



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®)

The report features original survey data collected in February 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 March 2014

Solid output growth sustained in February

Key findings:

- Output and new orders continue to rise at sharp rates
- Backlogs of work accumulate at steepest rate in survey history
- Employment growth sustained in February

Welsh private sector companies reported solid increases in activity and new orders in February, with the latest rise in activity the joint-third highest on record. Meanwhile, work outstanding rose to the greatest extent since data collection began in 2001 and workforce numbers rose further.

At 59.2 in February, the headline **Lloyds Bank Commercial Banking Wales Business Activity Index** – a seasonally adjusted index that measures the combined output of the Welsh manufacturing and service sectors – signalled strong output growth in the Welsh private sector. The latest reading was the joint-third highest in the series history and above the UK average. Close to one-in-three panellists reported a rise in activity, while only 12% indicated contraction.

In line with strong output growth, order intakes rose sharply during February. The rate of growth in new work picked up since January and was among the highest on record. Anecdotal evidence suggested that increased demand from European and Asian markets had contributed to the overall rise in order intakes.

Employment and backlogs

New order growth had imparted pressure on operating capacity in February, resulting in a further rise in work outstanding. The rate at which backlogs accumulated accelerated to the quickest in the 13-year survey history.

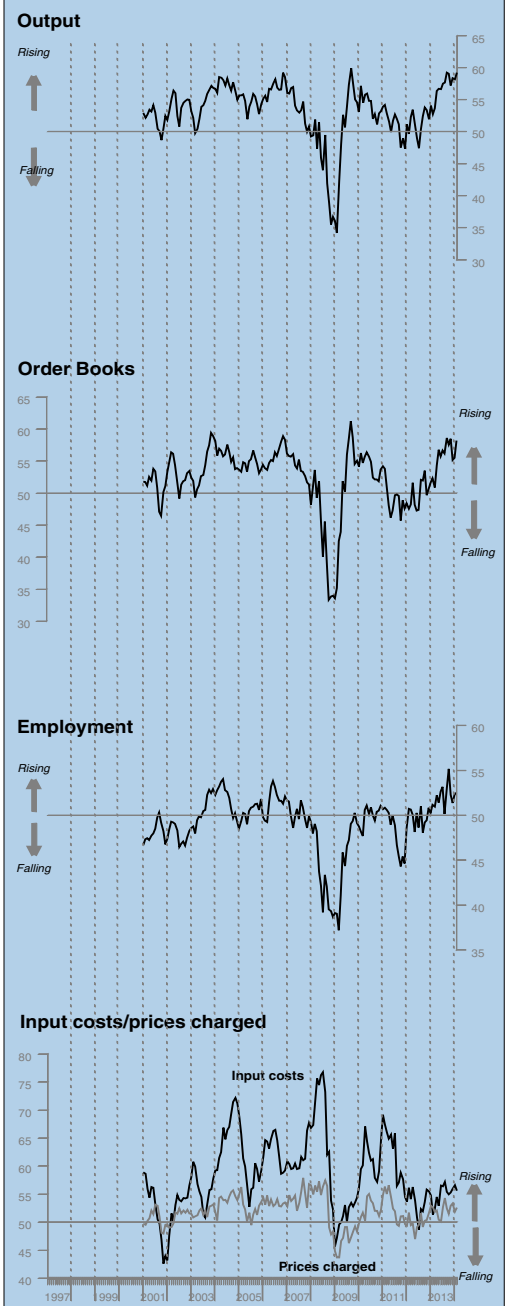
Meanwhile, employment levels rose further, extending the current sequence of job growth to 15 months. While service providers reduced their headcounts, manufacturers reported a strong expansion in workforce numbers.

Input and output prices

Average cost burdens rose further in February, with more than one-in-five panellists recording higher input prices. The rate of inflation eased slightly since the preceding month and was below the series average.

Companies passed part of the increase in input costs on to clients, stretching the current period of rising selling prices to 17 months. Charge inflation nudged up slightly since January and was higher than in the UK as a whole.

Wales Business Conditions

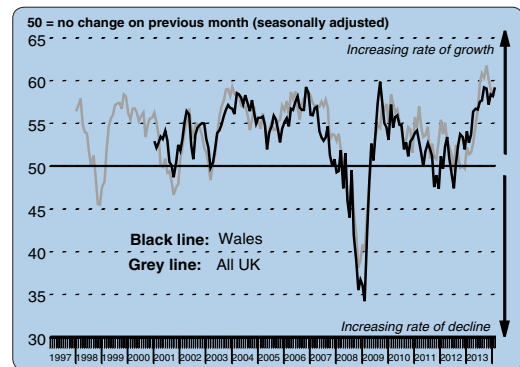




Output / Business Activity

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	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	60.9
	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	60.1
2014	Dec	36.1	41.0	23.0	56.6	58.4	59.0
	Jan	25.0	43.8	31.3	46.9	58.2	58.5
	Feb	30.8	56.9	12.3	59.2	59.2	58.2

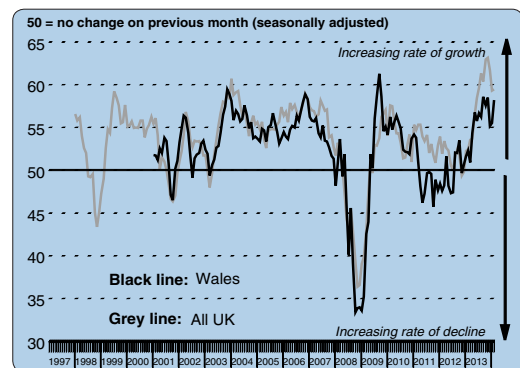


Welsh private sector output rose sharply during February, with the pace of expansion the third-second highest in the survey history. Moreover, output in Wales rose to a greater extent than in the UK as a whole for the first time since last June. Almost one-in-three panellists reported a rise in activity compared to the previous month, while only 12% indicated a decline. Anecdotal evidence suggested that much of the latest increase was attributed to strong client demand from UK and overseas markets and higher construction activity.

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	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	61.3
	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
2014	Dec	30.0	41.7	28.3	50.8	55.2	61.7
	Jan	27.4	50.0	22.6	52.4	55.6	59.3
	Feb	35.9	48.4	15.6	60.2	58.2	59.5

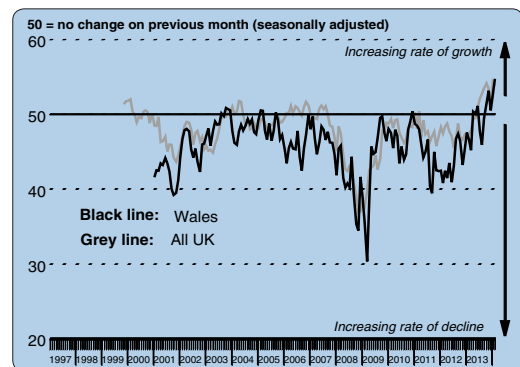


February data signalled a steep rise in order intakes at Welsh private sector firms, extending the current sequence of growth in new work to 15 months. Survey participants commented that higher new business from European and Asian markets had contributed to the overall rise in incoming new work. Moreover, sector data suggested that the expansion was broad-based, with both manufacturers and service providers reporting growth.

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	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
2014	Dec	20.4	55.6	24.1	48.1	50.5	51.5
	Jan	23.2	55.4	21.4	50.9	52.7	54.3
	Feb	25.9	60.3	13.8	56.0	54.8	53.9

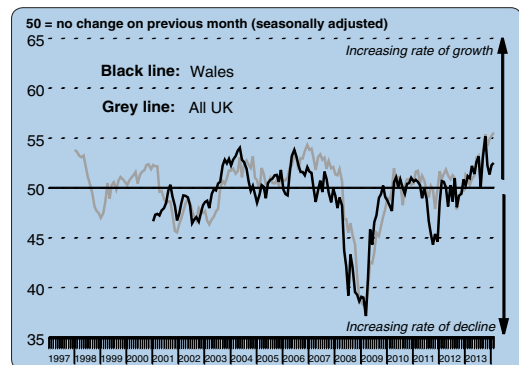


The seasonally adjusted Business Outstanding Index posted above the crucial 50.0 threshold in February, signalling ongoing pressure on operating capacity in the Welsh private sector. The pace at which backlogs accumulated accelerated since January to the quickest since data collection began 13 years ago. Sharp inflows of new work was the primary factor underlying the latest rise in business outstanding, according to panel members.

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	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
2014	Dec	9.8	77.0	13.1	48.4	51.4	54.9
	Jan	6.3	81.3	12.5	46.9	52.3	55.3
	Feb	15.4	76.9	7.7	53.8	52.5	55.6

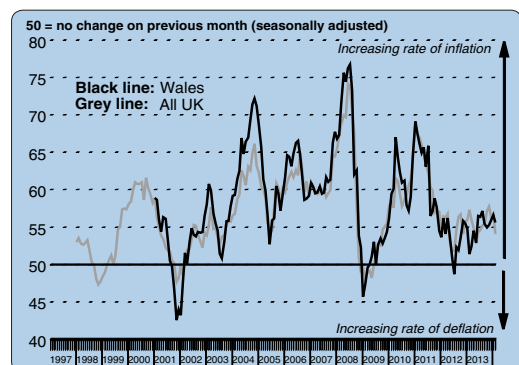


Latest survey data signalled a further increase in workforce numbers at Welsh private sector companies. The current sequence of rising staff levels now stretches to 15 months, with the latest rate of job creation the quickest since last October. A reduction in payroll numbers at service providers was more than offset by a robust rise at manufacturing firms. Increased demand was the main driver behind the latest hiring, according to survey respondents.

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	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	55.2
	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
2014	Dec	14.8	77.0	8.2	53.3	56.0	56.4
	Jan	15.6	76.6	7.8	53.9	56.6	56.8
	Feb	21.5	72.3	6.2	57.7	55.6	54.1

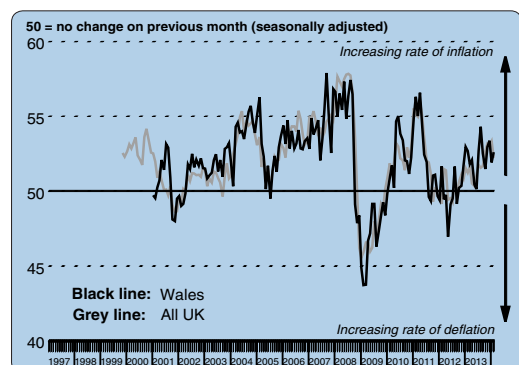


Input prices rose further during February, with more than one-in-five panellists reporting higher costs. This was highlighted by the seasonally adjusted Input Prices Index registering above the 50.0 no-change mark. Input costs have now risen continuously for over one-and-a-half years. However, the latest rate of inflation eased to a three-month low and was below the long-run series average.

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	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
2014	Dec	11.5	83.6	4.9	53.3	53.4	53.1
	Jan	14.1	81.3	4.7	54.7	51.9	53.3
	Feb	10.8	84.6	4.6	53.1	52.6	52.2

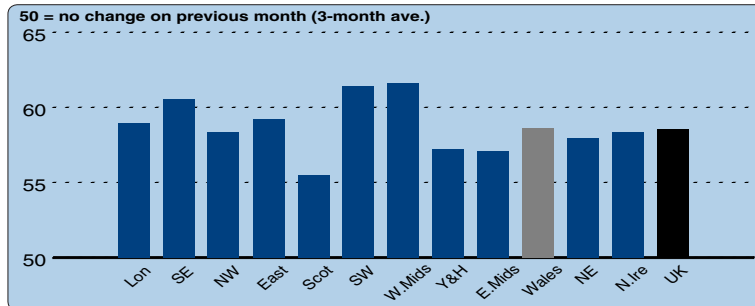


Private sector companies in Wales raised their output prices again in February. The rate of charge inflation ticked up slightly since January and was above the overall UK average. Around 11% of companies indicated higher selling prices, while 5% reported price discounting. Survey participants that signalled higher charges largely linked this to increased input costs.



Regional Comparisons: Output

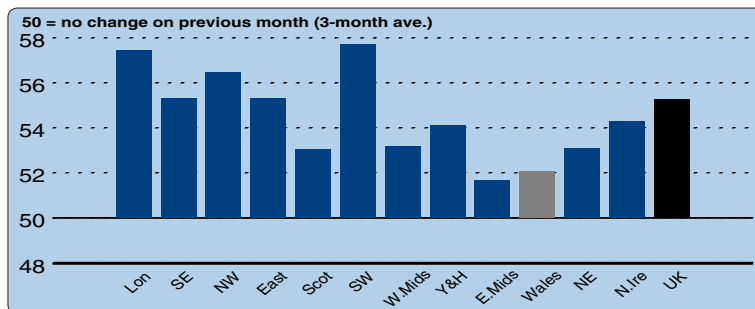
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions in the three months to February. Output growth was fastest in the West Midlands and South West, while Scotland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

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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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.

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.