



# 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.

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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 September 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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14th October 2013

## Further sharp expansion of business activity in September

### Key findings:

- Output and new orders both continue to expand at near-record rates
- Solid increase in employment
- Input price inflation remains relatively weak

Latest data signalled a further sharp increase of business activity at South West private sector firms. New orders also continued to rise sharply over the month, amid reports of stronger client demand. Consequently, backlogs of work rose for the third month in a row, and staffing levels increased solidly.

### 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 60.5 in September, down from August's survey high of 61.9, signalling a further sharp expansion of business activity. Sector data indicated sharp increases in both manufacturing output and services activity. Business activity also increased across the UK private sector economy as a whole, and at an identical pace to that recorded in the South West.

Total new business rose for the sixth successive month in September. Furthermore, the rate of new order growth was only marginally weaker than August's nine-year high. New work also increased sharply across the UK private sector economy as a whole.

### Employment and backlogs

Staffing levels at South West private sector firms increased for the sixth month in a row during September. Furthermore, the rate of job creation accelerated to a solid pace that was the second-strongest since February 2008.

The volume of outstanding business in the South West private sector rose for the third month running in September. Furthermore, the rate of backlog accumulation was only slightly weaker than August's seven-year high.

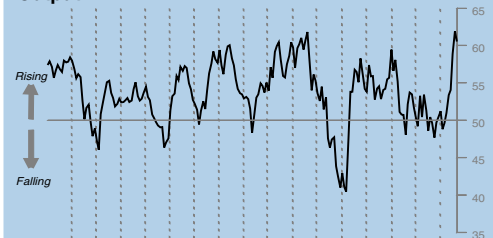
### Input and output prices

Average input costs faced by South West private sector companies increased again during September. That said, the rate of inflation remained historically weak.

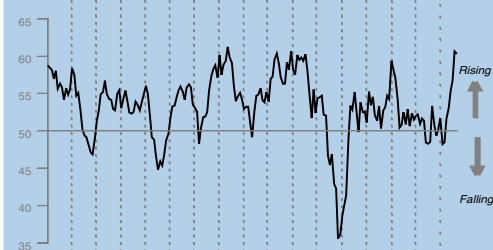
Average tariffs set by private sector firms in the South West increased for the fifth month in a row in September. Furthermore, the rate of increase was the quickest in the current sequence.

## South West Business Conditions

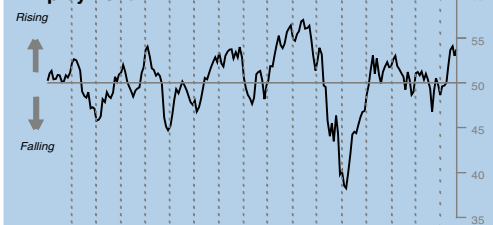
### Output



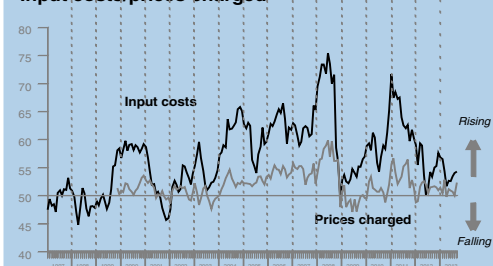
### Order Books



### Employment



### Input costs/prices charged

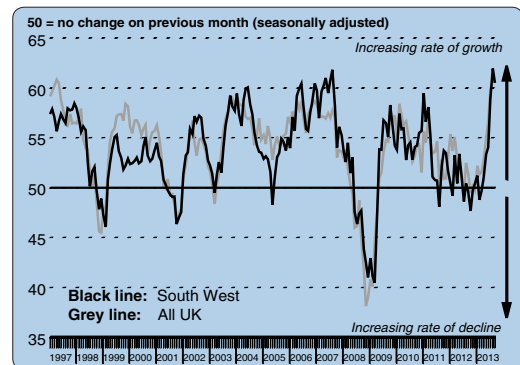




## Output / Business Activity

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
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	51.4
	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
	Sep	32.6	59.8	7.6	62.5	60.5	60.5

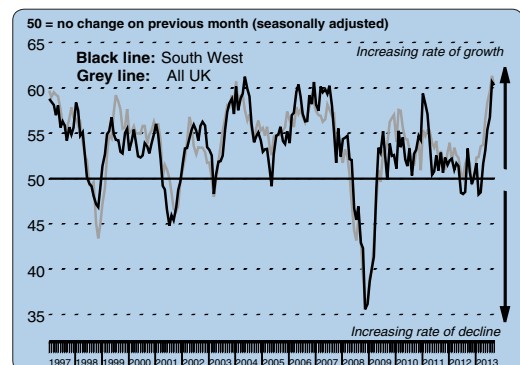


South West private sector firms signalled a further expansion of business activity in September, extending the current sequence to six months. Despite weakening since August's survey-record high, the rate of growth was still one of the sharpest in 16 years of data collection, and in line with the UK private sector economy average. Sector data indicated that activity levels rose sharply across the manufacturing and service sectors in the region during September. Anecdotal evidence largely attributed growth to greater client demand.

## 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
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	58.4
	Jul	37.5	44.8	17.7	59.9	56.8	59.7
	Aug	32.2	48.9	18.9	56.7	60.7	61.3
	Sep	30.0	57.8	12.2	58.9	60.3	60.4

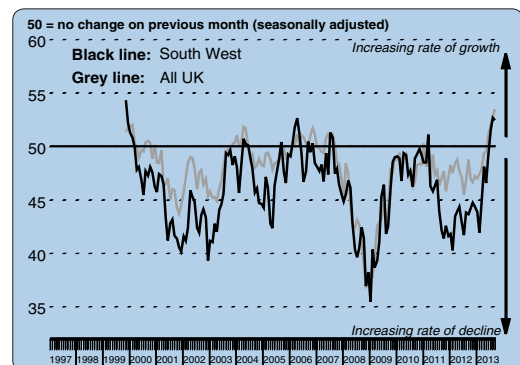


New business at South West private sector companies increased for the sixth successive month in September. After adjusting for seasonal factors, the rate of new order growth fell slightly from August's nine-year high, but nonetheless signalled a sharp expansion of total new orders. New work in the UK private sector economy as a whole rose at a similar pace to that recorded in the South West. New business increased at both manufacturers and service providers in the region, with goods producers registering the stronger increase.

## 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
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
	Sep	15.9	70.5	13.6	51.1	52.5	53.5



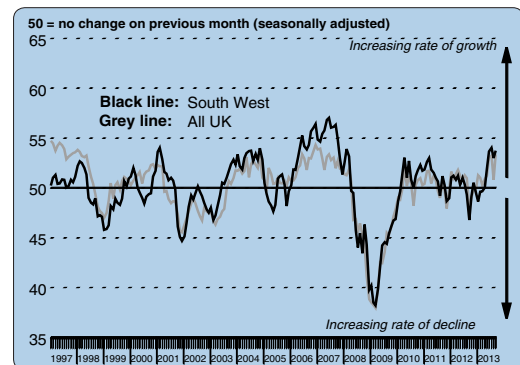
The seasonally adjusted Business Outstanding Index signalled a further accumulation of work-in-hand at private sector firms in the South West during September. The level of work-in-hand (but not yet completed) has now increased for three consecutive months. Furthermore, the rate of backlog accumulation was little-changed from August's 88-month high and solid. That said, the level of outstanding business across the UK private sector economy as a whole rose at a faster pace.



## 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
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	51.1
	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	53.1
	Jul	18.4	74.5	7.1	55.6	54.1	53.3
	Aug	15.4	79.1	5.5	54.9	53.0	50.8
	Sep	19.8	70.3	9.9	54.9	53.8	53.4

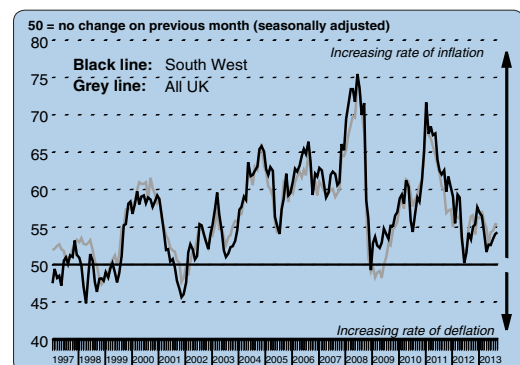


Employment levels in the South West private sector increased for the sixth month in a row during September. Furthermore, the rate of job creation accelerated to a solid pace that was the second-fastest since February 2008. Moreover, staffing levels in the region expanded at a slightly quicker rate than the UK private sector economy average. According to sector data, the expansion of payroll numbers in the South West was largely driven by manufacturers in the region.

## 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
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	54.8
	May	13.0	82.6	4.3	54.3	52.7	52.7
	Jun	10.6	84.0	5.3	52.7	52.6	54.3
	Jul	8.2	87.8	4.1	52.0	53.5	54.5
	Aug	10.9	87.0	2.2	54.3	54.1	55.4
	Sep	11.0	82.4	6.6	52.2	54.3	55.4

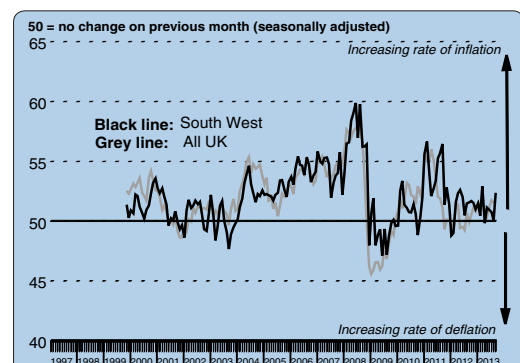


Average input costs faced by South West private sector firms increased in September, as has been the case each month since January 2009. Though solid, the rate of inflation was weak in the context of historical data. Moreover, the rate of input price inflation in the region remained weaker than that recorded for the UK private sector economy as a whole.

## 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
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
	Sep	7.7	89.0	3.3	52.2	52.4	51.7

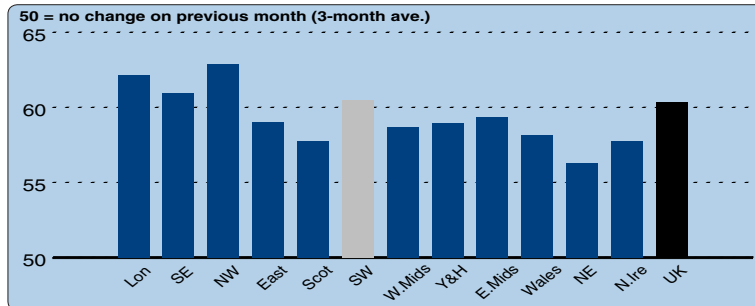


Private sector companies in the South West raised their output charges for the fifth successive month during September. The rate at which tariffs were raised accelerated from the previous month to a moderate pace, despite a marginal decline in service providers' charges. Furthermore, output charges in the South West rose at a slightly faster pace than across the UK private sector economy as a whole.



## Regional Comparisons: Output

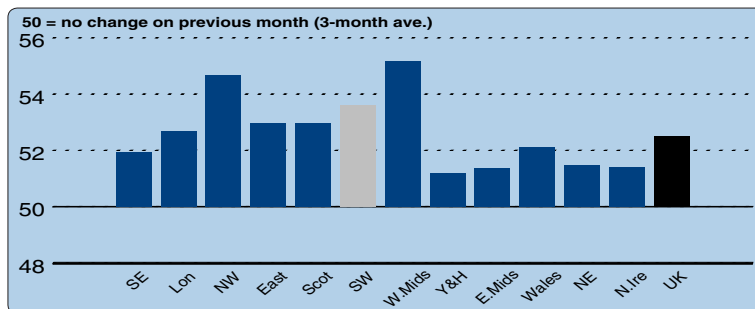
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth were in the North West and London.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	55.2	62.2	62.9
South East	(14.7%)	54.3	60.9	60.7
North West	(9.5%)	54.7	62.9	62.3
East of England	(8.7%)	53.3	59.0	58.5
Scotland	(8.3%)	53.8	57.8	58.3
South West	(7.7%)	53.1	60.5	60.5
West Midlands	(7.3%)	53.1	58.7	58.2
Yorks & Humber	(7.0%)	54.7	58.9	59.8
East Midlands	(6.4%)	53.5	59.3	61.0
Wales	(3.6%)	55.3	58.2	59.2
North East	(3.2%)	51.3	56.3	56.2
N.Ireland	(2.2%)	49.5	57.7	58.7
<b>UK</b>	<b>(100.0%)</b>	<b>54.2</b>	<b>60.4</b>	<b>60.5</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). Job creation was recorded over the three months to September in all 12 UK regions. Employment growth was strongest in the West Midlands and weakest in Yorkshire & Humber.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.7	52.0	53.4
London	(12.3%)	50.9	52.7	53.9
North West	(10.9%)	50.8	54.7	55.3
East of England	(9.6%)	51.6	53.0	52.9
Scotland	(8.7%)	51.5	53.0	53.4
South West	(8.6%)	51.2	53.6	53.8
West Midlands	(8.6%)	52.5	55.2	55.6
Yorks & Humber	(8.2%)	50.4	51.2	52.0
East Midlands	(7.3%)	51.2	51.4	51.2
Wales	(4.6%)	51.2	52.1	53.0
North East	(3.9%)	49.9	51.5	50.1
N.Ireland	(2.7%)	48.9	51.4	51.4
<b>UK</b>	<b>(100.0%)</b>	<b>51.2</b>	<b>52.5</b>	<b>53.4</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 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.