



# 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.

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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 November 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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9th December 2013

## Growth of new work close to September's near four-year high

### Key findings:

- Activity rises at sharp but slower pace
- Second-strongest increase in new orders since October 2009
- Work-in-hand rises at fastest pace in series history

November saw further sharp rises in output and new orders at Welsh private sector companies. Moreover, the latest increase in new business was just shy of September's near four-year high. Concurrently, backlogs of work accumulated at the quickest pace in the series history.

### 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 – eased from October's 59.1 to 57.2 in November. Despite easing to a five-month low, the index indicated a sharp increase in private sector activity that was well above the series average. Activity rose sharply in the manufacturing sector, which more than offset a decline at service providers.

Order intakes continued to rise at a solid pace in November, with the rate of growth in new business the second-highest in 49 months. One-in-three panellists indicated higher new business, with some companies commenting on stronger client demand.

### Employment and backlogs

The latest survey results signalled the sharpest rise in unfinished work in the series history. Backlogs of work accumulated for a second month in succession, with 19% of survey respondents indicating more work-in-hand. Anecdotal evidence suggested that the rise was largely driven by increased domestic and foreign demand.

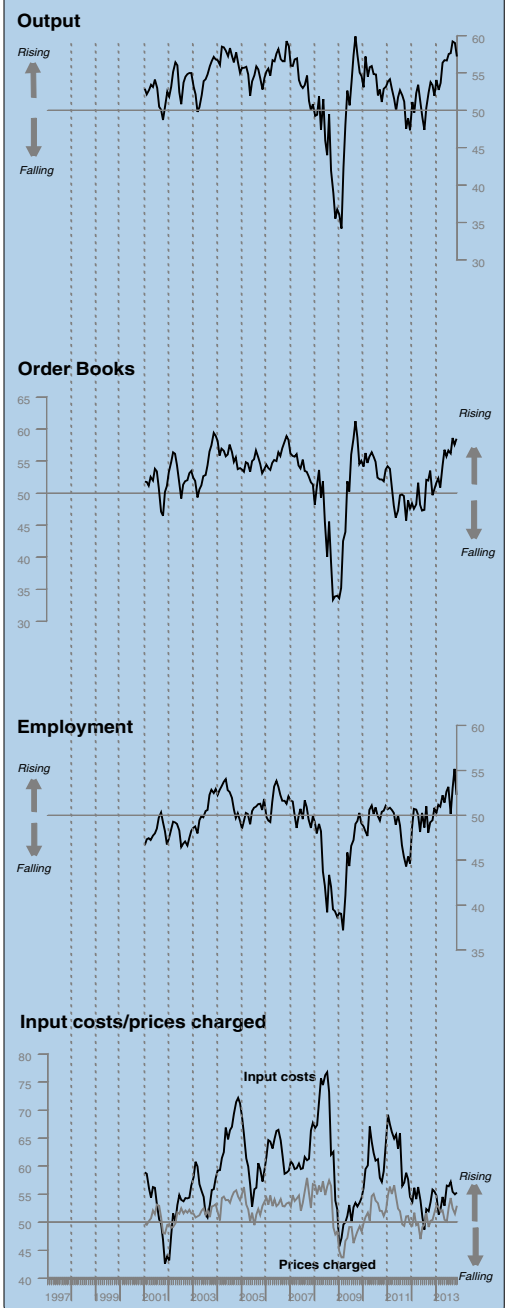
Meanwhile, employment levels rose further, as companies reported increased business requirements. The rate of job creation eased, however, to a three-month low.

### Input and output prices

Inflationary pressures in the Welsh private sector persisted into November. Although the rate of inflation was up marginally from October, it was below the overall UK average. Panel members reported that increased salaries and higher energy and commodity prices were the main drivers for the latest rise in cost burdens.

Facing higher input costs, companies raised their charges further during November. The latest increase in charges was the greatest for three months and broadly in line with the UK trend.

## Wales Business Conditions

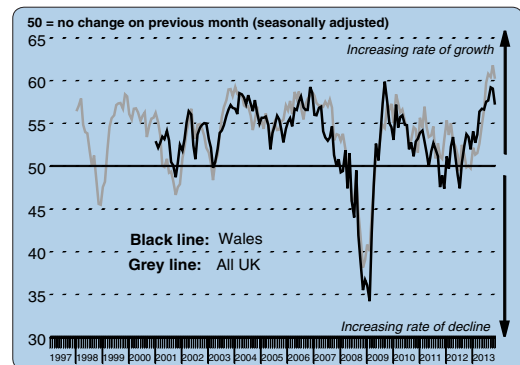




## Output / Business Activity

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	Mar	38.1	41.3	20.6	58.7	<b>53.7</b>	<b>51.6</b>
	Apr	51.6	35.5	12.9	69.4	<b>56.4</b>	<b>52.7</b>
	May	33.3	56.1	10.6	61.4	<b>56.7</b>	<b>54.9</b>
	Jun	27.0	55.6	17.5	54.8	<b>56.7</b>	<b>56.6</b>
	Jul	32.8	51.6	15.6	58.6	<b>57.6</b>	<b>59.7</b>
	Aug	36.1	49.2	14.8	60.7	<b>57.7</b>	<b>60.8</b>
	Sep	38.1	46.0	15.9	61.1	<b>59.2</b>	<b>60.5</b>
	Oct	30.0	48.3	21.7	54.2	<b>59.1</b>	<b>61.8</b>
	Nov	25.9	51.7	22.4	51.7	<b>57.2</b>	<b>60.2</b>

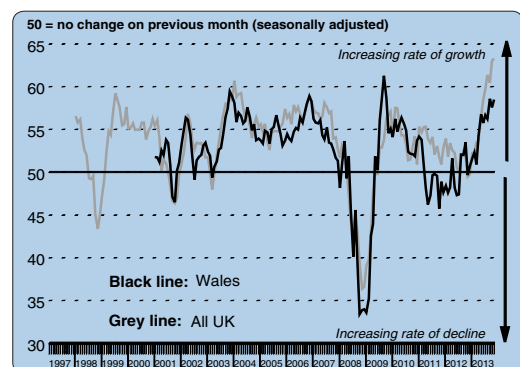


Welsh private sector companies reported a further increase in activity in November, highlighted by the seasonally adjusted Output Index registering above the 50.0 no-change mark. The pace of expansion eased to the weakest in five months, but was sharp overall and well above the series average. Companies mainly linked higher activity to increased new orders. Furthermore, sector data suggested that a decline in output at service providers was more than offset by a sharp rise at manufacturing companies.

## 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	Mar	31.7	39.7	28.6	51.6	<b>50.9</b>	<b>53.5</b>
	Apr	45.2	45.2	9.7	67.7	<b>54.3</b>	<b>53.7</b>
	May	35.4	52.3	12.3	61.5	<b>56.8</b>	<b>56.6</b>
	Jun	30.6	45.2	24.2	53.2	<b>55.8</b>	<b>58.5</b>
	Jul	36.5	47.6	15.9	60.3	<b>56.7</b>	<b>59.7</b>
	Aug	36.1	44.3	19.7	58.2	<b>56.3</b>	<b>61.4</b>
	Sep	44.4	39.7	15.9	64.3	<b>58.6</b>	<b>60.5</b>
	Oct	32.8	41.4	25.9	53.4	<b>57.6</b>	<b>63.1</b>
	Nov	33.9	44.6	21.4	56.3	<b>58.5</b>	<b>63.3</b>

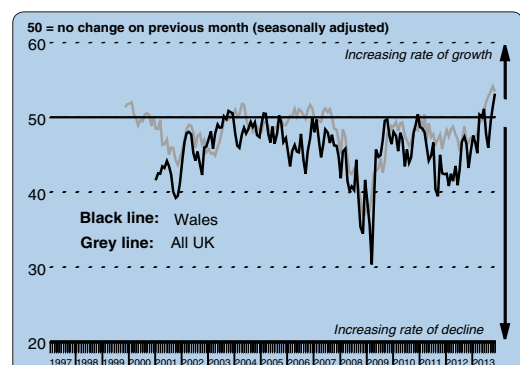


November saw a sharp rise in new business placed at Welsh private sector companies, with more than one-in-three panellists indicating growth. New orders have now increased continuously for a year and the pace of expansion was the second-fastest in 49 months, although below the overall UK average. Some panel members linked higher new business to stronger 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?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	10.5	64.9	24.6	43.0	<b>45.2</b>	<b>47.9</b>
	Apr	35.7	53.6	10.7	62.5	<b>50.4</b>	<b>49.4</b>
	May	16.9	66.1	16.9	50.0	<b>50.1</b>	<b>49.6</b>
	Jun	28.6	51.8	19.6	54.5	<b>51.2</b>	<b>51.0</b>
	Jul	15.5	62.1	22.4	46.6	<b>47.8</b>	<b>52.1</b>
	Aug	16.7	59.3	24.1	46.3	<b>45.9</b>	<b>52.8</b>
	Sep	24.6	50.9	24.6	50.0	<b>49.5</b>	<b>53.5</b>
	Oct	24.1	55.6	20.4	51.9	<b>51.5</b>	<b>54.2</b>
	Nov	18.9	66.0	15.1	51.9	<b>53.2</b>	<b>53.5</b>



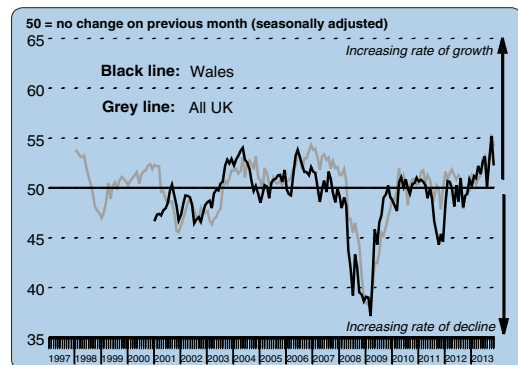
Levels of unfinished work at Welsh private sector companies rose for a second successive month during November, with the rate of backlog accumulation accelerating to the sharpest in the survey history. Companies that reported an increase in work-in-hand partly linked this to increased new business. The rise in outstanding work was mainly centred around the manufacturing sector.



## 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	Mar	12.7	79.4	7.9	52.4	<b>51.0</b>	<b>50.3</b>
	Apr	19.4	74.2	6.5	56.5	<b>52.3</b>	<b>51.0</b>
	May	12.1	80.3	7.6	52.3	<b>51.4</b>	<b>51.3</b>
	Jun	17.5	76.2	6.3	55.6	<b>52.6</b>	<b>53.1</b>
	Jul	21.9	71.9	6.3	57.8	<b>53.2</b>	<b>53.3</b>
	Aug	21.3	70.5	8.2	56.6	<b>50.1</b>	<b>50.8</b>
	Sep	17.5	71.4	11.1	53.2	<b>53.0</b>	<b>53.3</b>
	Oct	15.0	78.3	6.7	54.2	<b>55.2</b>	<b>55.4</b>
	Nov	10.3	75.9	13.8	48.3	<b>52.3</b>	<b>54.2</b>

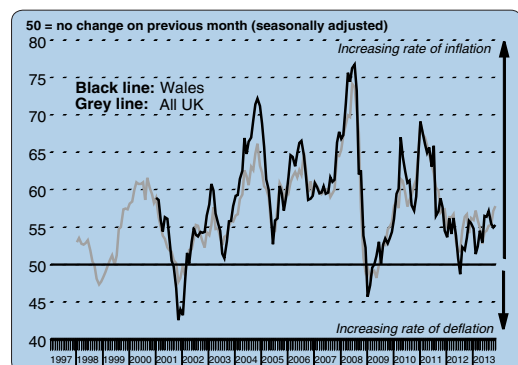


The November survey results signalled a further rise in workforce number in the Welsh private sector, with the seasonally adjusted Employment Index posting above the neutral 50.0 threshold. However, the rate of job creation eased since October and was below the overall UK average. According to anecdotal evidence, the rise in employment levels was largely attributed to increased business requirements.

## 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	Mar	19.0	73.0	7.9	55.6	<b>52.5</b>	<b>55.9</b>
	Apr	25.8	72.6	1.6	62.1	<b>54.5</b>	<b>54.9</b>
	May	16.7	78.8	4.5	56.1	<b>52.9</b>	<b>52.8</b>
	Jun	17.5	81.0	1.6	57.9	<b>56.5</b>	<b>54.3</b>
	Jul	18.8	76.6	4.7	57.0	<b>56.4</b>	<b>54.5</b>
	Aug	20.0	76.7	3.3	58.3	<b>57.2</b>	<b>55.2</b>
	Sep	15.9	76.2	7.9	54.0	<b>55.5</b>	<b>55.3</b>
	Oct	20.0	73.3	6.7	56.7	<b>55.0</b>	<b>57.2</b>
	Nov	17.2	75.9	6.9	55.2	<b>55.3</b>	<b>57.8</b>

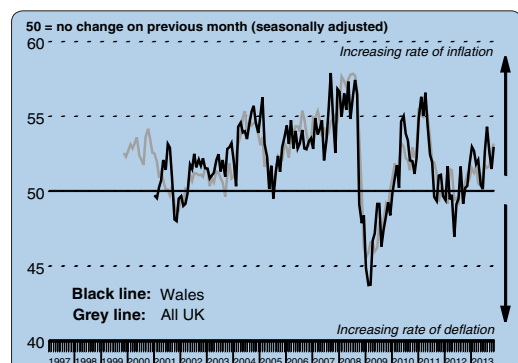


Following a trend observed in each month since August 2012, input costs increased during November. Around 17% of Welsh private sector firms recorded higher cost burdens, while 7% reported lower input prices. Although cost inflation was up marginally from October, it remained below the long-run series average and was one of the lowest across the UK. Increased salaries and higher energy and commodity prices were the main contributors to the latest rise in costs, according to survey respondents.

## 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	Mar	3.2	92.1	4.8	49.2	<b>51.8</b>	<b>51.7</b>
	Apr	11.3	83.9	4.8	53.2	<b>52.1</b>	<b>50.5</b>
	May	4.5	89.4	6.1	49.2	<b>50.5</b>	<b>50.4</b>
	Jun	6.3	88.9	4.8	50.8	<b>50.2</b>	<b>51.1</b>
	Jul	7.8	90.6	1.6	53.1	<b>52.7</b>	<b>51.8</b>
	Aug	13.1	83.6	3.3	54.9	<b>54.3</b>	<b>51.6</b>
	Sep	7.9	85.7	6.3	50.8	<b>52.5</b>	<b>51.7</b>
	Oct	11.7	76.7	11.7	50.0	<b>51.5</b>	<b>52.7</b>
	Nov	10.3	84.5	5.2	52.6	<b>53.0</b>	<b>53.2</b>

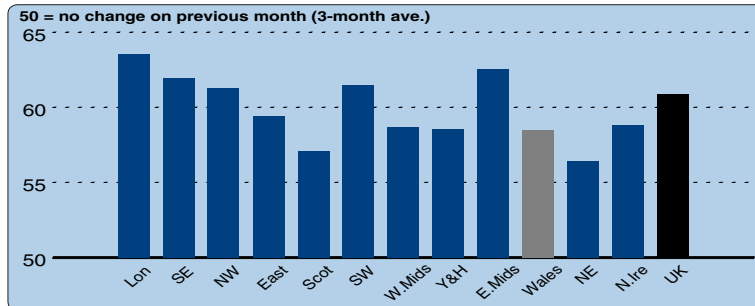


Average selling prices in the Welsh private sector rose in November, as highlighted by the seasonally adjusted Output Prices Index posting above the 50.0 no-change mark. Charges increased for the fourteenth month running, with the latest rise the quickest since August. Moreover, the rise was broadly in line with that seen at the overall UK level and was centred mainly in the manufacturing sector.



## Regional Comparisons: Output

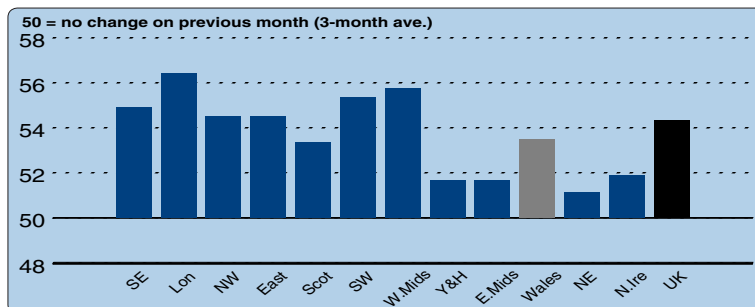
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed 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
<b>UK</b>	<b>(100.0%)</b>	<b>56.0</b>	<b>60.8</b>	<b>60.2</b>

## 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
<b>UK</b>	<b>(100.0%)</b>	<b>52.1</b>	<b>54.3</b>	<b>54.2</b>

## PMI Survey Methodology

### PMI surveys

The Purchasing Managers' Index® (or PMI) is a monthly survey 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.