



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 December 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.

For further information, please contact:

economics@markit.com

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13th January 2014

New order growth slows in December, but remains sharp overall

Key findings:

- Activity rises at faster pace despite slower growth of new orders
- Employment rises further
- Input and output price inflation accelerate

Welsh private sector companies reported a further sharp rise in activity during December, despite a weaker expansion in new work. Employment levels also continued to rise and input and output prices both increased at sharper 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 region's manufacturing and service sectors – registered 58.4 in December, to signal a seventeenth consecutive monthly rise in activity. The rate of expansion picked up since November and was among the sharpest recorded in the series history.

Despite sharper output growth, new orders increased at the slowest pace in eight survey periods during December. However, the rate of growth in new work remained above the long-run series average. Anecdotal evidence suggested that increased confidence in the construction and retail sectors had contributed to higher new business.

Employment and backlogs

In line with increases in activity and new orders, employment levels expanded in December. While staffing levels have now risen for 13 successive months, the latest rate of job creation was the weakest since August. Moreover, the increase in workforce numbers was centred around the goods producing sector.

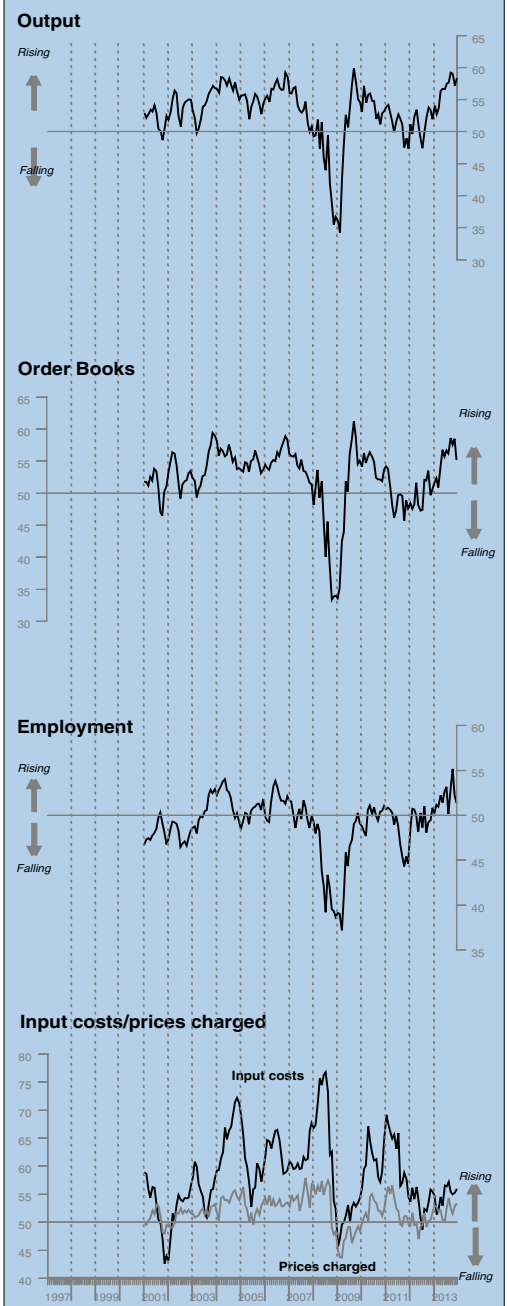
Backlogs of work rose for a third consecutive month in December, although only marginally. Moreover, the rate of backlog accumulation remained below the overall UK average. Some companies linked more work-in-hand to large inflows of new work.

Input and output prices

Input costs continued to increase in December, with the rate of inflation accelerating to a four-month high. Panel members commented on higher import costs and increased prices for packing materials.

Charges in the Welsh private sector also rose at the sharpest rate in four months, as companies faced higher input costs.

Wales Business Conditions

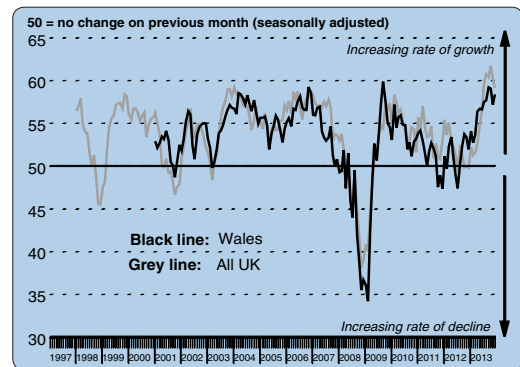




Output / Business Activity

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	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	60.4
	Oct	30.0	48.3	21.7	54.2	59.1	61.8
	Nov	25.9	51.7	22.4	51.7	57.2	60.2
	Dec	36.1	41.0	23.0	56.6	58.4	59.2

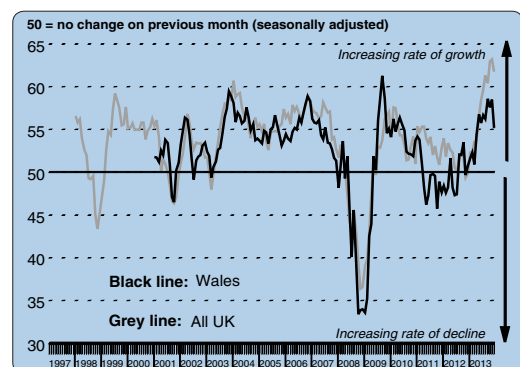


The seasonally adjusted Output Index registered above the neutral 50.0 threshold in December, signalling a further rise in business activity at Welsh private sector firms. However, the expansion was centred around the goods producing sector, with service providers reporting contraction. Anecdotal evidence suggested that the overall rise in output was largely driven by new contract wins.

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	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	61.4
	Sep	44.4	39.7	15.9	64.3	58.6	60.4
	Oct	32.8	41.4	25.9	53.4	57.6	63.0
	Nov	33.9	44.6	21.4	56.3	58.5	63.2
	Dec	30.0	41.7	28.3	50.8	55.2	61.8

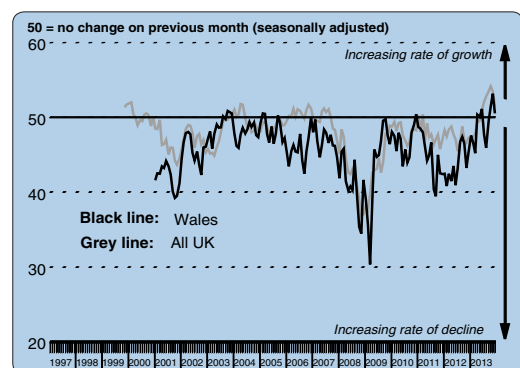


December data signalled a thirteenth successive monthly increase in new work at Welsh private sector companies. Some panellists reported that increased confidence in the construction and retail sectors had led to the rise in new business. The pace of expansion eased to an eight-month low, but remained above the series average. Nevertheless, growth in new work in the region was well below the overall UK average.

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	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
	Nov	18.9	66.0	15.1	51.9	53.2	53.5
	Dec	20.4	55.6	24.1	48.1	50.5	51.5



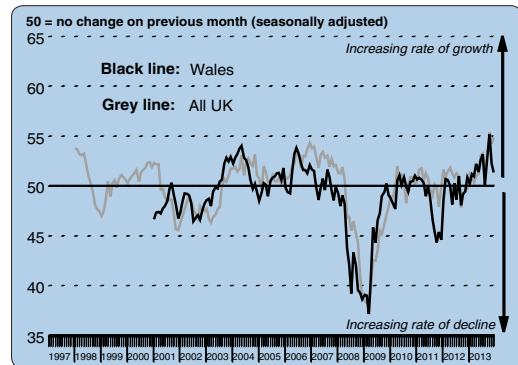
Outstanding work accumulated for a third consecutive month during December, as highlighted by the seasonally adjusted Business Outstanding Index posting above the 50.0 no-change mark. However, the latest rise in unfinished work was marginal and the weakest in this sequence. According to anecdotal evidence, some companies struggled to process large inflows of new work.



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	Apr	19.4	74.2	6.5	56.5	52.3	51.0
	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	53.3
	Aug	21.3	70.5	8.2	56.6	50.1	50.8
	Sep	17.5	71.4	11.1	53.2	53.0	53.3
	Oct	15.0	78.3	6.7	54.2	55.2	55.4
	Nov	10.3	75.9	13.8	48.3	52.3	54.3
	Dec	9.8	77.0	13.1	48.4	51.4	54.9

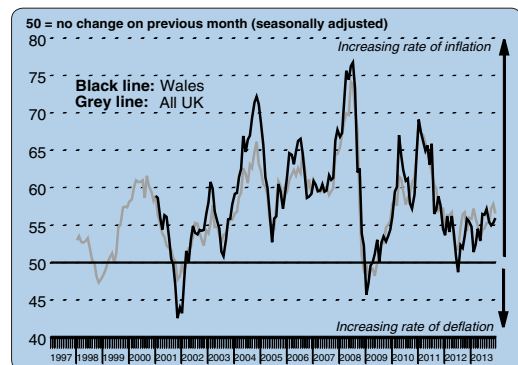


After adjusting for seasonal factors, employment levels in Wales rose in December. Workforce numbers have now increased for 13 months in succession, but in December at the slowest pace in four months. Furthermore, the rate of job creation was weak in comparison with the overall UK level. Sector data suggested that a decline in staffing levels at service providers was offset by a rise at manufacturers.

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	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	54.4
	Jul	18.8	76.6	4.7	57.0	56.4	54.6
	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
	Nov	17.2	75.9	6.9	55.2	55.3	57.8
	Dec	14.8	77.0	8.2	53.3	56.0	56.6

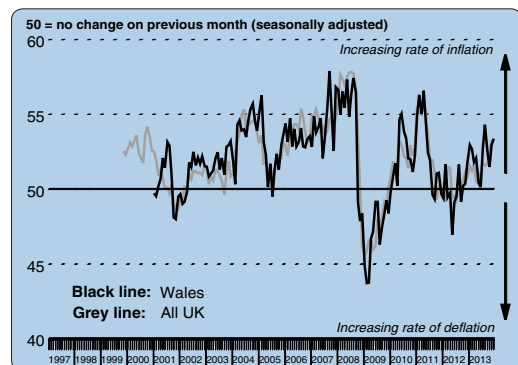


Average cost inflation persisted into December, with 15% of Welsh private sector firms reporting increased input prices. Furthermore, the latest rate of inflation was the sharpest since August, but remained below the overall UK average. Increased prices for packing material and higher import costs were among the reasons for the latest inflation, 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	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
	Nov	10.3	84.5	5.2	52.6	53.0	53.2
	Dec	11.5	83.6	4.9	53.3	53.4	53.1

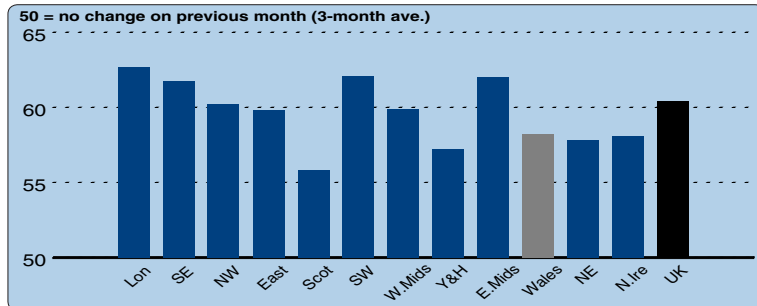


Driven by increased input costs, companies raised their charges to the largest extent in four months during December. This was highlighted by the seasonally adjusted Output Prices Index posting above the 50.0 no-change mark. Moreover, the latest reading marked the fifteenth consecutive monthly rise in selling prices. Around 12% of panellists indicated an increase in output prices, while 5% reported a reduction.



Regional Comparisons: Output

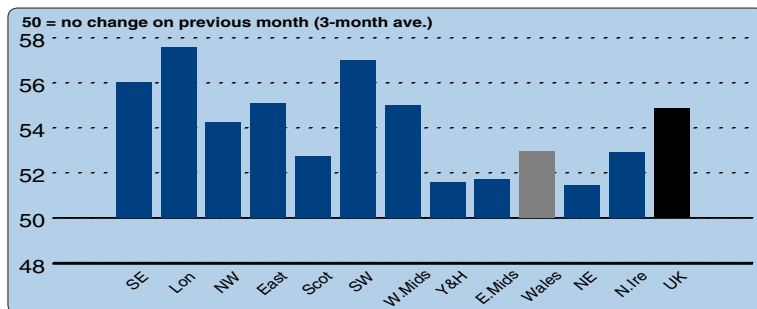
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the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



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	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)	PMI Employment Index		
		Last 12 months	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

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.