

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 May 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:

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9th June 2014

New business growth slowest since July 2013

Key findings:

- New business rises for fourteenth month running
- Backlogs of work fall for first time in 11 months
- Input prices rise at fastest pace in five months

Business activity in the South West improved further in May, although growth was below the UK average for the second month running. New business also rose, albeit at a slower pace than the previous month.

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 58.4 in May, up from 57.8 in April. That signalled a further marked rise in output, albeit at a rate that was weaker than those registered during the second half of 2013 and first quarter of 2014.

New business also rose in May, and for the fourteenth month running. Firms attributed this to an increase in client activity and new contracts won. However, the rate of growth in new orders eased slightly from April, to the slowest since July 2013.

Employment and backlogs

Employment rose for the fourteenth month running in May. Anecdotal evidence attributed sustained job creation to an increase in overall demand and also in order to cope with expected future economic growth.

Backlogs of work declined for the first time in 11 months in May. This contrasted with a resumption in backlog growth across the UK as a whole. The manufacturing sector saw a decline in work outstanding for the first time in four months, while the service sector saw an increase.

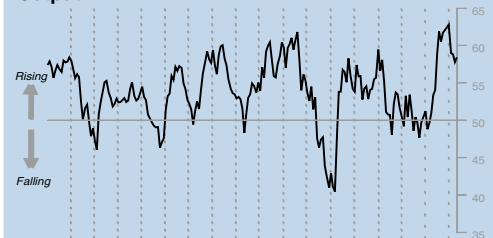
Input and output prices

Input prices rose higher in May in comparison to April, registering the fastest rate of increase in five months. Some firms attributed this to higher material prices. That said, the rate of inflation was below the UK average for the fifth month running. According to the sector data, the service sector saw a sharp increase in input prices, while the manufacturing sector saw a decline in input prices for the third month running.

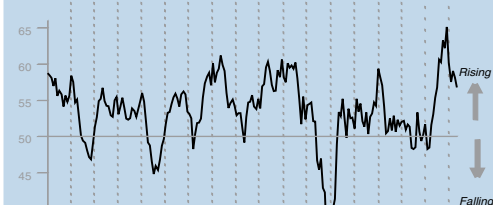
In contrast to input prices, selling prices remained at the same level as in April, with the majority of panellists observing unchanged prices in May (almost 87% of survey participants).

South West Business Conditions

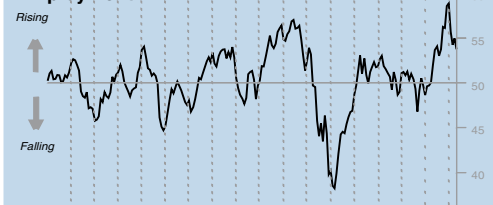
Output



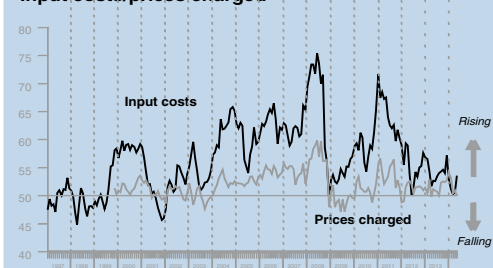
Order Books



Employment



Input costs/prices charged

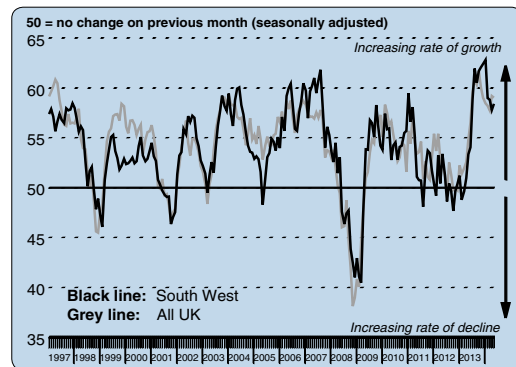




Output / Business Activity

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	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	58.5
	Feb	30.9	54.3	14.9	58.0	59.0	58.2
	Mar	33.3	58.1	8.6	62.4	58.8	57.8
	Apr	34.4	55.6	10.0	62.2	57.8	59.2
	May	30.9	57.7	11.3	59.8	58.4	59.0

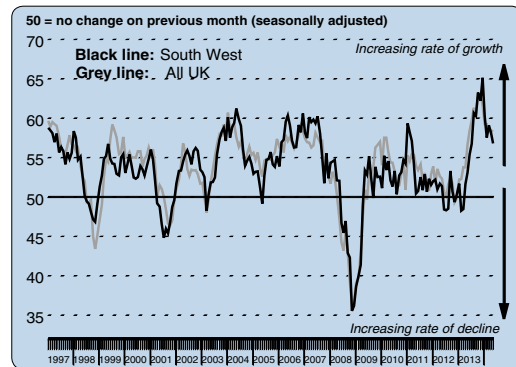


Business activity rose for the fourteenth month running in May, with nearly one-third of panellists commenting on an improvement in output compared with the previous month. Some panellists attributed this to a stronger order book and to higher sales volumes. Both the manufacturing and service sectors in the South West saw an improvement in business 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	30.0	57.8	12.2	58.9	60.3	60.4
	Oct	34.9	50.6	14.5	60.2	63.3	62.9
	Nov	30.9	52.1	17.0	56.9	62.2	63.1
	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	59.3
	Feb	34.8	52.2	13.0	60.9	57.6	59.3
	Mar	37.8	55.6	6.7	65.6	59.1	58.3
	Apr	38.2	48.3	13.5	62.4	58.2	58.5
	May	31.3	50.0	18.8	56.3	56.8	58.3

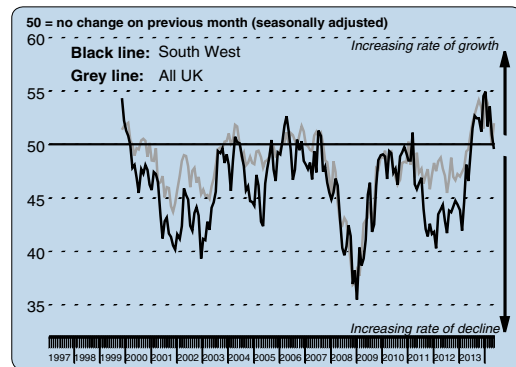


South West companies saw incoming new business grow in May, with the seasonally adjusted Incoming New Business Index remaining firmly above the 50.0 no-change mark. Linked to business activity, firms attributed this to an increase in client activity and new contracts won. That said, the rate of growth in new orders eased slightly from April to the slowest since July 2013.

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	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
	Apr	18.1	63.9	18.1	50.0	50.9	49.9
	May	16.3	65.2	18.5	48.9	49.6	52.0



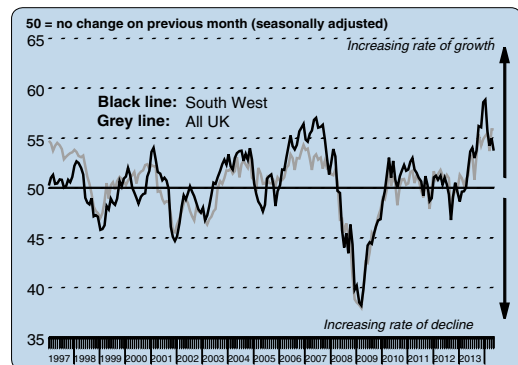
The volume of work outstanding in the South West private sector declined for the first time since June 2013, with nearly 19% of survey participants observing lower levels in May compared with the previous month. This contrasted with a rise in backlogs across the UK private sector as a whole. According to sector data, the manufacturing sector registered a decline while the service sector saw an increase in work outstanding.



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	S.Adj'd Ind
2013	Sep	19.8	70.3	9.9	54.9	53.8	53.3
	Oct	24.1	71.1	4.8	59.6	56.2	55.4
	Nov	16.0	76.6	7.4	54.3	56.1	54.3
	Dec	19.6	73.9	6.5	56.5	58.6	54.9
2014	Jan	13.7	82.1	4.2	54.7	58.9	55.2
	Feb	15.1	74.2	10.8	52.2	55.7	55.5
	Mar	16.3	77.2	6.5	54.9	54.3	53.7
	Apr	16.9	80.9	2.2	57.3	55.0	55.9
	May	15.6	76.0	8.3	53.6	53.8	55.9

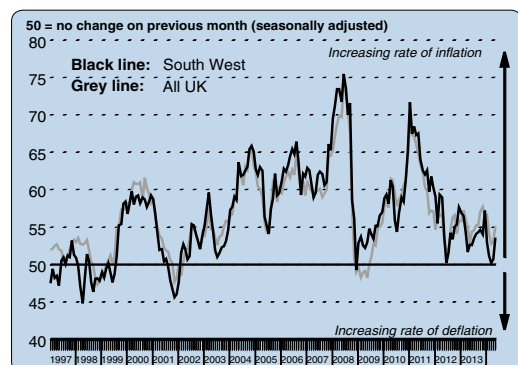


South West private sector companies reported growth in payroll numbers for the fourteenth month running in May. Anecdotal evidence attributed this to increased overall demand and increasing the workforce to cope with expected growth in the future. That said, employment growth eased slightly from the previous month and was below the UK average for the second month running. Goods producers continued to expand staffing at a faster rate than their counterparts in the service sector.

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	S.Adj'd Ind
2013	Sep	11.0	82.4	6.6	52.2	54.3	55.3
	Oct	8.4	88.0	3.6	52.4	54.7	57.1
	Nov	10.6	84.0	5.3	52.7	54.1	57.7
	Dec	17.4	78.3	4.3	56.5	57.2	56.5
2014	Jan	14.6	78.1	7.3	53.6	53.0	56.6
	Feb	15.1	77.4	7.5	53.8	51.1	54.1
	Mar	9.7	82.8	7.5	51.1	50.2	52.8
	Apr	8.9	85.6	5.6	51.7	50.7	53.1
	May	18.8	76.0	5.2	56.8	53.6	55.1

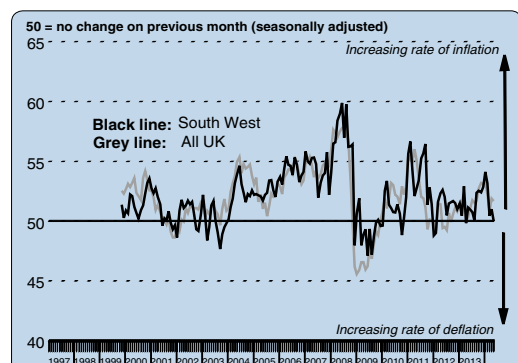


Input prices rose higher in May in comparison to April, recording the fastest rate of increase seen in five months. Some panellists attributed this to higher material costs. However, the rate of inflation was below the UK average for the fifth month running. The acceleration in input price inflation was caused by the service sector, which saw a sharp rise in prices, while the manufacturing sector saw a sharp drop in prices.

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	S.Adj'd Ind
2013	Sep	7.7	89.0	3.3	52.2	52.4	51.7
	Oct	9.5	83.3	7.1	51.2	52.5	52.7
	Nov	10.5	81.1	8.4	51.1	52.4	53.2
	Dec	9.7	82.8	7.5	51.1	52.9	53.1
2014	Jan	16.7	80.2	3.1	56.8	54.1	53.3
	Feb	12.8	84.0	3.2	54.8	53.2	52.2
	Mar	7.5	90.3	2.2	52.7	50.5	50.8
	Apr	10.0	87.8	2.2	53.9	51.0	51.9
	May	7.2	86.6	6.2	50.5	50.0	51.7

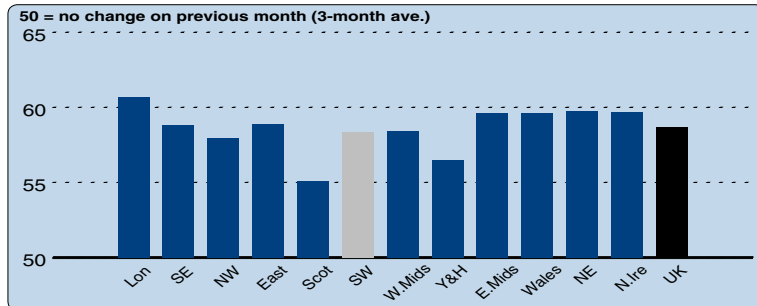


South West companies registered selling prices remaining at the same level in May, with the majority of survey participants reporting unchanged prices compared with one month previously (almost 87%). This followed a 12-month sequence of rising charges for goods and services in the region.



Regional Comparisons: Output

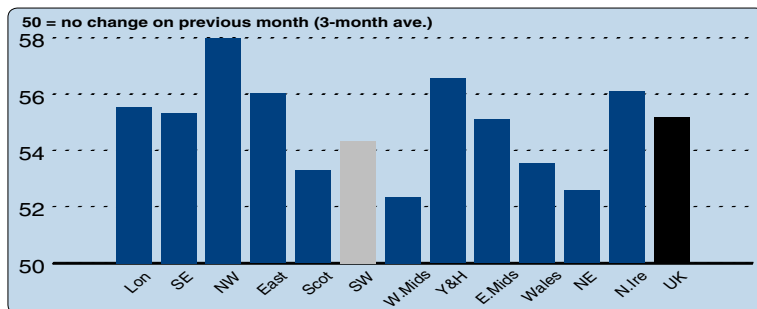
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity 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%)	60.9	60.7	60.4
South East	(14.9%)	60.1	58.9	60.8
North West	(9.6%)	59.8	57.9	59.0
East of England	(8.6%)	58.8	58.9	58.6
Scotland	(7.8%)	56.4	55.1	54.0
South West	(7.5%)	59.9	58.4	58.4
West Midlands	(7.2%)	59.2	58.4	60.2
Yorks & Humber	(6.9%)	57.4	56.5	57.3
East Midlands	(5.9%)	58.9	59.6	60.0
Wales	(3.5%)	58.5	59.6	58.2
North East	(3.1%)	57.2	59.8	63.5
N.Ireland	(2.2%)	57.9	59.7	60.6
UK	(100.0%)	59.2	58.7	59.0

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%)	55.5	55.5	58.2
South East	(14.9%)	54.4	55.3	56.3
North West	(9.6%)	55.7	58.0	59.5
East of England	(8.6%)	54.8	56.0	56.9
Scotland	(7.8%)	53.1	53.3	52.7
South West	(7.5%)	55.3	54.3	53.8
West Midlands	(7.2%)	54.0	52.4	54.2
Yorks & Humber	(6.9%)	53.4	56.6	56.2
East Midlands	(5.9%)	52.4	55.1	55.8
Wales	(3.5%)	52.8	53.5	53.1
North East	(3.1%)	52.0	52.6	52.7
N.Ireland	(2.2%)	53.1	56.1	56.4
UK	(100.0%)	54.3	55.2	55.9

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

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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 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.