



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 March 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:

The intellectual property rights to the South West PMI® provided herein is owned by Markit Economics Limited, Lloyds Bank Commercial Banking use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

14th April 2014

Business activity growth eases to nine-month low in March

Key findings:

- Growth of new business accelerates
- Employment growth slows but remains solid overall
- Input costs and output charges rise only marginally

South West private sector firms registered a further sharp expansion of business activity in March, though the rate of growth eased to a nine-month low. Meanwhile, growth of new business accelerated from the previous month and was also sharp. Consequently, backlogs of work rose solidly, while firms continued to expand their staffing levels in an effort to raise productive capacity. On the prices front, input costs and output charges rose only slightly.

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 58.8 in March. This was down slightly from 59.0 in February and a nine-month low. Nonetheless, activity growth in the region remained sharp, and was stronger than the UK private sector economy average. Sector level data indicated that manufacturers led the latest expansion of activity in the region, while growth was also sharp at service providers.

Meanwhile, new order books expanded sharply in March, with growth picking up from February's seven-month low. Moreover, the rate of new business growth in the South West was faster than the UK private sector economy average. Anecdotal evidence suggested that stronger client demand boosted new work intakes in March.

Employment and backlogs

South West private sector firms increased their workforce numbers again in March. Despite easing further from January's record high, the rate of job creation was solid overall and stronger than the UK private sector economy average.

Backlogs of work also rose in March, and at a solid pace that was faster than that recorded across the UK private sector economy as a whole.

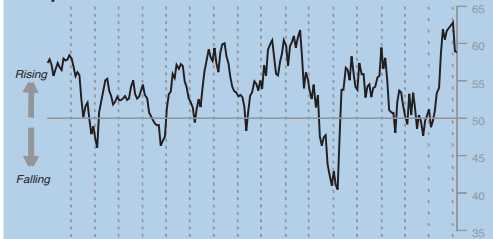
Input and output prices

Average input costs faced by South West private sector companies continued to increase in March. That said, the rate of inflation was the weakest since June 2012 and only slight.

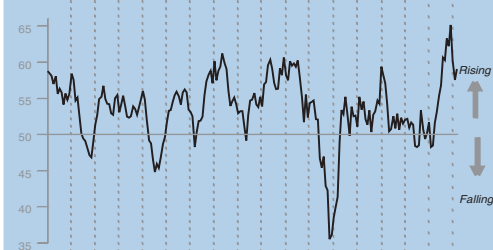
Output charges increased again during March, though only marginally, with a number of panellists citing increased market competition.

South West Business Conditions

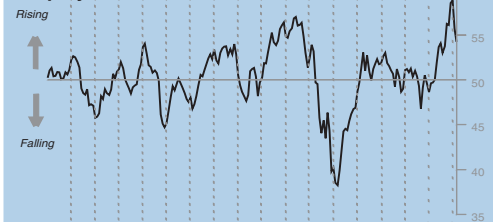
Output



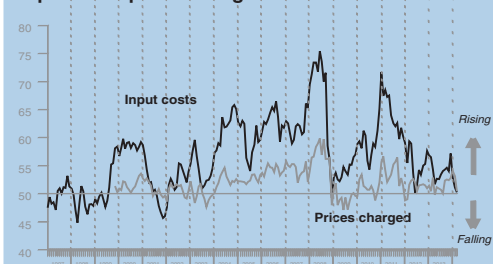
Order Books



Employment



Input costs/prices charged

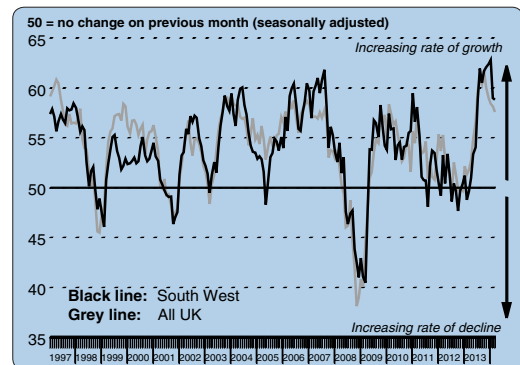




Output / Business Activity

Q. Is the level of output or business activity at your company higher, the same or lower this month than one month ago?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	61.7
	Nov	32.6	52.6	14.7	58.9	62.1	60.1
	Dec	36.6	45.2	18.3	59.1	62.4	59.0
2014	Jan	33.0	52.6	14.4	59.3	62.8	58.4
	Feb	30.9	54.3	14.9	58.0	59.0	58.2
	Mar	33.3	58.1	8.6	62.4	58.8	57.6

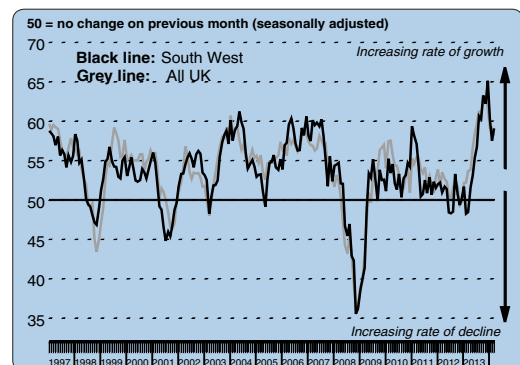


The seasonally adjusted Business Activity Index signalled increased business activity in the South West private sector economy during March, extending the current sequence of growth to one year. Despite easing further to a nine-month low, the rate of expansion remained sharp overall. Moreover, the pace of activity growth in the region was faster than the UK private sector economy average. A number of monitored companies suggested that business activity rose in line with greater 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	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	61.7
2014	Jan	28.7	54.3	17.0	55.9	60.2	59.2
	Feb	34.8	52.2	13.0	60.9	57.6	59.2
	Mar	37.8	55.6	6.7	65.6	59.1	58.2

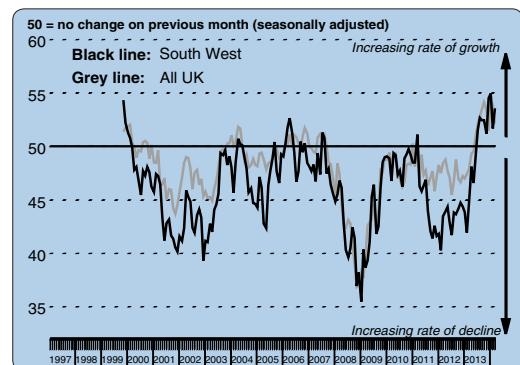


Latest data signalled a further expansion of new business in the South West private sector economy during March. The rate of new order growth picked up from February's seven-month low and was sharp overall. Furthermore, new business growth in the region was stronger than that recorded across the UK private sector economy as a whole. Nearly 38% of panellists reported higher intakes of new work, amid reports of stronger client demand. According to sector data, manufacturers registered the steeper rise in new orders, though growth at service providers was also sharp.

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	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
2014	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
	Mar	21.8	66.7	11.5	55.2	53.6	52.2



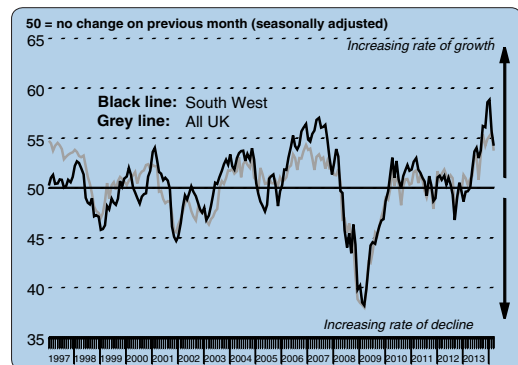
Greater volumes of new work led to a further increase in the level work-in-hand (but not yet completed) at South West private sector firms during March. Outstanding business has now risen for nine months in a row. Furthermore, the rate of accumulation quickened to a solid pace that was stronger than that recorded across the UK private sector economy as a whole. Sector data for the region suggested that unfinished business increased at both service providers and manufacturers, with the latter registering the faster rate of expansion.



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	Jul	18.4	74.5	7.1	55.6	53.3
	Aug	15.4	79.1	5.5	54.9	50.8
	Sep	19.8	70.3	9.9	54.9	53.3
	Oct	24.1	71.1	4.8	59.6	55.4
	Nov	16.0	76.6	7.4	54.3	54.3
	Dec	19.6	73.9	6.5	56.5	54.9
2014	Jan	13.7	82.1	4.2	54.7	55.2
	Feb	15.1	74.2	10.8	52.2	55.5
	Mar	16.3	77.2	6.5	54.9	53.7

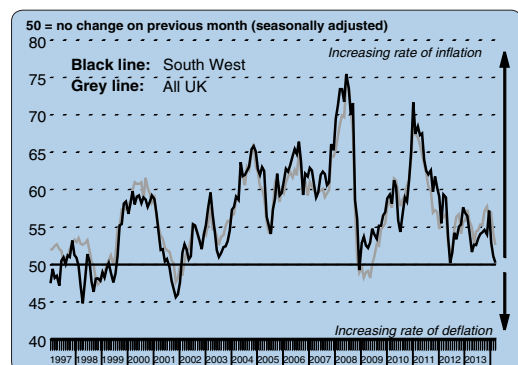


South West private sector firms raised their staffing levels for the twelfth successive month in March. After adjusting for seasonality, however, the rate of job creation eased further from January's record high to the weakest since last September. Nonetheless, the pace of employment growth in the region was solid overall, and quicker than the UK private sector economy average. Reports from panellists suggested that staffing levels rose in line with higher output requirements.

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	Jul	8.2	87.8	4.1	52.0	54.6
	Aug	10.9	87.0	2.2	54.3	55.3
	Sep	11.0	82.4	6.6	52.2	55.3
	Oct	8.4	88.0	3.6	52.4	57.2
	Nov	10.6	84.0	5.3	52.7	57.8
	Dec	17.4	78.3	4.3	56.5	56.3
2014	Jan	14.6	78.1	7.3	53.6	56.7
	Feb	15.1	77.4	7.5	53.8	54.1
	Mar	9.7	82.8	7.5	51.1	52.6

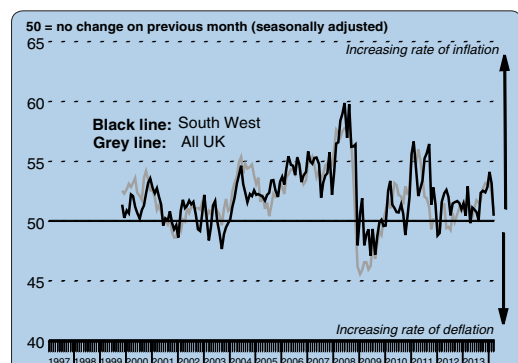


The seasonally adjusted Input Prices Index signalled a further increase in average cost burdens faced by South West private sector firms in March. However, the rate of input price inflation eased to a fractional pace that was the weakest since June 2012. Moreover, average input costs rose at a slower pace than the UK private sector average. Sector data pointed to divergent trends with manufacturers in the region reporting reduced cost burdens, while input costs rose at service providers. Panellists were said to have benefited from a stronger sterling exchange rate 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	Jul	6.1	87.9	6.1	50.0	51.8
	Aug	5.4	90.2	4.3	50.5	51.6
	Sep	7.7	89.0	3.3	52.2	51.7
	Oct	9.5	83.3	7.1	51.2	52.7
	Nov	10.5	81.1	8.4	51.1	53.2
	Dec	9.7	82.8	7.5	51.1	53.1
2014	Jan	16.7	80.2	3.1	56.8	53.3
	Feb	12.8	84.0	3.2	54.8	52.2
	Mar	7.5	90.3	2.2	52.7	50.8

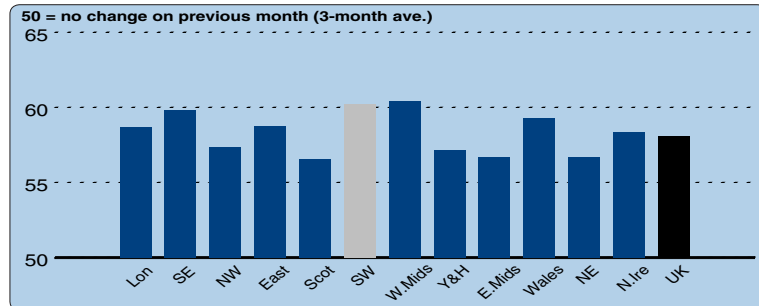


Output charges set by South West private sector firms increased again during March. After adjusting for seasonal variation, the rate of output charge inflation was only slight and broadly in line with the UK private sector economy average. Furthermore, the vast majority of panellists (90%) left their tariffs unchanged from the previous month. According to anecdotal evidence, increased market competition restricted the pricing power of firms in the South West.



Regional Comparisons: Output

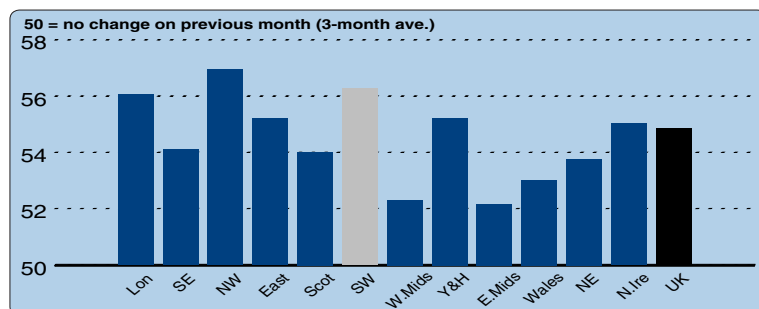
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However, in the majority of UK regions the pace of expansion during Q1 2014 was slower than in the final quarter of 2013.



	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	59.9	58.7	59.5
South East	(14.9%)	59.1	59.8	58.0
North West	(9.6%)	58.8	57.4	56.1
East of England	(8.6%)	57.6	58.8	58.2
Scotland	(7.8%)	56.2	56.6	56.4
South West	(7.5%)	58.9	60.2	58.8
West Midlands	(7.2%)	58.1	60.4	58.2
Yorks & Humber	(6.9%)	57.4	57.2	55.8
East Midlands	(5.9%)	57.9	56.7	58.2
Wales	(3.5%)	58.1	59.3	60.5
North East	(3.1%)	55.4	56.7	56.6
N.Ireland	(2.2%)	55.9	58.4	56.6
UK	(100.0%)	58.3	58.1	57.6

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 private sector staffing levels were recorded across all 12 UK regions during the three months to March. The rate of job creation was strongest in the North West, followed by the South West.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	54.5	56.1	53.3
South East	(14.9%)	53.5	54.1	53.1
North West	(9.6%)	54.1	56.9	56.0
East of England	(8.6%)	53.8	55.2	54.2
Scotland	(7.8%)	52.9	54.0	53.9
South West	(7.5%)	54.7	56.3	54.3
West Midlands	(7.2%)	53.9	52.3	50.7
Yorks & Humber	(6.9%)	51.9	55.2	55.1
East Midlands	(5.9%)	51.4	52.2	52.9
Wales	(3.5%)	52.5	53.0	54.2
North East	(3.1%)	51.5	53.8	53.1
N.Ireland	(2.2%)	51.8	55.0	56.6
UK	(100.0%)	53.5	54.8	53.7

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

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.

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.