



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 November 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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9th December 2013

Output growth hits survey-record high

Key findings:

- Further sharp expansion of new business
- Marked increase in payroll numbers
- Rate of backlog accumulation eases

South West private sector firms signalled the sharpest expansion of output in the series history in November. Similarly, growth of new orders remained sharp, amid reports of strengthened client demand. Consequently, firms raised their workforce numbers at a marked pace, while the level of outstanding business increased for the fifth month in a row.

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 62.1 in November. This was up from 61.7 in October, and signalled the sharpest expansion of South West private sector output since data collection began in January 1997. Moreover, the rate of output growth in the South West was quicker than the UK private sector economy average. According to sector data, both manufacturers and service providers in the region noted increased business activity.

November data pointed to a further expansion of new business at South West private sector firms. Furthermore, the rate of new order growth remained close to October's record high. That said, new business rose at a faster pace across the UK private sector economy as a whole.

Employment and backlogs

Staffing levels at South West private sector firms increased for the eighth successive month in November. Moreover, the rate of job creation was marked and faster than the UK private sector economy average.

Latest data signalled a further increase in the level of work-in-hand at South West private sector companies. However, the rate of backlog accumulation eased to a modest pace that was the weakest in the current five-sequence.

Input and output prices

Average input costs in the South West increased again in November, extending the current sequence to 59 months. That said, the rate of input price inflation was the weakest since August.

Meanwhile, South West private sector companies raised their selling prices for the seventh month in a row and at a solid rate.

South West Business Conditions

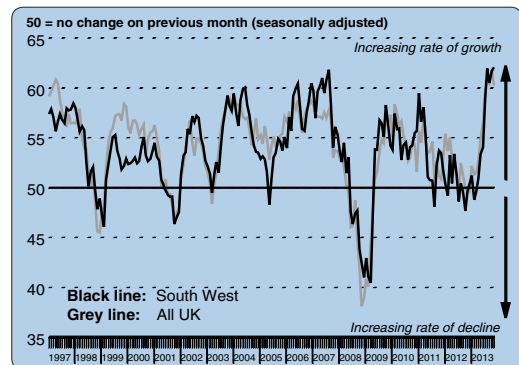




Output / Business Activity

Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	60.5
	Oct	32.1	54.8	13.1	59.5	61.7	61.8
	Nov	32.6	52.6	14.7	58.9	62.1	60.2

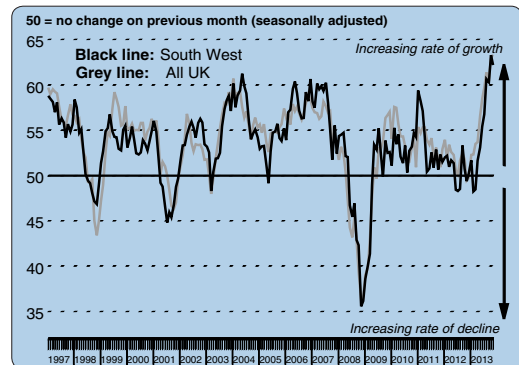


Private sector firms operating in the South West signalled the sharpest expansion of output since data collection began in January 1997 in November. Furthermore, the pace of expansion in the South West was faster than the UK private sector economy average. Sector data suggested that growth was broad-based across manufacturers and service providers in the region. Higher levels of business activity were generally attributed to greater volumes of new orders.

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	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	58.5
	Jul	37.5	44.8	17.7	59.9	56.8	59.7
	Aug	32.2	48.9	18.9	56.7	60.7	61.4
	Sep	30.0	57.8	12.2	58.9	60.3	60.5
	Oct	34.9	50.6	14.5	60.2	63.3	63.1
	Nov	30.9	52.1	17.0	56.9	62.2	63.3

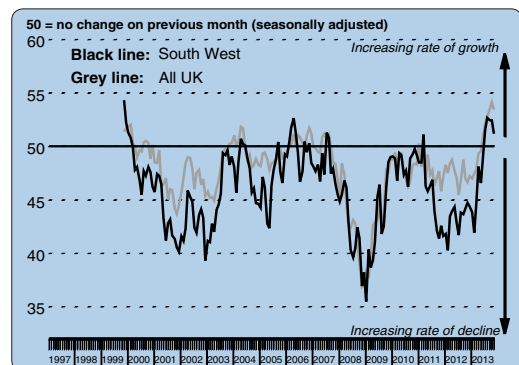


New business placed at South West private sector firms increased for the eighth successive month in November. Moreover, the rate of new order growth was sharp, despite having eased from October's record high. As was the case with output, both manufacturers and service providers in the region reported an expansion of new order books, with a number of firms citing strengthened client demand. However, new business rose at a faster rate in the UK private sector economy as a whole.

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	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
	Nov	15.4	61.5	23.1	46.2	51.2	53.5



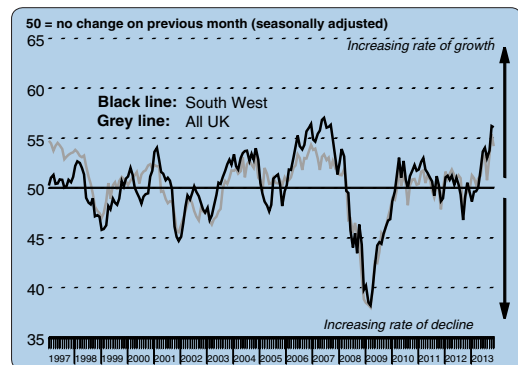
November data indicated that backlogs of work at South West private sector companies increased for the fifth consecutive month. After adjusting for seasonality, however, the rate of accumulation eased to a modest pace that was the weakest in the current sequence. According to sector data, the level of work-in-hand declined at manufacturers, but increased sharply at service sector firms. Meanwhile, outstanding business rose solidly in 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	Mar	14.0	77.4	8.6	52.7	49.7	50.3
	Apr	12.9	77.4	9.7	51.6	50.1	51.0
	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	53.3
	Aug	15.4	79.1	5.5	54.9	53.0	50.8
	Sep	19.8	70.3	9.9	54.9	53.8	53.3
	Oct	24.1	71.1	4.8	59.6	56.2	55.4
	Nov	16.0	76.6	7.4	54.3	56.1	54.2

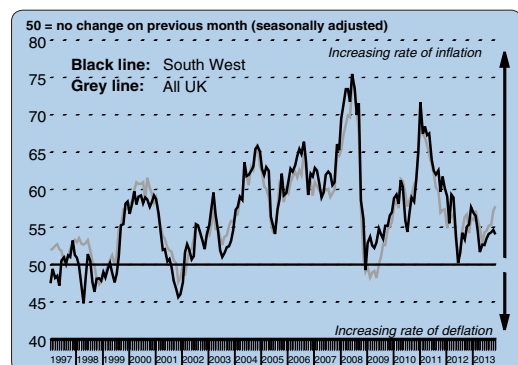


The seasonally adjusted Employment Index signalled a further expansion of workforce numbers in the South West private sector economy in November. Moreover, the rate of payroll growth was only fractionally weaker than October's 73-month high and quicker than the UK private sector economy average. According to anecdotal evidence, private sector companies in the South West raised their staffing levels to raise productive capacity.

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	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	55.2
	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
	Nov	10.6	84.0	5.3	52.7	54.1	57.8

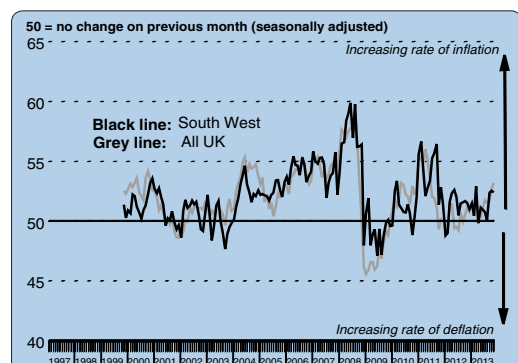


Average input costs faced by private sector companies in the South West increased again in November, as has been the case in each of the past 59 months. After adjusting for seasonal variation, the rate of input price inflation was solid, with approximately 11% of survey respondents noting higher input costs. That said, it was the weakest rate of inflation in the region since August, and remained substantially slower than the UK private sector economy average.

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	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
	Nov	10.5	81.1	8.4	51.1	52.4	53.2

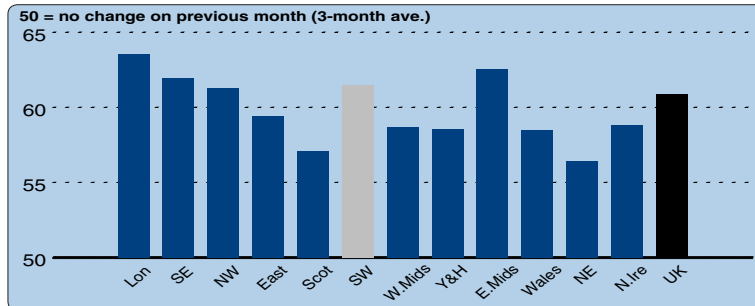


After adjusting for seasonality, the Output Prices index signalled a further increase in selling prices in the South West private sector economy during November. A number of firms in the region suggested that higher tariffs reflected increased cost burdens. The degree to which tariffs were raised was little-changed from the previous two months and solid overall. That said, the rate of output charge inflation was stronger in the UK private sector economy as a whole.



Regional Comparisons: Output

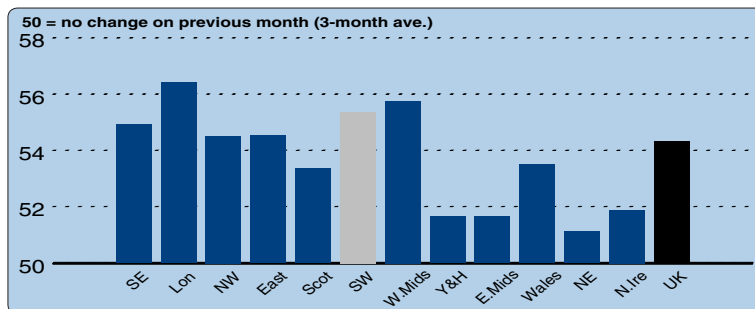
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed by the East Midlands.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	57.5	63.5	62.6
South East	(14.7%)	56.2	62.0	63.3
North West	(9.5%)	56.2	61.3	60.0
East of England	(8.7%)	55.0	59.4	59.8
Scotland	(8.3%)	54.8	57.1	55.2
South West	(7.7%)	55.3	61.5	62.1
West Midlands	(7.3%)	54.7	58.7	59.6
Yorks & Humber	(7.0%)	56.0	58.6	56.9
East Midlands	(6.4%)	55.8	62.6	62.8
Wales	(3.6%)	56.1	58.5	57.2
North East	(3.2%)	52.4	56.4	57.6
N.Ireland	(2.2%)	52.5	58.8	60.2
UK	(100.0%)	56.0	60.8	60.2

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). Higher levels of employment were indicated in all UK regions during the three months to November. Job creation was strongest in London and the West Midlands.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	52.6	54.9	55.0
London	(12.3%)	52.5	56.4	57.7
North West	(10.9%)	51.8	54.5	53.6
East of England	(9.6%)	52.6	54.5	55.3
Scotland	(8.7%)	52.0	53.4	53.3
South West	(8.6%)	52.2	55.4	56.1
West Midlands	(8.6%)	53.4	55.8	55.5
Yorks & Humber	(8.2%)	50.5	51.6	51.0
East Midlands	(7.3%)	51.3	51.7	52.4
Wales	(4.6%)	52.0	53.5	52.3
North East	(3.9%)	50.4	51.1	51.6
N.Ireland	(2.7%)	49.9	51.9	51.2
UK	(100.0%)	52.1	54.3	54.2

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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specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

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.