

# Lloyds Bank Commercial Banking South West PMI®

## Lloyds Bank Commercial Banking

Lloyds Bank Commercial Banking provides comprehensive expert financial services to businesses of all sizes, from start-ups, through to small businesses, mid-sized businesses and multinational corporations. These corporate clients range from privately-owned firms to FTSE 100 PLCs, multinational corporations and financial institutions.

Maintaining a network of relationship teams across the UK, as well as internationally, Lloyds Bank Commercial Banking delivers the mix of local understanding and global expertise necessary to provide long-term support and advice to its clients.

Lloyds Bank Commercial Banking offers a broad range of finance beyond just term lending and this spans import and export trade finance, structured and asset finance, securitisation facilities and capital market funding. Its product specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

**The Lloyds Bank Commercial Banking South West PMI® (Purchasing Managers' Index®)** is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in August 2013 from a representative panel of companies based in the South West and operating in both manufacturing and service sectors.

The South West survey forms part of a series of ten regional surveys published by Lloyds Bank Commercial Banking and is derived from the highly regarded national PMI surveys produced by Markit.

For further information, please contact:

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9th September 2013

## Business activity growth at survey record high

### Key findings:

- Sharp rise in private sector output
- Order book volumes expand at quickest rate since May 2004
- Further expansion of payroll numbers

Business activity in the South West private sector increased at the strongest rate in the series history during August. The sharp rise in activity was supported by a further expansion of new orders, which increased at the fastest rate since May 2004. New order growth led to a marked accumulation of work-in-hand, while employment levels increased for the fifth month in a row.

### Output and demand

The headline **Lloyds Bank Commercial Banking South West Business Activity Index** – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 61.9 in August, up from 58.9 in July, signalling the strongest expansion of business activity since the series began in January 1997. Growth was largely centred on the region's manufacturing sector. Business activity also increased across the UK private sector economy as a whole during August, though at a slightly weaker pace than that recorded in the South West.

New order volumes increased for the fifth month in a row. The rate of growth was the strongest since May 2004. However, new business rose at a slower rate than across the UK private sector economy as a whole.

### Employment and backlogs

Employment at South West private sector firms increased for the fifth successive month. The rate of job creation was marked, despite easing to a three-month low. Furthermore, it was quicker than the UK-wide trend, which saw only a marginal expansion of payroll numbers.

Backlogs of work increased at South West private sector firms for the second consecutive month in August. Moreover, it was the fastest accumulation of work-in-hand since April 2006.

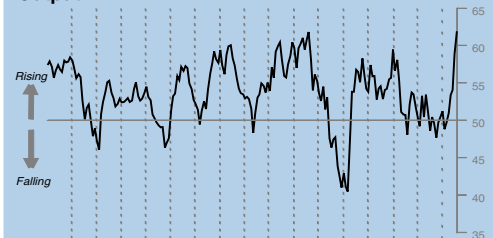
### Input and output prices

August data signalled a further increase in total input costs faced by South West private sector companies. Although the rate of inflation was solid, it was weaker than the historical average.

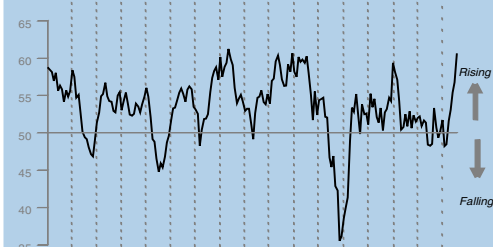
Output charges were broadly unchanged in the South West private sector in August, ending a three-month sequence of inflation.

## South West Business Conditions

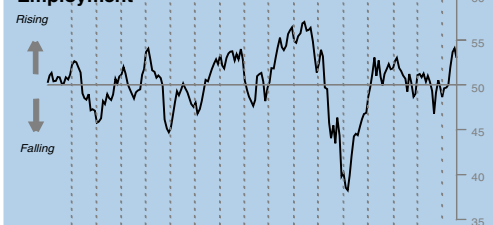
### Output



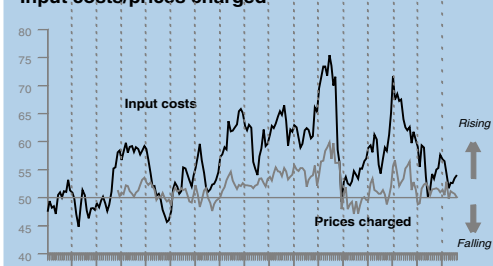
### Order Books



### Employment



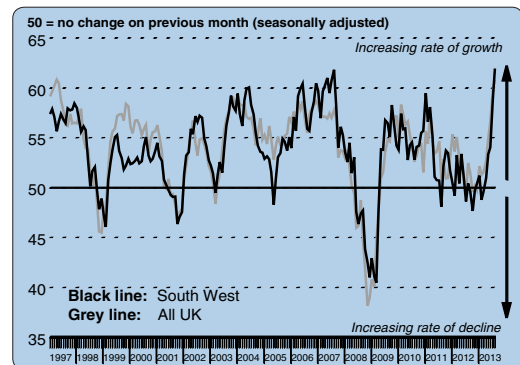
### Input costs/prices charged



## 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	29.6	48.0	22.4	53.6	50.4	49.7
2013	Jan	18.4	57.1	24.5	46.9	51.2	52.2
	Feb	19.2	57.6	23.2	48.0	48.8	51.3
	Mar	25.5	58.5	16.0	54.8	49.7	51.6
	Apr	33.0	47.9	19.1	56.9	51.0	52.7
	May	23.7	64.5	11.8	55.9	53.4	54.9
	Jun	27.7	54.3	18.1	54.8	54.1	56.7
	Jul	35.4	46.5	18.2	58.6	58.9	59.8
	Aug	40.2	42.4	17.4	61.4	61.9	60.8

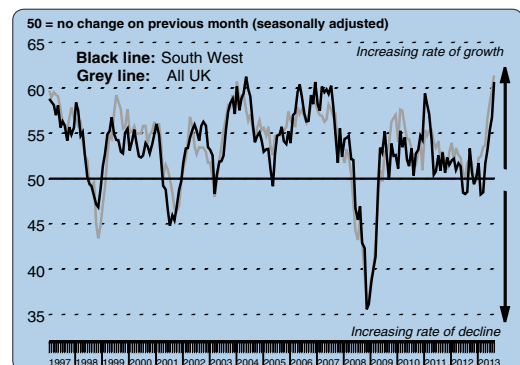


Business activity at South West private sector firms increased for the fifth consecutive month in August. The rate of expansion accelerated to the sharpest in the series history, with more than 40% of panellists noting increased output. Furthermore, the rate of growth was stronger than the UK private sector average. Growth was largely centred on manufacturers in the region, with a number of firms attributing the rise to increased order book volumes.

## 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	21.9	52.1	26.0	47.9	50.2	49.8
2013	Jan	23.2	50.5	26.3	48.4	51.7	52.3
	Feb	23.5	49.0	27.6	48.0	48.3	52.4
	Mar	28.0	47.3	24.7	51.6	48.5	53.5
	Apr	34.8	42.4	22.8	56.0	51.6	53.7
	May	27.5	56.0	16.5	55.5	53.1	56.6
	Jun	38.5	39.6	22.0	58.2	55.4	58.5
	Jul	37.5	44.8	17.7	59.9	56.8	59.7
	Aug	32.2	48.9	18.9	56.7	60.7	61.4

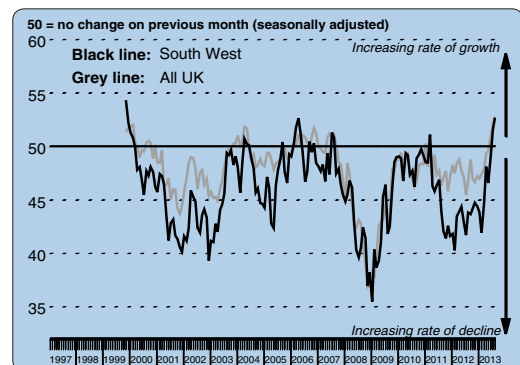


As was the case with output, new orders at South West private sector companies increased for the fifth successive month during August. Moreover, it was the strongest expansion of new order books since May 2004. More than 32% of surveyed firms reported a higher intake of new work (while 19% noted a reduction), with a number of firms linking this to strengthened client demand. New business also increased sharply across the UK private sector economy as a whole, and at a slightly faster rate than that recorded in the South West.

## Business Outstanding

Q. Is the level of business outstanding at your company higher, the same or lower this month than one month ago?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	6.6	68.1	25.3	40.7	44.4	47.3
2013	Jan	9.6	66.0	24.5	42.6	43.9	47.0
	Feb	8.5	68.1	23.4	42.6	42.0	47.4
	Mar	13.3	66.7	20.0	46.7	44.7	47.9
	Apr	19.5	60.9	19.5	50.0	48.1	49.4
	May	16.1	64.4	19.5	48.3	46.6	49.6
	Jun	16.9	68.5	14.6	51.1	49.1	51.0
	Jul	23.4	62.8	13.8	54.8	51.6	52.1
	Aug	21.8	60.9	17.2	52.3	52.7	52.8

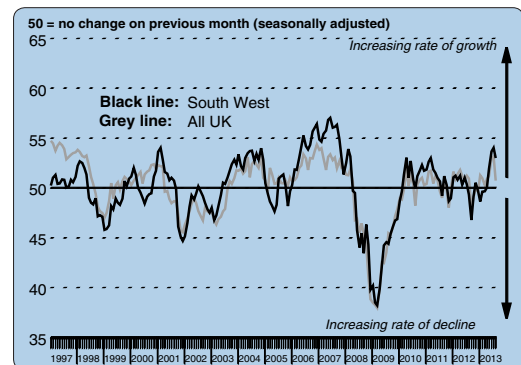


Volumes of outstanding business at South West private sector firms increased for the second month in a row in August. The rate of accumulation accelerated to the quickest since April 2006. According to sector data, manufacturers in the region drove the overall increase of work-in-hand, with a number of firms citing higher new order volumes. The UK private sector as a whole showed a similar trend, with backlogs of work rising at a marked rate over the month.

## Employment

Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.3	75.3	14.4	47.9	49.7	49.7
2013	Jan	10.4	69.8	19.8	45.3	48.6	51.3
	Feb	13.3	75.5	11.2	51.0	49.6	51.0
	Mar	14.0	77.4	8.6	52.7	49.7	50.3
	Apr	12.9	77.4	9.7	51.6	50.1	50.9
	May	18.5	75.0	6.5	56.0	52.0	51.2
	Jun	26.9	64.5	8.6	59.1	53.7	53.0
	Jul	18.4	74.5	7.1	55.6	54.1	53.2
	Aug	15.4	79.1	5.5	54.9	53.0	50.8

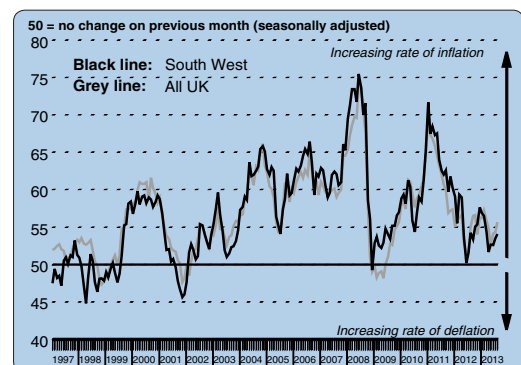


Staffing levels in the South West private sector increased for the fifth consecutive month in August. The rate of job creation was marked, despite easing to a three-month low, with more than 15% of panellists noting an expansion of payroll numbers. Data suggested that workforce numbers increased most notably in the manufacturing sector. Meanwhile, the UK private sector as a whole registered only a marginal rate of job creation in August.

## Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	16.7	78.1	5.2	55.7	57.6	56.3
2013	Jan	19.4	76.5	4.1	57.7	56.9	56.2
	Feb	20.4	74.5	5.1	57.7	56.5	57.2
	Mar	18.1	75.5	6.4	55.9	54.4	55.9
	Apr	12.9	79.6	7.5	52.7	51.7	54.9
	May	13.0	82.6	4.3	54.3	52.7	52.7
	Jun	10.6	84.0	5.3	52.7	52.6	54.2
	Jul	8.2	87.8	4.1	52.0	53.5	54.3
	Aug	10.9	87.0	2.2	54.3	54.1	55.7

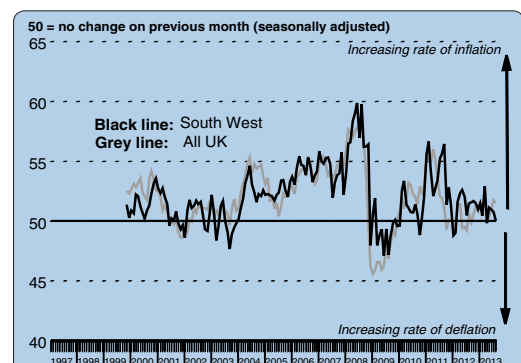


August data signalled a further rise in total input costs faced by South West private sector firms. Furthermore, the rate of input price inflation accelerated to a solid pace that was the quickest in five months. That said, inflation in the South West was weaker than that recorded for the UK private sector economy as a whole. Sector data indicated that input prices rose in both monitored sectors in the South West, but at a faster rate at service providers.

## 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?

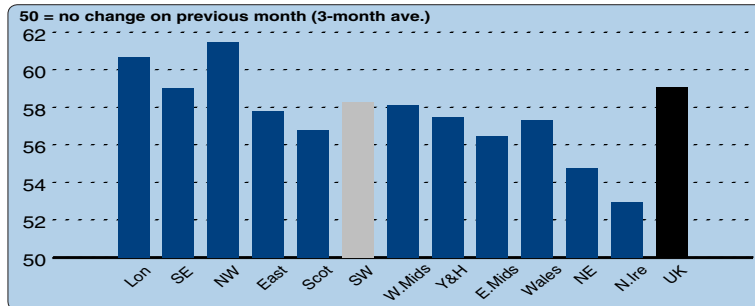
		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	5.2	88.7	6.2	49.5	51.0	50.8
2013	Jan	12.2	83.7	4.1	54.1	51.5	51.5
	Feb	8.2	84.7	7.1	50.5	50.4	51.3
	Mar	13.8	80.9	5.3	54.3	52.9	51.7
	Apr	9.8	84.8	5.4	52.2	49.8	50.5
	May	8.6	88.2	3.2	52.7	51.2	50.4
	Jun	8.5	83.0	8.5	50.0	51.0	51.1
	Jul	6.1	87.9	6.1	50.0	50.8	51.8
	Aug	5.4	90.2	4.3	50.5	50.1	51.6



Output prices set by South West private sector companies were broadly unchanged in August, following three months of output charge inflation. Moreover, the vast majority of panel members (more than 90%) signalled no change to their tariffs. In contrast, output prices rose modestly across the UK private sector economy as a whole.

## Regional Comparisons: Output

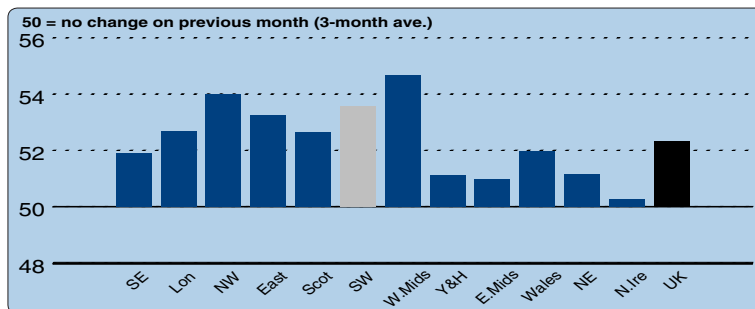
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North West, closely followed by London.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	54.3	60.7	61.9
South East	(14.7%)	53.5	59.0	62.7
North West	(9.5%)	53.9	61.5	64.0
East of England	(8.7%)	52.9	57.8	59.4
Scotland	(8.3%)	53.1	57.3	58.3
South West	(7.7%)	52.2	58.3	61.9
West Midlands	(7.3%)	52.6	58.1	59.2
Yorks & Humber	(7.0%)	54.1	57.5	57.3
East Midlands	(6.4%)	52.8	56.4	59.6
Wales	(3.6%)	54.8	57.3	57.7
North East	(3.2%)	50.8	54.8	56.3
N.Ireland	(2.2%)	48.3	54.8	58.4
UK	(100.0%)	53.4	59.1	60.8

## 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). Increased staffing levels were recorded in all nine English regions and Wales during the three months to August. The West Midlands posted the fastest rate of job creation, followed by the North West.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.2	51.9	50.1
London	(12.3%)	50.2	52.7	50.8
North West	(10.9%)	50.2	54.0	53.4
East of England	(9.6%)	51.2	53.3	52.4
Scotland	(8.7%)	51.2	52.7	53.4
South West	(8.6%)	50.6	53.6	53.0
West Midlands	(8.6%)	52.1	54.7	55.1
Yorks & Humber	(8.2%)	50.2	51.1	50.3
East Midlands	(7.3%)	51.4	51.0	50.2
Wales	(4.6%)	50.8	52.0	50.1
North East	(3.9%)	49.6	51.2	50.9
N.Ireland	(2.7%)	48.5	50.3	51.8
UK	(100.0%)	50.7	52.3	50.8

## 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 Bank Commercial Banking 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.