsh private sector firms increased in June, extending the current sequence of growth in new work to seven survey periods. Around 31% of respondents indicated higher order book volumes, with some of them linking the rise to increased consumer confidence. Sector data suggested that manufacturers and service providers both recorded increased incoming new business. The rate of growth was sharp, although down from May and 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	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>
	May	16.9	66.1	16.9	50.0	<b>50.1</b>	<b>49.6</b>
	Jun	28.6	51.8	19.6	54.5	<b>51.2</b>	<b>51.0</b>

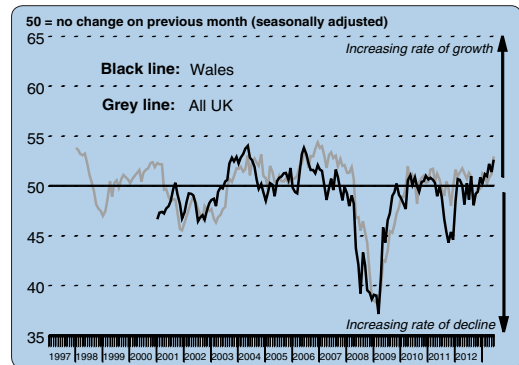


June data signalled a rise in unfinished work in the Welsh private sector economy, with 29% of companies indicating more work-in-hand. Backlogs of work have now increased for three successive survey periods, and the pace of expansion was the fastest in the survey history. Some companies reported that increased order book volumes exceeded available capacities. Companies in both the manufacturing and service sectors highlighted higher levels of unfinished work.

## 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	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>
	May	12.1	80.3	7.6	52.3	<b>51.4</b>	<b>51.2</b>
	Jun	17.5	76.2	6.3	55.6	<b>52.6</b>	<b>53.0</b>

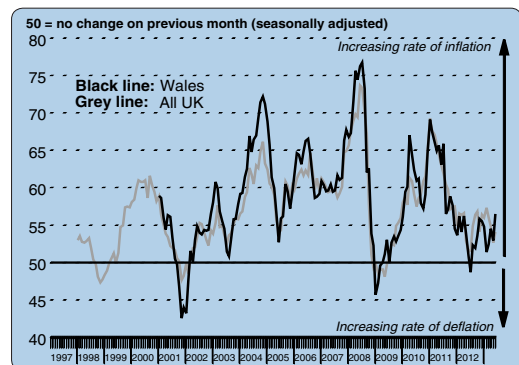


Employment levels in the Welsh private sector economy rose in June, and for a seventh month running. While 18% of companies hired additional staff, only 6% reduced their payroll numbers. The rate of job creation picked up, and was the sharpest since July 2006. Manufacturers and service providers both indicated higher staffing levels and commonly attributed the rise to increased order intakes.

## 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	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>
	May	16.7	78.8	4.5	56.1	<b>52.9</b>	<b>52.7</b>
	Jun	17.5	81.0	1.6	57.9	<b>56.5</b>	<b>54.1</b>

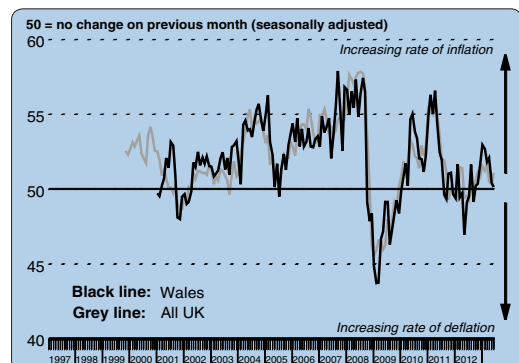


Welsh private sector companies reported higher cost burdens in June, with the seasonally adjusted Input Prices Index posting above the neutral 50.0 threshold. Input prices increased for an eleventh consecutive survey period, and the rate of cost inflation was the sharpest in 19 months. The cost rise was mainly centred around the services sector, and some companies linked this to general inflationary pressures and increased shipping and distribution costs.

## 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	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>
	May	4.5	89.4	6.1	49.2	<b>50.5</b>	<b>50.4</b>
	Jun	6.3	88.9	4.8	50.8	<b>50.2</b>	<b>51.1</b>

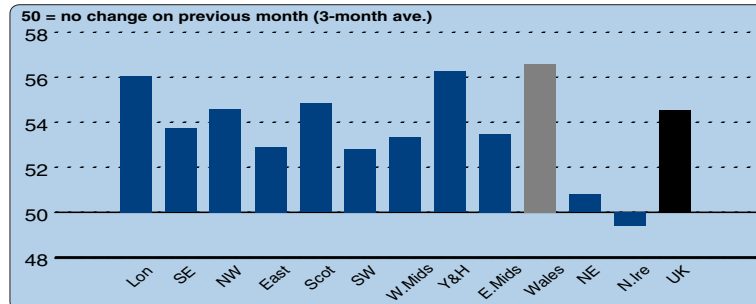


Average charges set by Welsh private sector companies increased in June, and for a ninth month in a row. The latest rate of charge inflation eased, however, and was only marginal. Around 6% of panellists raised their charges, while the majority of companies reported unchanged output prices. A decline in factory gate prices at manufacturing companies was offset by a rise in charges at service providers.



## Regional Comparisons: Output

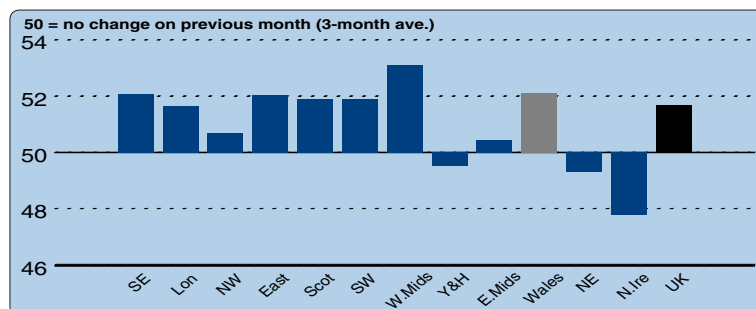
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector activity. Wales and Yorkshire & Humber registered the fastest rates of output expansion.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.1	56.1	58.3
South East	(14.7%)	51.6	53.7	54.8
North West	(9.5%)	51.6	54.6	58.1
East of England	(8.7%)	51.1	52.9	55.0
Scotland	(8.3%)	52.0	54.8	57.0
South West	(7.7%)	50.4	52.8	54.1
West Midlands	(7.3%)	51.5	53.3	56.3
Yorks & Humber	(7.0%)	53.0	56.3	55.5
East Midlands	(6.4%)	51.8	53.5	52.3
Wales	(3.6%)	53.3	56.6	56.7
North East	(3.2%)	49.2	50.8	51.7
N.Ireland	(2.2%)	46.3	49.4	49.8
<b>UK</b>	<b>(100.0%)</b>	<b>51.8</b>	<b>54.5</b>	<b>56.5</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). Higher levels of employment were recorded in the majority of UK regions on average during the three months to June. The West Midlands posted the fastest rise in workforce numbers, while Northern Ireland saw 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%)	51.2	52.1	53.3
London	(12.3%)	50.1	51.7	53.9
North West	(10.9%)	49.3	50.7	53.2
East of England	(9.6%)	50.8	52.0	53.8
Scotland	(8.7%)	50.9	51.9	52.5
South West	(8.6%)	50.0	51.9	53.7
West Midlands	(8.6%)	51.8	53.1	54.0
Yorks & Humber	(8.2%)	50.0	49.5	51.7
East Midlands	(7.3%)	52.0	50.5	50.1
Wales	(4.6%)	50.5	52.1	52.6
North East	(3.9%)	49.0	49.3	49.2
N.Ireland	(2.7%)	47.8	47.8	47.9
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>51.7</b>	<b>53.0</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.