



Lloyds Bank 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.

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 South West PMI® (Purchasing Managers' Index®) is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in October 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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11th November 2013

New business increases at record pace

Key findings:

- Stronger growth of both output and new orders
- Quickest expansion of payroll numbers in over six years
- Input price inflation at eight-month high

October data signalled a further sharp expansion of private sector output in the South West. Growth was supported by the strongest intake of new business in the series history. Consequently, backlogs of work rose again in October, while firms increased staff numbers at the fastest rate since September 2007.

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 61.7 in October. This was up from 60.5 in September, and signalled the third-sharpest expansion of business activity since the series began in January 1997. According to sector data, output increased sharply across both the manufacturing and service sectors in the region. Business activity also rose across the UK private sector economy as a whole, and at the same rate as that recorded in the South West.

New work placed at South West private sector companies increased at the sharpest rate in the series history in October, amid reports of stronger client demand. New business also rose across the UK private sector economy as a whole, but at a slightly weaker pace than in the South West.

Employment and backlogs

South West private sector firms increased their payroll numbers for the seventh month running in October. Furthermore, the rate of job creation was the sharpest since September 2007, and quicker than the UK private sector economy average.

The volume of outstanding business in the South West private sector rose for the fourth month running in October. Furthermore, the rate of backlog accumulation remained close to August's seven-year high.

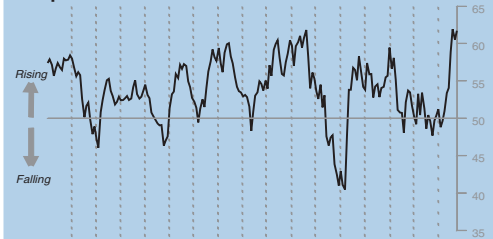
Input and output prices

Input costs faced by South West private sector firms increased at the strongest rate in eight months in October. Inflation was linked to a combination of higher raw material and labour costs.

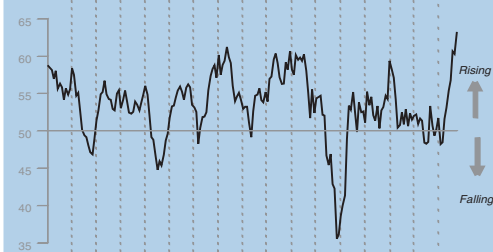
Private sector firms in the South West raised their selling prices for the sixth successive month in October. The rate of increase was slightly stronger than the long-run series average.

South West Business Conditions

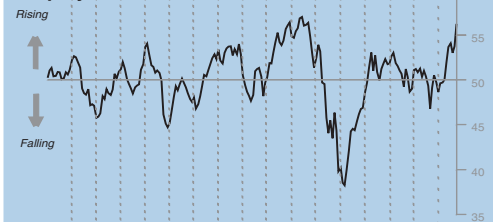
Output



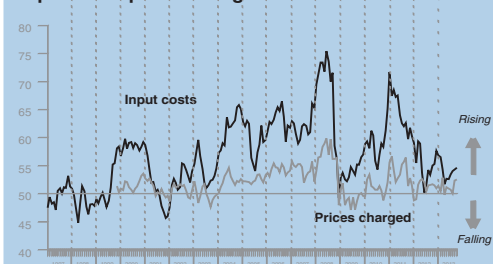
Order Books



Employment



Input costs/prices charged

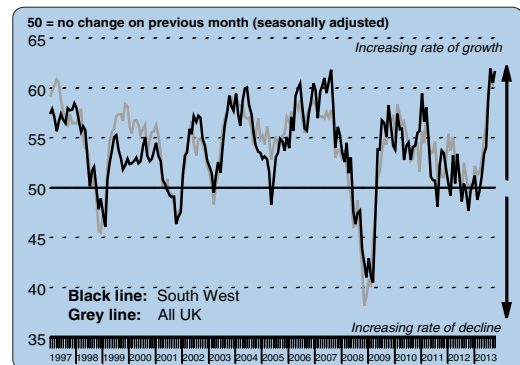




Output / Business Activity

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	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	56.6
	Jul	35.4	46.5	18.2	58.6	58.9	59.7
	Aug	40.2	42.4	17.4	61.4	61.9	60.8
	Sep	32.6	59.8	7.6	62.5	60.5	60.3
	Oct	32.1	54.8	13.1	59.5	61.7	61.7

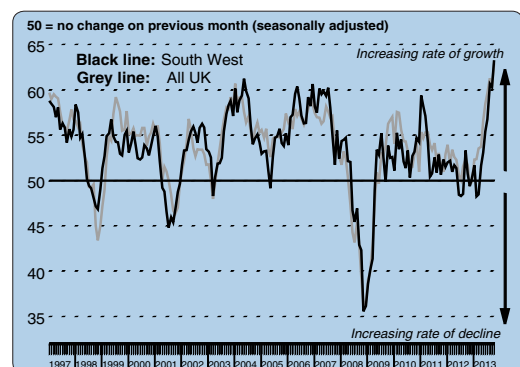


The seasonally adjusted Business Activity Index signalled an increased amount of business activity at South West private sector firms for the seventh successive month in October. Furthermore, the rate of growth accelerated from the previous month to the third-sharpest in the series history, and was in line with the UK private sector economy average. Sector data indicated that output increased in both manufacturing and service sectors in the region, and most notably at 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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
	Oct	34.9	50.6	14.5	60.2	63.3	62.9

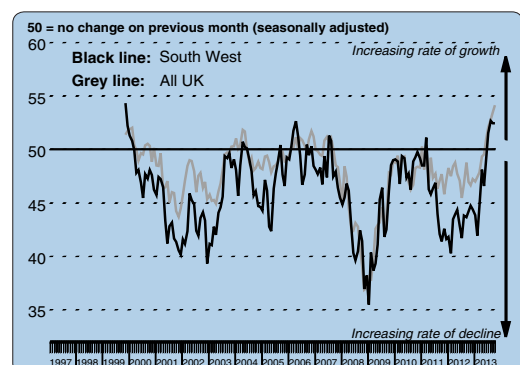


South West private sector companies signalled the sharpest expansion of new order books in the series history during October. Approximately 35% of panellists noted greater volumes of new business, compared with just over 14% that recorded a reduction. Moreover, the rate of growth was slightly faster than that recorded for the UK private sector economy as a whole. Sector data indicated that new work rose sharply across both the manufacturing and service sectors in the region, amid reports of strengthened client demand.

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	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
	Oct	15.0	68.8	16.3	49.4	52.5	54.2

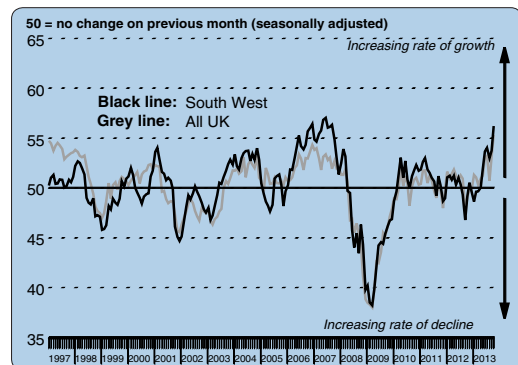


Private sector firms in the South West signalled an increased amount of backlogged work for the fourth consecutive month in October. After adjusting for seasonal factors, the rate of accumulation was only slightly weaker than August's seven-year record. Growth of outstanding business was largely centred on service providers in the region, with a number of panellists attributing the rise to greater volumes of new orders. Backlogs of work in the South West rose at a weaker pace than across the UK private sector economy as a whole.

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	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	51.3
	Jun	26.9	64.5	8.6	59.1	53.7	53.1
	Jul	18.4	74.5	7.1	55.6	54.1	53.2
	Aug	15.4	79.1	5.5	54.9	53.0	50.8
	Sep	19.8	70.3	9.9	54.9	53.8	53.2
	Oct	24.1	71.1	4.8	59.6	56.2	55.3

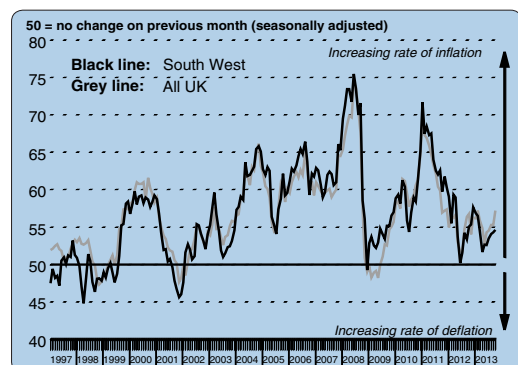


Employment levels at South West private sector firms increased in October, as has been the case in each month since April. Moreover, the rate of job creation accelerated to the strongest since September 2007. Nearly one-in-four panellists recorded an expansion of payroll numbers in October, with manufacturers noting a stronger rate of increase than service providers in the region. Staffing levels in the UK private sector as a whole also increased in October, but at a weaker pace than in the South West.

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	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	54.9
	May	13.0	82.6	4.3	54.3	52.7	52.8
	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	55.3
	Sep	11.0	82.4	6.6	52.2	54.3	55.3
	Oct	8.4	88.0	3.6	52.4	54.7	57.2

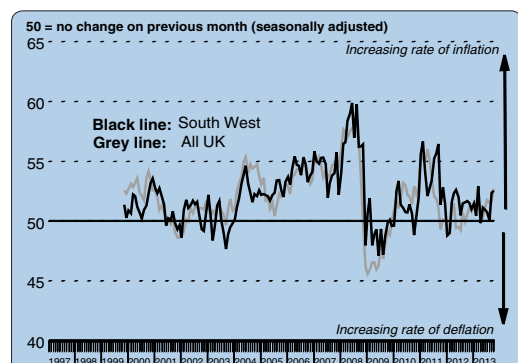


Average input costs faced by private sector companies in the South West continued to increase in October. After adjusting for seasonal factors, the rate of input price inflation quickened from September to an eight-month high. According to sector data, both manufacturers and service providers noted a solid increase in input prices during October, with surveyed firms often attributing this to higher raw material and labour costs. That said, inflation in the region was 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	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
	Oct	9.5	83.3	7.1	51.2	52.5	52.7

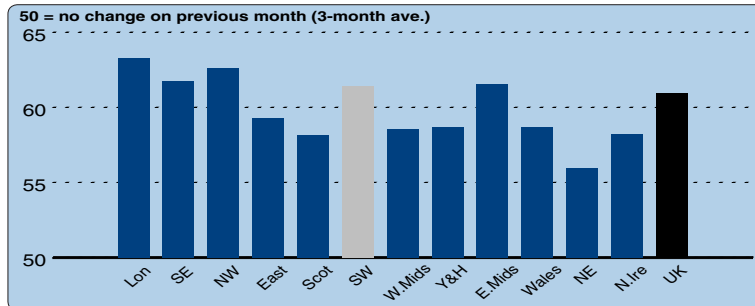


Private sector firms in the South West increased their selling prices for the sixth month running in October. After adjusting for seasonality, the rate of increase was the little-changed from September and slightly stronger than the long-run series average. Sector data suggested that the increase was largely a result of manufacturers in the region raising their output charges. Average tariffs also increased in the UK private sector economy as a whole, and at a similar pace to that recorded in the South West.



Regional Comparisons: Output

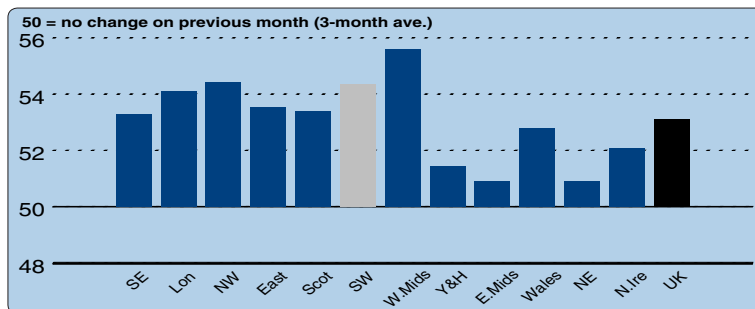
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed by the North West.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	56.6	63.3	65.0
South East	(14.7%)	55.2	61.8	61.9
North West	(9.5%)	55.6	62.6	61.5
East of England	(8.7%)	54.1	59.3	60.0
Scotland	(8.3%)	54.4	58.1	57.8
South West	(7.7%)	54.3	61.4	61.7
West Midlands	(7.3%)	53.8	58.6	58.3
Yorks & Humber	(7.0%)	55.5	58.7	59.0
East Midlands	(6.4%)	54.7	61.5	63.9
Wales	(3.6%)	55.8	58.7	59.1
North East	(3.2%)	51.9	56.0	55.3
N.Ireland	(2.2%)	50.9	58.2	57.6
UK	(100.0%)	55.2	61.0	61.7

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). Net job creation was broad-based across the 12 UK regions on average in the three months to October. The West Midlands recorded the most marked rise in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	52.2	53.3	56.3
London	(12.3%)	51.7	54.1	57.7
North West	(10.9%)	51.3	54.4	54.6
East of England	(9.6%)	52.1	53.5	55.4
Scotland	(8.7%)	51.7	53.4	53.4
South West	(8.6%)	51.8	54.3	56.2
West Midlands	(8.6%)	52.9	55.6	56.2
Yorks & Humber	(8.2%)	50.5	51.4	52.0
East Midlands	(7.3%)	51.2	50.9	51.4
Wales	(4.6%)	51.7	52.8	55.2
North East	(3.9%)	50.3	50.9	51.8
N.Ireland	(2.7%)	49.6	52.1	53.1
UK	(100.0%)	51.7	53.1	55.3

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.