



Lloyds TSB Wales PMI®

Lloyds TSB Commercial

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Our team of well established and experienced relationship managers provide locally-based support to a wide range of businesses, discussing new strategies and ideas as well helping them to access other sources of guidance.

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 July 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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12th August 2013

Activity increases at fastest pace since September 2009

Key findings:

- Solid rises in output and new orders
- Employment levels increase at sharpest rate since July 2006
- Rate of cost inflation broadly unchanged from June

The latest survey data pointed to further increases in output and new orders at Welsh private sector companies. Workforce numbers also increased, and the rate of job creation was the fastest in seven years. Concurrently, input costs rose at a broadly unchanged rate from the previous month.

Output and demand

The headline **Lloyds TSB Wales Business Activity Index** – a seasonally adjusted index that measures the combined output of the nation's manufacturing and service sectors – registered at a 46-month high of 57.6 in July, with almost one-in-three respondents reporting increased output levels. The overall rise in activity in the region was centred around the manufacturing sector.

Increased demand from Asian markets and unusual hot weather contributed to the latest rise in incoming new business, according to panellists. The pace of expansion was the second-quickest in the current eight-month sequence of increasing order intakes.

Employment and backlogs

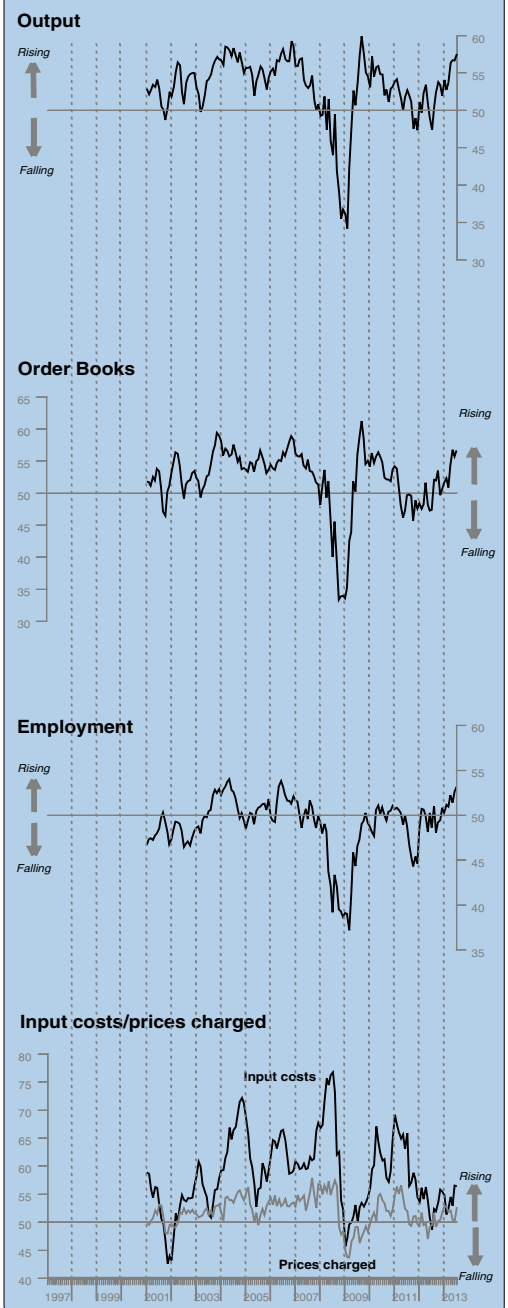
Welsh private sector firms hired additional workers in July with the rate of job creation the highest since July 2006. Survey respondents attributed the rise in payroll numbers to business expansion plans and increased workloads. Sector data suggested that employment levels rose in both the manufacturing and service sectors. Meanwhile, levels of outstanding business declined for the first time in four months during July, with 22% of companies indicating less work-in-hand compared to June.

Input and output prices

Average cost burdens at Welsh private sector firms continued to increase in July, as companies reported higher fuel and food prices. The rate of cost inflation was broadly unchanged from June and remained above the UK average for the third month running.

In response to increased input costs, companies raised their output charges, extending the current sequence of charge inflation to ten survey periods.

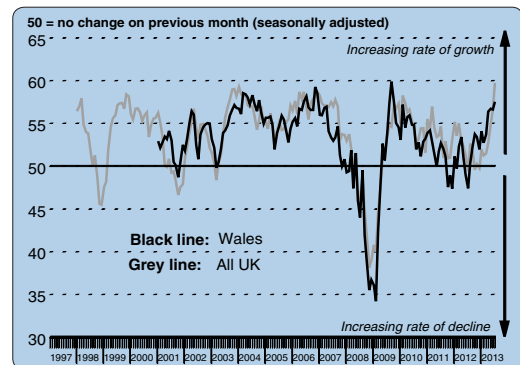
Wales Business Conditions



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	Nov	26.7	50.0	23.3	51.7	53.4	50.3
	Dec	27.3	48.5	24.2	51.5	52.0	49.8
2013	Jan	24.1	46.6	29.3	47.4	54.1	52.0
	Feb	31.0	43.1	25.9	52.6	52.8	51.3
	Mar	38.1	41.3	20.6	58.7	53.7	51.5
	Apr	51.6	35.5	12.9	69.4	56.4	52.7
	May	33.3	56.1	10.6	61.4	56.7	54.9
	Jun	27.0	55.6	17.5	54.8	56.7	56.6
	Jul	32.8	51.6	15.6	58.6	57.6	59.8

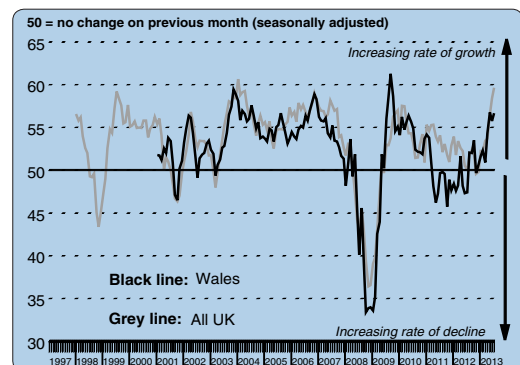


Output levels in Wales' private sector rose further in July, extending the current sequence of activity growth to 12 months. The pace of expansion accelerated to the quickest since September 2009, and was driven by a sharp increase in production at manufacturers. A combination of increased export business and better than usual good weather resulted in the latest rise in output, according to survey respondents.

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	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	52.3
	Feb	29.3	51.7	19.0	55.2	52.3	52.3
	Mar	31.7	39.7	28.6	51.6	50.9	53.5
	Apr	45.2	45.2	9.7	67.7	54.3	53.7
	May	35.4	52.3	12.3	61.5	56.8	56.6
	Jun	30.6	45.2	24.2	53.2	55.8	58.4
	Jul	36.5	47.6	15.9	60.3	56.7	59.7

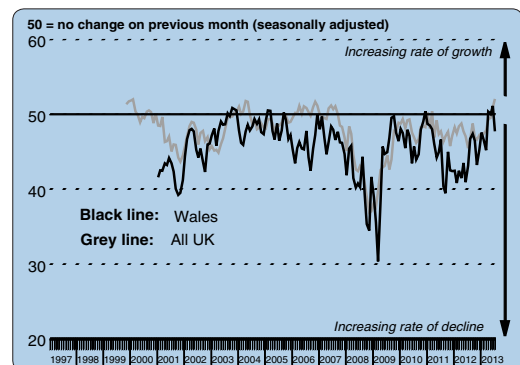


Welsh private sector firms reported an increase in order intakes in July, highlighted by the seasonally adjusted New Orders Index registering above the 50.0 no-change threshold. Volumes of incoming new business have now increased for eight months in succession, and at the second-fastest pace in that sequence. Panellists often attributed growth of new work to higher demand from Asian markets and better than usual UK weather. The latest rise in new orders was sharp, although 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	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
	Jun	28.6	51.8	19.6	54.5	51.2	51.0
	Jul	15.5	62.1	22.4	46.6	47.8	52.1

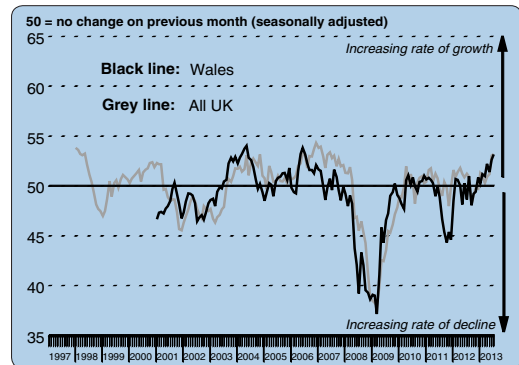


The seasonally adjusted Business Outstanding Index posted below the neutral 50.0 threshold in July, providing evidence of spare capacity in the Welsh private sector. Work-in-hand decreased for the first time in four months, with 22% of panel members indicating lower levels of outstanding business. Sector data suggested that backlogs were depleted in both the manufacturing and service sectors.

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	Nov	6.7	81.7	11.7	47.5	49.5	49.8
	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	51.3
	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	50.9
	May	12.1	80.3	7.6	52.3	51.4	51.2
	Jun	17.5	76.2	6.3	55.6	52.6	53.1
	Jul	21.9	71.9	6.3	57.8	53.2	53.2

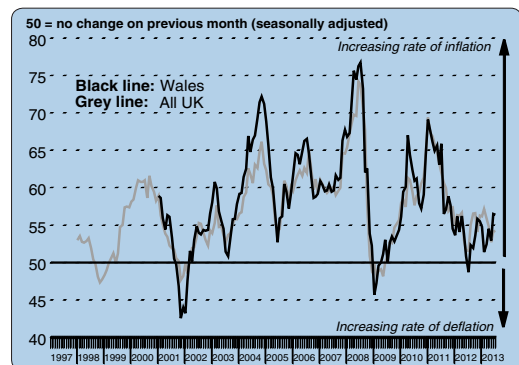


Employment levels in the Welsh private sector rose further in July, with 22% of companies hiring additional workers. Payroll numbers increased for an eighth consecutive month and the rate job creation accelerated to the quickest in seven years. The latest rise in headcounts in the region was in line with the overall UK average. According to anecdotal evidence, companies employed additional workers in response to increased workloads and business expansion plans.

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	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	57.2
	Mar	19.0	73.0	7.9	55.6	52.5	55.9
	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
	Jun	17.5	81.0	1.6	57.9	56.5	54.2
	Jul	18.8	76.6	4.7	57.0	56.4	54.3

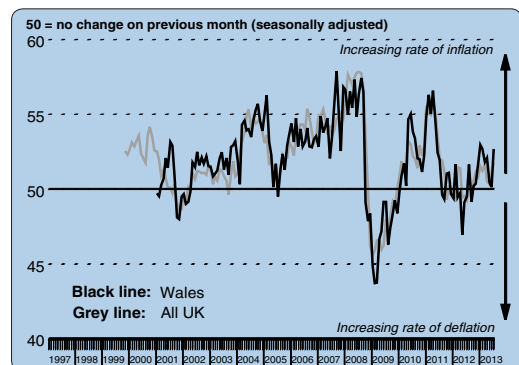


Inflationary pressures persisted in July, highlighted by the seasonally adjusted Input Prices Index posting above the no-change mark of 50.0. The rate of cost inflation was broadly unchanged from the previous survey period and remained above the UK average, with around 19% of Welsh companies reporting higher cost burdens. Increases in fuel and food prices were the main reasons for the latest cost rise, according to panellists.

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	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
	Jun	6.3	88.9	4.8	50.8	50.2	51.1
	Jul	7.8	90.6	1.6	53.1	52.7	51.8

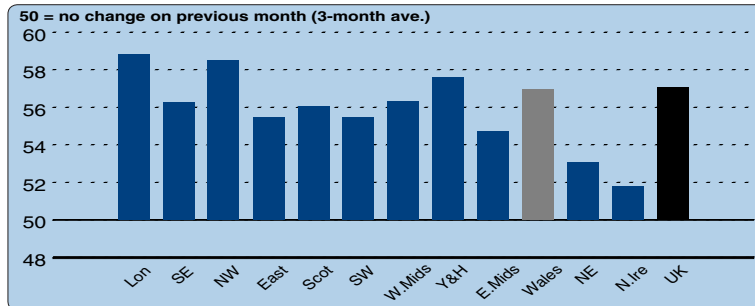


In response to increased input costs, Welsh private sector firms raised their output prices in July. The rate of charge inflation picked up from June and was the highest in five survey periods. Around 8% of survey respondents indicated a rise in selling prices, while only 2% reported a decline. Price discounting in the manufacturing sector was offset by increased charges at service providers.



Regional Comparisons: Output

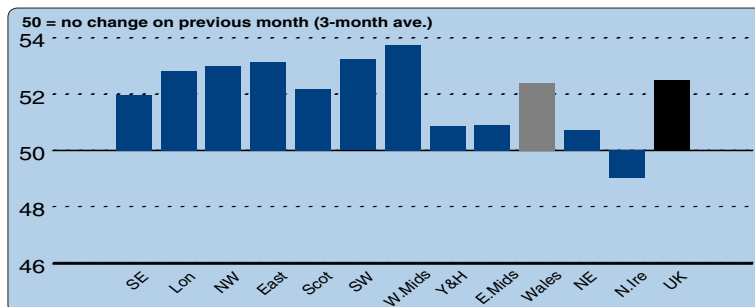
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London posted the fastest rise in output levels, followed closely by the North West.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.8	58.8	61.8
South East	(14.7%)	52.6	56.3	59.5
North West	(9.5%)	52.9	58.5	62.3
East of England	(8.7%)	52.3	55.4	59.1
Scotland	(8.3%)	52.4	56.0	56.7
South West	(7.7%)	51.2	55.4	58.9
West Midlands	(7.3%)	52.2	56.3	58.8
Yorks & Humber	(7.0%)	53.9	57.6	59.8
East Midlands	(6.4%)	52.1	54.7	57.3
Wales	(3.6%)	54.2	57.0	57.6
North East	(3.2%)	50.1	53.1	56.4
N.Ireland	(2.2%)	47.0	51.8	56.1
UK	(100.0%)	52.7	57.1	59.8

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 11 of the 12 UK regions on average during the three months to July, with Northern Ireland the exception. Companies in the West Midlands posted the strongest pace of job creation, followed by those operating in the South West.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.4	52.0	52.3
London	(12.3%)	50.3	52.8	53.4
North West	(10.9%)	49.9	53.0	55.4
East of England	(9.6%)	51.0	53.1	53.7
Scotland	(8.7%)	51.0	52.2	52.1
South West	(8.6%)	50.3	53.2	54.1
West Midlands	(8.6%)	51.9	53.8	54.9
Yorks & Humber	(8.2%)	50.2	50.9	51.3
East Midlands	(7.3%)	51.8	50.9	52.7
Wales	(4.6%)	50.9	52.4	53.2
North East	(3.9%)	49.4	50.7	53.4
N.Ireland	(2.7%)	48.1	49.0	51.0
UK	(100.0%)	50.7	52.5	53.2

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.