

# 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 December 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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**13th January 2014**

## Output and new orders expand at sharpest rates in survey history

### Key findings:

- Employment growth also hits record high
- Outstanding business increases solidly
- Inflationary pressures intensify

December data signalled the sharpest expansions of output and new orders in the South West private sector economy since data collection began in January 1997. In an effort to raise productive capacity, employment growth also accelerated to a record high, while backlogs of work rose solidly. Meanwhile, inflationary pressures strengthened, with both input costs and output charges increasing at faster rates.

### 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 62.4 in December. This was up from 62.1 in November, and signalled the sharpest expansion of output in the South West private sector economy in 17 years of data collection. Furthermore, it was the strongest rate of output growth across all of the 12 monitored UK regions. Sector data indicated that business activity growth was broad-based across both the manufacturing and service sectors in the region.

Growth was supported by a record expansion of total new business placed at South West private sector firms. As was the case with output, it was the quickest increase of new order books recorded across all 12 UK regions. According to anecdotal evidence, a general improvement in demand conditions boosted sales over the month.

### Employment and backlogs

Staffing levels in the South West increased sharply during December, amid reports of company expansion plans. Furthermore, the rate of payroll growth was the strongest of all 12 UK regions.

Despite the net increase in employment, backlogs of work continued to rise in the South West during December. Moreover, the rate of accumulation quickened to a solid pace.

### Input and output prices

Cost burdens at private sector firms in the South West increased again during December. Moreover, the rate of input price inflation accelerated to the strongest in a year.

Similarly, private sector companies in the region raised their selling prices during December, and at the quickest rate since March 2013.

## South West Business Conditions

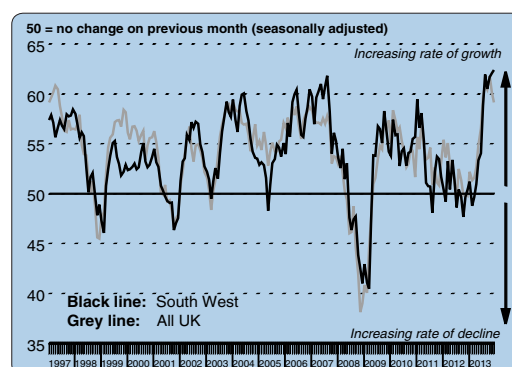




## Output / Business Activity

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 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	60.4
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
Dec	36.6	45.2	18.3	59.1	62.4	59.2

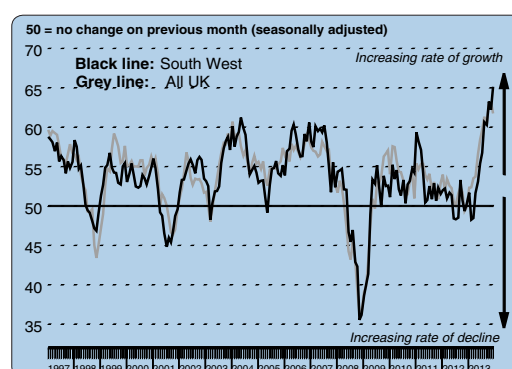


At 62.4 in December, the seasonally adjusted Business Activity Index signalled the sharpest expansion of output at private sector firms in the South West since data collection began in January 1997. Furthermore, it was the strongest rate of output growth recorded across all 12 UK regions. Nearly 37% of panellists reported increased output over the month, with a number of companies attributing growth to higher volumes of new work.

## 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 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	61.4
Sep	30.0	57.8	12.2	58.9	60.3	60.4
Oct	34.9	50.6	14.5	60.2	63.3	63.0
Nov	30.9	52.1	17.0	56.9	62.2	63.2
Dec	39.6	42.9	17.6	61.0	65.2	61.8

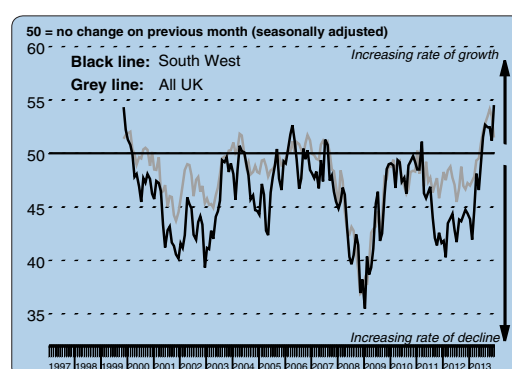


Total new business placed at South West private sector companies increased for the ninth successive month in December. Furthermore, the rate of new order growth accelerated to the sharpest in 17 years of data collection. Nearly 40% of surveyed companies recorded higher volumes of new work, with a number of firms commenting that this reflected new client wins and a general improvement in client demand. Sector data indicated that growth was broad-based across manufacturers and service providers, which both registered sharp expansions of new orders.

## 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 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
Dec	24.4	59.3	16.3	54.1	54.5	51.5



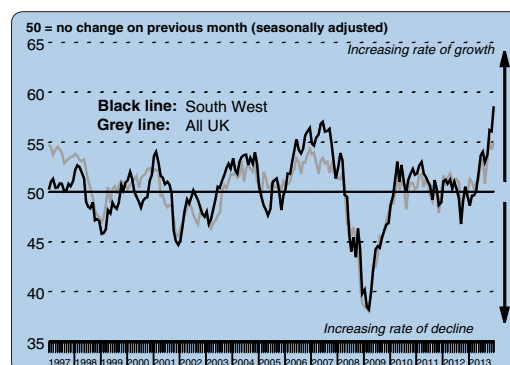
Capacity constraints persisted at private sector firms in the South West during December, as signalled by a further increase of outstanding business. Furthermore, the latest rate of accumulation was the strongest since the respective series began in November 1999, and substantially quicker than the UK private sector economy average. According to sector data, service sector firms in the region signalled a solid increase in unfinished business over the month, while manufacturers saw a reduction.



## 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
2013	Apr	12.9	77.4	9.7	51.6	50.1
	May	18.5	75.0	6.5	56.0	52.0
	Jun	26.9	64.5	8.6	59.1	53.1
	Jul	18.4	74.5	7.1	55.6	53.3
	Aug	15.4	79.1	5.5	54.9	53.0
	Sep	19.8	70.3	9.9	54.9	53.8
	Oct	24.1	71.1	4.8	59.6	56.2
	Nov	16.0	76.6	7.4	54.3	56.1
	Dec	19.6	73.9	6.5	56.5	58.6

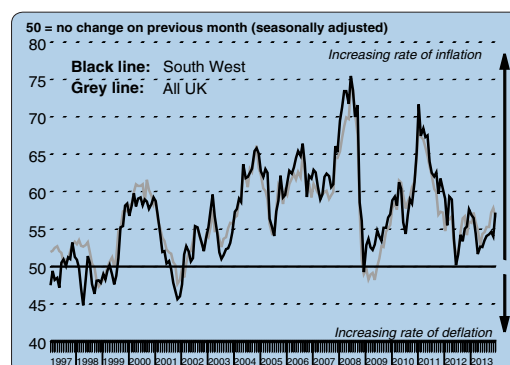


South West private sector firms continued to expand their payroll numbers in December, and at the quickest rate since data collection began in January 1997. Moreover, it was the quickest rate of job creation out of all 12 UK regions. Sector data suggested that employment growth was broad-based across both the manufacturing and service sectors in the region, amid reports of company expansion plans.

## 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
2013	Apr	12.9	79.6	7.5	52.7	51.7
	May	13.0	82.6	4.3	54.3	52.7
	Jun	10.6	84.0	5.3	52.7	52.6
	Jul	8.2	87.8	4.1	52.0	53.5
	Aug	10.9	87.0	2.2	54.3	54.1
	Sep	11.0	82.4	6.6	52.2	54.3
	Oct	8.4	88.0	3.6	52.4	54.7
	Nov	10.6	84.0	5.3	52.7	54.1
	Dec	17.4	78.3	4.3	56.5	57.2

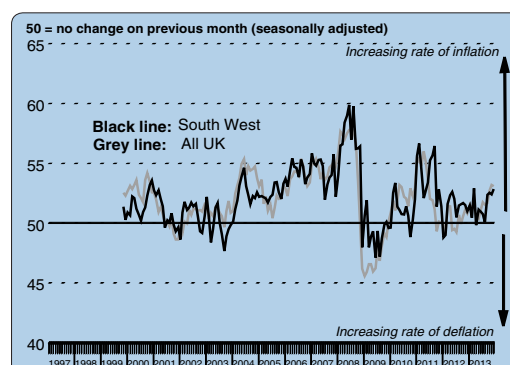


Latest data signalled a further increase in cost burdens across the South West private sector economy. After adjusting for seasonal variation, the rate of input price inflation accelerated to a marked pace that was broadly in line with the series average. It was also the strongest increase in a year and above the UK-wide trend. Higher energy prices were cited as the main driver of inflation in the latest survey period.

## 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?

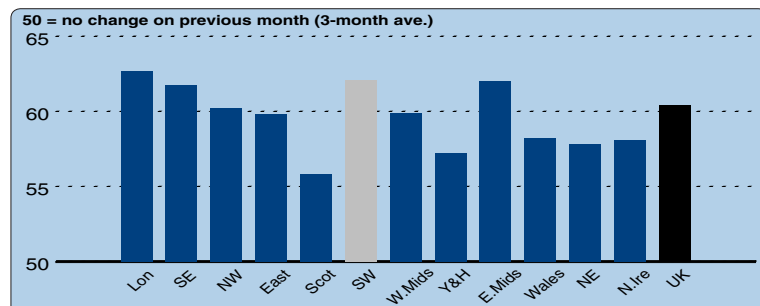
South West Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Apr	9.8	84.8	5.4	52.2	49.8
	May	8.6	88.2	3.2	52.7	51.2
	Jun	8.5	83.0	8.5	50.0	51.0
	Jul	6.1	87.9	6.1	50.0	50.8
	Aug	5.4	90.2	4.3	50.5	50.1
	Sep	7.7	89.0	3.3	52.2	52.4
	Oct	9.5	83.3	7.1	51.2	52.5
	Nov	10.5	81.1	8.4	51.1	52.4
	Dec	9.7	82.8	7.5	51.1	52.9



Prices charged for manufactured goods and services in the South West private sector increased for the eighth successive month in December. Moreover, the rate of output charge inflation was the strongest in the current sequence. According to sector data, both manufacturers and service providers raised their selling prices. Anecdotal evidence linked inflation to the passing on of higher input cost burdens to clients. Overall, the rate at which average tariffs rose in the South West was broadly in line with the UK private sector economy average.

## Regional Comparisons: Output

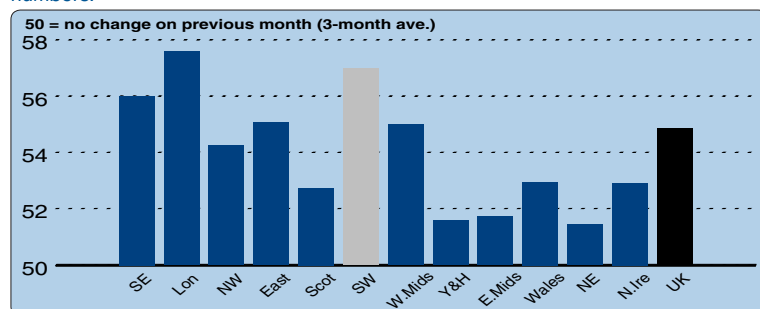
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the steepest rise in business activity, while Scotland saw the slowest pace of expansion.



	Share of UK GVA, 2010 (National Statistics)	Last 12 months	PMI Output Index Latest 3 months	Latest month
London	(21.5%)	58.3	62.7	60.3
South East	(14.7%)	57.1	61.8	60.1
North West	(9.5%)	57.2	60.2	59.1
East of England	(8.7%)	55.7	59.8	59.7
Scotland	(8.3%)	55.1	55.8	54.5
South West	(7.7%)	56.3	62.1	62.4
West Midlands	(7.3%)	55.6	59.9	61.7
Yorks & Humber	(7.0%)	56.3	57.2	55.8
East Midlands	(6.4%)	56.7	62.0	59.4
Wales	(3.6%)	56.6	58.2	58.4
North East	(3.2%)	53.2	57.8	60.4
N.Ireland	(2.2%)	53.4	58.1	56.5
UK	(100.0%)	56.8	60.4	59.2

## 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). Increased staffing levels were registered across all 12 UK regions on average during the final quarter of 2013. The pace of job creation was strongest in London and the South West, while the North East and Yorkshire & Humber posted the slowest rises in employment numbers.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index Latest 3 months	Latest month
South East	(14.6%)	53.0	56.0	56.7
London	(12.3%)	53.2	57.6	57.4
North West	(10.9%)	52.4	54.3	54.5
East of England	(9.6%)	52.9	55.1	54.5
Scotland	(8.7%)	52.1	52.7	51.5
South West	(8.6%)	53.0	57.0	58.6
West Midlands	(8.6%)	53.7	55.0	53.3
Yorks & Humber	(8.2%)	50.5	51.6	51.8
East Midlands	(7.3%)	51.2	51.7	51.4
Wales	(4.6%)	52.0	52.9	51.4
North East	(3.9%)	50.7	51.4	51.0
N.Ireland	(2.7%)	50.4	52.9	54.5
UK	(100.0%)	52.5	54.9	54.9

## PMI Survey Methodology

### PMI surveys

*Purchasing Managers' Index® (PMI®)* surveys 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 *PMI* surveys 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.