

Lloyds Bank Commercial Banking East 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 East Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East 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

The intellectual property rights to the East Midlands PMI provided herein is owned by Markit Economics Limited, Lloyds Bank Commercial Banking use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

9th September 2013

Fastest growth of activity since May 2004

Key findings:

- Accelerated rises in activity and new business
- Backlogs of work increase for first time in ten months
- Input cost inflation quickens

The Lloyds Bank Commercial Banking East Midlands PMI® report indicated that the economic recovery in the region gained momentum in August. Both activity and new business increased at sharp and accelerated rates, while backlogs of work were accumulated for the first time in ten months. Meanwhile, faster rises were seen with regards to both input costs and output prices.

Output and demand

The headline Lloyds Bank Commercial Banking East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to 59.6 in August, from 57.3 in the previous month. This was the highest reading since May 2004 and signalled a substantial monthly increase in private-sector activity. That said, growth in the region was slightly weaker than the UK economy average.

A considerable rise in new business was recorded in the East Midlands during August. The rate of growth was the second-sharpest in the history of the series, second only to that seen in November 2000. Respondents highlighted a general upturn in business during the month. Growth was recorded across both monitored sectors.

Employment and backlogs

Growth of new orders contributed to a first increase in backlogs of work since October 2012, and one that was the fastest in more than six years. The overall accumulation was largely centred on service providers.

Companies raised their employment at only a marginal pace, however. The rate of job creation in the East Midlands slowed from the previous month and was weaker than the average seen across the UK as a whole.

Input and output prices

August signalled a second successive acceleration in the rate of input cost inflation. Input prices rose at the fastest pace in 25 months, with panellists reporting higher fuel and raw material costs. Inflation in the region was faster than at the UK level.

With client demand improving, companies in the East Midlands were better able to pass on higher cost burdens to their clients in August. Output prices rose for the thirteenth successive month, and at the fastest pace in 2013 so far. Charges were increased across both the manufacturing and service sectors.

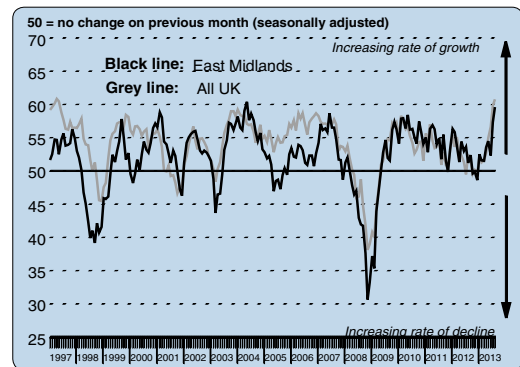
East Midlands Business Conditions



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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	29.1	38.4	32.6	48.3	48.6	49.7
2013	Jan	24.2	51.6	24.2	50.0	52.5	52.2
	Feb	29.5	47.7	22.7	53.4	51.6	51.3
	Mar	29.1	55.8	15.1	57.0	51.5	51.6
	Apr	28.0	53.8	18.3	54.8	53.6	52.7
	May	33.3	46.4	20.2	56.5	54.5	54.9
	Jun	22.2	63.3	14.4	53.9	52.3	56.7
	Jul	36.4	44.3	19.3	58.5	57.3	59.8
	Aug	33.3	46.7	20.0	56.7	59.6	60.8

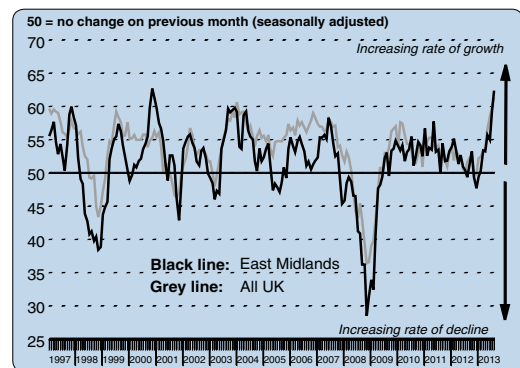


Business activity rose in the East Midlands private sector in August, extending the current sequence of expansion to eight months. Furthermore, the rate of growth was substantial and quickened to the fastest since May 2004. That said, the increase in the region was slightly weaker than the UK economy average. Both the manufacturing and service sectors recorded higher activity.

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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	23.3	41.9	34.9	44.2	47.7	49.8
2013	Jan	24.2	48.4	27.5	48.4	49.5	52.3
	Feb	34.1	40.9	25.0	54.5	50.3	52.4
	Mar	31.4	52.3	16.3	57.6	53.4	53.5
	Apr	31.2	49.5	19.4	55.9	53.3	53.7
	May	28.6	58.3	13.1	57.7	55.7	56.6
	Jun	30.0	47.8	22.2	53.9	55.0	58.5
	Jul	36.4	45.5	18.2	59.1	59.3	59.7
	Aug	32.6	46.1	21.3	55.6	62.4	61.4

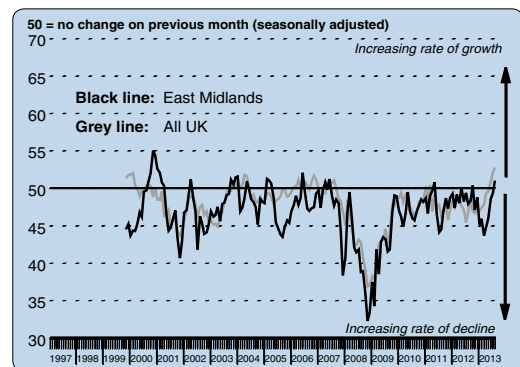


East Midlands companies recorded a seventh successive increase in new orders during August. The rate of growth was sharp and the second-fastest in the history of the series, second only to the record posted in November 2000. The rise in new orders across the region was stronger than the UK economy average. Panellists reported a general upturn in business, with some indicating that they had been able to increase their market share during the month.

Business Outstanding

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	21.3	55.0	23.8	48.8	48.8	47.3
2013	Jan	12.6	57.5	29.9	41.4	45.2	47.0
	Feb	18.1	59.0	22.9	47.6	46.0	47.4
	Mar	12.0	63.9	24.1	44.0	43.7	47.9
	Apr	11.6	68.6	19.8	45.9	44.8	49.4
	May	14.1	61.5	24.4	44.9	46.0	49.6
	Jun	17.9	63.1	19.0	49.4	48.6	51.0
	Jul	20.5	59.0	20.5	50.0	49.4	52.1
	Aug	13.4	64.6	22.0	45.7	51.1	52.8

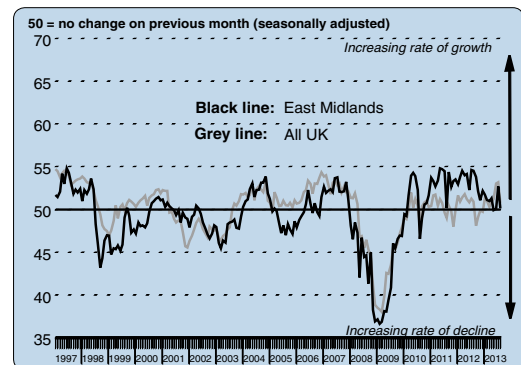


Backlogs of work rose in the East Midlands during August, ending a nine-month sequence of depletion. Although only modest, the increase in outstanding business was the strongest since June 2007. That said, the accumulation in the region was slower than the average for the UK as a whole. Sector data indicated that the overall increase in backlogs of work was driven by the service sector.

Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	14.0	79.1	7.0	53.5	52.2	49.7
2013	Jan	11.1	77.8	11.1	50.0	51.7	51.3
	Feb	11.4	77.3	11.4	50.0	51.2	51.0
	Mar	17.4	75.6	7.0	55.2	51.0	50.3
	Apr	12.9	78.5	8.6	52.2	51.3	50.9
	May	11.9	78.6	9.5	51.2	49.9	51.2
	Jun	10.0	80.0	10.0	50.0	50.1	53.0
	Jul	17.0	75.0	8.0	54.5	52.7	53.2
	Aug	17.8	71.1	11.1	53.3	50.2	50.8

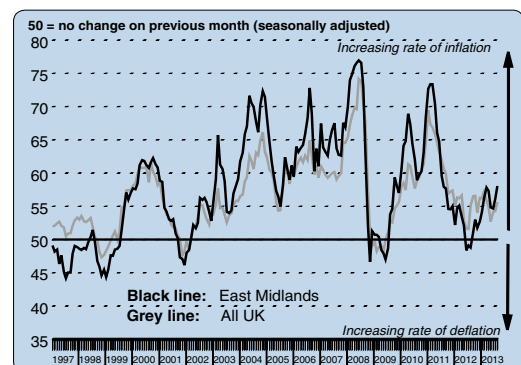


August data pointed to a third successive increase in employment across the East Midlands private sector. However, the rate of job creation was only marginal and slower than that seen across the UK as a whole. Where staffing levels rose, this was largely attributed by respondents to increased workloads. Service providers took on extra staff, but manufacturing firms lowered employment.

Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	9.3	83.7	7.0	51.2	52.7	56.3
2013	Jan	18.7	74.7	6.6	56.0	54.1	56.2
	Feb	23.0	71.3	5.7	58.6	56.2	57.2
	Mar	27.6	69.0	3.4	62.1	57.9	55.9
	Apr	28.0	68.8	3.2	62.4	57.3	54.9
	May	16.7	76.2	7.1	54.8	54.8	52.7
	Jun	15.6	80.0	4.4	55.6	54.7	54.2
	Jul	17.0	78.4	4.5	56.3	56.2	54.3
	Aug	16.7	80.0	3.3	56.7	58.1	55.7

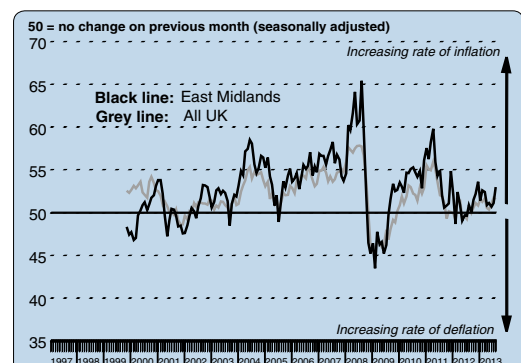


As indicated by the seasonally adjusted Input Prices Index, the rate of input cost inflation at East Midlands companies accelerated in August and was the fastest in more than two years. The rise in input prices in the region was also sharper than the UK average. Respondents reported higher prices paid for fuel and some raw materials. Both monitored sectors registered increased input 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?

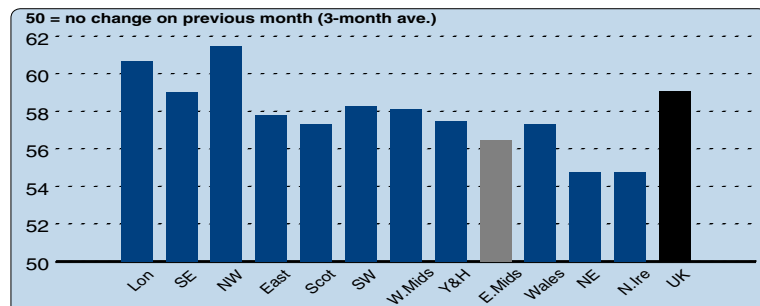
		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.5	88.4	1.2	54.7	53.6	50.8
2013	Jan	8.8	86.8	4.4	52.2	51.4	51.5
	Feb	12.5	83.0	4.5	54.0	52.6	51.3
	Mar	8.0	88.5	3.4	52.3	52.4	51.7
	Apr	9.7	86.0	4.3	52.7	50.9	50.5
	May	7.1	89.3	3.6	51.8	51.1	50.4
	Jun	2.2	97.8	0.0	51.1	50.7	51.1
	Jul	6.8	90.9	2.3	52.3	51.1	51.8
	Aug	4.4	93.3	2.2	51.1	53.0	51.6



Output prices increased for the thirteenth consecutive month in August. Moreover, the rate of inflation was solid, and quickened to the fastest in 2013 so far. The rise in charges at East Midlands companies was also faster than the UK average. Anecdotal evidence suggested that strengthening demand had enabled firms to pass on higher input costs to their clients. Output prices increased at both manufacturers and services companies.

Regional Comparisons: Output

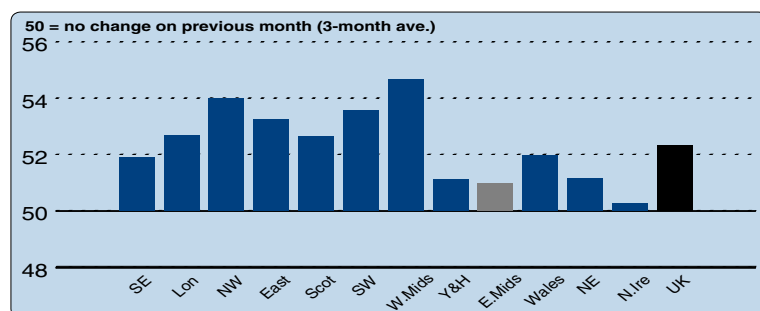
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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

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.

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.