



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 June 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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14th July 2014

Solid growth of output and new orders sustained in June

Key findings:

- Faster rise in output as new order growth accelerates
- Workforce numbers increase at slower pace
- Output charge inflation eases

Welsh private sector companies signalled further growth of output and new orders in June, with the rates of expansion accelerating since May. Meanwhile, companies hired additional workers and raised their output charges, albeit to weaker degrees than seen in the previous month.

Output and demand

June data pointed to further solid output growth at Welsh private sector firms, 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 well above the no-change mark of 50.0. At 59.3, up from 58.2 in May, the latest reading was indicative of a marked rise that was amongst the sharpest in the series history. Surveyed companies attributed higher activity to increased order intakes and successful contract wins.

In line with the trend for output, new orders placed at Welsh private sector firms increased markedly and at an accelerated pace. Nearly one third of the survey panel signalled a rise in new business and commented on stronger demand from foreign markets and improved economic conditions.

Employment and backlogs

Workforce numbers continued to increase during June, but the rate of job creation eased to the slowest in six months and was well below the overall UK average. Sector data suggested that job shedding at service providers was more than offset by robust growth at manufacturers.

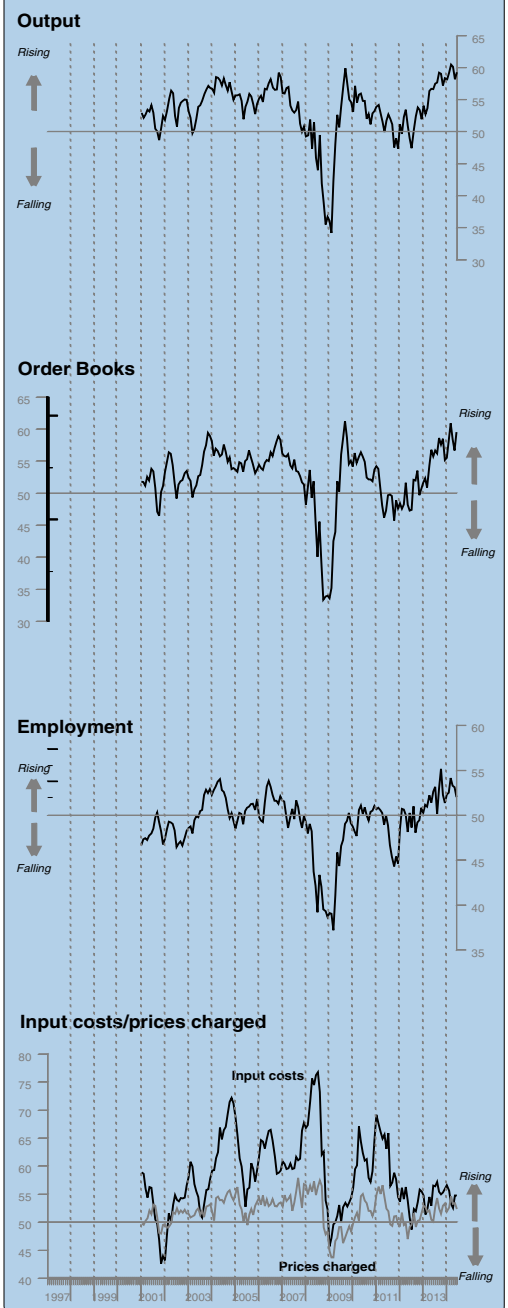
Meanwhile, backlogs of work accumulated further, signalling pressure on operating capacity. The rate at which work-in-hand rose eased, however, to the slowest so far this year.

Input and output prices

Input prices continued to increase during June, with nearly 18% of the survey panel reporting higher costs. The rate of input price inflation was unchanged since May.

In response to higher input costs, companies raised their charges in June. However, the rate of charge inflation eased since the previous month and was the lowest in five months.

Wales Business Conditions

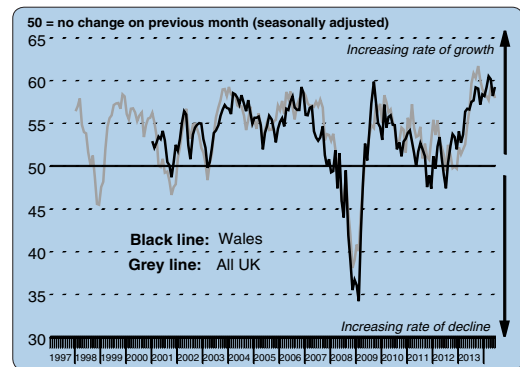




Output / Business Activity

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	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	59.1
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
	May	33.3	50.0	16.7	58.3	58.2	59.0
	Jun	27.0	61.9	11.1	57.9	59.3	58.0

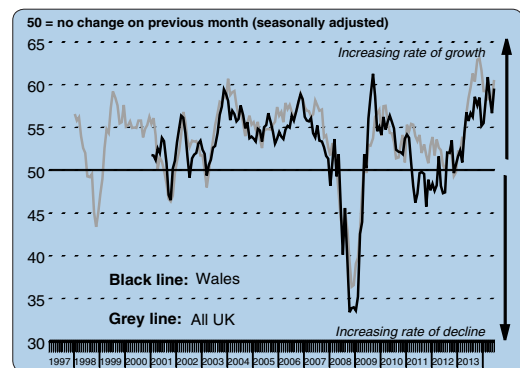


Welsh private sector companies signalled a continuation of strong activity growth in June, with the seasonally adjusted Output Index remaining well above the neutral 50.0 threshold. The pace of expansion was amongst the quickest in the survey history and above the overall UK average. Anecdotal evidence suggested that successful contract wins and increased order intakes remained some of the key drivers behind output growth.

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	Oct	32.8	41.4	25.9	53.4	57.6	62.9
	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
	May	25.9	63.8	10.3	57.8	56.7	58.4
	Jun	31.7	58.7	9.5	61.1	59.6	60.6

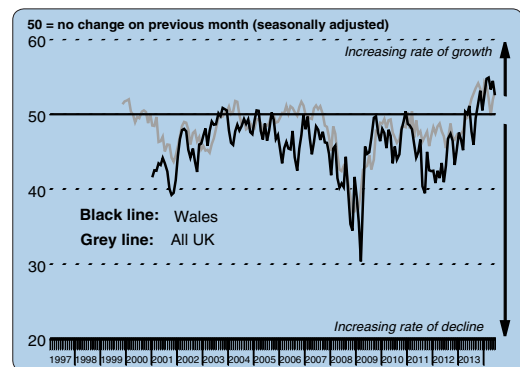


Following the trend observed since December 2012, new orders placed at Welsh private sector firms increased in June, with nearly one-in-three panellists signalling a rise. The rate of growth in new work picked up since May and was well above the series average. Survey participants reported that improved economic conditions and increased demand from European and Asian markets were some of the main drivers behind the latest expansion.

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	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
	May	25.9	59.3	14.8	55.6	54.5	52.0
	Jun	16.9	67.8	15.3	50.8	52.6	53.0



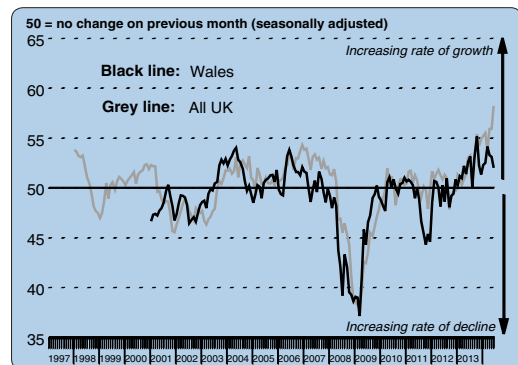
The seasonally adjusted Business Outstanding Index posted above the no-change mark of 50.0 in June, signalling further pressure on operating capacity in the Welsh private sector. Backlogs of work have now risen for nine months in succession, albeit at the slowest pace in six months. Surveyed companies largely attributed the latest rise in work-in-hand to increased order intakes.



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	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	55.2
	Feb	15.4	76.9	7.7	53.8	52.5	55.5
	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
	May	16.7	76.7	6.7	55.0	53.1	55.9
	Jun	14.5	75.8	9.7	52.4	52.0	58.2

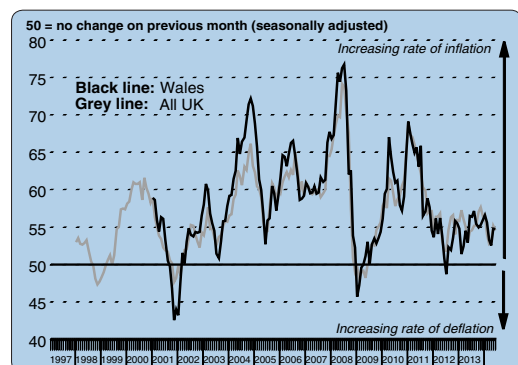


June data signalled further employment growth in the Welsh private sector, extending the current spell of expansion to 19 months. However, the rate of job creation eased to a six-month low and was well below the overall UK average. Sector data suggested that a slight drop in staffing levels at service providers was more than offset by solid growth at manufacturers. Increased business requirements was frequently mentioned by panel members that hired additional staff.

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	Oct	20.0	73.3	6.7	56.7	55.0	57.1
	Nov	17.2	75.9	6.9	55.2	55.3	57.6
	Dec	14.8	77.0	8.2	53.3	56.0	56.5
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	54.0
	Mar	12.9	82.3	4.8	54.0	53.3	52.8
	Apr	21.3	77.0	1.6	59.8	52.5	53.1
	May	20.0	76.7	3.3	58.3	54.8	55.2
	Jun	17.5	77.8	4.8	56.3	54.8	54.6

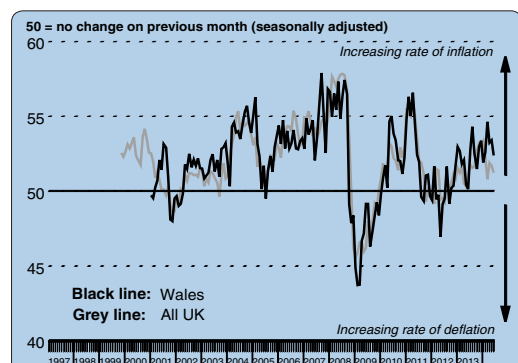


Cost inflationary pressures persisted into June, as highlighted by the seasonally adjusted Input Prices Index registering above the crucial 50.0 threshold. The rate of cost inflation was unchanged since May and remained below the long-run series average. Nearly 18% of the survey panel reported higher cost burdens, while only 5% signalled a reduction. Some panellists linked higher input prices to increased staff costs and general inflationary pressures.

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	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
	May	13.3	83.3	3.3	55.0	53.4	51.7
	Jun	9.5	81.0	9.5	50.0	52.4	51.2

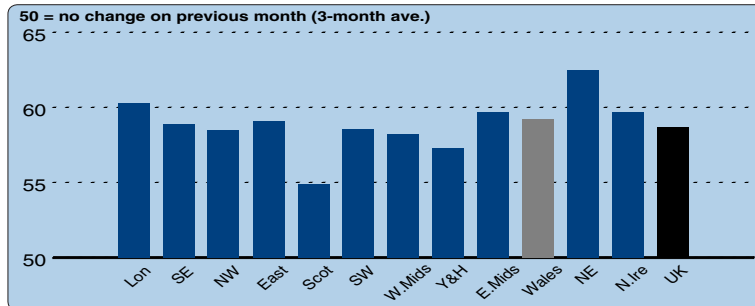


Private sector companies operating in Wales raised their charges again during June. Output prices rose for the twenty-first month in a row, albeit in June at the slowest pace in five months. Nevertheless, charge inflation in Wales was higher than in the UK as a whole. Some survey respondents raised their charges in a response to higher input costs. The increase was centred around the service sector, with manufacturing companies reporting a marginal reduction.



Regional Comparisons: Output

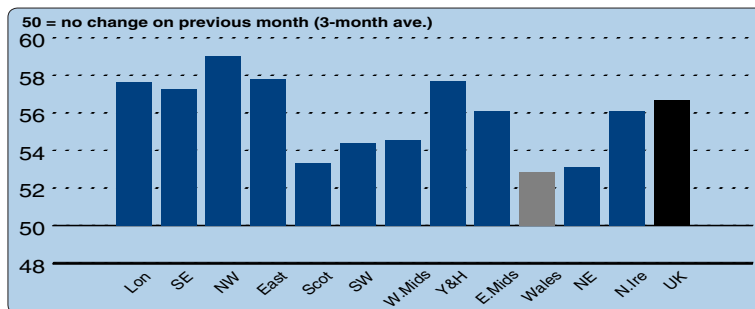
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All UK regions posted sharp rises in business activity on average over the second quarter of 2014, with the fastest rate of expansion seen in the North East.



	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

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

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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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.

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.