



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 June 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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14th July 2014

Business activity growth strengthens to five-month high

Key findings:

- Sharp expansion of new business
- Staffing levels rise solidly
- Input price inflation accelerates to six-month high

South West private sector firms signalled a robust and accelerated expansion of business activity in June that was the strongest in five months. New orders and employment also rose at faster rates, while input costs increased at a solid pace that was the strongest in 2014 so far.

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 59.4 in June, up from 58.4 in May. This signalled the sharpest expansion of business activity since January. Furthermore, growth in the region was stronger than the UK private sector economy average.

Increased activity was supported by a further expansion of new business, which rose at the strongest pace in five months. Anecdotal evidence generally attributed new order growth to new client wins and stronger client demand. Sector data indicated that both manufacturers and service providers noted a steep rise in new work, with the latter noting the sharper pace of growth.

Employment and backlogs

South West private sector employment rose again in June, extending the current trend to 15 months. The rate of job creation picked up to a solid pace, but remained weaker than the UK private sector economy average. Panellists generally mentioned hiring additional workers as part of planned company expansions.

Backlogs of work increased during June, following a slight decline in May. That said, the rate of accumulation was moderate and slightly slower than that recorded across the UK private sector economy as a whole.

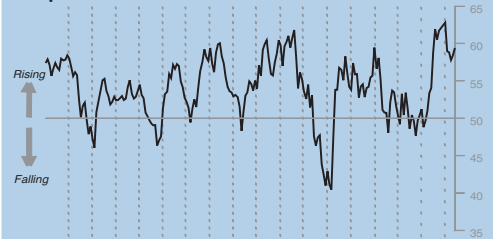
Input and output prices

Average cost burdens in the South West private sector increased again in June. Moreover, the rate of input price inflation accelerated to a solid pace that was the strongest in six months. However, the rate of increase remained weaker than the UK private sector economy average.

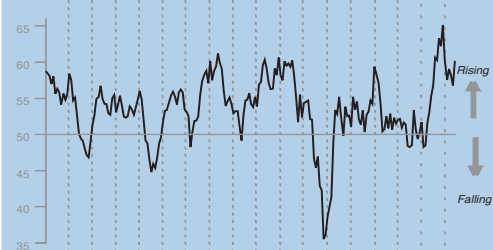
Private sector firms in the South West raised their tariffs in June, following no change to charges in May. The rate of increase was moderate, however, but slightly faster than the average for the UK private sector economy as a whole.

South West Business Conditions

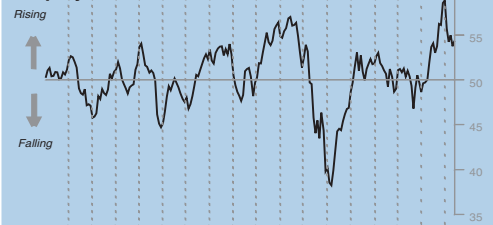
Output



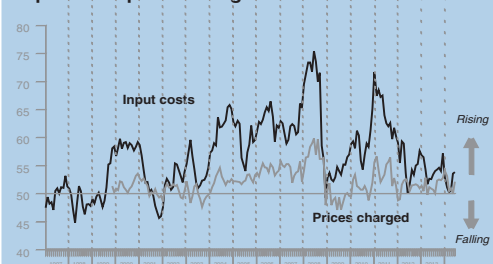
Order Books



Employment



Input costs/prices charged

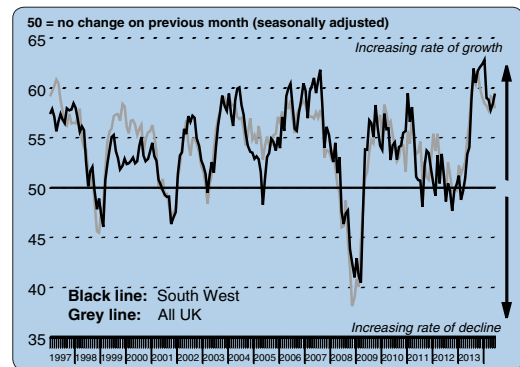




Output / Business Activity

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	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	59.1
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
	Jun	32.2	56.7	11.1	60.6	59.4	58.0

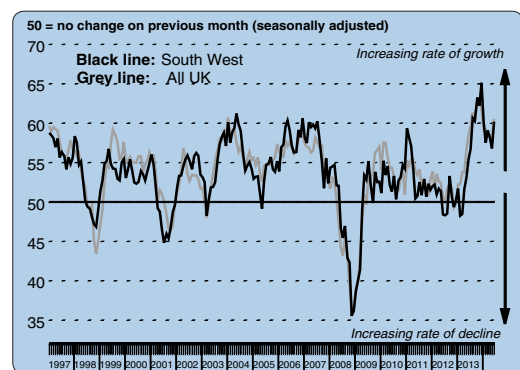


South West private sector firms signalled a further expansion of business activity in June, thereby extending the current sequence of growth to 15 months. Furthermore, the rate of increase accelerated to the sharpest since January, and was stronger than the UK private sector economy average. A number of firms attributed the rise to greater volumes of new business. Sector data indicated that both manufacturers and service providers reported a steep rise in output during June, with the latter noting the sharper pace of increase.

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	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	58.4
	Jun	39.3	50.6	10.1	64.6	60.2	60.6

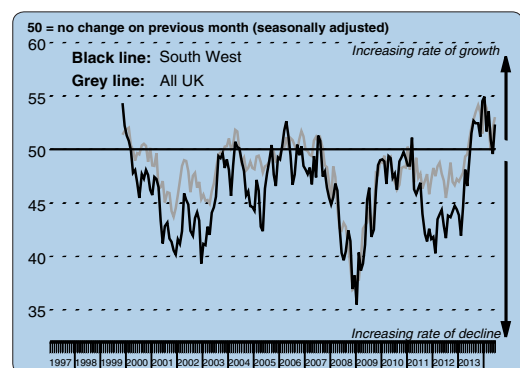


Total new business placed at South West private sector firms increased again during June, and at a sharp pace that was the fastest in five months. Moreover, the rate of increase was only slightly weaker than the UK private sector economy average. Around 39% of panellists noted an increase in new work intakes, with a number of respondents citing new client wins and increased client demand, both at home and abroad. As was the case with business activity, new order growth was led by service providers, though goods producers also saw a sharp pace of increase.

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	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
	Jun	25.0	59.5	15.5	54.8	52.4	53.0



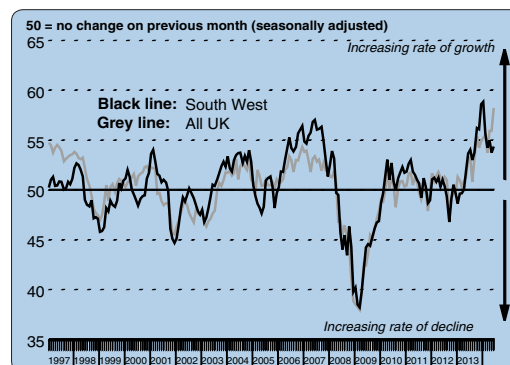
Outstanding business at South West private sector firms increased during June, following a slight fall in May. The rate of accumulation was moderate overall, and weaker than that recorded across the UK private sector economy as a whole. Panellists generally commented that stronger inflows of new business had increased capacity pressures in the latest survey period. According to sector data, service providers noted an increased amount of backlogged work, while manufacturers recorded a reduction.



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	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	53.8
	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
	Jun	18.2	73.9	8.0	55.1	54.4	58.2

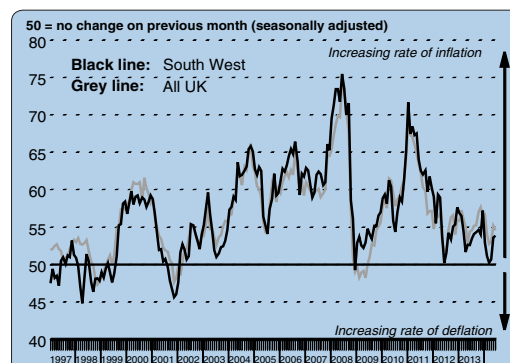


The seasonally adjusted Employment Index signalled a further increase in South West private sector employment in June. Despite quickening from the previous month, the rate of job creation was weaker than that recorded across the UK private sector economy as a whole. Nonetheless, more than 18% of respondents in the South West raised their staffing levels in June, amid reports of planned company expansions. Sector data indicated that payroll growth was solid across both the manufacturing and service sectors in the region.

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	Oct	8.4	88.0	3.6	52.4	54.7	57.1
	Nov	10.6	84.0	5.3	52.7	54.1	57.6
	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	56.7
	Feb	15.1	77.4	7.5	53.8	51.1	54.0
	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	55.2
	Jun	12.4	83.1	4.5	53.9	53.9	54.6

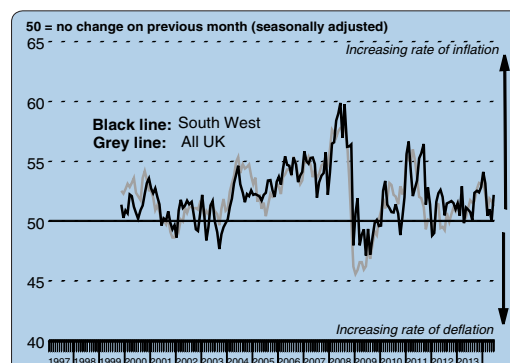


As has been the case since the start of 2009, average input costs continued to increase in the South West private sector during June. After adjusting for seasonality, the rate of cost inflation quickened to a solid pace that was the fastest in six months. That said, the rate of increase was slower than the UK private sector economy average. According to sector data, service providers in the South West saw a sharp rise in average input costs, while manufacturers saw a fall, albeit marginal.

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	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
	Jun	10.0	87.8	2.2	53.9	52.2	51.2

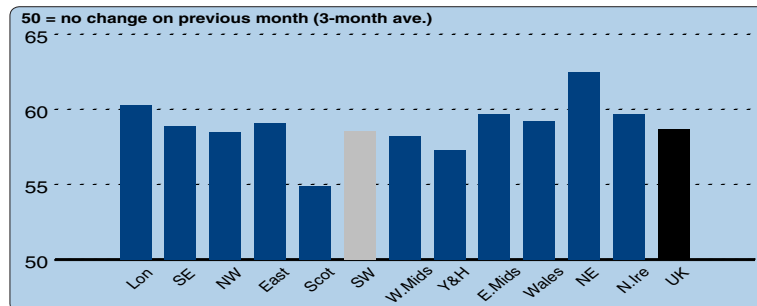


South West private sector firms increased their selling prices during June, after leaving their tariffs unchanged in May. The seasonally adjusted Output Prices Index signalled a moderate pace of output charge inflation that was the strongest since February. Furthermore, the rate of increase was slightly faster than the UK private sector economy average. Sector data for the region indicated that both manufacturers and service providers raised their tariffs in the latest survey period, with a number of panellists attributing increased prices to higher input costs.



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 UK regions posted sharp rises in business activity on average over the second quarter of 2014, with the fastest rate of expansion seen in the North East.

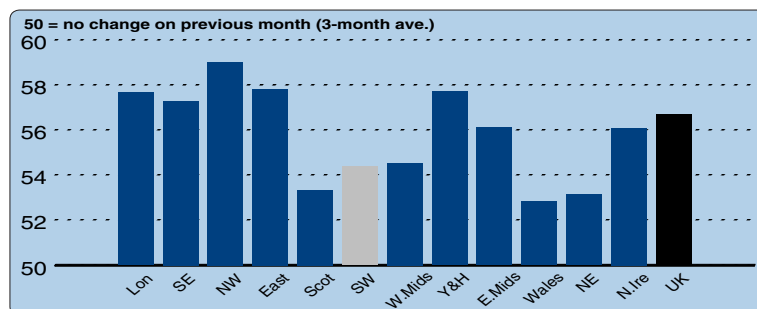


	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.3	58.4
South East	(14.9%)	60.4	58.9	58.0
North West	(9.6%)	59.7	58.5	57.8
East of England	(8.6%)	59.2	59.1	58.9
Scotland	(7.8%)	56.3	54.9	55.9
South West	(7.5%)	60.3	58.6	59.4
West Midlands	(7.2%)	59.3	58.2	57.6
Yorks & Humber	(6.9%)	57.7	57.3	58.1
East Midlands	(5.9%)	59.4	59.7	58.4
Wales	(3.5%)	58.7	59.2	59.3
North East	(3.1%)	58.3	62.5	64.8
N.Ireland*	(2.2%)	57.9	59.7	60.6
UK	(100.0%)	59.4	58.7	58.0

*Northern Ireland data only available to May 2014.

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 payroll numbers were recorded across all UK regions on average during the second quarter of 2014. Companies in the North West posted the steepest rise in staffing levels, followed by the East of England.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	56.0	57.7	59.7
South East	(14.9%)	54.8	57.3	58.9
North West	(9.6%)	56.2	59.0	59.0
East of England	(8.6%)	55.3	57.8	59.6
Scotland	(7.8%)	53.3	53.4	54.0
South West	(7.5%)	55.3	54.4	54.4
West Midlands	(7.2%)	54.3	54.5	57.2
Yorks & Humber	(6.9%)	53.9	57.7	58.5
East Midlands	(5.9%)	52.8	56.1	56.0
Wales	(3.5%)	52.7	52.8	52.0
North East	(3.1%)	52.5	53.1	54.7
N.Ireland*	(2.2%)	53.1	56.1	56.4
UK	(100.0%)	54.7	56.7	58.2

*Northern Ireland data only available to May 2014.

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.