



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 September 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:

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14th October 2013

Activity rises at quickest pace in four years

Key findings:

- Output growth accelerates further, as new orders rise sharply
- Employment levels increase at faster pace
- Inflationary pressures ease slightly

September data signalled further solid increases in activity and new orders at Welsh private sector companies with output growth the strongest in four years. Meanwhile, workforce numbers also increased and cost inflation eased slightly.

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 – accelerated to a four-year high of 59.2 in September, up from August's 57.7. A slight contraction in activity at service providers was offset by strong output growth in the goods producing sector.

New orders also rose sharply with companies commenting on stronger demand from both domestic and foreign markets. Order books increased for the tenth month in succession in September, and at the fastest pace since October 2009.

Employment and backlogs

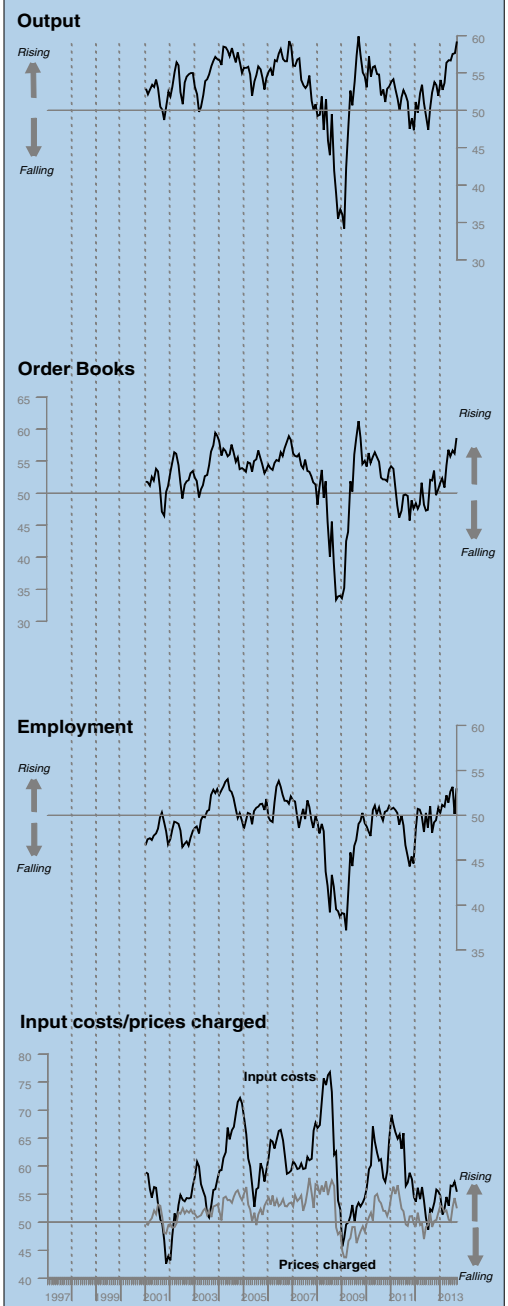
In response to increased workloads, Welsh private sector companies hired additional workers in September. The rate of job creation accelerated to the second-fastest in the current ten-month period of rising employment levels, but was slightly below that seen at the overall UK level. Meanwhile, backlogs of work were depleted for the third month running, as companies processed existing orders. In contrast to falling levels of work-in-hand in Wales, backlogs accumulated at the UK level for the fourth consecutive month in September.

Input and output prices

September data signalled a further rise in input costs, with 16% of survey respondents indicating increased cost burdens. Anecdotal evidence suggested that input prices rose on the back of increased raw material costs, rising prices for dairy products and higher staff costs.

Driven by increased input costs, Welsh private sector companies raised their output charges during September. The rate of charge inflation eased, however, to the weakest in three months.

Wales Business Conditions

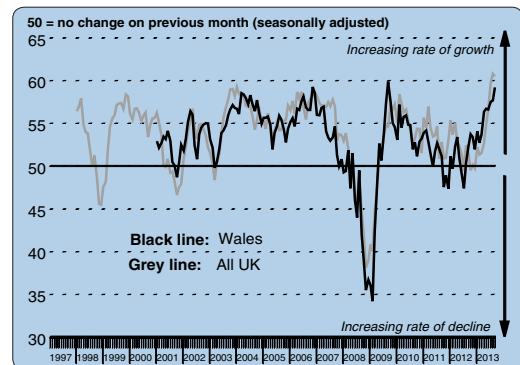




Output / Business Activity

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
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	51.4
	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
	Sep	38.1	46.0	15.9	61.1	59.2	60.5

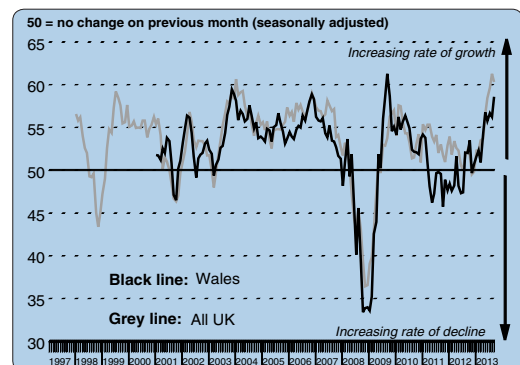


Welsh private sector companies reported a further sharp rise in activity during September, extending the current sequence of output growth to 14 months. The pace of expansion accelerated to the quickest in four years, but remained below the overall UK average. Companies linked higher activity to improved sales and higher workloads. Moreover, sector data suggested that the latest rise in activity was centred across the manufacturing sector, while service providers faced a slight contraction.

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
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	58.4
	Jul	36.5	47.6	15.9	60.3	56.7	59.7
	Aug	36.1	44.3	19.7	58.2	56.3	61.3
	Sep	44.4	39.7	15.9	64.3	58.6	60.4

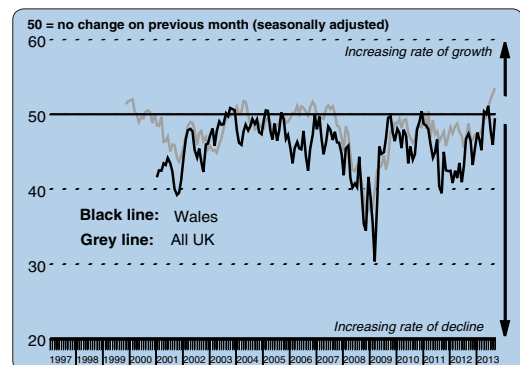


Volumes of incoming new business rose at an accelerated pace in September, with around 44% of panellists reporting growth of new work. New business placed at Welsh private sector firms has increased continuously since the end of last year, and in September at the fastest pace in nearly four years. The rise in incoming new business was driven by higher demand from domestic and foreign markets, according to survey respondents.

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
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
	Sep	24.6	50.9	24.6	50.0	49.5	53.5



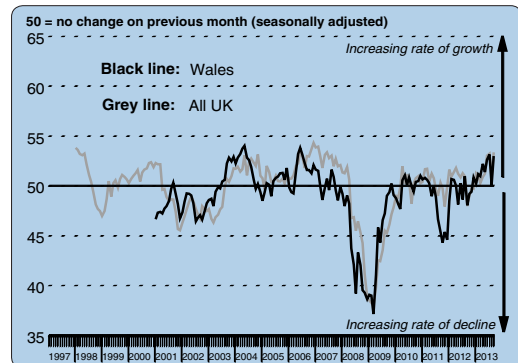
The seasonally adjusted Business Outstanding Index registered below the 50.0 no-change mark in September, providing evidence of ongoing spare capacity in the Welsh private sector. Backlogs of work have now fallen for three months in succession, although in September only marginally. Some panel members linked declining work-in-hand to overtime work and the depletion of existing orders.



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
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	51.1
	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	53.3
	Aug	21.3	70.5	8.2	56.6	50.1	50.8
	Sep	17.5	71.4	11.1	53.2	53.0	53.4

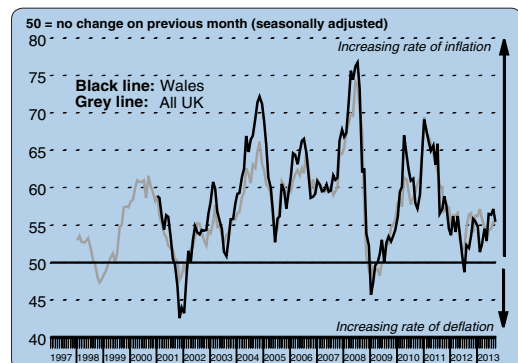


September data marked the tenth consecutive monthly increase in payroll numbers at Welsh private sector companies with the rate of job creation accelerating to the second-quickest in that sequence. While service providers reported a marginal decline in employment levels, manufacturers expanded their workforce numbers markedly. According to anecdotal evidence, increased workloads accounted for most of the rise in staffing levels.

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
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	54.8
	May	16.7	78.8	4.5	56.1	52.9	52.7
	Jun	17.5	81.0	1.6	57.9	56.5	54.3
	Jul	18.8	76.6	4.7	57.0	56.4	54.5
	Aug	20.0	76.7	3.3	58.3	57.2	55.4
	Sep	15.9	76.2	7.9	54.0	55.5	55.4

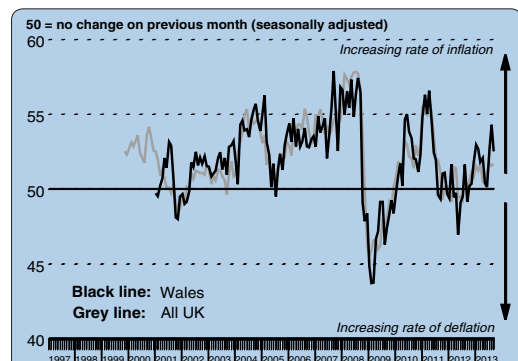


Inflationary pressures persisted into September, highlighted by the seasonally adjusted Input Prices Index posting above the neutral 50.0 threshold. A combination of increased raw material costs, rising prices for dairy products and higher staff costs resulted in the latest cost rise, according to panel members. The rate of input price inflation eased, however, to the weakest in four months and was largely in line with that seen at the overall UK level.

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
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
	Sep	7.9	85.7	6.3	50.8	52.5	51.7

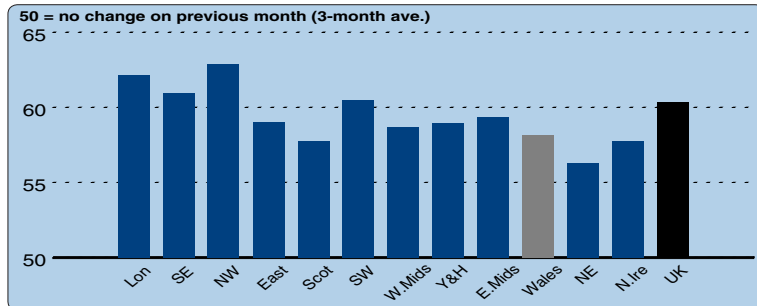


In response to increased input costs, Welsh private sector firms raised their selling prices in September. Around 8% of survey respondents indicated higher output charges, while 6% reported price discounting. Although the rate of charge inflation eased to a three-month low, output prices in Wales increased to a greater degree than in the UK as a whole. Sector data suggested that output prices rose in both the manufacturing and service sectors.



Regional Comparisons: Output

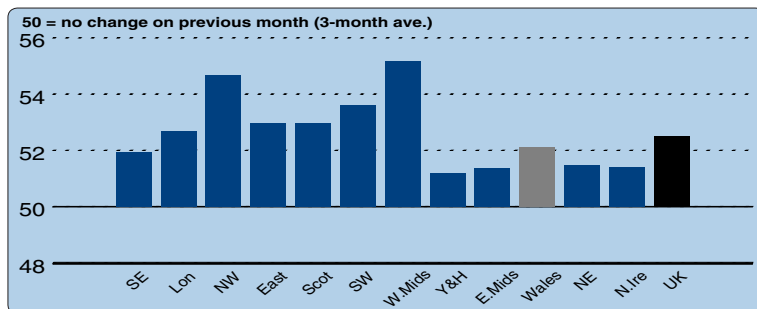
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth 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
UK	(100.0%)	54.2	60.4	60.5

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
UK	(100.0%)	51.2	52.5	53.4

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.