



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 September 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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14th October 2013

Strong activity growth sustained and staffing levels rise at sharpest rate since February 2011

Key findings:

- Activity and new business both increase at marked pace
- Fastest rise in employment for 31 months
- Growth of backlogs strongest in survey history

The latest Lloyds Bank Commercial Banking West Midlands PMI® report indicated that the region's private sector economy continued to expand strongly in September. Marked rates of activity and new business growth were maintained, while backlogs of work rose at the sharpest pace recorded by the survey to date. Job creation accelerated further, while input and output prices both increased at solid rates.

Output and demand

Business activity at private sector companies in the West Midlands rose for a fifth consecutive month in September. 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 – posted 58.2, down slightly from 59.2 in August, but still signalling a substantial rate of growth. Service providers and manufacturers both signalled higher activity levels, with the former posting the sharper expansion.

Activity growth was supported by a further rise in new business placed with companies in the region. Although moderating from August's record high, the rate of expansion remained considerable. Panellists commented on an improving economic climate, the success of recent advertising campaigns and new product innovations as factors contributing to higher new orders.

Employment and backlogs

Staffing levels in the West Midlands private sector continued to rise in September, extending the current period of growth to nine months. The rate of job creation was robust, having accelerated to the sharpest since February 2011.

Higher employment did not prevent a further build-up of outstanding business during the latest survey period. The rate of growth in backlogs was solid and a series-record high.

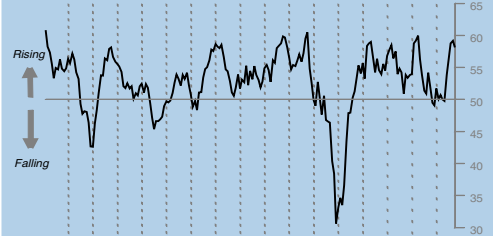
Input and output prices

Although easing since August, the rate of input price inflation in the West Midlands private sector remained solid in September. Service providers continued to record sharper increases in costs than manufacturers.

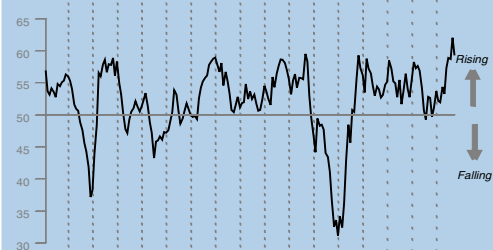
Output prices also rose, with the rate of charge inflation accelerating to the strongest in two years.

West Midlands Business Conditions

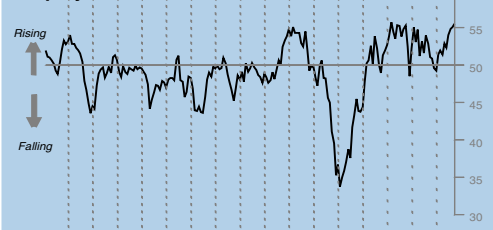
Output



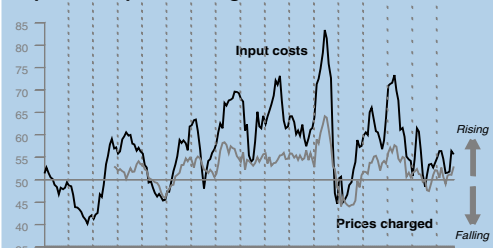
Order Books



Employment



Input costs/prices charged

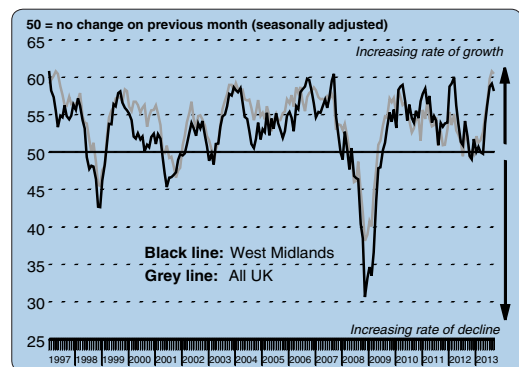




Output / Business Activity

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
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	51.4
	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
	Sep	34.7	44.6	20.8	56.9	58.2	60.5

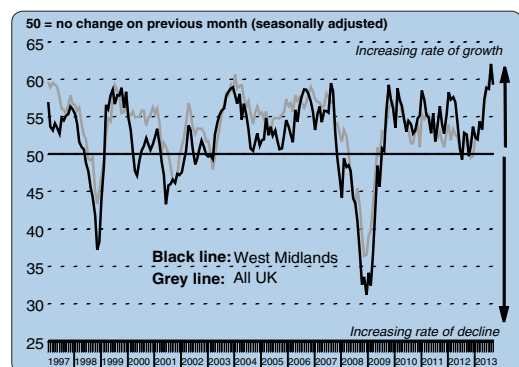


Growth of business activity in the West Midlands private sector remained strong in September, despite easing slightly from the 17-month high registered in August. This was signalled by a seasonally adjusted Business Activity Index reading of 58.2, down from 59.2. Expansion was led by the service sector, although manufacturing also saw a marked increase in output. However, the region posted a slower rise in activity than the UK average.

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
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	58.4
	Jul	34.7	42.9	22.4	56.1	58.7	59.7
	Aug	39.6	41.5	18.9	60.4	62.1	61.3
	Sep	37.4	41.4	21.2	58.1	59.3	60.4

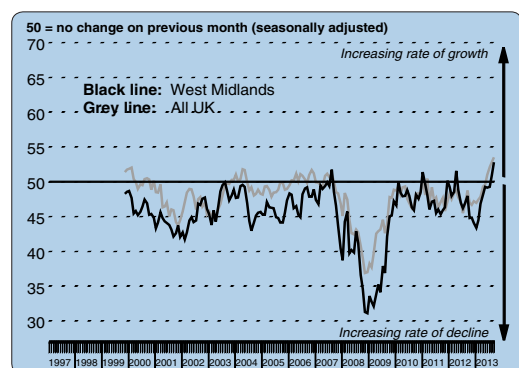


West Midlands companies reported a further increase in the level of new business they received during September, extending the current period of expansion to 11 months. That said, the rate of growth moderated from August's record high and was slightly below the average recorded across the UK private sector. Anecdotal evidence suggested that new business growth was underpinned by improving economic conditions. Successful advertising campaigns and innovations were also cited by some panellists.

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
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
	Sep	19.6	59.8	20.6	49.5	52.8	53.5



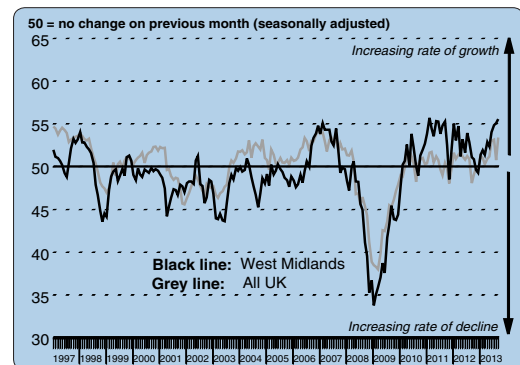
September data indicated a rise in outstanding business at private sector companies in the West Midlands for the second month running. At 52.8, up from 50.9 in August, the seasonally adjusted Business Outstanding Index pointed to a solid rate of growth that was the fastest in the series history, albeit weaker than the UK average. Where a rise in backlogs was reported, this was generally attributed by panellists to increased new business placing pressure on capacity.



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
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	51.1
	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	53.1
	Jul	21.4	72.4	6.1	57.7	54.9	53.3
	Aug	21.5	71.0	7.5	57.0	55.1	50.8
	Sep	25.3	62.6	12.1	56.6	55.6	53.4

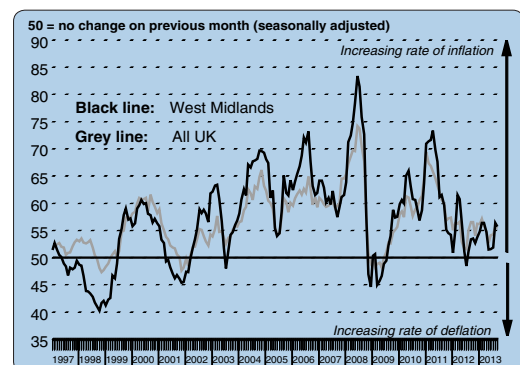


Employment at West Midlands private sector firms continued to increase in September. The latest rise was the ninth in successive months. Moreover, the rate of expansion quickened to the sharpest since February 2011, as indicated by the seasonally adjusted Employment Index climbing from 55.1 to 55.6. The pace of job creation in the region remained stronger than the UK average.

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
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	54.8
	May	10.9	78.2	10.9	50.0	51.5	52.7
	Jun	12.7	78.2	9.1	51.8	51.6	54.3
	Jul	13.1	73.7	13.1	50.0	51.9	54.5
	Aug	13.9	83.3	2.8	55.6	56.4	55.4
	Sep	16.7	75.5	7.8	54.4	55.7	55.4

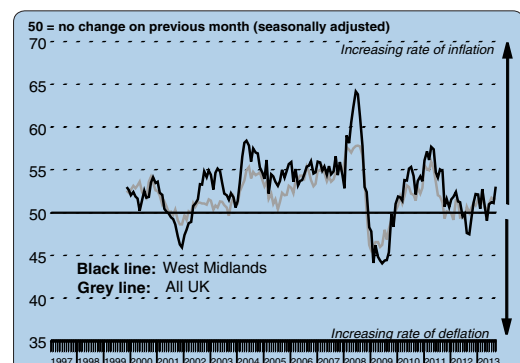


The seasonally adjusted Input Prices Index registered 55.7 in September, down from 56.4 in August. The latest reading pointed to a solid rate of cost inflation that was marginally above the UK average. Service providers indicated a sharper increase in input prices than manufacturers. Survey respondents predominantly attributed higher input costs to increased raw material 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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
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
	Sep	6.9	89.2	3.9	51.5	53.0	51.7

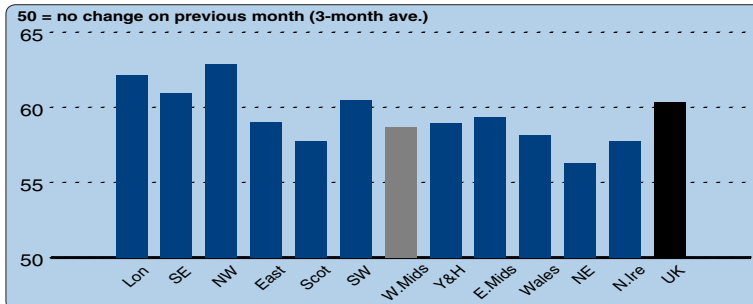


Prices charged by West Midlands private sector companies rose for a fourth successive month during September. At 53.0, up from 51.1 in August, the seasonally adjusted Output Prices Index pointed to a solid rate of charge inflation that was the sharpest in two years. Those panellists that raised their output prices frequently commented on the need to offset higher input costs.



Regional Comparisons: Output

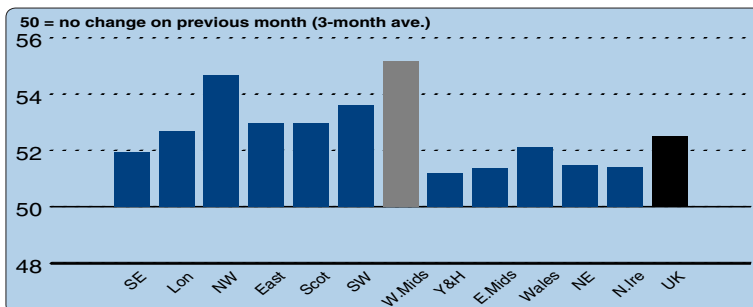
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth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