



# 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 May 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](mailto:economics@markit.com)

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9th June 2014

## Activity growth accelerates to three-month high in May

### Key findings:

- Faster increase in activity as new order growth strengthens
- Employment rises at fastest rate in six months
- Subdued price pressures

The latest Lloyds Bank Commercial Banking West Midlands PMI® report pointed to faster growth of business activity in the region's private sector economy during May. Output rose at the sharpest rate in three months, driven by a faster increase in new business. Companies stepped up hiring in response, with employment rising at the strongest rate since November 2013. Price pressures were muted, with input costs and output charges rising at modest rates.

### 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 – recorded 60.2 in May. Up from 56.9 in April, the latest index reading signalled a marked rate of expansion that was above the UK average. Output growth was broad-based across the manufacturing and service sectors.

Underpinning the sharper rise in activity was an acceleration in the rate of growth of new orders. The latest increase in new work was the most marked in three months, with panellists commenting on rising consumer sentiment and improved export demand.

### Employment and backlogs

Staffing levels at West Midlands private sector firms continued to rise in May. Furthermore, the rate of jobs growth accelerated to a solid pace that was the sharpest in six months, albeit remaining below the UK average.

Backlogs of work decreased for the third month running, albeit marginally and at the weakest rate in this sequence. This was in contrast to growth of outstanding business across the UK private sector as a whole.

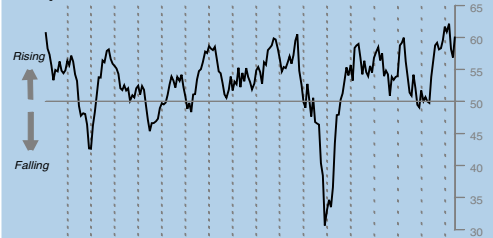
### Input and output prices

Input price inflation in the West Midlands remained muted in May. A rise in service providers' costs was partially offset by a reduction in manufacturers' input prices.

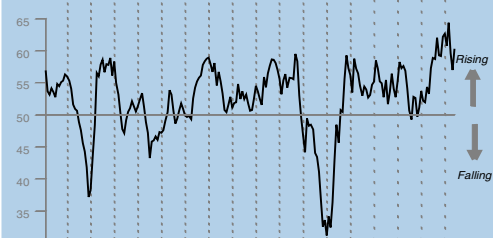
Output prices in the West Midlands private sector increased modestly in the latest survey period. This reversed a marginal reduction in charges one month previously. That said, the rate of output price inflation in the region was slightly below the UK average.

### West Midlands Business Conditions

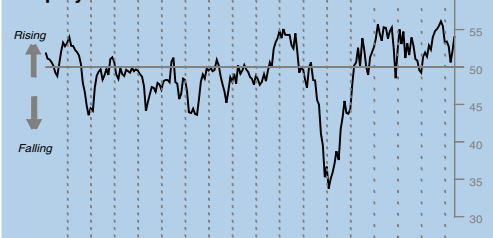
#### Output



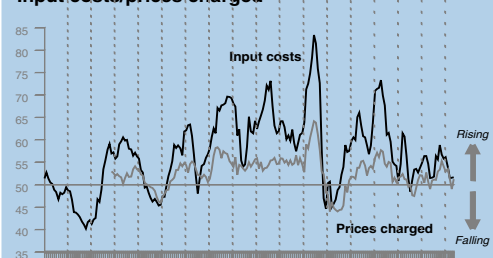
#### Order Books



#### Employment



#### Input costs/prices charged

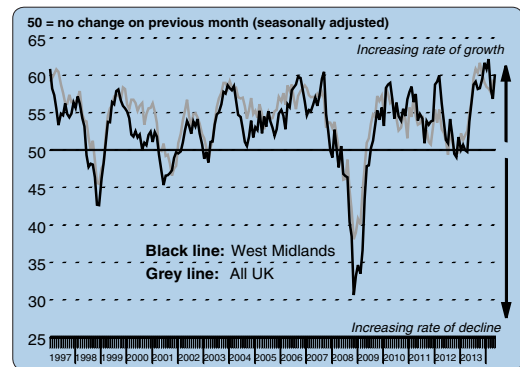




## Output / Business Activity

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	Sep	34.7	44.6	20.8	56.9	58.2	60.4
	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
	May	41.0	53.0	6.0	67.5	60.2	59.0

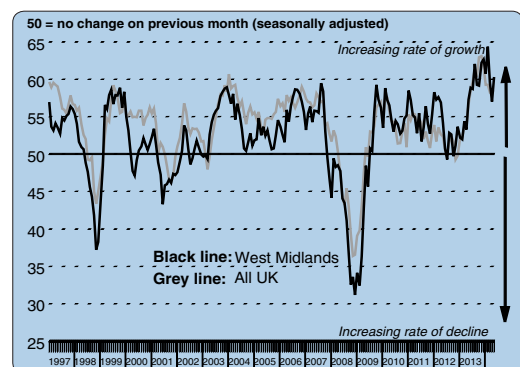


West Midlands private sector firms reported a further rise in business activity during May. At 60.2, up from 56.9 in April, the seasonally adjusted Business Activity Index pointed to a strong rate of expansion that was the fastest in three months. The region posted a sharper increase in output than the UK average. Similarly robust rates of expansion were signalled across 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	Sep	37.4	41.4	21.2	58.1	59.3	60.4
	Oct	35.6	42.6	21.8	56.9	59.2	62.9
	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
	May	41.4	48.5	10.1	65.7	60.3	58.3

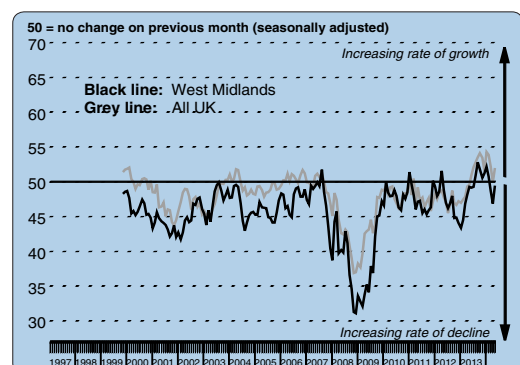


Growth of new business accelerated to a three-month high in May. This was signalled by the seasonally adjusted Incoming New Business Index climbing from 57.0 in April to 60.3. Around 41% of panellists reported a rise in new work, more than four times the proportion that signalled a decline. There were reports from panellists linking higher new orders to improved consumer confidence and stronger export demand.

## 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	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
	May	22.1	64.2	13.7	54.2	49.5	52.0



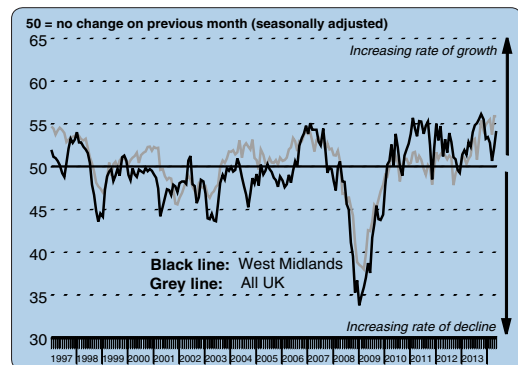
May data pointed to a decrease in the level of outstanding business at West Midlands private sector firms for the third consecutive month. However, the rate of contraction eased to a marginal pace that was the weakest in this sequence. This was indicated by the seasonally adjusted Business Outstanding Index recording 49.5, up from 46.9 in April. Backlogs of work across the UK private sector as a whole increased in the latest month.



## 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	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	55.2
	Feb	16.1	74.1	9.8	53.1	52.8	55.5
	Mar	17.8	74.8	7.5	55.1	50.7	53.7
	Apr	16.5	71.8	11.7	52.4	52.2	55.9
	May	23.2	71.7	5.1	59.1	54.2	55.9

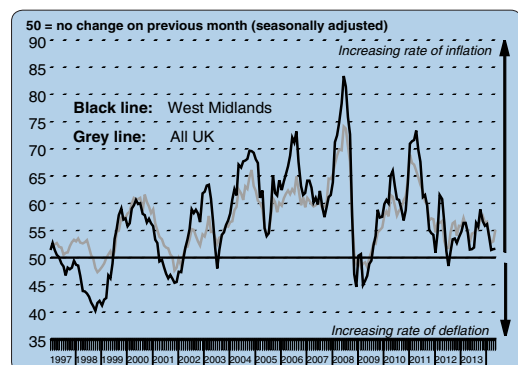


Employment in the West Midlands private sector increased for a seventeenth consecutive month in May. Moreover, the rate of growth was solid, having accelerated to the fastest in six months. This was highlighted by the seasonally adjusted Employment Index climbing from 52.2 in April to 54.2. That said, the rate of jobs growth in the region was below the UK private sector average.

## 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	Sep	16.7	75.5	7.8	54.4	55.7	55.3
	Oct	24.3	68.0	7.8	58.3	58.9	57.1
	Nov	14.2	74.5	11.3	51.4	56.7	57.7
	Dec	10.8	81.1	8.1	51.4	55.9	56.5
2014	Jan	19.8	74.1	6.0	56.9	56.2	56.6
	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	53.1
	May	14.1	77.8	8.1	53.0	51.7	55.1

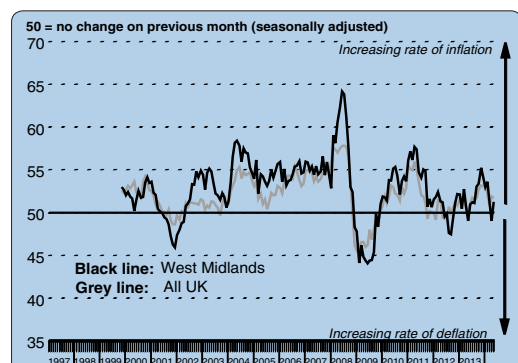


The rate of input cost inflation in the West Midlands private sector remained muted during May. This was signalled by the seasonally adjusted Input Prices Index posting 51.7, little-changed from 51.6 in the previous month. Cost inflation in the region remained below the UK average. Higher input prices in the service sector were partially offset by a decline in manufacturers' 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?

		West Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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
	May	7.0	91.0	2.0	52.5	51.3	51.7

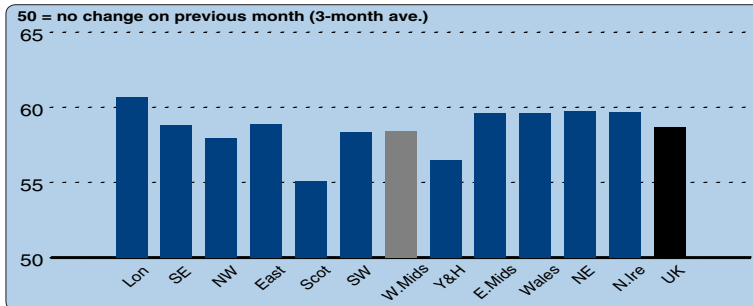


May data signalled a rise in prices charged by West Midlands private sector firms, following a slight decrease one month previously. At 51.3, up from 49.1 in April, the seasonally adjusted Output Prices Index pointed to a modest rate of charge inflation. Higher selling prices were reported by exactly 7% of firms, compared with 2% that signalled a decline.



## Regional Comparisons: Output

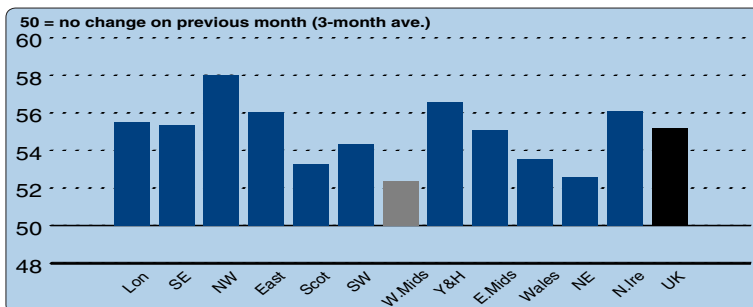
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed closely by the North East.



	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
<b>UK</b>	<b>(100.0%)</b>	<b>59.2</b>	<b>58.7</b>	<b>59.0</b>

## 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 staffing levels were again recorded in all 12 UK regions on average in the three months to May. Job creation was strongest in the North West, Yorkshire & Humber and Northern Ireland respectively.



	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
<b>UK</b>	<b>(100.0%)</b>	<b>54.3</b>	<b>55.2</b>	<b>55.9</b>

## 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.