



# 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 January 2014 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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10th February 2014

## PMI signals solid rate of output growth at beginning of 2014

### Key findings:

- Activity and new orders continue to increase at marked pace
- Employment levels increase on the back of rising backlogs
- Input cost inflation at five-month high

January's survey results signalled further growth in activity and new orders at Welsh private sector firms, with the rates of expansion remaining sharp. Employment levels continued to increase, as backlogs of work accumulated at the second-highest rate on record. Meanwhile, cost inflation picked up to the sharpest in five months.

### Output and demand

Welsh private sector output rose further in January, with the pace of expansion among the fastest seen in the survey history. This was highlighted by 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 – posting 58.2, down fractionally from December's 58.4. Activity has now risen for 18 consecutive months, with companies commenting on sharp inflows of new work.

New orders continued to increase in January, with the rate of growth in new work up slightly since December, but still below the overall UK average. Companies linked larger inflows of new business to stronger client demand from both domestic and foreign markets.

### Employment and backlogs

Employment levels rose again in January. Sector data suggested that the rise in headcounts was attributed to hiring in the manufacturing sector, while service providers reduced their workforce numbers. Companies linked the expansion in payroll numbers to increased new work.

Meanwhile, new order growth had imparted pressure on operating capacity during January, with backlogs of work rising at the second-quickest pace in the survey history.

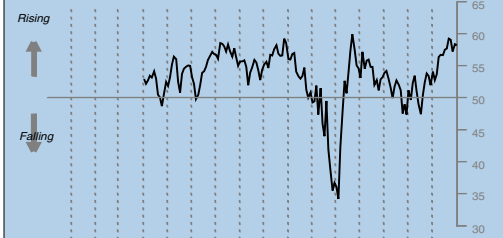
### Input and output prices

Average cost burdens in the Welsh private sector increased in January, as input price inflation hit a five-month high. Higher energy costs was one of the reasons for the latest rise in input costs, according to panel members.

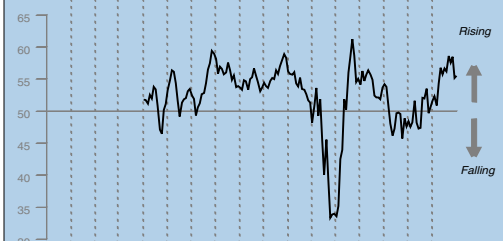
In response to increased input costs, Welsh private sector firms raised their selling prices. The rate of charge inflation was the weakest in three months and below the overall UK average.

## Wales Business Conditions

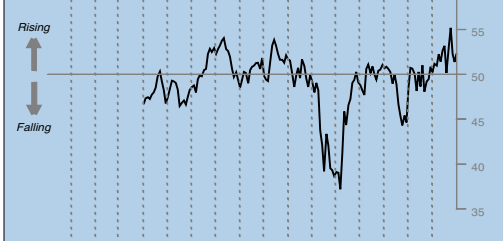
### Output



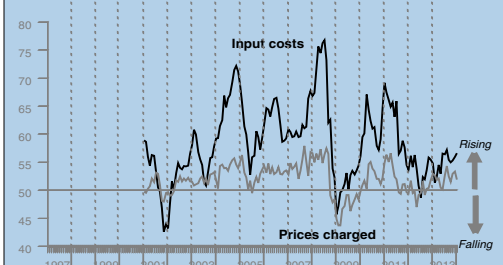
### Order Books



### Employment



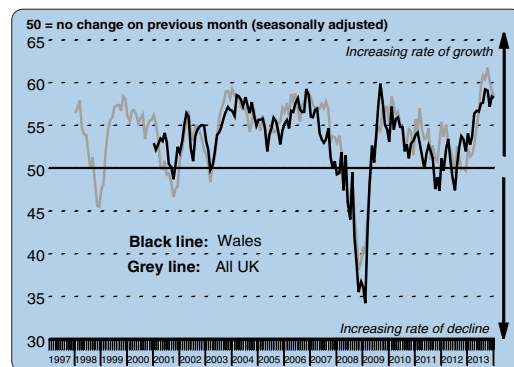
### Input costs/prices charged



## 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?

		Wales Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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>60.9</b>
	Sep	38.1	46.0	15.9	61.1	<b>59.2</b>	<b>60.4</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>
	Dec	36.1	41.0	23.0	56.6	<b>58.4</b>	<b>59.1</b>
2014	Jan	25.0	43.8	31.3	46.9	<b>58.2</b>	<b>58.5</b>

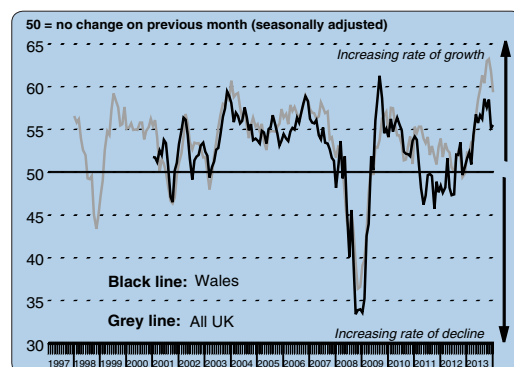


After adjusting for seasonal influences, the Output Index continued to register comfortably above the 50.0 mark that separates growth from contraction. Activity in the Welsh private sector has now risen continuously for 18 months, with the pace of expansion sharp and broadly in line with December's reading. Sector data suggested that the latest expansion was broad-based, although manufacturers reported a substantially larger increase in activity than service providers. Much of the rise in output was linked to higher order intakes, according to survey respondents.

## 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	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>58.4</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>60.4</b>
	Oct	32.8	41.4	25.9	53.4	<b>57.6</b>	<b>63.0</b>
	Nov	33.9	44.6	21.4	56.3	<b>58.5</b>	<b>63.3</b>
	Dec	30.0	41.7	28.3	50.8	<b>55.2</b>	<b>61.8</b>
2014	Jan	27.4	50.0	22.6	52.4	<b>55.6</b>	<b>59.4</b>

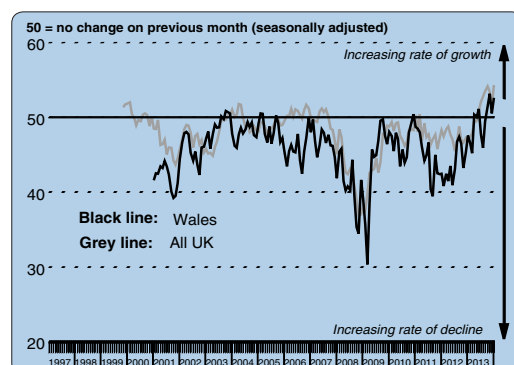


Welsh private sector companies reported a further solid rise in new orders in January. The rate of growth picked up slightly since December and was well above the long-run series average. Nevertheless, growth remained below the overall UK average for the eighth straight month. More than one-in-four panellists indicated higher order intakes, commenting on stronger client demand from both domestic and foreign markets.

## 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	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>
	Dec	20.4	55.6	24.1	48.1	<b>50.5</b>	<b>51.5</b>
2014	Jan	23.2	55.4	21.4	50.9	<b>52.7</b>	<b>54.3</b>



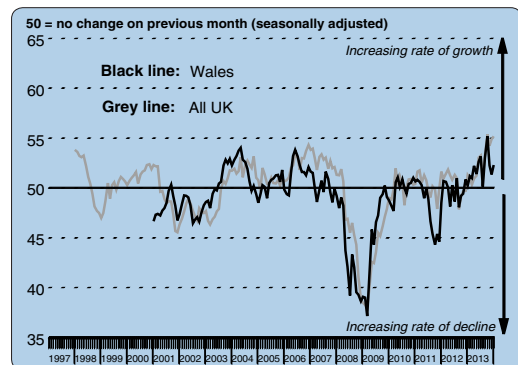
Backlogs of work rose for the fourth month in succession during January, signalling ongoing pressure on operating capacity in the Welsh private sector. The latest survey data marked the longest continuous period of backlog accumulation in the series history, with the rate of increase the second-highest on record. Anecdotal evidence suggested that increased incoming new business was the main driver for the latest rise in work-in-hand.



## 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	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>54.3</b>
	Dec	9.8	77.0	13.1	48.4	<b>51.4</b>	<b>54.9</b>
2014	Jan	6.3	81.3	12.5	46.9	<b>52.3</b>	<b>55.2</b>

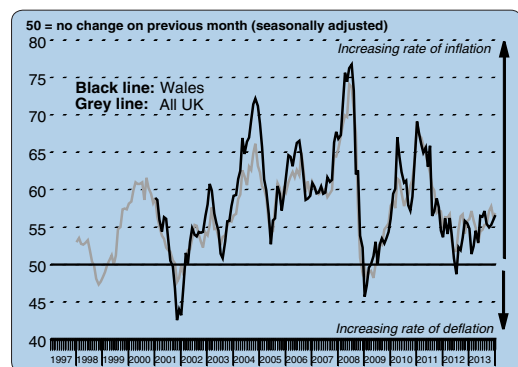


January data signalled a further rise in workforce numbers in the Welsh private sector, highlighted by the seasonally adjusted Employment Index registering above the crucial 50.0 threshold. The rate of job creation accelerated since December, but remained below the overall UK average for the eighth month in a row. A reduction in payroll numbers at service providers was more than offset by a strong 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	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>54.4</b>
	Jul	18.8	76.6	4.7	57.0	<b>56.4</b>	<b>54.6</b>
	Aug	20.0	76.7	3.3	58.3	<b>57.2</b>	<b>55.3</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>
	Dec	14.8	77.0	8.2	53.3	<b>56.0</b>	<b>56.4</b>
2014	Jan	15.6	76.6	7.8	53.9	<b>56.6</b>	<b>56.9</b>

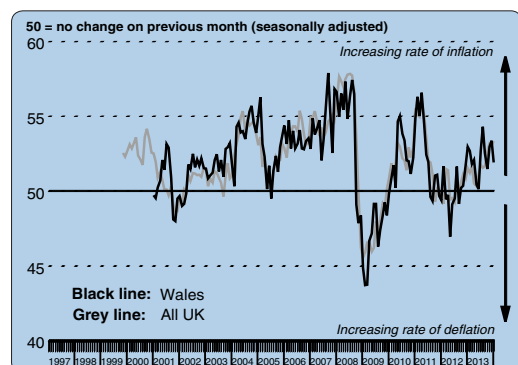


Input price inflation ticked up in January, with 16% of Welsh private sector companies reporting higher cost burdens. The rate of cost inflation was the sharpest in five months, with some companies linking the increase to higher energy costs. Furthermore, sector data suggested that companies in the service sector reported a sharper rise in input prices than manufacturers.

## 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	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>
	Dec	11.5	83.6	4.9	53.3	<b>53.4</b>	<b>53.1</b>
2014	Jan	14.1	81.3	4.7	54.7	<b>51.9</b>	<b>53.3</b>

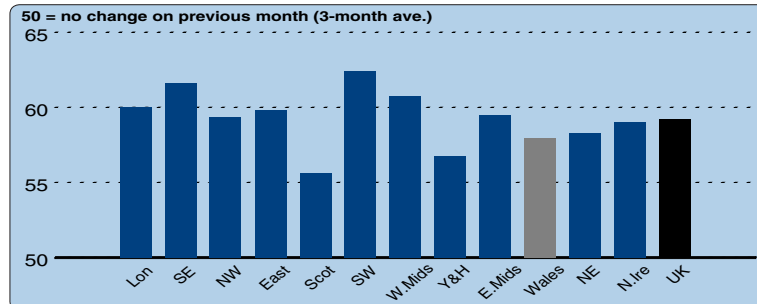


Welsh private sector companies raised their charges in January amid reports of increased input costs. This was highlighted by the seasonally adjusted Output Prices Index posting above the 50.0 no-change mark. Selling prices have now risen for 16 consecutive months, although in January at the slowest pace since October 2013. Moreover, charge inflation in Wales was weak compared to the overall UK average.



## Regional Comparisons: Output

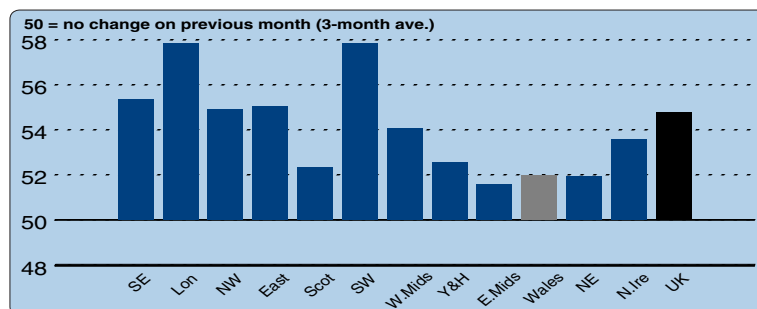
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the fastest rates of expansion respectively.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	58.7	60.0	57.0
South East	(14.7%)	57.9	61.6	61.5
North West	(9.5%)	57.9	59.3	58.9
East of England	(8.7%)	56.5	59.8	59.9
Scotland	(8.3%)	55.5	55.6	57.2
South West	(7.7%)	57.3	62.4	62.8
West Midlands	(7.3%)	56.5	60.7	60.9
Yorks & Humber	(7.0%)	56.6	56.8	57.6
East Midlands	(6.4%)	57.0	59.5	56.2
Wales	(3.6%)	57.0	57.9	58.2
North East	(3.2%)	54.0	58.3	56.8
N.Ireland	(2.2%)	54.5	59.0	60.4
<b>UK</b>	<b>(100.0%)</b>	<b>57.3</b>	<b>59.2</b>	<b>58.5</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). Net job hiring was recorded in all 12 UK regions in the three months to January. London and the South West registered the steepest increases in employment numbers. The East Midlands, North East and Wales posted the least marked rises 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%)	53.1	55.3	54.3
London	(12.3%)	53.9	57.9	58.5
North West	(10.9%)	52.9	54.9	56.6
East of England	(9.6%)	53.2	55.0	55.3
Scotland	(8.7%)	52.2	52.4	52.3
South West	(8.6%)	53.8	57.9	58.9
West Midlands	(8.6%)	53.9	54.1	53.5
Yorks & Humber	(8.2%)	50.7	52.6	55.0
East Midlands	(7.3%)	51.1	51.6	50.9
Wales	(4.6%)	52.2	52.0	52.3
North East	(3.9%)	50.9	52.0	53.3
N.Ireland	(2.7%)	50.8	53.6	55.0
<b>UK</b>	<b>(100.0%)</b>	<b>52.8</b>	<b>54.8</b>	<b>55.2</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

### Lloyds Bank Commercial Banking

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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.