



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 February 2014 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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10th March 2014

Business activity growth slows, but remains sharp overall

Key findings:

- Growth of output and new work remains sharp
- Solid expansion of payroll numbers
- Input price inflation eases to 20-month low

February data pointed to slower expansions of both business activity and new orders in the South West private sector. Nonetheless, growth remained above trend, and fuelled a solid expansion of staff numbers over the month. As a result, backlogs of work accumulated at a slower pace than that recorded in January. Meanwhile, input cost inflation eased to the weakest since June 2012, partly due to the stronger sterling exchange rate.

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 59.0 in February. This was down from January's record high of 62.8, but signalled a further expansion of South West business activity. The rate of increase was sharp and stronger than the UK economy average, despite easing to a seven-month low. At the sector level, output rose at a faster pace at manufacturing firms, though activity levels at service providers also increased sharply.

Growth of new business eased to a seven-month low in February, and was weaker than that recorded across the UK private sector economy as a whole. As was the case with activity, manufacturers registered the faster rate of new order growth compared with service providers. Panellists suggested that an improved economic outlook helped to boost new work intakes.

Employment and backlogs

Staffing levels at South West private sector firms increased again in February. Despite easing from January's record high, the rate of job creation was solid overall and in line with the UK private sector economy average.

Outstanding business also rose during February, but at a modest pace that was the weakest in three months.

Input and output prices

Cost burdens continued to increase at South West private sector firms in February. However, the rate of inflation eased to the weakest in 20 months.

Average selling prices rose for the tenth month running, and at a solid pace that was quicker than the UK private sector economy average.

South West Business Conditions

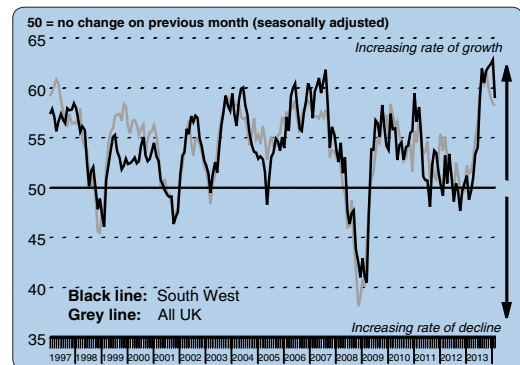




Output / Business Activity

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	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	60.9
	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	60.1
2014	Dec	36.6	45.2	18.3	59.1	62.4	59.0
	Jan	33.0	52.6	14.4	59.3	62.8	58.5
	Feb	30.9	54.3	14.9	58.0	59.0	58.2

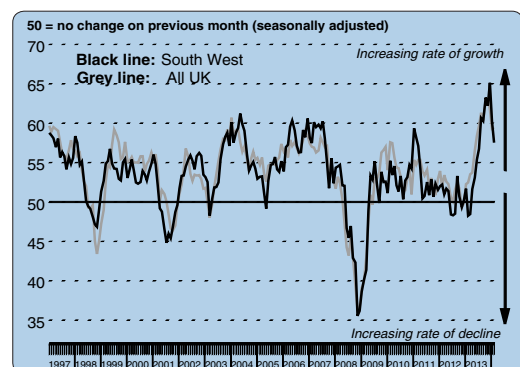


South West private sector firms signalled a further expansion of business activity in February, taking the current sequence of growth to 11 months. After adjusting for seasonality, however, the rate of increase slowed from January's record high to the weakest in seven months. Nonetheless, activity growth remained sharp overall, and was stronger than that recorded across the UK private sector economy as a whole. Manufacturers registered the steepest increase in output, though growth at service providers was also sharp.

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	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	61.3
	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
2014	Dec	39.6	42.9	17.6	61.0	65.2	61.7
	Jan	28.7	54.3	17.0	55.9	60.2	59.3
	Feb	34.8	52.2	13.0	60.9	57.6	59.5

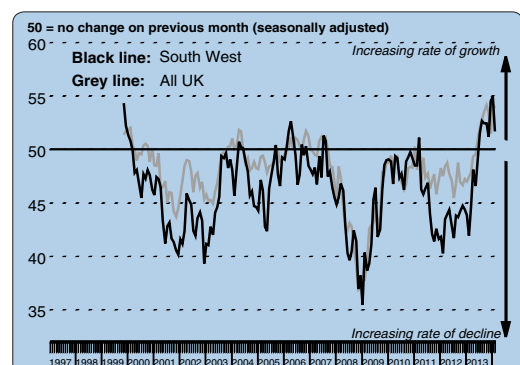


The seasonally adjusted New Orders Index signalled an increased amount of new business placed at South West private sector firms for the eleventh consecutive month. As was the case with business activity, the rate of growth eased from the start of the year, but remained sharp overall. Respondents attributed the latest increase to an improved economic outlook. Both manufacturers and service providers registered sharp growth in incoming new business, with goods producers recording the steeper increase.

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	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
2014	Dec	24.4	59.3	16.3	54.1	54.5	51.5
	Jan	16.3	70.7	13.0	51.6	55.0	54.3
	Feb	16.9	67.4	15.7	50.6	51.7	53.9



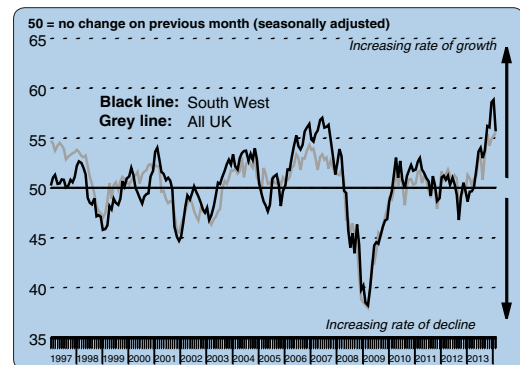
Private sector firms in the South West registered a further rise in outstanding business during February. That said, the rate of backlog accumulation eased to a moderate pace that was the weakest in three months. Furthermore, unfinished business increased at a quicker rate across the UK private sector economy as a whole. At the sector level, both manufacturers and service providers signalled an increased amount of outstanding work, which was largely attributed to new order growth.



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	Jun	26.9	64.5	8.6	59.1	53.7
	Jul	18.4	74.5	7.1	55.6	54.1
	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
2014	Dec	19.6	73.9	6.5	56.5	58.6
	Jan	13.7	82.1	4.2	54.7	58.9
	Feb	15.1	74.2	10.8	52.2	55.7

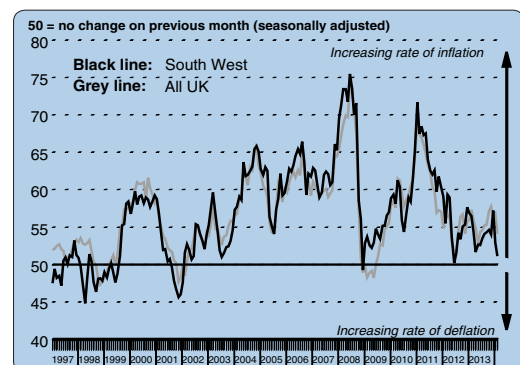


Adjusted for seasonal influences, the Employment Index posted above the 50.0 neutral mark in February, signalling a further expansion of payroll numbers at South West private sector firms. Though sharp, the rate of employment growth eased from January's record high to the slowest in five months. That said, the rate of increase was in line with the UK private sector economy average. According to sector data, job creation was predominantly driven by manufacturers in the region, though service providers also raised their workforce numbers solidly over the month.

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	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
2014	Dec	17.4	78.3	4.3	56.5	57.2
	Jan	14.6	78.1	7.3	53.6	53.0
	Feb	15.1	77.4	7.5	53.8	51.1

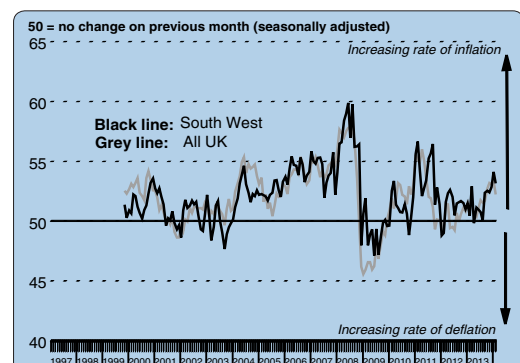


Latest data signalled that average input costs in the South West private sector economy increased during February, extending the current sequence of inflation to 62 months. After adjusting for seasonality, however, the rate of increase eased to a marginal pace that was the weakest since June 2012. Moreover, the rate of input price inflation was slower than the UK private sector economy average. A number of survey respondents mentioned that a combination of price negotiations with suppliers and a more favourable exchange rate had slowed growth of cost burdens across the South West.

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	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
2014	Dec	9.7	82.8	7.5	51.1	52.9
	Jan	16.7	80.2	3.1	56.8	54.1
	Feb	12.8	84.0	3.2	54.8	53.2

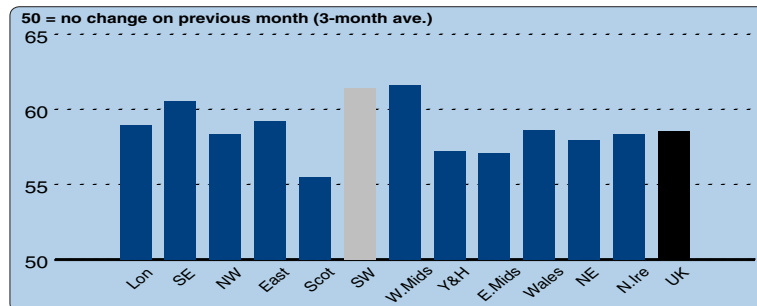


Average selling prices set by South West private sector firms increased for the tenth successive month in February. The rate of output charge inflation was solid, despite easing from January's 28-month high. Furthermore, average tariffs rose at quicker pace than that recorded across the UK private sector economy as a whole. According to sector data, both goods producers and service providers in the region raised their selling prices, with a number of companies suggesting that higher tariffs reflected increased input costs.



Regional Comparisons: Output

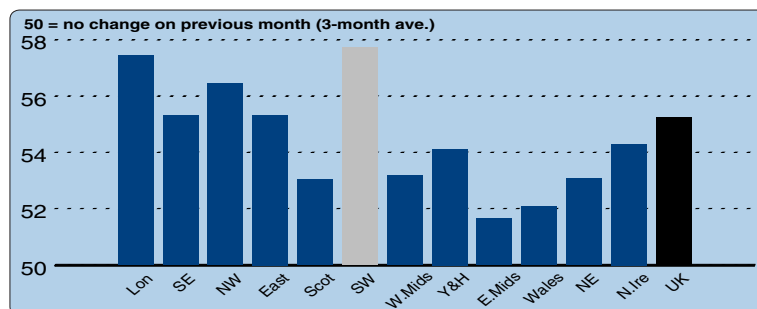
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions in the three months to February. Output growth was fastest in the West Midlands and South West, while Scotland posted the slowest pace of expansion.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	59.4	58.9	59.5
South East	(14.9%)	58.5	60.5	60.0
North West	(9.6%)	58.3	58.3	57.0
East of England	(8.6%)	57.0	59.2	58.1
Scotland	(7.8%)	55.4	55.5	55.2
South West	(7.5%)	58.1	61.4	59.0
West Midlands	(7.2%)	57.4	61.6	62.2
Yorks & Humber	(6.9%)	57.2	57.2	58.1
East Midlands	(5.9%)	57.3	57.1	55.7
Wales	(3.5%)	57.5	58.6	59.2
North East	(3.1%)	54.6	58.0	56.6
N.Ireland	(2.2%)	55.3	58.3	58.1
UK	(100.0%)	57.9	58.6	58.2

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 staffing levels were recorded across all 12 UK regions on average in the three months to February. The South West registered the strongest pace of job creation, while the weakest rise in workforce numbers was in the East Midlands.



	Share of UK GVA, 2010 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	54.2	57.4	56.4
South East	(14.9%)	53.3	55.3	54.9
North West	(9.6%)	53.6	56.5	58.3
East of England	(8.6%)	53.6	55.3	56.2
Scotland	(7.8%)	52.6	53.0	55.2
South West	(7.5%)	54.3	57.7	55.7
West Midlands	(7.2%)	54.0	53.2	52.8
Yorks & Humber	(6.9%)	51.3	54.1	55.7
East Midlands	(5.9%)	51.3	51.7	52.7
Wales	(3.5%)	52.3	52.1	52.5
North East	(3.1%)	51.4	53.1	54.9
N.Ireland	(2.2%)	51.1	54.3	53.4
UK	(100.0%)	53.2	55.2	55.6

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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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 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.