



Lloyds Bank West Midlands 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 West Midlands 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 the West Midlands and operating in both manufacturing and service sectors.

The West Midlands 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: economics@markit.com

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12th May 2014

Business activity rises at slowest rate for ten months in April

Key findings:

- Output growth eases further from February's peak
- Weaker increase in new business
- Outstanding business falls at sharper rate

The latest Lloyds Bank Commercial Banking West Midlands PMI® report showed that the region's private sector economy lost further momentum at the start of the second quarter. Activity growth slowed further from the survey-record high seen in February to the weakest in ten months. This reflected a moderation in growth of incoming new business. Backlogs of work were depleted at a sharper rate, partly reflecting a faster increase in staffing levels. Input price inflation remained subdued, while output charges fell for the first time in almost a year.

Output and demand

The seasonally adjusted Lloyds Bank Commercial Banking West Midlands Business Activity Index – which measures the combined output of the region's manufacturing and service sectors – posted 56.9 in April, down from 58.2 in March. Although still indicative of a robust rate of expansion, the latest index reading was below that registered for the UK as a whole (59.2).

New business growth also eased in April. The latest rise in new work received by West Midlands private sector companies was the least marked for a year.

Employment and backlogs

Employment in the West Midlands private sector continued to rise in April. The rate of jobs growth was quicker than in the previous month, but modest overall and weaker than the UK average. Increases in staffing levels were centred on the manufacturing sector.

Outstanding business in the West Midlands private sector decreased for the second month running in April. Moreover, the rate of decline in backlogs accelerated to the sharpest for just over a year.

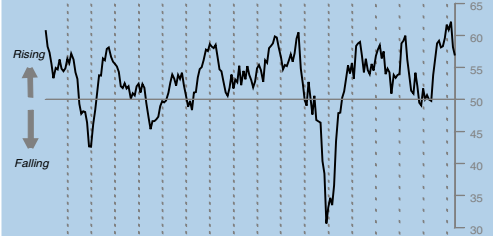
Input and output prices

The rate of input price inflation in the West Midlands private sector remained muted during April. The latest increase in costs was modest and only fractionally sharper than March's 19-month low.

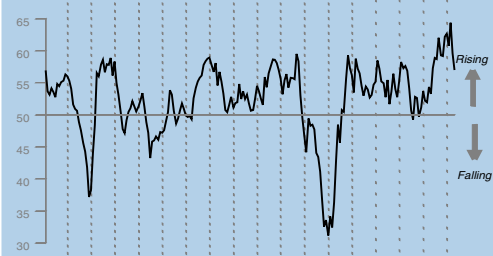
Output prices in the West Midlands private sector meanwhile decreased in the latest survey period, albeit marginally. This was the first reduction in charges for 11 months, and in contrast to a further rise across the UK overall.

West Midlands Business Conditions

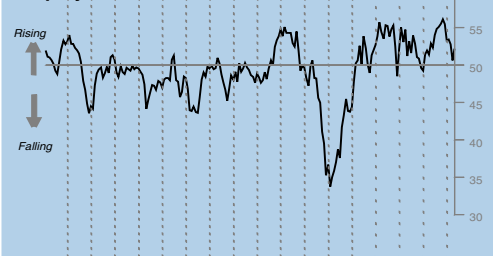
Output



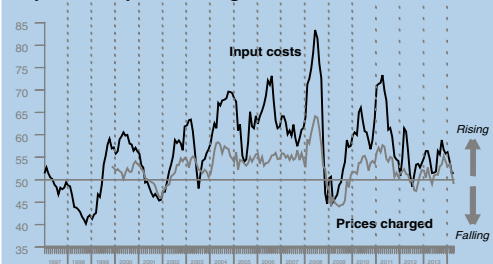
Order Books



Employment



Input costs/prices charged

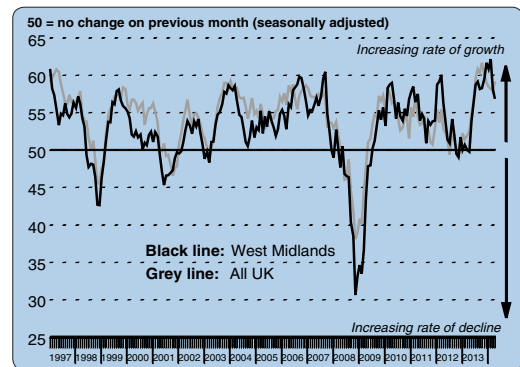




Output / Business Activity

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	29.9	50.5	19.6	55.1	59.2	60.9
	Sep	34.7	44.6	20.8	56.9	58.2	60.3
	Oct	35.3	43.1	21.6	56.9	58.3	61.7
	Nov	34.9	50.9	14.2	60.4	59.6	60.1
	Dec	32.7	55.5	11.8	60.5	61.7	59.0
2014	Jan	31.9	46.6	21.6	55.2	60.9	58.5
	Feb	38.9	55.8	5.3	66.8	62.2	58.2
	Mar	32.7	50.5	16.8	57.9	58.2	57.8
	Apr	31.4	53.3	15.2	58.1	56.9	59.2

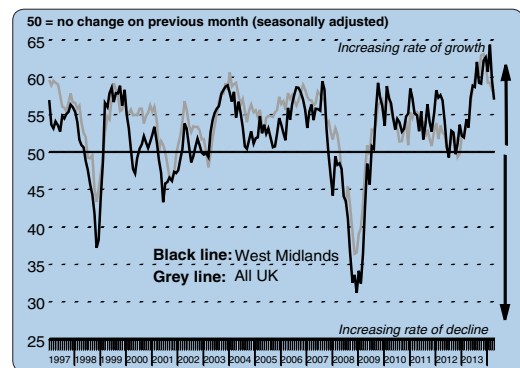


Business activity in the West Midlands private sector continued to rise in April. However, the rate of growth eased further from February's peak to the slowest since June 2013. This was signalled by the seasonally adjusted Business Activity Index dropping from 58.2 to 56.9. The region posted a weaker expansion of activity than the UK average. Broadly similar underlying rates of output growth were recorded in the manufacturing and service sectors.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	39.6	41.5	18.9	60.4	62.1	61.3
	Sep	37.4	41.4	21.2	58.1	59.3	60.4
	Oct	35.6	42.6	21.8	56.9	59.2	63.0
	Nov	37.5	49.0	13.5	62.0	62.2	63.1
	Dec	36.7	47.7	15.6	60.6	62.7	61.7
2014	Jan	33.3	48.2	18.4	57.5	60.8	59.3
	Feb	43.2	52.3	4.5	69.4	64.4	59.3
	Mar	36.1	44.4	19.4	58.3	59.6	58.3
	Apr	28.8	60.6	10.6	59.1	57.0	58.5

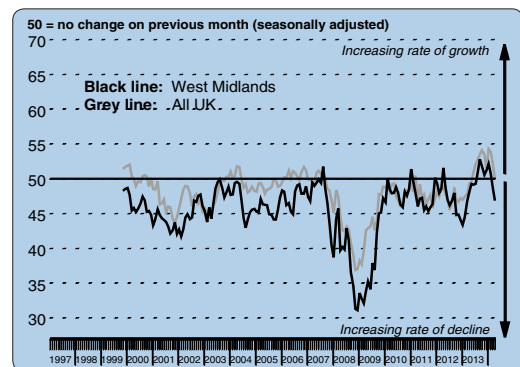


April data signalled that the rate of new business growth in the West Midlands private sector eased for the second month running following February's survey-record high. At 57.0, down from 59.6 in March, the seasonally adjusted Incoming New Business Index pointed to a marked rate of expansion in new work, albeit the slowest for a year. Service providers continued to report stronger new business growth than manufacturers.

Business Outstanding

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	16.3	72.1	11.5	52.4	50.9	52.8
	Sep	19.6	59.8	20.6	49.5	52.8	53.5
	Oct	15.3	66.3	18.4	48.5	51.8	54.2
	Nov	14.0	68.0	18.0	48.0	50.6	53.5
	Dec	18.3	63.5	18.3	50.0	51.2	51.5
2014	Jan	18.5	60.2	21.3	48.6	52.2	54.3
	Feb	16.8	70.1	13.1	51.9	50.8	53.9
	Mar	21.2	61.5	17.3	51.9	48.7	52.2
	Apr	15.2	68.7	16.2	49.5	46.9	49.9



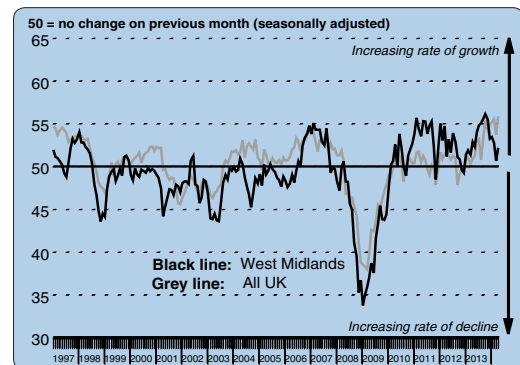
The level of unfinished work at private sector firms in the West Midlands decreased for a second consecutive month in April. Moreover, the rate of contraction accelerated to the sharpest in just over a year. This was signalled by the seasonally adjusted Business Outstanding Index dropping from 48.7 to 46.9. By comparison, backlogs of work across the UK overall remained broadly unchanged in the latest survey period.



Employment

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

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	21.5	71.0	7.5	57.0	55.1	50.8
	Sep	25.3	62.6	12.1	56.6	55.6	53.3
	Oct	22.8	68.3	8.9	56.9	56.2	55.4
	Nov	15.2	72.4	12.4	51.4	55.5	54.3
	Dec	15.6	68.8	15.6	50.0	53.3	54.9
2014	Jan	16.7	71.1	12.3	52.2	53.5	55.3
	Feb	16.1	74.1	9.8	53.1	52.8	55.6
	Mar	17.8	74.8	7.5	55.1	50.7	53.8
	Apr	16.5	71.8	11.7	52.4	52.2	55.9

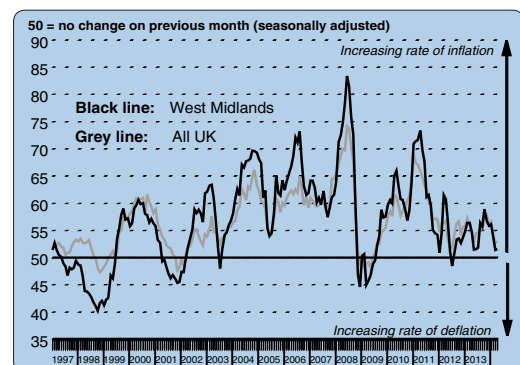


The rate of jobs growth in the West Midlands private sector accelerated in April, although remained moderate overall. This was indicated by the seasonally adjusted Employment Index posting 52.2, up from 50.7 in March. The region continued to register a weaker pace of expansion than the UK average. Increases in staffing levels were largely centred on the manufacturing sector.

Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	13.9	83.3	2.8	55.6	56.4	55.2
	Sep	16.7	75.5	7.8	54.4	55.7	55.3
	Oct	24.3	68.0	7.8	58.3	58.9	57.2
	Nov	14.2	74.5	11.3	51.4	56.7	57.8
	Dec	10.8	81.1	8.1	51.4	55.9	56.3
2014	Jan	19.8	74.1	6.0	56.9	56.2	56.7
	Feb	12.3	82.5	5.3	53.5	53.9	54.1
	Mar	15.6	77.1	7.3	54.1	51.4	52.8
	Apr	16.2	76.2	7.6	54.3	51.6	53.0

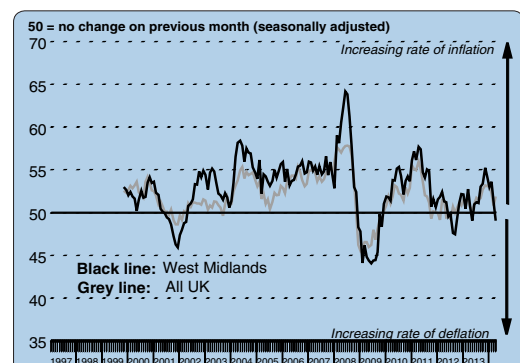


Input cost inflation in the West Midlands private sector remained subdued in April. This was shown by the seasonally adjusted Input Prices Index recording 51.6, only fractionally higher than March's reading of 51.4. The increase in costs was weaker than that signalled across the UK overall. Around 16% of panellists reported a rise in input prices, compared with just under 8% that signalled a fall.

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?

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	6.5	88.8	4.7	50.9	51.1	51.6
	Sep	6.9	89.2	3.9	51.5	53.0	51.7
	Oct	10.7	83.5	5.8	52.4	53.4	52.7
	Nov	12.3	82.1	5.7	53.3	55.2	53.2
	Dec	6.3	89.2	4.5	50.9	54.2	53.1
2014	Jan	13.8	81.0	5.2	54.3	53.0	53.3
	Feb	13.2	85.1	1.8	55.7	53.6	52.2
	Mar	9.2	85.3	5.5	51.8	51.3	50.8
	Apr	6.7	86.7	6.7	50.0	49.1	51.9

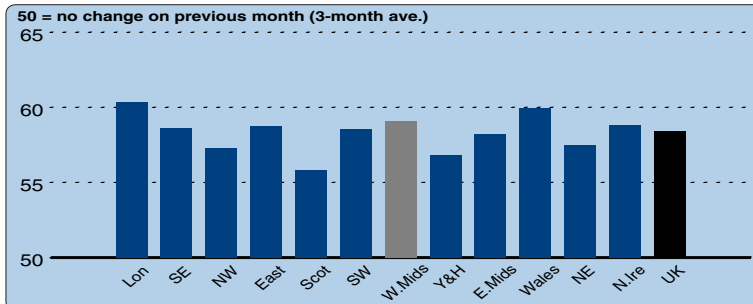


Prices charged by private sector firms in the West Midlands fell slightly in April. This was highlighted by the seasonally adjusted Output Prices Index dipping below the 50.0 threshold for the first time in 11 months to 49.1, down from 51.3. This was in contrast to a further rise in charges across the UK as a whole.



Regional Comparisons: Output

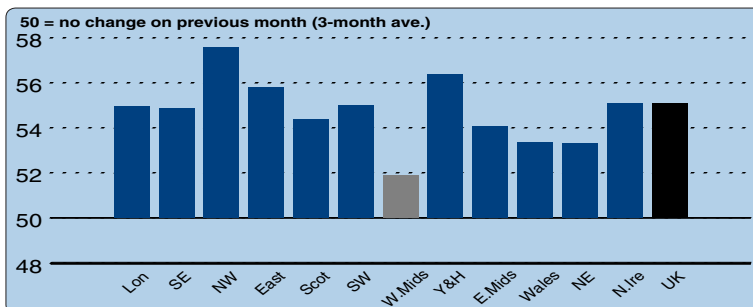
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity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

Purchasing Managers' Indexes® (PMIs®) 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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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.