



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 June 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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14th July 2014

Employment rises at survey-record pace in June

Key findings:

- Fastest expansion of staffing levels since start of survey in 1997
- New business growth accelerates
- Activity increases at slower, but still marked, rate

The latest Lloyds Bank Commercial Banking West Midlands PMI® report showed a record increase in private sector staffing levels in the region during June. Companies stepped up hiring in response to sharply rising new business inflows, while activity growth was marked despite easing since May. Rates of input and output price inflation quickened but remained subdued overall.

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 57.6 in June. Although down from May's three-month high of 60.2, the latest reading was nevertheless indicative of a marked rate of expansion in private sector business activity.

Incoming new business at West Midlands private sector firms rose at a strong and accelerated rate in June. Growth was at a four-month high and above the UK average. Anecdotal evidence suggested that a general improvement in market demand allied with stronger client confidence had underpinned the latest expansion of new orders. Service providers noted a faster rise in new business than manufacturers.

Employment and backlogs

Employment growth in the West Midlands private sector accelerated further in June, reaching a survey-record high. Staffing levels have risen throughout the past one-and-a-half years. Panellists reported that additional staff were hired to deal with increased workloads.

Outstanding business in the West Midlands private sector rose for the first time in four months during June. That said, the rate of growth was moderate and slightly below the UK average. Whereas service providers noted an accumulation in backlogs of work, manufacturers signalled a decrease.

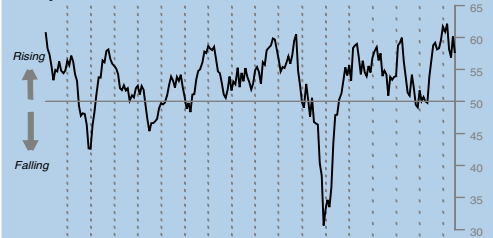
Input and output prices

The rate of input price inflation in the West Midlands private sector accelerated to a four-month high in June. That said, it remained below the UK average.

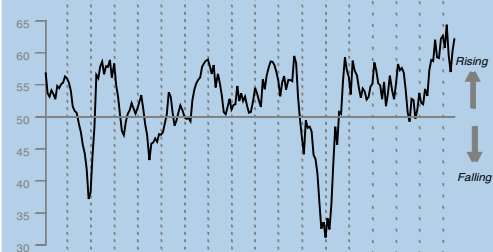
Output price inflation also quickened to the sharpest in four months during June, although it remained modest overall.

West Midlands Business Conditions

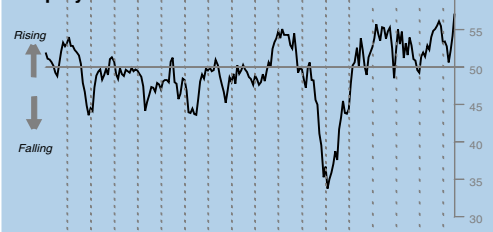
Output



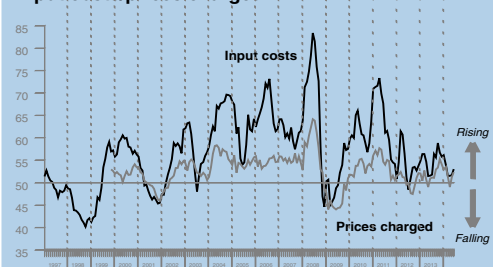
Order Books



Employment



Input costs/prices charged

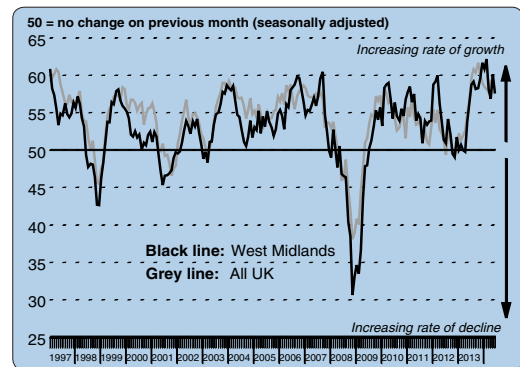




Output / Business Activity

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
2013	Oct	35.3	43.1	21.6	56.9	58.3
	Nov	34.9	50.9	14.2	60.4	59.6
	Dec	32.7	55.5	11.8	60.5	61.7
2014	Jan	31.9	46.6	21.6	55.2	60.9
	Feb	38.9	55.8	5.3	66.8	62.2
	Mar	32.7	50.5	16.8	57.9	58.2
	Apr	31.4	53.3	15.2	58.1	56.9
	May	41.0	53.0	6.0	67.5	60.2
	Jun	31.4	54.9	13.7	58.8	57.6

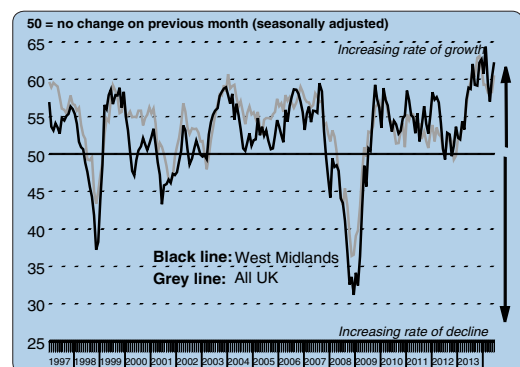


Private sector firms in the West Midlands reported a further rise in business activity during June. Although slipping to 57.6, from 60.2 in May, the seasonally adjusted Business Activity Index still pointed to a robust rate of expansion. That said, growth was marginally below the UK average. Marked increase in activity were recorded in both the manufacturing and service sectors, with growth faster in the latter.

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
2013	Oct	35.6	42.6	21.8	56.9	59.2
	Nov	37.5	49.0	13.5	62.0	62.2
	Dec	36.7	47.7	15.6	60.6	62.7
2014	Jan	33.3	48.2	18.4	57.5	60.8
	Feb	43.2	52.3	4.5	69.4	64.4
	Mar	36.1	44.4	19.4	58.3	59.6
	Apr	28.8	60.6	10.6	59.1	57.0
	May	41.4	48.5	10.1	65.7	60.3
	Jun	39.6	45.5	14.9	62.4	62.3

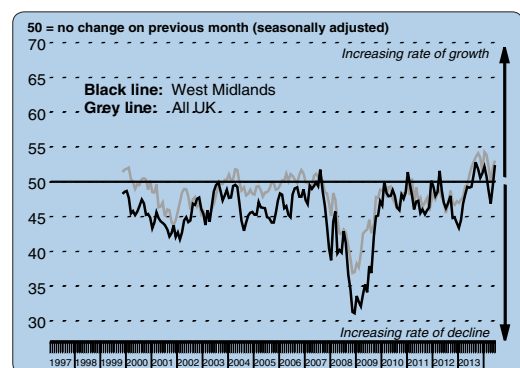


New business placed with West Midlands private sector firms continued to rise during June. Moreover, the rate of growth accelerated to a four-month high. This was signalled by the seasonally adjusted Incoming New Business Index climbing from 60.3 in May to 62.3. Improved demand conditions and stronger client confidence were reported to have driven new business higher. Service providers registered faster growth of new work than their counterparts in the manufacturing sector.

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
2013	Oct	15.3	66.3	18.4	48.5	51.8
	Nov	14.0	68.0	18.0	48.0	50.6
	Dec	18.3	63.5	18.3	50.0	51.2
2014	Jan	18.5	60.2	21.3	48.6	52.2
	Feb	16.8	70.1	13.1	51.9	50.8
	Mar	21.2	61.5	17.3	51.9	48.7
	Apr	15.2	68.7	16.2	49.5	46.9
	May	22.1	64.2	13.7	54.2	49.5
	Jun	25.3	55.8	18.9	53.2	52.4



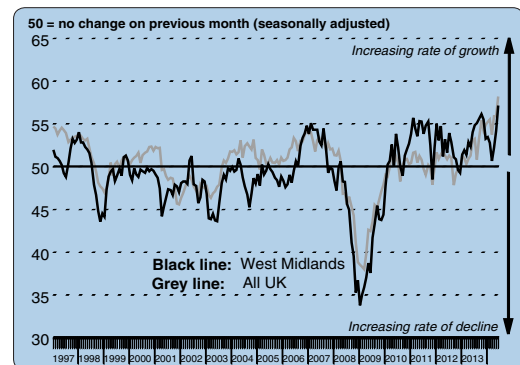
Outstanding business at West Midlands private sector firms increased for the first time in four months during June. At 52.4, up from 49.5 in May, the seasonally adjusted Business Outstanding Index pointed to a moderate rate of expansion. However, it was marginally below the UK average (53.0). Increased backlogs at service providers were partially offset by a slight reduction at manufacturers.



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	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	53.8
	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
	Jun	27.7	65.3	6.9	60.4	57.2	58.2

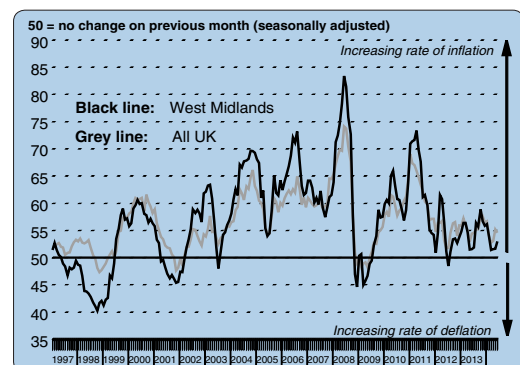


Staffing levels in the West Midlands private sector continued to rise in June, extending the current period of expansion to 18 months. Moreover, the rate of growth accelerated to a survey-record pace. This was highlighted by the seasonally adjusted Employment Index posting 57.2, up from 54.2 in May. Around 28% of panellists reported a rise in payroll numbers during the latest survey period, compared with approximately 7% that indicated a decline. Increased workloads were identified by panellists as the predominant factor supporting higher employment.

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	Oct	24.3	68.0	7.8	58.3	58.9	57.1
	Nov	14.2	74.5	11.3	51.4	56.7	57.6
	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	56.7
	Feb	12.3	82.5	5.3	53.5	53.9	54.0
	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	55.2
	Jun	16.7	76.5	6.9	54.9	53.0	54.6

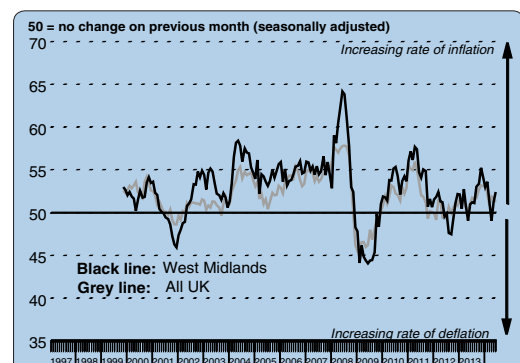


The rate of input cost inflation in the West Midlands private sector accelerated to a four-month high in June. This was highlighted by the seasonally adjusted Input Prices Index climbing to 53.0, from 51.7 in May. However, the rate of cost inflation remained below the survey's long-run average and was weaker than that signalled across the UK overall. Service providers noted robust input price inflation, whereas manufacturers recorded only a slight rise in 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	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
	Jun	9.8	85.3	4.9	52.5	52.4	51.2

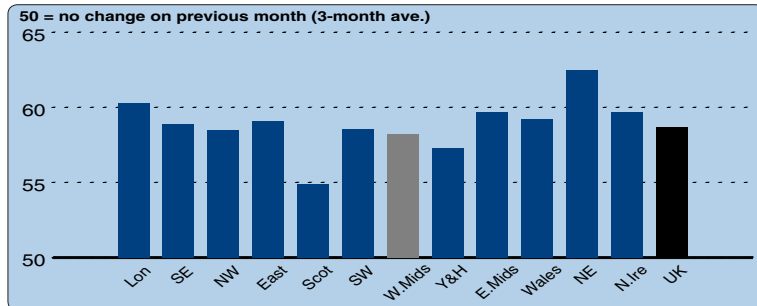


Prices charged by West Midlands private sector firms rose for the second month running during June. Although climbing to a four-month high of 52.4, from 51.3 in May, the seasonally adjusted Output Prices Index pointed to a moderate rate of inflation.



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.

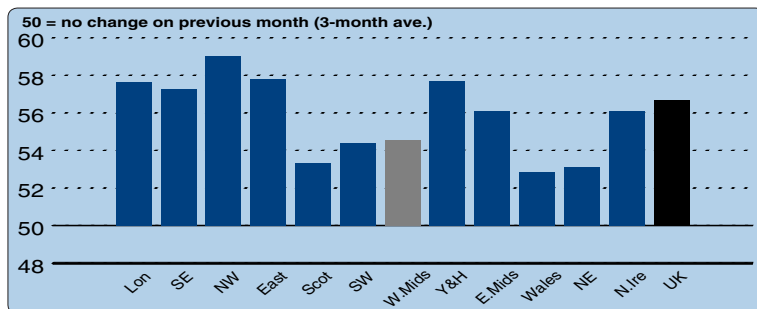


	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.3	58.4
South East	(14.9%)	60.4	58.9	58.0
North West	(9.6%)	59.7	58.5	57.8
East of England	(8.6%)	59.2	59.1	58.9
Scotland	(7.8%)	56.3	54.9	55.9
South West	(7.5%)	60.3	58.6	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' 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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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.