



Lloyds Bank 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 October 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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11th November 2013

Employment growth hits survey-record high in October

Key findings:

- Staffing levels rise at fastest rate in series history
- Further strong increases in activity and new business
- Input and output prices both rise at sharper rates

The latest Lloyds Bank Commercial Banking West Midlands PMI® report highlighted further strong growth in the region's private sector economy at the start of the fourth quarter. Activity and new business both continued to rise at marked rates in October, while backlogs of work increased moderately. Higher workloads encouraged firms to step up recruitment, and as a result employment rose at the strongest rate since the start of the survey in 1997. Meanwhile, input and output prices both increased at sharper rates.

Output and demand

Business activity at private sector companies in the West Midlands increased for a sixth successive month in October. The rate of growth remained marked, although was below the UK average. 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 58.3, little-moved from September's reading of 58.2. Activity rose at strong rates in both the manufacturing and service sectors.

Underpinning strong activity growth was a further marked increase in the level of new business received by private sector firms in the West Midlands. Anecdotal evidence highlighted improved client confidence and stronger demand from key export markets.

Employment and backlogs

Employment in the West Midlands private sector increased for a tenth consecutive month in October. Moreover, the rate of jobs growth accelerated to a series-record and was stronger than that signalled across the UK overall.

Backlogs of work increased for the third month running, but the latest increase was modest and slower than in September.

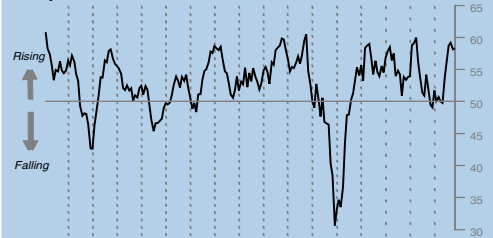
Input and output prices

The rate of input price inflation in the West Midlands private sector accelerated to the sharpest for one-and-a-half years in October. Service providers signalled a steeper increase in costs than manufacturers.

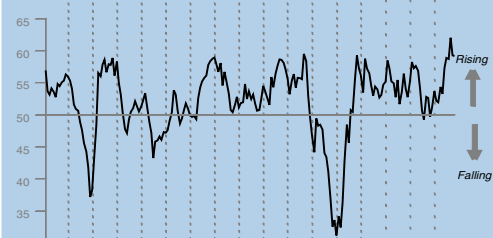
West Midlands firms offset part of the increase in their input prices by raising their charges. The rate of output price inflation was solid and the fastest for 25 months.

West Midlands Business Conditions

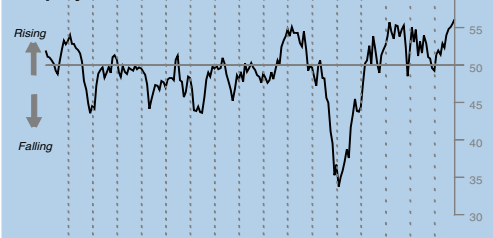
Output



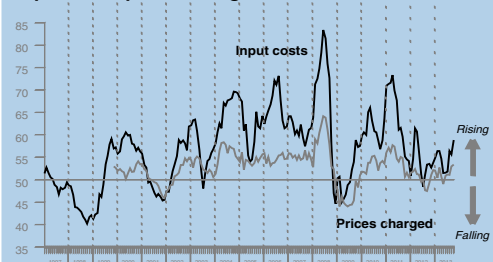
Order Books



Employment



Input costs/prices charged

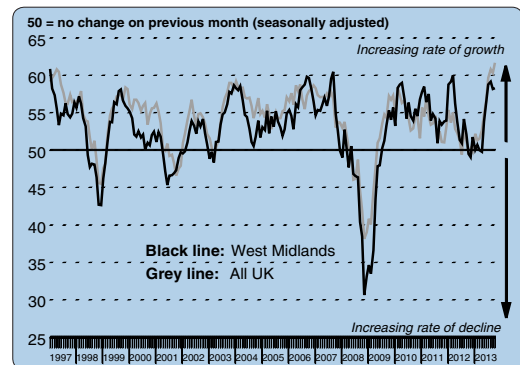




Output / Business Activity

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	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
	Oct	35.3	43.1	21.6	56.9	58.3	61.7

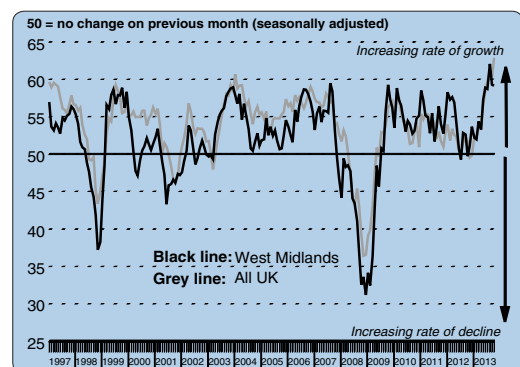


West Midlands private sector firms reported another increase in business activity during October. The current period of expansion now extends to six months. The rate of growth was little-changed from the strong rate signalled in September. This was highlighted by the seasonally adjusted Business Activity Index posting 58.3, from 58.2. However, the region continued to register slower activity growth than the UK average. Sector data indicated that expansion was broad-based across manufacturing and services.

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	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
	Oct	35.6	42.6	21.8	56.9	59.2	62.9

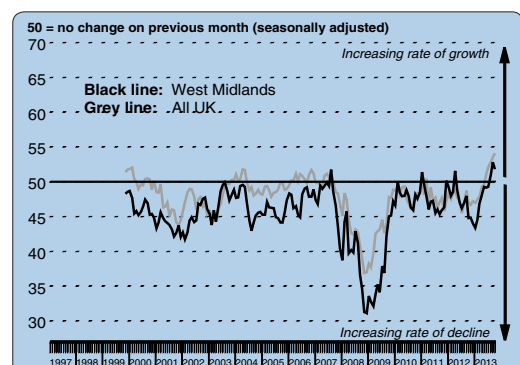


The level of new business received by private sector firms in the West Midlands increased for a twelfth successive month in October. Growth was maintained at a similar strong pace to that recorded in September, with the seasonally adjusted New Business Index recording 59.2, from 59.3. Panellists commented on improved confidence and activity levels at clients, in addition to stronger demand from export markets.

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	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
	Oct	15.3	66.3	18.4	48.5	51.8	54.2

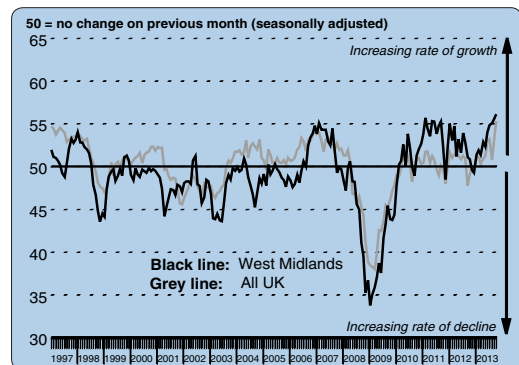


Backlogs of work in the West Midlands private sector increased for the third month running during October. However, the rate of growth eased slightly since September and was modest overall. This was indicated by the seasonally adjusted Business Outstanding Index slipping to 51.8, from 52.8. The region posted a weaker expansion of unfinished work than the UK average.

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	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
	Oct	22.8	68.3	8.9	56.9	56.2	55.3

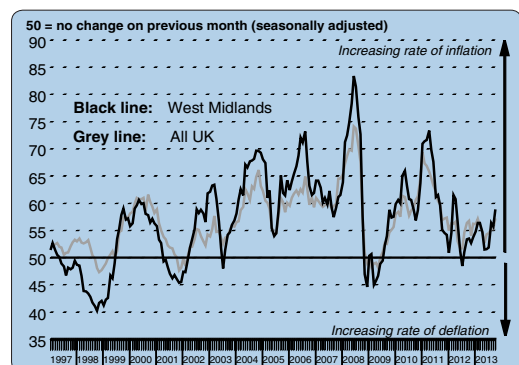


Employment in the West Midlands private sector rose further in October. The current sequence of increasing payroll numbers now extends to ten months. Moreover, the rate of job creation accelerated to the sharpest in the series history. This was highlighted by the seasonally adjusted Employment Index climbing to 56.2, from 55.6 in September. Growth of staffing levels was broad-based across the manufacturing and service sectors.

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	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	54.9
	May	10.9	78.2	10.9	50.0	51.5	52.8
	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	55.3
	Sep	16.7	75.5	7.8	54.4	55.7	55.3
	Oct	24.3	68.0	7.8	58.3	58.9	57.2

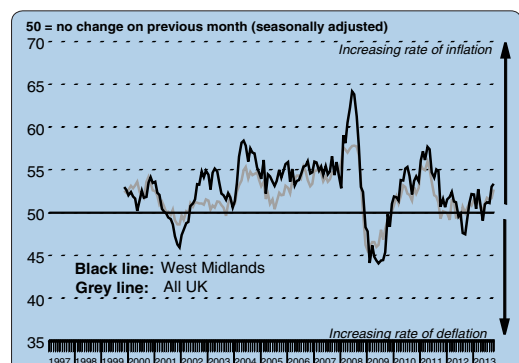


The rate of input price inflation in the West Midlands private sector accelerated to an 18-month high in October. At 58.9, up from 55.7 in September, the seasonally adjusted Input Prices Index was above the equivalent index for the UK overall. Service providers continued to report a stronger rate of cost inflation than manufacturers. There were reports from the survey panel of higher prices for raw materials and utilities.

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	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
	Oct	10.7	83.5	5.8	52.4	53.4	52.7

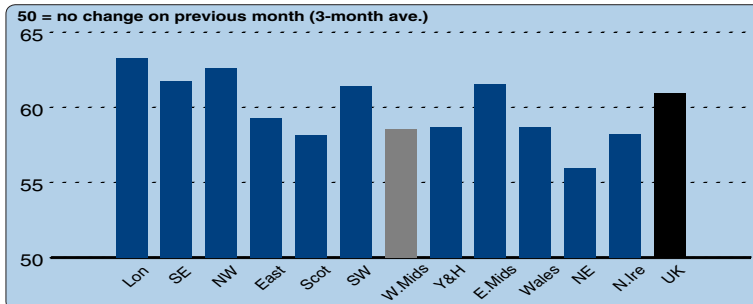


Posting 53.4 in October, up from 53.0 in September, the seasonally adjusted Output Prices Index was at its highest level for 25 months. The rate of charge inflation signalled was solid and above the UK average. Approximately 11% of panellists raised their output prices, compared with around 6% that noted a reduction. Survey respondents generally commented that charges had been increased to offset higher input costs.



Regional Comparisons: Output

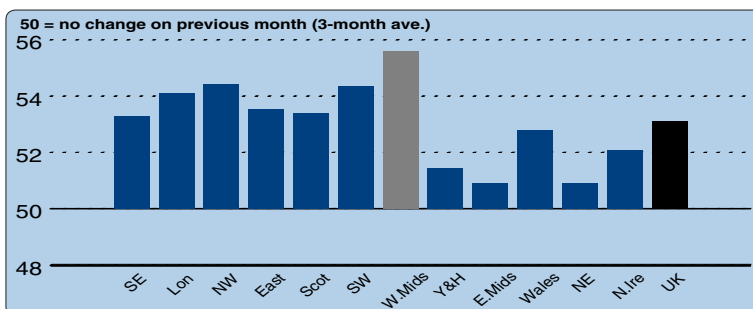
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed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