



Lloyds Bank 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 October 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.

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11th November 2013

Employment levels rise at fastest pace in series history

Key findings:

- Output and new orders continue to grow sharply
- Rate of job creation accelerates to record-high
- Input and output prices rise at slower rates

Welsh private sector companies reported further sharp expansions in activity and new orders during October and workforce numbers rose at the quickest pace in the survey history. Meanwhile, input and output prices both increased at weaker rates.

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 – registered 59.1 in October falling just short of September's four-year high of 59.2. Activity rose for a fifteenth consecutive month, with companies commenting on stronger demand and increased consumer confidence.

Order intakes also rose during the latest survey period, with almost one-in-three panellists reporting growth in new work. The pace of expansion eased since September, but remained well above the series average. Survey respondents attributed the latest rise in new orders to higher construction activity and increased export business.

Employment and backlogs

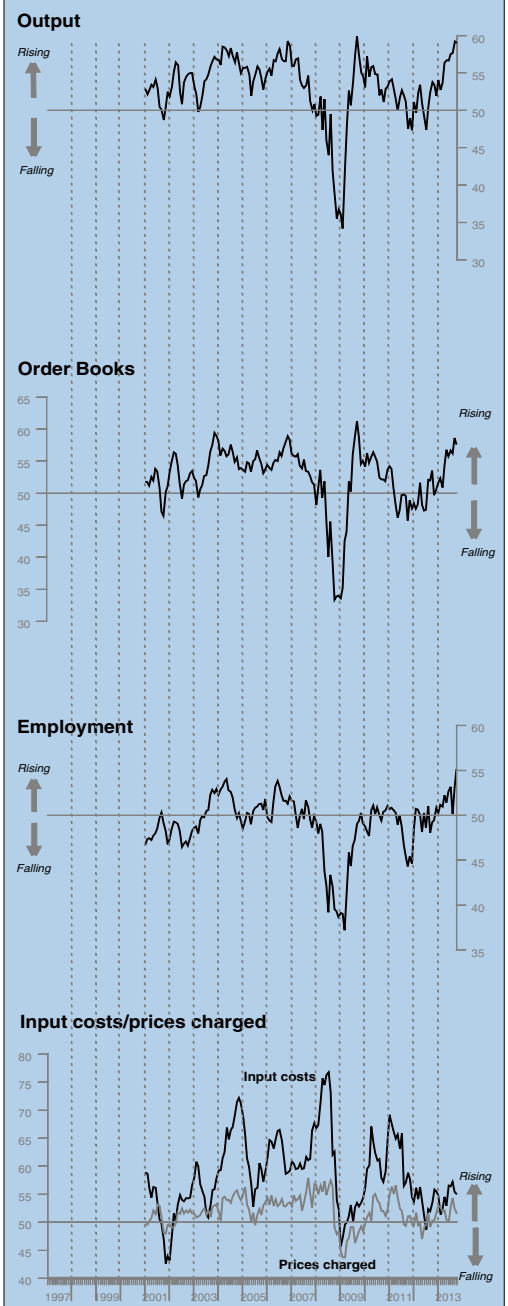
Driven by increased output requirements, Welsh private sector firms hired additional workers during October. The rate of job creation accelerated to the highest recorded in the series history. Sector data suggested that the rise in employment levels was centred on manufacturing. Meanwhile, backlogs of work accumulated for the first time in four months, as companies struggled to process a sharp rise in new orders.

Input and output prices

Cost pressures in the Welsh private sector persisted into October, but the rate of inflation eased to the weakest since May. Increased prices for dairy products and general inflationary pressures both contributed to the latest cost rise, according to survey respondents.

In response to increased input costs, firms raised their output charges in October, although to a lesser degree than in September.

Wales Business Conditions

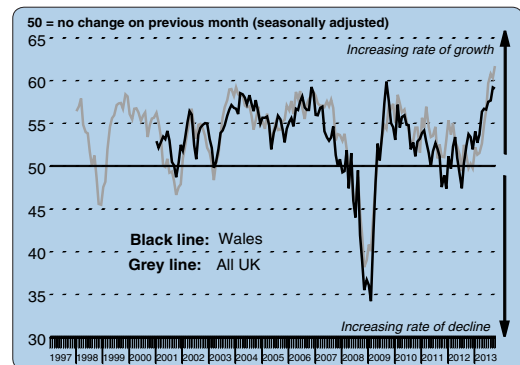




Output / Business Activity

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	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	56.6
	Jul	32.8	51.6	15.6	58.6	57.6	59.7
	Aug	36.1	49.2	14.8	60.7	57.7	60.8
	Sep	38.1	46.0	15.9	61.1	59.2	60.3
	Oct	30.0	48.3	21.7	54.2	59.1	61.7

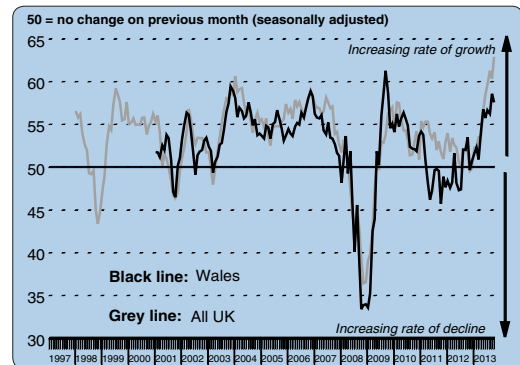


October saw another solid rise in activity at Welsh private sector firms, with the pace of expansion down only fractionally from September's four-year high. Growth remained, however, below the overall UK average for the fourth month in succession. Some panellists reported that higher new business and increased consumer confidence had contributed to the latest sharp rise in activity. Sector data suggested that declining output in the service sector was offset by a strong rise 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?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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
	Oct	32.8	41.4	25.9	53.4	57.6	62.9

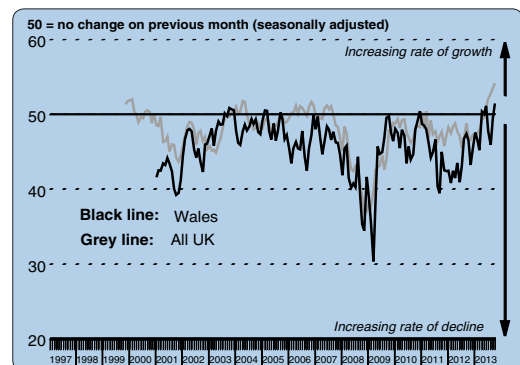


Welsh private sector firms reported a further rise in order intakes during October, extending the current sequence of growth in new work to 11 months. The latest increase weakened slightly since September, but remained sharp overall. Anecdotal evidence suggested that increased construction activity and stronger demand from foreign markets accounted for much of the latest rise in new work.

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	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
	Oct	24.1	55.6	20.4	51.9	51.5	54.2

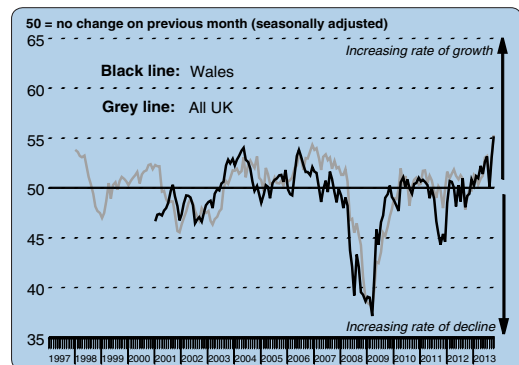


Backlogs of work at Welsh private sector firms accumulated for the first time in four months during October, highlighted by the seasonally adjusted Business Outstanding Index posting above the neutral 50.0 mark. The rate of backlog accumulation was the sharpest in the survey history, although modest overall and below the UK average. Increased new work and capacity constraints were cited as some of the reasons for the rise in unfinished business.

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	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	51.3
	Jun	17.5	76.2	6.3	55.6	52.6	53.1
	Jul	21.9	71.9	6.3	57.8	53.2	53.2
	Aug	21.3	70.5	8.2	56.6	50.1	50.8
	Sep	17.5	71.4	11.1	53.2	53.0	53.2
	Oct	15.0	78.3	6.7	54.2	55.2	55.3

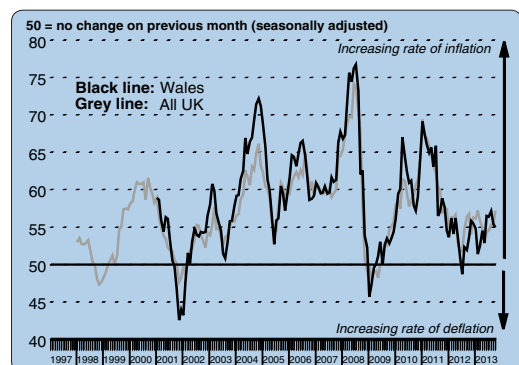


The latest survey results signalled a strong rise in employment levels at Welsh private sector companies, with 15% of companies hiring additional workers. The rate of job creation accelerated to the quickest recorded in the series history. Survey respondents indicated that new workers had been hired in order to meet increased output requirements. Moreover, the latest increase in staffing levels was largely centred around the manufacturing sector.

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	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	54.9
	May	16.7	78.8	4.5	56.1	52.9	52.8
	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	55.3
	Sep	15.9	76.2	7.9	54.0	55.5	55.3
	Oct	20.0	73.3	6.7	56.7	55.0	57.2

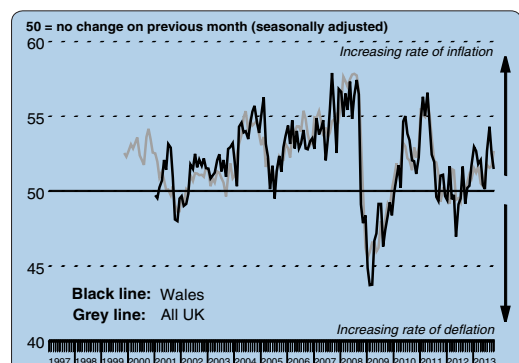


The seasonally adjusted Input Prices Index registered above the neutral 50.0 threshold in October, signalling ongoing cost pressures in the Welsh private sector. The rate of cost inflation eased to the weakest since May and was below the series average. Panel members that reported higher cost burdens partly linked this to increased prices for dairy products and general inflationary pressures.

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	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
	Oct	11.7	76.7	11.7	50.0	51.5	52.7

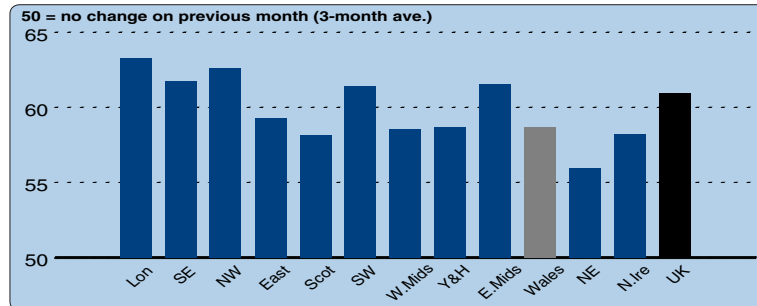


After adjusting for seasonal factors, Welsh private sector companies raised their output charges during October. Output prices have now increased continuously for 13 months, although in October at the slowest pace since June. Increased input costs was the main reason for the latest rise, according to survey respondents. Moreover, sector data suggested that selling prices rose in both the manufacturing and service sectors.



Regional Comparisons: Output

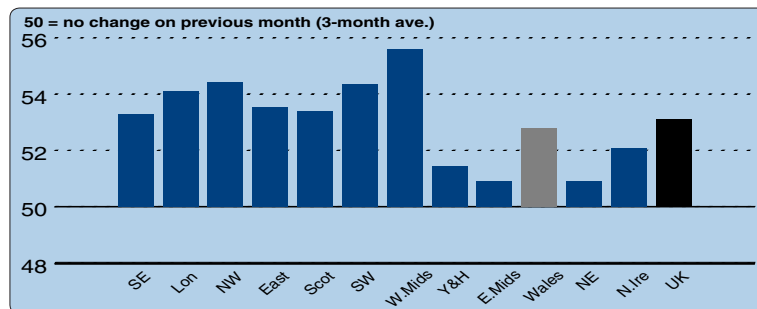
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed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