



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 March 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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14th April 2014

Activity growth hits record high in March, rounding off best quarter in series history

Key findings:

- Output growth accelerates and new orders rise sharply
- Backlogs of work accumulate at record pace
- Output charges rise sharply despite weaker cost inflation

March data signalled sharp increases in output and new orders in the Welsh private sector, with the rise in activity the steepest in the survey history. Employment levels also rose further and work-in-hand accumulated at the quickest pace on record. Meanwhile, companies raised their charges to the greatest extent since April 2011, despite an easing in the rate of cost inflation.

Output and demand

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 – rose from February's 59.2 to a record high of 60.5 in March. The latest reading rounded off the strongest quarter of activity growth since data collection began in 2001. The expansion was broad-based with both manufacturers and service providers reporting increased output.

Order intakes also rose at an accelerated pace, rising at the steepest rate since September 2009. The securing of new clients and new product launches were mentioned by panellists to have contributed to the sharp rise in new work.

Employment and backlogs

Backlogs of work continued to rise in March, as robust new order growth had imparted further pressure on operating capacity. The increase in work outstanding was the sharpest in the series history, up marginally from February's previous record high.

Staffing levels also rose during the latest survey period. While service providers reported a decline in workforce numbers, manufacturers indicated a solid rise, resulting in the overall increase in headcounts.

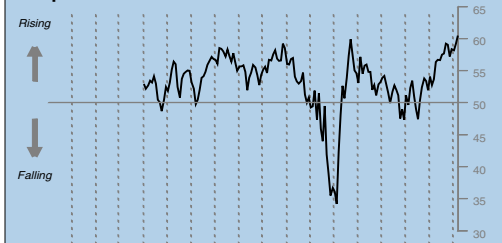
Input and output prices

Input prices increased in March, but the rate of cost inflation eased to a ten-month low. Where survey participants signalled higher input prices, they often linked this to increased raw material costs.

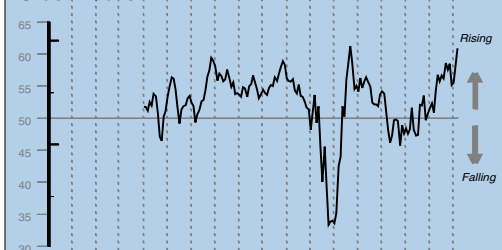
Despite weaker input price inflation, Welsh private sector firms raised their charges to the greatest extent in nearly three years. Much of the rise in output charges was attributed to increased input costs, according to survey respondents.

Wales Business Conditions

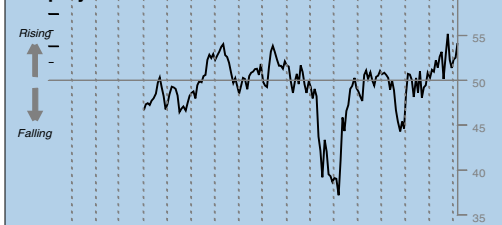
Output



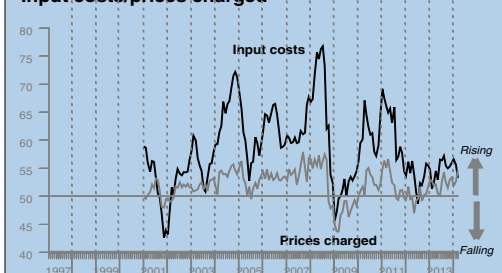
Order Books



Employment



Input costs/prices charged

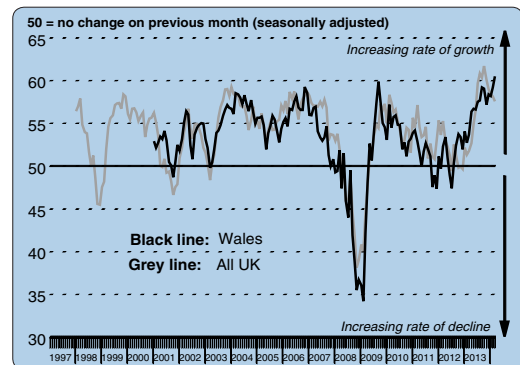




Output / Business Activity

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	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	61.7
	Nov	25.9	51.7	22.4	51.7	57.2	60.1
	Dec	36.1	41.0	23.0	56.6	58.4	59.0
2014	Jan	25.0	43.8	31.3	46.9	58.2	58.4
	Feb	30.8	56.9	12.3	59.2	59.2	58.2
	Mar	40.3	46.8	12.9	63.7	60.5	57.6

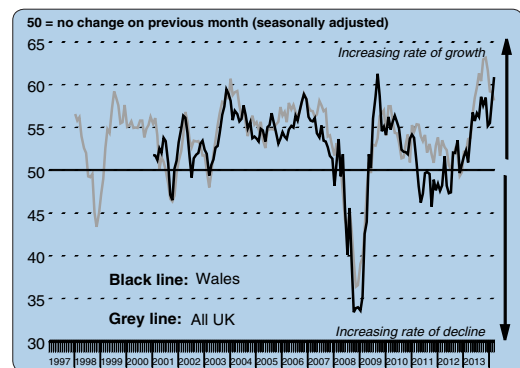


Welsh private sector companies reported a sharp rise in activity in March, stretching the current sequence of growth to 20 months. The rate of expansion picked up since February and was the fastest in the series history. Around 40% of the survey panel indicated an increase in output, while only 13% reported contraction. Sector data suggested that the latest expansion was broad-based, with both manufacturers and service providers enjoying solid growth. Survey participants mainly attributed the rise to increased order intakes.

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	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	61.7
2014	Jan	27.4	50.0	22.6	52.4	55.6	59.2
	Feb	35.9	48.4	15.6	60.2	58.2	59.2
	Mar	41.7	43.3	15.0	63.3	60.9	58.2

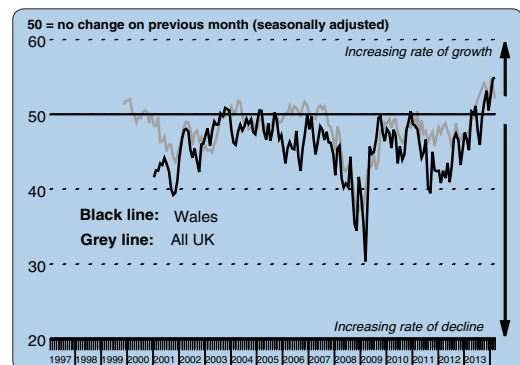


New orders placed at Welsh private sector companies rose sharply in March, with 42% of panellists indicating an expansion. The rate of growth in new work accelerated for the third month running and was the steepest in four-and-a-half years. Moreover, order intakes in Wales rose to a larger extent than in the UK as a whole for the first time since May last year. Anecdotal evidence suggested that the securing of new clients and new product launches accounted for much of the overall increase.

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	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
2014	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
	Mar	28.6	50.0	21.4	53.6	54.9	52.2

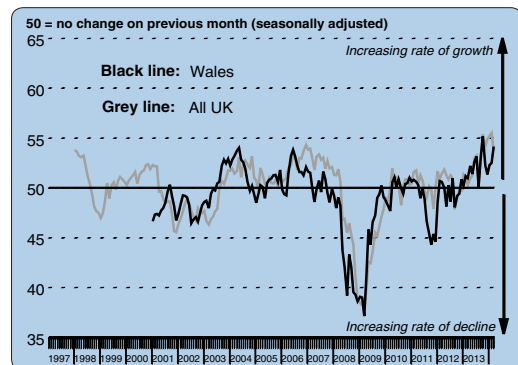


Capacity pressures intensified further in March, as highlighted by the seasonally adjusted Business Outstanding Index registering above the no-change mark of 50.0. The rate of backlog accumulation reached an all time high, with more than one-in-four panel members reporting a rise in work outstanding. Much of the increase was attributed to sharp inflows of new work, according to survey respondents.

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	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
2014	Jan	6.3	81.3	12.5	46.9	52.3	55.2
	Feb	15.4	76.9	7.7	53.8	52.5	55.5
	Mar	17.7	75.8	6.5	55.6	54.2	53.7

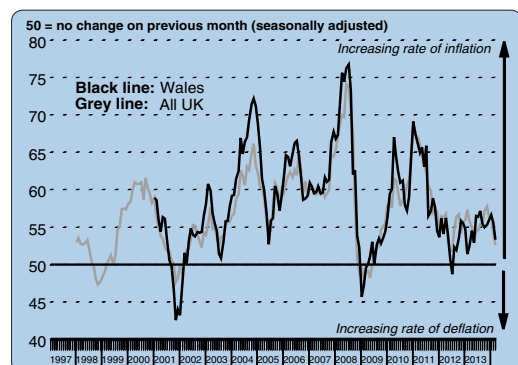


Welsh private sector companies continued to hire additional workers in March, in many cases due to increased demand. The rate of job creation accelerated for the third month running and was the sharpest since October last year. Moreover, sector data suggested that a decline in staffing levels at service providers was more than offset by a solid rise at manufacturing companies.

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	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	56.3
2014	Jan	15.6	76.6	7.8	53.9	56.6	56.7
	Feb	21.5	72.3	6.2	57.7	55.6	54.1
	Mar	12.9	82.3	4.8	54.0	53.3	52.6

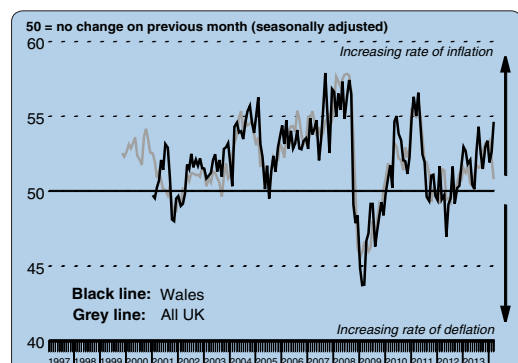


The seasonally adjusted Input Prices Index posted above the neutral 50.0 threshold in March, signalling ongoing cost pressures in the Welsh private sector. However, the rate of cost inflation eased to the weakest in 10 months. Around 13% of panellists reported increased input costs, while 5% indicated a reduction. Where higher input prices were reported, some companies linked this to increased raw material costs.

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	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
2014	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
	Mar	16.1	80.6	3.2	56.5	54.6	50.8

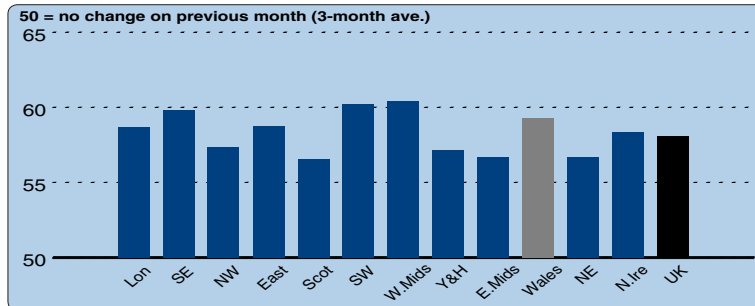


Welsh private sector companies raised their charges in March, extending the current sequence of inflation to 18 months. The rate of charge inflation picked up since the preceding month and was the highest since April 2011, with around 16% of survey participants reporting increased output charges. Anecdotal evidence suggested that companies passed higher input prices on to customers.



Regional Comparisons: Output

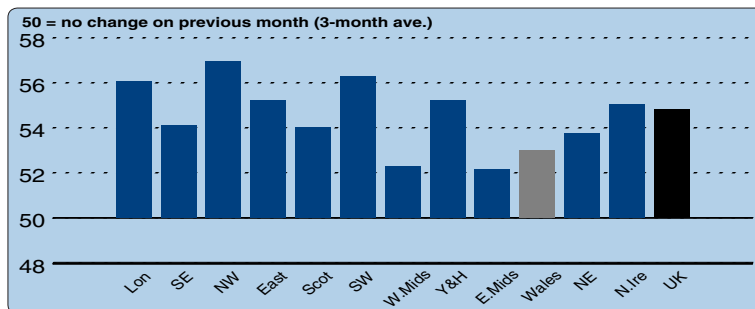
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However,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

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.