

Lloyds Bank Commercial Banking Wales 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 Wales 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 Wales and operating in both manufacturing and service sectors.

The Wales 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:

economics@markit.com

The intellectual property rights to the Wales PMI[®] provided herein is owned by Markit Economics Limited, Lloyds Bank Commercial Banking use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages,

9th September 2013

Output increases at fastest pace in almost four years

Key findings:

- Activity and new orders rise at sharp rates
- Rate of job creation eases markedly
- Output charges rise as input cost inflation accelerates

August data signalled further solid increases in business activity and new orders at Welsh private sector companies. Meanwhile, employment levels continued to increase, although only fractionally and firms raised their selling prices in response to increased input costs.

Output and demand

The headline Lloyds Bank Commercial Banking Wales Business Activity Index – a seasonally adjusted index that measures the combined output of the nation's manufacturing and service sectors – posted 57.7 in August, broadly in line with July's reading of 57.6. Increased new business and the clearance of existing backlogs accounted for most of the latest solid rise in output, according to survey respondents.

In line with the trend for activity, new order volumes rose in August. The rate of expansion was sharp, although down slightly from July's reading and below the overall UK average. Panellists linked growth in new work to stronger demand from Asian markets and an upturn in construction business. Moreover, sector data suggested that the rise in new orders was centred on the manufacturing sector.

Employment and backlogs

Employment levels in the Welsh private sector continued to rise in August. The rate of job creation eased significantly and was only marginal. Meanwhile, levels of unfinished work fell for the second month in a row. The pace of backlog depletion was the sharpest in five months and contrasted with an accumulation of work outstanding at the overall UK level.

Input and output prices

Following a trend observed throughout most of the survey history, input costs increased during August. The rate of cost inflation accelerated to the quickest in 21 months and was largely driven by higher food and commodity prices.

In response to increased input costs, Welsh private sector companies raised their output charges. The rate of charge inflation picked up and was the sharpest in over two years.

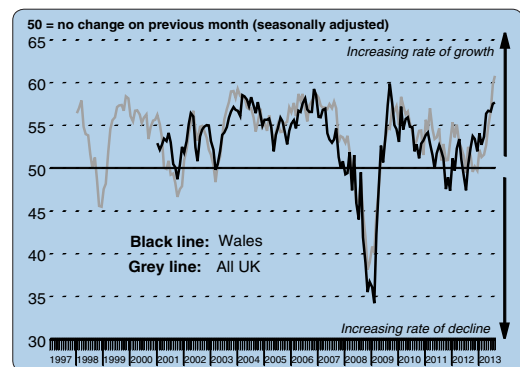
Wales Business Conditions



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	Dec	27.3	48.5	24.2	51.5	52.0	49.7
2013	Jan	24.1	46.6	29.3	47.4	54.1	52.2
	Feb	31.0	43.1	25.9	52.6	52.8	51.3
	Mar	38.1	41.3	20.6	58.7	53.7	51.6
	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	56.7
	Jul	32.8	51.6	15.6	58.6	57.6	59.8
	Aug	36.1	49.2	14.8	60.7	57.7	60.8

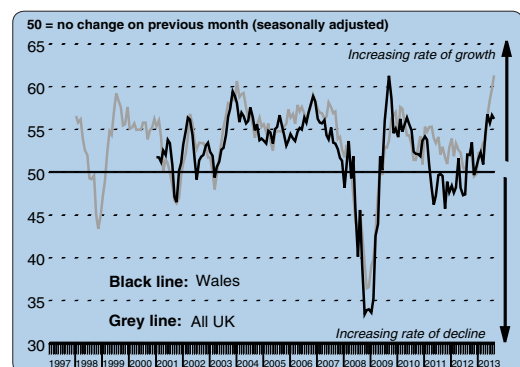


Private sector companies in Wales reported a further sharp increase in business activity in August, extending the current sequence of growth to 13 months. The pace of expansion was the fastest in almost four years, but remained below the overall UK average for the second consecutive month. Panellists linked the rise in activity to increased business and the clearing of existing backlogs. Sector data suggested that the latest expansion in output was centred on the manufacturing sector.

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	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	52.4
	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	58.5
	Jul	36.5	47.6	15.9	60.3	56.7	59.7
	Aug	36.1	44.3	19.7	58.2	56.3	61.4

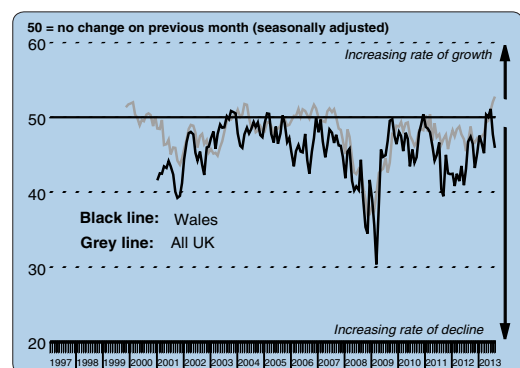


August data signalled an increase in new order volumes at Welsh private sector firms, with 36% of survey respondents reporting growth of new work. Volumes of incoming new business have increased continuously since last December and in August at one of the sharpest rates in that sequence. Anecdotal evidence suggested that higher new orders were driven by stronger demand from Asian markets and the construction sector.

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	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
	Aug	16.7	59.3	24.1	46.3	45.9	52.8

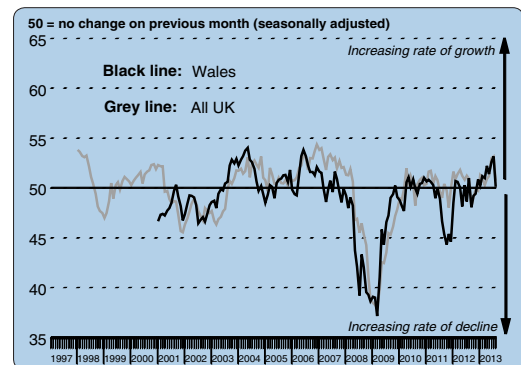


Private sector backlogs in Wales continued to decline in August, providing evidence of ongoing spare capacity in the sector. This was highlighted by the seasonally adjusted Business Outstanding Index posting below the 50.0 no-change mark. Work-in-hand fell for the second month in succession, and at the fastest pace in five months. 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	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	53.0
	Jul	21.9	71.9	6.3	57.8	53.2	53.2
	Aug	21.3	70.5	8.2	56.6	50.1	50.8

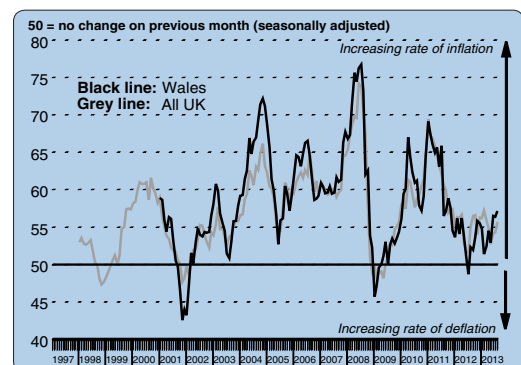


After adjusting for seasonality, employment levels in Wales rose fractionally in August. According to anecdotal evidence, companies hired additional workers to meet stronger demand. However, the rate of job creation eased markedly from July and was the weakest in the current nine-month period of rising payroll numbers. Staffing levels in the UK as a whole also rose at a significantly slower pace than seen in July.

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	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
	Aug	20.0	76.7	3.3	58.3	57.2	55.7

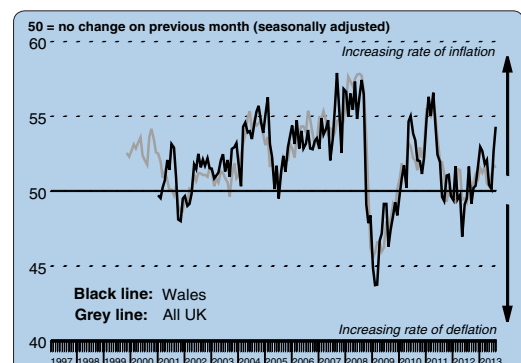


Average cost burdens in Wales continued to increase in August, highlighted by the seasonally adjusted Input Prices Index registering above the neutral 50.0 threshold. Input prices have now risen for 13 straight months and the rate of cost inflation accelerated to a 21-month high. Survey respondents mainly attributed higher input costs to increased food and commodity prices.

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?

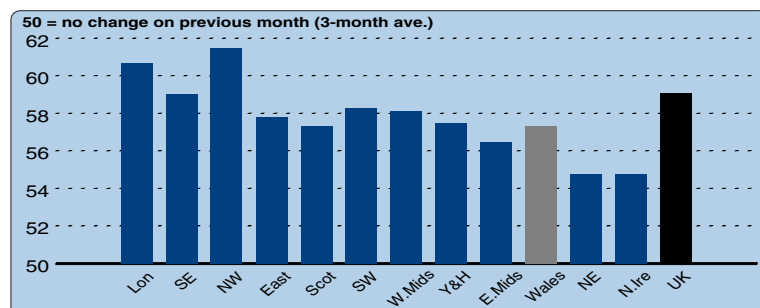
		Wales Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	7.6	90.9	1.5	53.0	51.7	50.8
2013	Jan	19.0	77.6	3.4	57.8	53.0	51.5
	Feb	10.3	86.2	3.4	53.4	52.7	51.3
	Mar	3.2	92.1	4.8	49.2	51.8	51.7
	Apr	11.3	83.9	4.8	53.2	52.1	50.5
	May	4.5	89.4	6.1	49.2	50.5	50.4
	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
	Aug	13.1	83.6	3.3	54.9	54.3	51.6



Welsh private sector companies raised their selling prices further in August, with 13% of companies reporting increased charges. The latest rate of inflation accelerated to the sharpest since May 2011 and was above the overall UK average. Increased input costs accounted for much of the rise in charges, according to panel members. A decline in selling prices at manufacturers was offset by a solid rise at service providers.

Regional Comparisons: Output

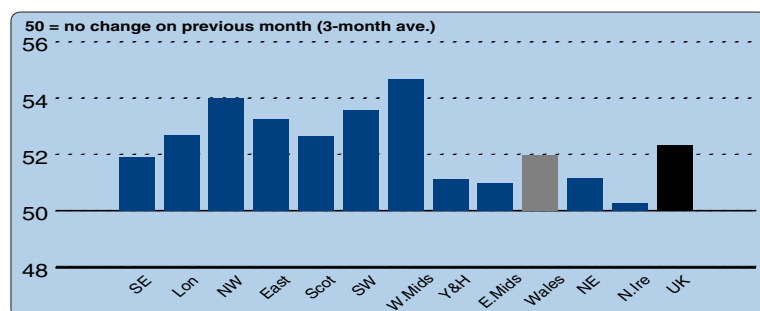
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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

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.

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.