



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 April 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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12th May 2014

Robust output growth maintained at start of second quarter

Key findings:

- Private sector activity increases at second-fastest rate on record
- Sharp, albeit weaker, rise in new order intakes
- Input cost inflation eases to 13-month low

Welsh private sector companies reported a further sharp rise in activity during April, with the pace of expansion down only fractionally from March's record high. New orders also rose markedly and input prices increased at the weakest rate since March last year.

Output and demand

Output continued to increase in the Welsh private sector, as highlighted by 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 – posting 60.2. April's reading was down marginally from March's series high of 60.5 and indicative of a sharp rise in activity. Companies frequently mentioned higher order intakes as the main reason for the expansion in output.

Meanwhile, new orders rose for the seventeenth month in a row. The rate of growth in new work eased slightly since March, but remained sharp overall and above the long-run series average. Sector data suggested that the increase was largely driven by manufacturers, with service providers reporting only a marginal rise.

Employment and backlogs

Employment growth was sustained in April, with one-in-five companies hiring additional workers. The rate of job creation slowed slightly since March, but remained well above the survey average. Increased demand was the main reason for the latest rise, according to surveyed companies.

Concurrently, the level of work outstanding rose again in April amid reports of increased foreign and domestic demand. The rate of backlog accumulation was among the highest on record.

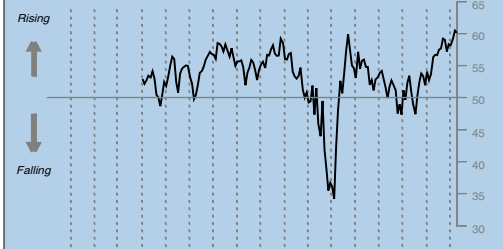
Input and output prices

The latest survey data pointed to a further rise in input prices in the Welsh private sector amid reports of increased staff costs at service providers. However, the rate of cost inflation eased to the weakest in 13 months.

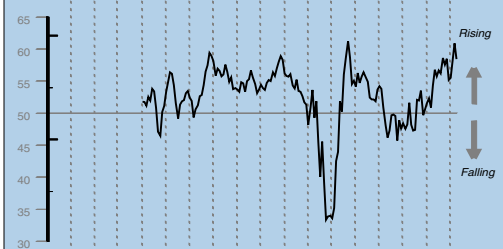
In response to higher input costs, companies raised their output prices in April. The rate of charge inflation eased since March, but remained above the overall UK average.

Wales Business Conditions

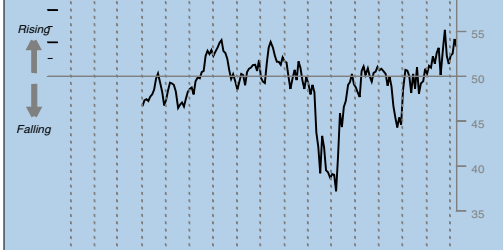
Output



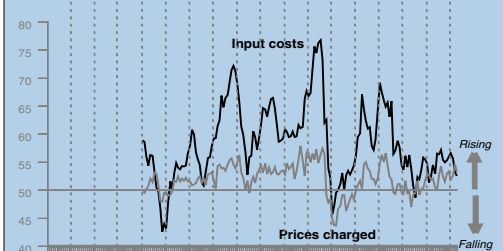
Order Books



Employment



Input costs/prices charged

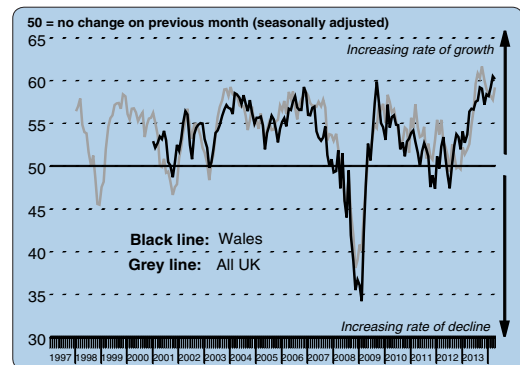




Output / Business Activity

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	Aug	36.1	49.2	14.8	60.7	57.7	60.9
	Sep	38.1	46.0	15.9	61.1	59.2	60.3
	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	58.5
	Feb	30.8	56.9	12.3	59.2	59.2	58.2
	Mar	40.3	46.8	12.9	63.7	60.5	57.8
	Apr	45.9	41.0	13.1	66.4	60.2	59.2

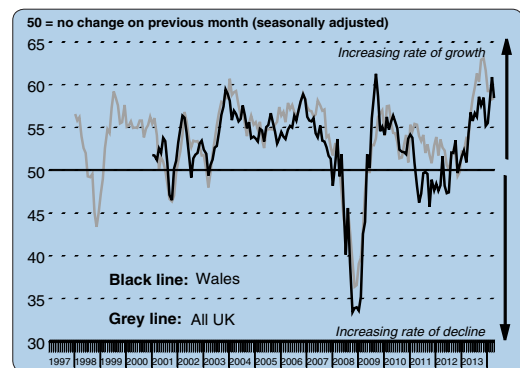


The seasonally adjusted Output Index remained at a high level in April, signalling a further solid increase in Welsh private sector activity. That said, the rate of growth was the second-steepest in the series history, with March's record expansion only marginally faster. Around 46% of the survey panel signalled an expansion in output, while only 13% reported a decline. Anecdotal evidence suggested that increased new business was the key driver for the latest rise in output.

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	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	63.1
	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	59.3
	Feb	35.9	48.4	15.6	60.2	58.2	59.3
	Mar	41.7	43.3	15.0	63.3	60.9	58.3
	Apr	40.0	41.7	18.3	60.8	58.5	58.5

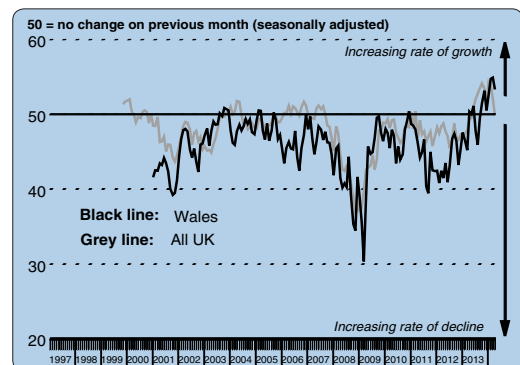


Welsh private sector companies signalled a further sharp increase in order intakes during April, stretching the current sequence of expansion to 17 months. Despite easing from March's four-and-a-half year high, the rate of growth in new work was marked and well above the long-run series average. The rise in new business was mainly centred across the manufacturing sector, as service providers signalled only a slight increase in new work.

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	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
	Apr	31.5	50.0	18.5	56.5	53.4	49.9



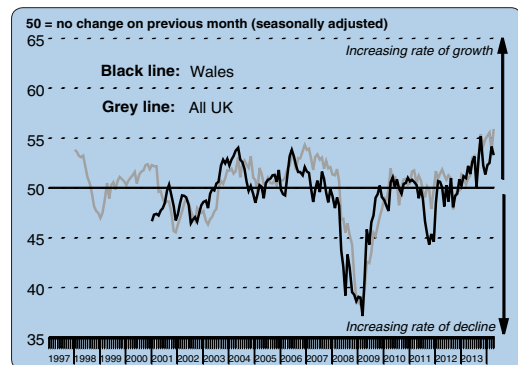
Increased foreign and domestic demand put pressure on operating capacity at Welsh private sector companies during April, resulting in a further rise in work outstanding. The latest rate of backlog accumulation was the weakest in three months, but nevertheless among the highest on record and contrary to a flat trend at the overall UK level. Nearly one-in-three panellists signalled a rise in work-in-hand, while around 19% reported a reduction.



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	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	55.3
	Feb	15.4	76.9	7.7	53.8	52.5	55.6
	Mar	17.7	75.8	6.5	55.6	54.2	53.8
	Apr	21.3	67.2	11.5	54.9	53.3	55.9

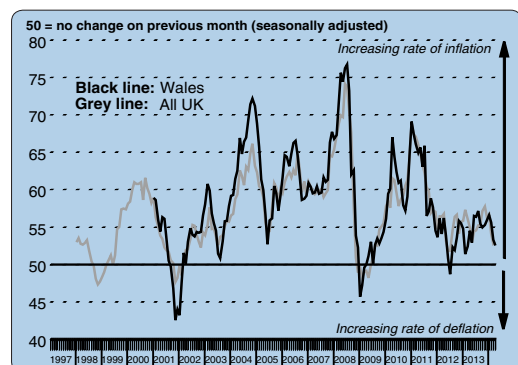


Following the trend observed since December 2012, Welsh private sector companies increased their workforce numbers during April. The rate of job creation eased slightly since March, but remained strong in the context of historical data. Survey participants largely attributed the rise in employment to increased demand. Sector data showed that a further round of job cuts at service providers was more than offset by a sharp increase in hirings 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	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
	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	52.8
	Apr	21.3	77.0	1.6	59.8	52.5	53.0

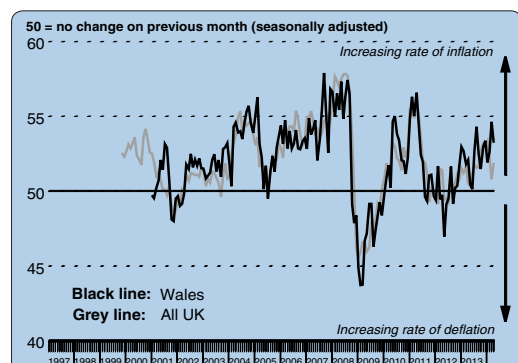


Input costs in the Welsh private sector increased further during April. However, the rate of inflation eased for the third month running and was the weakest in just over a year. According to sector data, the increase in input prices was largely driven by companies in the service sector, amid reports of higher staff costs. Meanwhile, manufacturers reported unchanged costs since the previous month.

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	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
	Apr	9.8	88.5	1.6	54.1	53.3	51.9

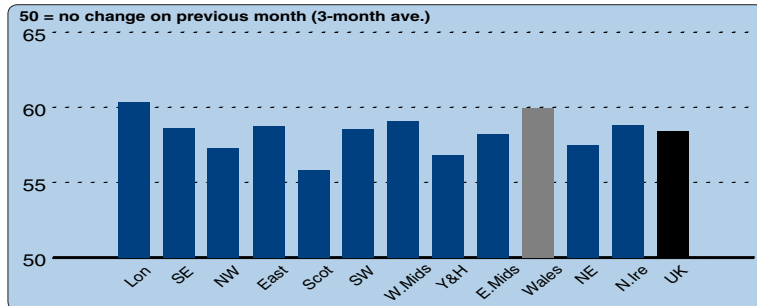


Welsh private sector firms raised their charges again in April, as highlighted by the seasonally adjusted Output Prices Index registering above the neutral 50.0 threshold. Nearly 10% of the survey panel signalled higher selling prices, while less than 2% reported a reduction. The rate of charge inflation eased slightly since March, but remained above the overall UK average. Sector data suggested that output prices rose in both the manufacturing and service sectors.



Regional Comparisons: Output

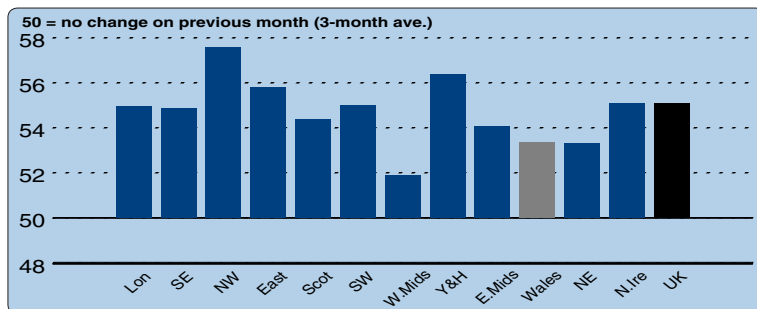
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity was slowest in Scotland.



	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.6	60.3	62.0
South East	(14.9%)	59.6	58.6	57.8
North West	(9.6%)	59.4	57.3	58.7
East of England	(8.6%)	58.3	58.8	59.9
Scotland	(7.8%)	56.4	55.8	54.8
South West	(7.5%)	59.5	58.5	57.8
West Midlands	(7.2%)	58.7	59.1	56.9
Yorks & Humber	(6.9%)	57.5	56.8	56.4
East Midlands	(5.9%)	58.5	58.2	60.6
Wales	(3.5%)	58.4	60.0	60.2
North East	(3.1%)	56.2	57.5	59.2
N.Ireland	(2.2%)	57.0	58.8	61.9
UK	(100.0%)	58.9	58.4	59.2

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). All 12 UK regions recorded an increase in private sector payroll numbers. Job creation remained strongest in the North West on average during the three months to April, while the West Midlands posted the weakest rise in staffing levels.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	54.9	55.0	55.1
South East	(14.9%)	53.9	54.9	56.6
North West	(9.6%)	55.0	57.6	58.5
East of England	(8.6%)	54.4	55.8	57.0
Scotland	(7.8%)	53.1	54.4	53.3
South West	(7.5%)	55.1	55.0	55.0
West Midlands	(7.2%)	53.8	51.9	52.2
Yorks & Humber	(6.9%)	52.8	56.4	58.5
East Midlands	(5.9%)	51.9	54.1	56.6
Wales	(3.5%)	52.6	53.4	53.3
North East	(3.1%)	51.7	53.3	52.0
N.Ireland	(2.2%)	52.4	55.1	55.3
UK	(100.0%)	53.9	55.1	55.9

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.