

Lloyds Bank Commercial Banking East of England 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.

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The Lloyds Bank Commercial Banking East of England PMI[®] (Purchasing Managers' Index[®]) is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in August 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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9th September 2013

Output rises at fastest pace in survey history

Key findings:

- Activity growth accelerates further in August
- New orders increase markedly
- Input cost inflation eases

Companies in the East of England reported further sharp rises in output and new orders in August, with activity growing at the fastest pace recorded in the survey history. Meanwhile, workforce numbers rose further and inflationary pressures eased.

Output and demand

The headline **Lloyds Bank Commercial Banking East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to an all-time high of 59.4 in August, up slightly from July's reading of 59.1. The pace of expansion was sharp but still slower than the UK-wide trend. Anecdotal evidence suggested that increased activity was linked to higher new business. Output has increased continuously since the end of last year.

In line with the trend for activity, East of England companies reported a rise in order intakes during August. The rate of growth in new work eased slightly from July, but was solid overall. Panel members linked the rise in new orders to stronger demand from both domestic and foreign markets.

Employment and backlogs

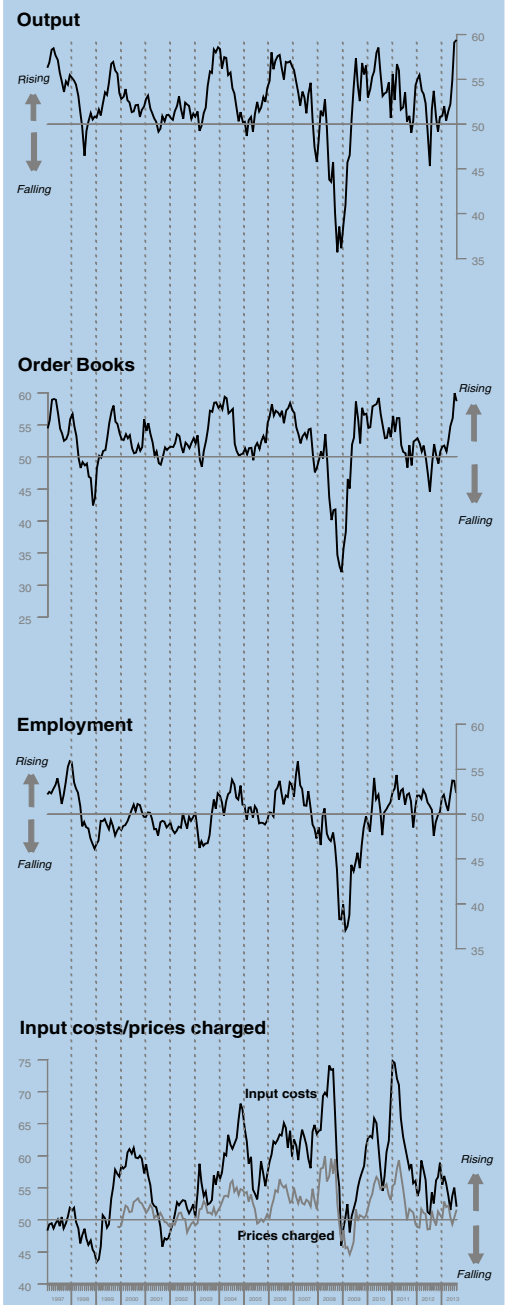
East of England companies hired additional workers in August. While the rise in employment levels eased from that seen in July, the rate of job creation in the region was higher than in the UK as a whole. Sector data suggested that payroll numbers increased in both the manufacturing and service sectors. Meanwhile, volumes of unfinished work rose for the second month in succession, with survey some respondents linking the accumulation of backlogs to stronger client demand from foreign markets. While service providers indicated a rise in work-in-hand, manufacturing companies reported a decline.

Input and output prices

August data signalled a further increase in input costs in the East of England private sector. The rate of cost inflation eased, however, to the weakest since May and was below that seen in the UK as a whole.

In response to increased input costs, companies raised their output charges. Selling prices rose at the quickest pace in four months, although the latest increase was still modest overall.

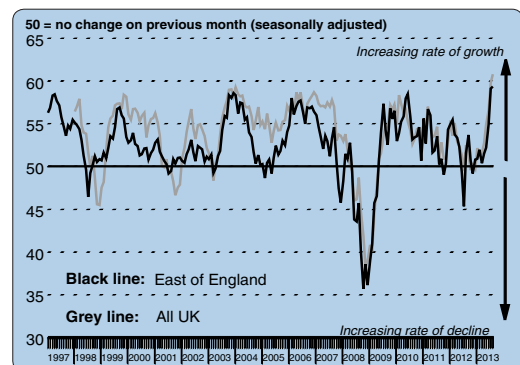
East of England Business Conditions



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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	27.7	43.8	28.6	49.6	50.8	49.7
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.2
	Feb	31.8	50.0	18.2	56.8	52.0	51.3
	Mar	20.4	59.3	20.4	50.0	50.4	51.6
	Apr	30.2	48.3	21.6	54.3	51.5	52.7
	May	22.7	59.1	18.2	52.3	52.2	54.9
	Jun	28.7	53.0	18.3	55.2	55.0	56.7
	Jul	31.1	54.7	14.2	58.5	59.1	59.8
	Aug	26.6	55.0	18.3	54.1	59.4	60.8

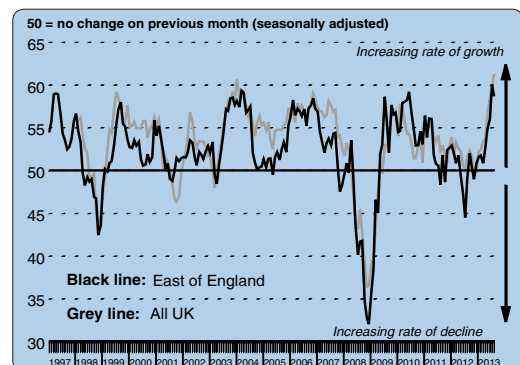


August data signalled a further solid rise in business activity at East of England companies, with more than one-in-four respondents reporting growth. Panellists repeatedly linked higher output to increased incoming new business. The pace of expansion accelerated for the fifth month running and was the quickest in the nearly 17-year survey history. However, activity in the UK as a whole increased at an even sharper rate.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	28.8	48.6	22.5	53.2	50.9	49.8
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.3
	Feb	31.2	49.5	19.3	56.0	51.8	52.4
	Mar	25.9	53.6	20.5	52.7	50.9	53.5
	Apr	32.5	50.9	16.7	57.9	52.7	53.7
	May	26.6	56.0	17.4	54.6	54.8	56.6
	Jun	29.6	50.4	20.0	54.8	56.1	58.5
	Jul	36.8	41.5	21.7	57.5	60.1	59.7
	Aug	25.9	54.6	19.4	53.2	58.7	61.4

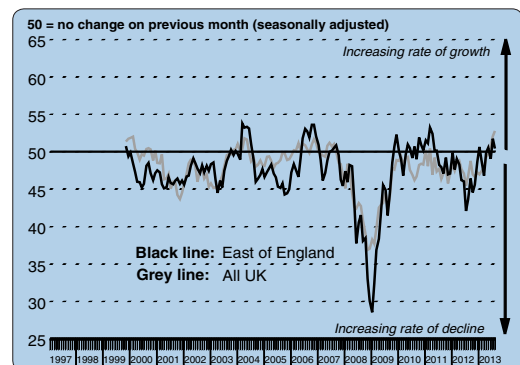


East of England companies reported a solid increase in order book volumes during in August, extending the current sequence of rising order intakes to nine months. Around 26% of survey respondents recorded higher volumes of incoming new business and commonly linked this to stronger demand from domestic and foreign markets. The rise in incoming new business was mainly centred around the service sector.

Business Outstanding

Q. Is the level of business outstanding at your company higher, the same or lower this month than one month ago?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	17.9	56.6	25.5	46.2	48.7	47.3
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0
	Feb	18.1	61.0	21.0	48.6	48.8	47.4
	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4
	May	14.7	70.6	14.7	50.0	50.6	49.6
	Jun	13.9	70.4	15.7	49.1	49.1	51.0
	Jul	19.8	63.4	16.8	51.5	51.8	52.1
	Aug	12.7	67.6	19.6	46.6	50.4	52.8

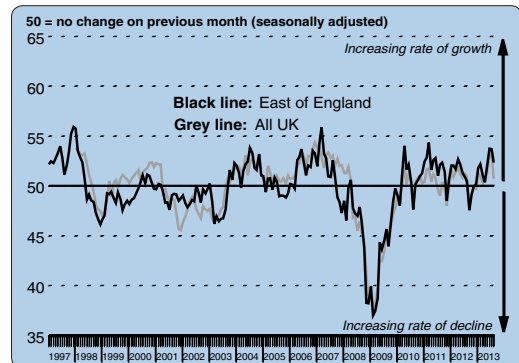


The seasonally adjusted Business Outstanding Index registered above the no-change mark of 50.0 for the second consecutive month in August. The rate of backlog accumulation eased, however, and was modest overall. Sector data suggested that a fall in unfinished work at manufacturers was offset by an accumulation of backlogs at service providers. Some panellists linked higher levels of outstanding business to increased export orders.

Employment

Q. Is the level of employment at your company higher, the same or lower this month than one month ago?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	12.5	78.6	8.9	51.8	50.2	49.7
2013	Jan	14.4	70.3	15.3	49.5	51.8	51.3
	Feb	16.5	75.2	8.3	54.1	52.2	51.0
	Mar	15.3	75.7	9.0	53.2	51.0	50.3
	Apr	16.5	72.2	11.3	52.6	50.4	50.9
	May	12.0	82.4	5.6	53.2	52.0	51.2
	Jun	14.2	80.5	5.3	54.4	53.8	53.0
	Jul	19.0	70.5	10.5	54.3	53.7	53.2
	Aug	16.8	74.8	8.4	54.2	52.4	50.8

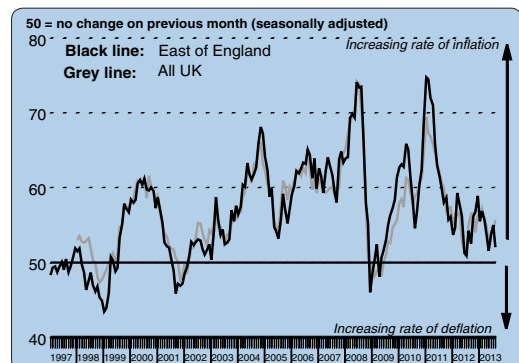


Staffing levels in the East of England private sector increased further in August. The rate of job creation eased slightly, but remained above the overall UK average for the fourth month in a row. Higher new business accounted for much of the latest hiring of additional workers, according to survey respondents. Manufacturers and service providers both reported higher employment levels during the latest survey period.

Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	14.2	83.2	2.7	55.8	58.9	56.3
2013	Jan	13.4	81.3	5.4	54.0	55.5	56.2
	Feb	20.0	76.4	3.6	58.2	56.9	57.2
	Mar	22.1	73.5	4.4	58.8	55.7	55.9
	Apr	16.4	77.6	6.0	55.2	53.7	54.9
	May	10.0	80.9	9.1	50.5	51.6	52.7
	Jun	13.0	83.5	3.5	54.8	53.8	54.2
	Jul	11.3	83.0	5.7	52.8	55.0	54.3
	Aug	13.0	78.7	8.3	52.3	52.1	55.7

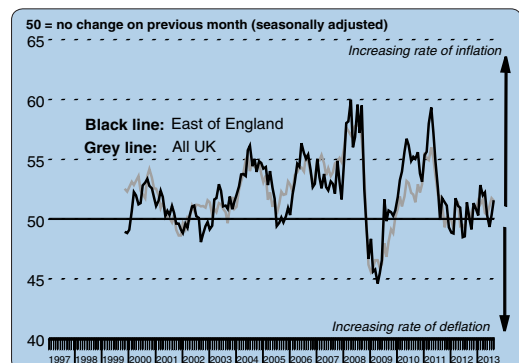


The latest survey data signalled an increase in input costs in the East of England, with 13% of companies reporting higher cost burdens. The rate of cost inflation eased to a three-month low and was below the overall UK average. Those panellists reporting increased input prices generally commented on higher fuel and staff costs, while a reduction in metals prices accounted for some of the slowing in cost inflation.

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?

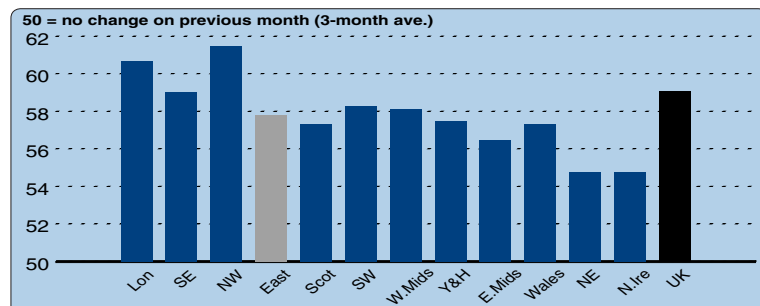
		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	6.3	87.4	6.3	50.0	50.8	50.8
2013	Jan	9.1	83.6	7.3	50.9	50.3	51.5
	Feb	14.7	79.8	5.5	54.6	52.9	51.3
	Mar	12.4	79.6	8.0	52.2	52.0	51.7
	Apr	11.3	86.1	2.6	54.3	52.2	50.5
	May	2.8	93.5	3.7	49.5	50.4	50.4
	Jun	6.1	85.1	8.8	48.7	49.4	51.1
	Jul	4.8	91.3	3.8	50.5	50.4	51.8
	Aug	6.5	86.1	7.4	49.5	51.6	51.6



Inflationary pressures were also evident in output prices. East of England companies raised their selling prices for the second month running during August, although modestly overall. Sector data suggested that output charges rose in both the manufacturing and service sectors. Anecdotal evidence suggested that higher input costs was the main reason for increased selling prices.

Regional Comparisons: Output

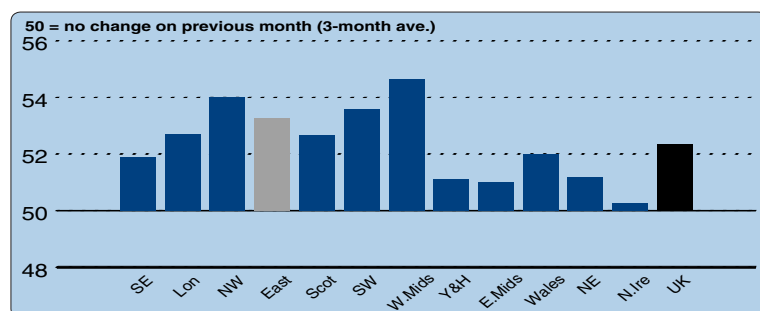
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North West, closely followed by London.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	54.3	60.7	61.9
South East	(14.7%)	53.5	59.0	62.7
North West	(9.5%)	53.9	61.5	64.0
East of England	(8.7%)	52.9	57.8	59.4
Scotland	(8.3%)	53.1	57.3	58.3
South West	(7.7%)	52.2	58.3	61.9
West Midlands	(7.3%)	52.6	58.1	59.2
Yorks & Humber	(7.0%)	54.1	57.5	57.3
East Midlands	(6.4%)	52.8	56.4	59.6
Wales	(3.6%)	54.8	57.3	57.7
North East	(3.2%)	50.8	54.8	56.3
N.Ireland	(2.2%)	48.3	54.8	58.4
UK	(100.0%)	53.4	59.1	60.8

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 recorded in all nine English regions and Wales during the three months to August. The West Midlands posted the fastest rate of job creation, followed by the North West.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.2	51.9	50.1
London	(12.3%)	50.2	52.7	50.8
North West	(10.9%)	50.2	54.0	53.4
East of England	(9.6%)	51.2	53.3	52.4
Scotland	(8.7%)	51.2	52.7	53.4
South West	(8.6%)	50.6	53.6	53.0
West Midlands	(8.6%)	52.1	54.7	55.1
Yorks & Humber	(8.2%)	50.2	51.1	50.3
East Midlands	(7.3%)	51.4	51.0	50.2
Wales	(4.6%)	50.8	52.0	50.1
North East	(3.9%)	49.6	51.2	50.9
N.Ireland	(2.7%)	48.5	50.3	51.8
UK	(100.0%)	50.7	52.3	50.8

PMI Survey Methodology

PMI surveys

Purchasing Managers' Indexes (or 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.