

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

The West Midlands 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

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9th September 2013

New business growth accelerates to survey record in August

Key findings:

- Sharp rise in new business drives activity up at fastest rate in 17 months
- Employment growth in West Midlands fastest of all UK regions
- Input price inflation accelerates to five-month high

The latest Lloyds Bank Commercial Banking West Midlands PMI[®] report showed that the region's private sector economy gathered momentum in August. New business rose at the strongest rate since the start of the survey in January 1997, supporting a faster expansion of activity. Employment growth reached a 19-month high, while backlogs of work increased slightly. Input prices rose at a sharper rate, but output charge inflation remained modest.

Output and demand

Business activity at private sector companies in the West Midlands rose for a fourth successive month in August. Furthermore, the rate of growth quickened to the sharpest since March 2012. This was highlighted by the seasonally adjusted Lloyds Bank Commercial Banking West Midlands Business Activity Index – which measures the combined output of the region's manufacturing and service sectors – posting 59.2, up from 58.8 in July. Output growth remained faster in the service sector than in manufacturing.

Underpinning the rise in activity was a further increase in the level of new business received by West Midlands private sector companies. New work was up for the tenth consecutive month, with the rate of expansion accelerating to a survey-record high. Anecdotal evidence highlighted improved demand conditions and stronger confidence among clients as key factors supporting new business growth.

Employment and backlogs

West Midlands private sector firms stepped up hiring in August. The pace of jobs growth was solid and the fastest since January 2012. Service providers added to staffing levels at a faster rate than manufacturers.

Backlogs of work in the West Midlands private sector rose for the first time in 16 months during August, albeit marginally.

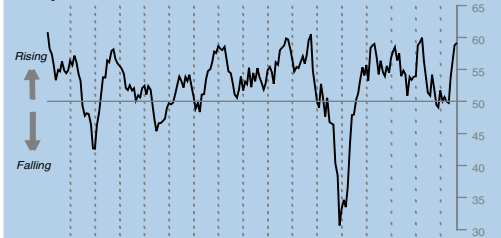
Input and output prices

The rate of input price inflation in the West Midlands private sector accelerated to a five-month high in August. Increased prices for fuel and raw materials were reported by panellists.

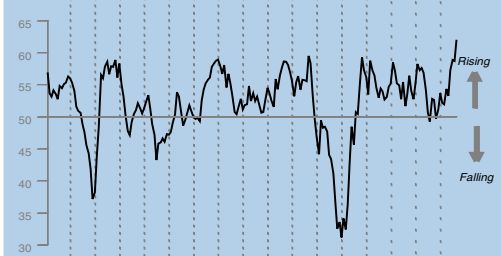
Output prices rose for the third month in succession, but the latest increase was again modest. Discounting in the manufacturing sector partly offset rising charges in services.

West Midlands Business Conditions

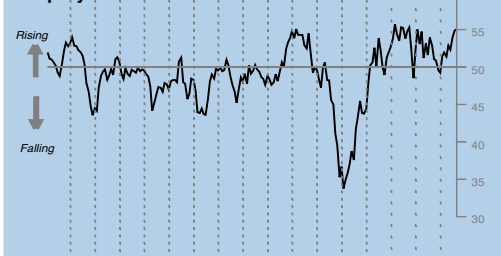
Output



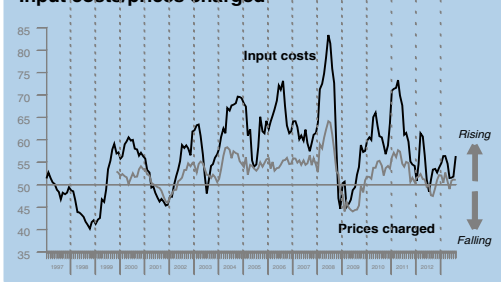
Order Books



Employment



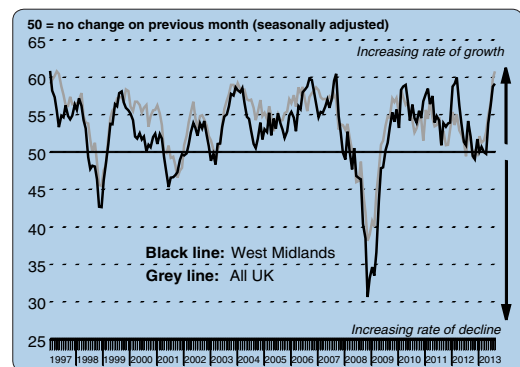
Input costs/prices charged



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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	29.0	47.7	23.4	52.8	51.8	49.7
2013	Jan	21.1	47.4	31.6	44.7	50.1	52.2
	Feb	28.7	53.9	17.4	55.7	50.7	51.3
	Mar	29.9	51.3	18.8	55.6	50.0	51.6
	Apr	27.7	52.7	19.6	54.0	49.8	52.7
	May	27.3	57.3	15.5	55.9	53.9	54.9
	Jun	34.9	53.2	11.9	61.5	56.3	56.7
	Jul	32.7	46.9	20.4	56.1	58.8	59.8
	Aug	29.9	50.5	19.6	55.1	59.2	60.8

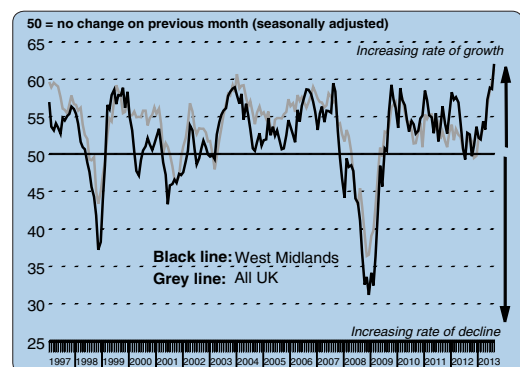


Business activity in the West Midlands private sector increased for a fourth consecutive month in August. Climbing to 17-month high of 59.2, from 58.8 in July, the seasonally adjusted Business Activity Index signalled a strong rate of expansion. That said, the region saw a slower rise in output than the UK average. Service providers continued to report faster growth of activity than manufacturers.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	28.6	45.7	25.7	51.4	53.7	49.8
2013	Jan	25.4	45.6	28.9	48.2	52.2	52.3
	Feb	29.2	49.6	21.2	54.0	52.0	52.4
	Mar	32.8	50.9	16.4	58.2	54.4	53.5
	Apr	31.8	47.3	20.9	55.5	53.3	53.7
	May	34.3	47.2	18.5	57.9	57.3	56.6
	Jun	37.6	48.6	13.8	61.9	58.9	58.5
	Jul	34.7	42.9	22.4	56.1	58.7	59.7
	Aug	39.6	41.5	18.9	60.4	62.1	61.4

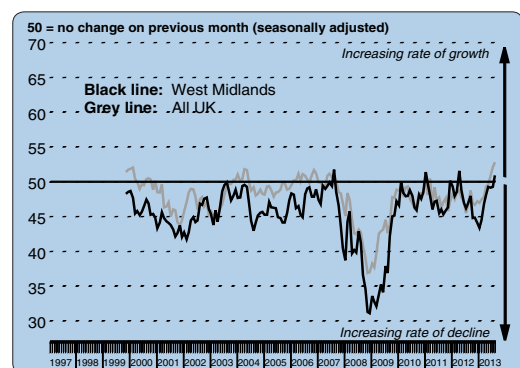


The level of new business placed with West Midlands private sector companies rose further in August, extending the current period of growth to ten months. Moreover, the latest rise was the sharpest recorded in the survey history, as signalled by the seasonally adjusted Incoming New Business Index jumping to 62.1, from 58.7 in July. Panellists cited stronger demand conditions and improved client confidence as the principal factors driving new business higher.

Business Outstanding

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	13.9	57.4	28.7	42.6	44.1	47.3
2013	Jan	14.0	57.9	28.0	43.0	43.4	47.0
	Feb	16.4	61.8	21.8	47.3	44.5	47.4
	Mar	21.1	60.6	18.3	51.4	46.9	47.9
	Apr	15.2	69.5	15.2	50.0	48.2	49.4
	May	12.4	76.2	11.4	50.5	49.3	49.6
	Jun	17.0	67.9	15.1	50.9	49.2	51.0
	Jul	14.7	68.4	16.8	48.9	49.3	52.1
	Aug	16.3	72.1	11.5	52.4	50.9	52.8

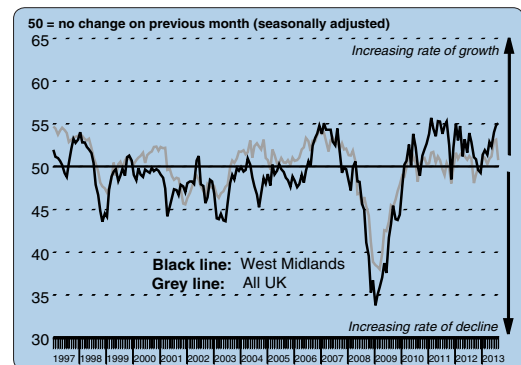


Rising above the 50.0 no-change threshold for the first time in 16 months, the seasonally adjusted Business Outstanding Index pointed to a rise in backlogs of work at West Midlands private sector firms during August. At 50.9, up from 49.3 in July, the index signalled a marginal rate of growth that was weaker than the UK average. Higher levels of unfinished work at service providers offset depletion of backlogs at manufacturers.

Employment

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

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.3	76.6	13.1	48.6	49.3	49.7
2013	Jan	13.3	72.6	14.2	49.6	51.4	51.3
	Feb	15.2	74.1	10.7	52.2	52.0	51.0
	Mar	19.5	69.0	11.5	54.0	51.4	50.3
	Apr	20.9	66.4	12.7	54.1	52.9	50.9
	May	18.5	67.6	13.9	52.3	52.4	51.2
	Jun	24.8	66.1	9.2	57.8	54.0	53.0
	Jul	21.4	72.4	6.1	57.7	54.9	53.2
	Aug	21.5	71.0	7.5	57.0	55.1	50.8

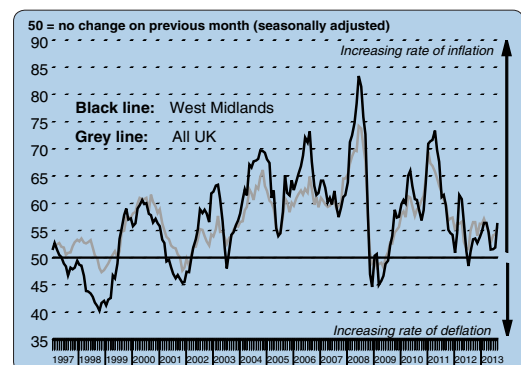


Reflective of strong trends in activity and new business, West Midlands private sector firms recruited additional staff during August. Employment rose at a solid pace that was the sharpest since January 2012. This was indicated by the seasonally adjusted Employment Index registering 55.1, up slightly from 54.9 in the previous month. Service providers added to payrolls at a faster pace than manufacturers.

Input Prices / Costs

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

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.3	80.4	9.3	50.5	53.8	56.3
2013	Jan	17.4	76.5	6.1	55.7	54.9	56.2
	Feb	29.6	64.3	6.1	61.7	56.4	57.2
	Mar	27.6	69.0	3.4	62.1	56.5	55.9
	Apr	22.3	70.5	7.1	57.6	54.7	54.9
	May	10.9	78.2	10.9	50.0	51.5	52.7
	Jun	12.7	78.2	9.1	51.8	51.6	54.2
	Jul	13.1	73.7	13.1	50.0	51.9	54.3
	Aug	13.9	83.3	2.8	55.6	56.4	55.7

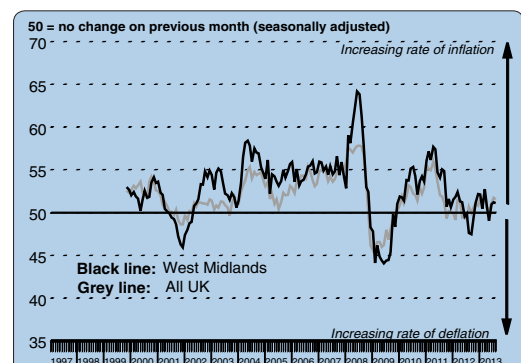


Input price inflation in the West Midlands private sector jumped to a five-month high in August. At 56.4, up from 51.9 in July, the seasonally adjusted Input Prices Index signalled that cost inflation in the region was above the UK average. Around 14% of panellists noted an increase in costs during the latest survey period, which they attributed to higher prices for fuel and raw materials.

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?

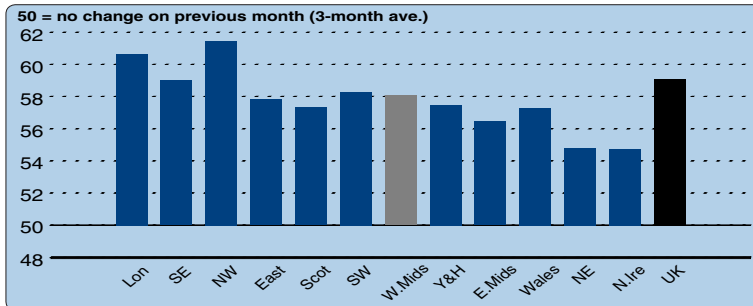
		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	6.5	88.8	4.7	50.9	52.2	50.8
2013	Jan	13.0	80.9	6.1	53.5	52.1	51.5
	Feb	10.3	85.3	4.3	53.0	50.5	51.3
	Mar	11.1	86.3	2.6	54.3	52.8	51.7
	Apr	9.9	82.9	7.2	51.4	50.7	50.5
	May	6.4	84.5	9.1	48.6	49.1	50.4
	Jun	7.3	87.3	5.5	50.9	51.0	51.1
	Jul	8.1	84.8	7.1	50.5	51.2	51.8
	Aug	6.5	88.8	4.7	50.9	51.1	51.6



August data pointed to a rise in output prices at private sector firms in the West Midlands for the third month running. That said, the rate of inflation remained modest, as signalled by the seasonally adjusted Output Prices Index posting 51.1, little-changed from 51.2 in July. Whereas service providers raised their charges at a solid pace, manufacturers signalled a further moderate reduction.

Regional Comparisons: Output

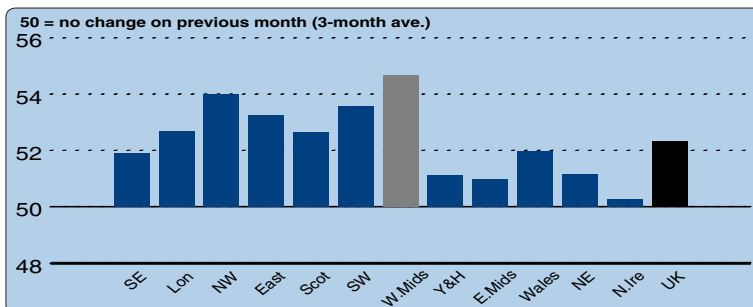
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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