

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

The London 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

Strong output growth continues in August, driven by survey-record rise in new business

Key findings:

- Output growth hits three-and-a-half year high
- New work rises at fastest pace since series began in January 1997
- Job creation is maintained in August

August data pointed to another steep expansion of private sector business activity across London, boosted by a survey-record expansion of incoming new work. Higher levels of client spending resulted in jobs growth for the fourth successive month. Meanwhile, cost pressures remained relatively subdued and the rate of inflation eased from that recorded during the previous month.

Output and demand

At 61.9 in August, up slightly from 61.8 in July, the headline Lloyds Bank Commercial Banking London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – signalled the strongest rate of output growth for three-and-a-half years. The latest reading was also higher than the equivalent figure recorded for the UK as a whole (60.8).

Higher levels of output reflected a rapid improvement in incoming new work during August. Increased volumes of new business have now been recorded for three years in a row, and the latest expansion was the fastest since the survey began in January 1997.

Employment and backlogs

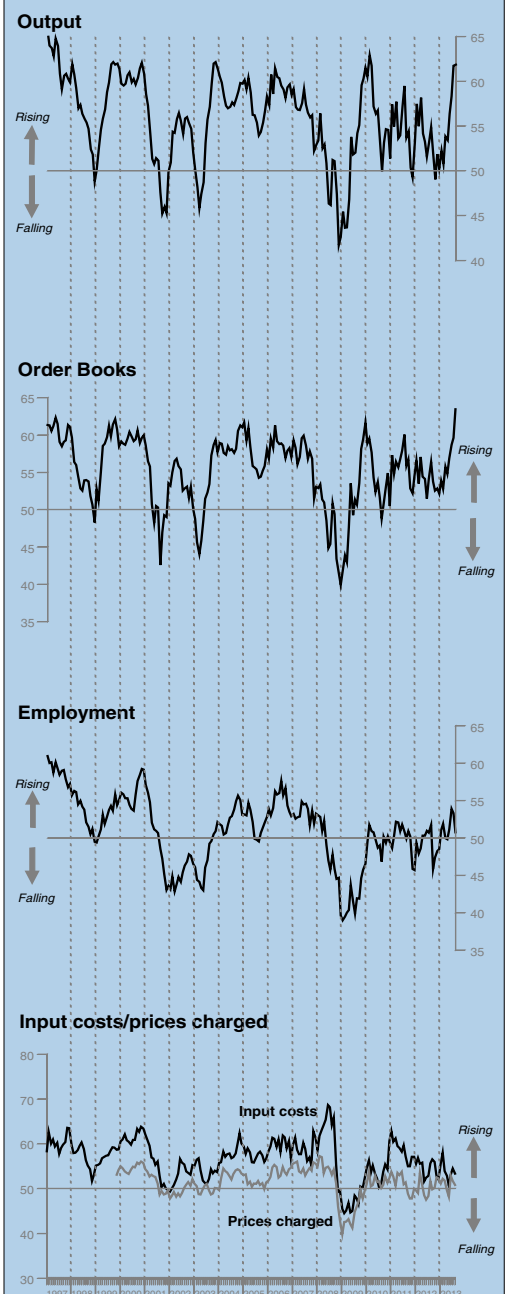
London private sector companies posted an increase in their employment numbers for the fourth month running in August. The rate of job creation was in line with the UK average, but slower than that seen in July. Meanwhile, backlogs of work at companies operating in the capital rose at a robust and accelerated pace in August. The latest increase in unfinished work was the steepest since October 2000 and faster than the UK-wide trend. Some companies noted that a faster than expected rise in client spending had placed pressures on operating capacity.

Input and output prices

Average cost burdens continued to rise in August, but the rate of inflation eased from the five-month high registered during July. Survey respondents mostly linked greater input prices to rising fuel costs and salary payments at their units.

Prices charged by London private sector companies increased in August for the third month running. However, the pace of inflation was only marginal and eased from that recorded in July.

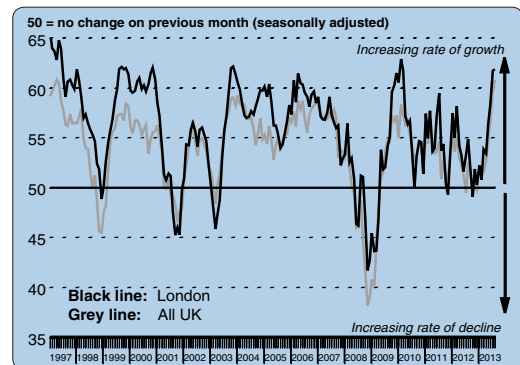
London Business Conditions



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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	25.0	56.7	18.3	53.4	50.3	49.7
2013	Jan	17.8	61.4	20.8	48.5	52.3	52.2
	Feb	20.4	64.1	15.5	52.4	50.8	51.3
	Mar	23.0	64.0	13.0	55.0	53.8	51.6
	Apr	25.9	56.3	17.9	54.0	53.4	52.7
	May	24.0	61.0	15.0	54.5	56.4	54.9
	Jun	27.7	62.4	9.9	58.9	58.3	56.7
	Jul	28.4	56.9	14.7	56.9	61.8	59.8
	Aug	26.7	57.4	15.8	55.4	61.9	60.8

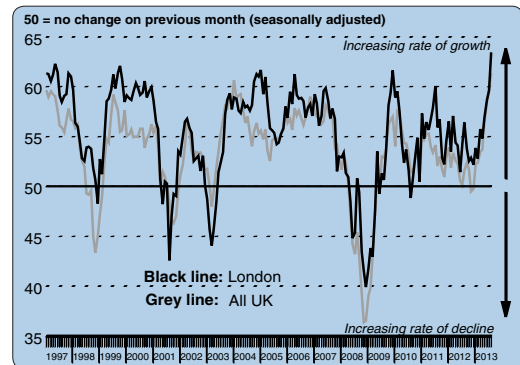


At 61.9 in August, up fractionally from 61.8 in July, the seasonally adjusted Business Activity Index registered above the neutral 50.0 value for the tenth successive month. The latest reading signalled a sharp rate of output expansion in the London private sector, with the pace of growth the fastest for three-and-a-half years. Survey respondents widely suggested that stronger levels of consumer and business spending had boosted their output volumes in August.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	27.0	55.0	18.0	54.5	52.2	49.8
2013	Jan	22.4	61.2	16.3	53.1	53.9	52.3
	Feb	27.5	55.9	16.7	55.4	52.8	52.4
	Mar	26.5	61.2	12.2	57.1	55.8	53.5
	Apr	27.0	55.0	18.0	54.5	54.8	53.7
	May	26.0	59.0	15.0	55.5	56.9	56.6
	Jun	30.6	60.2	9.2	60.7	58.7	58.5
	Jul	31.8	50.5	17.8	57.0	59.6	59.7
	Aug	32.3	57.6	10.1	61.1	63.5	61.4

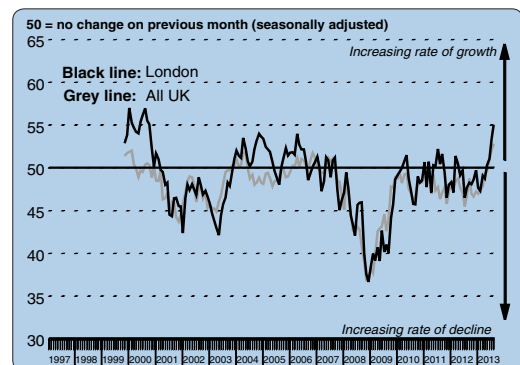


The seasonally adjusted Incoming New Business Index registered 63.5 in August, up from 59.6 in July and the highest reading since the series began in January 1997. Around three times as many survey respondents noted a rise in new business as those that saw a reduction. Moreover, the latest increase in new work across the London private sector was stronger than the UK-wide trend in August.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.6	74.5	14.9	47.9	49.7	47.3
2013	Jan	10.9	71.7	17.4	46.7	47.6	47.0
	Feb	13.0	70.7	16.3	48.4	47.3	47.4
	Mar	15.4	70.3	14.3	50.5	49.1	47.9
	Apr	14.7	70.6	14.7	50.0	48.7	49.4
	May	14.4	71.1	14.4	50.0	50.3	49.6
	Jun	12.0	77.2	10.9	50.5	51.1	51.0
	Jul	20.6	61.9	17.5	51.5	53.4	52.1
	Aug	17.6	72.5	9.9	53.8	55.1	52.8

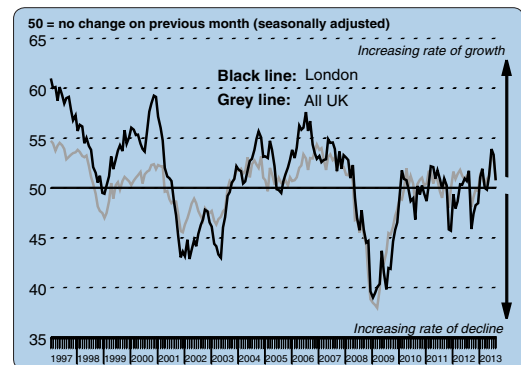


London private sector companies indicated a robust and accelerated expansion of unfinished work at their units in August. At 55.1, up from 53.4 in July, the seasonally adjusted Business Outstanding Index registered above the neutral 50.0 threshold for the fourth consecutive month. The latest reading was higher than the UK average and signalled the steepest rise in backlogs of work since October 2000.

Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	9.6	77.9	12.5	48.6	48.5	49.7
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3
	Feb	17.5	72.8	9.7	53.9	51.9	51.0
	Mar	10.0	77.0	13.0	48.5	50.0	50.3
	Apr	14.3	75.9	9.8	52.2	49.9	50.9
	May	13.9	76.2	9.9	52.0	51.2	51.2
	Jun	10.9	82.2	6.9	52.0	53.9	53.0
	Jul	15.6	76.1	8.3	53.7	53.4	53.2
	Aug	6.9	76.5	16.7	45.1	50.8	50.8

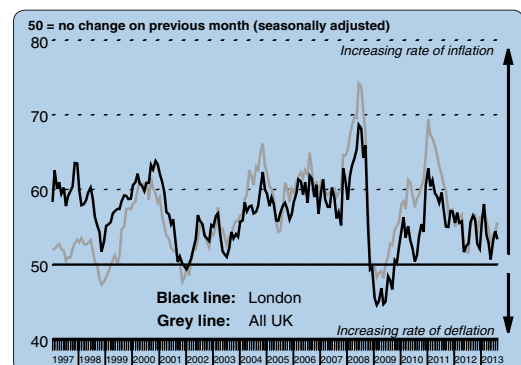


Staffing levels in the London private sector increased for the fourth successive month in August. However, at 50.8, down from 53.4 in July, the seasonally adjusted Employment Index signalled that the rate of job creation eased since the previous month. The latest reading was in line with that recorded for the UK as a whole and signalled a marginal increase in private sector workforce numbers.

Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	7.8	85.4	6.8	50.5	52.1	56.3
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.2
	Feb	22.3	72.8	4.9	58.7	58.1	57.2
	Mar	6.0	90.0	4.0	51.0	54.0	55.9
	Apr	11.6	85.7	2.7	54.5	52.9	54.9
	May	8.9	86.1	5.0	52.0	50.7	52.7
	Jun	9.9	85.1	5.0	52.5	53.2	54.2
	Jul	12.8	86.2	0.9	56.0	54.5	54.3
	Aug	10.9	82.2	6.9	52.0	53.4	55.7

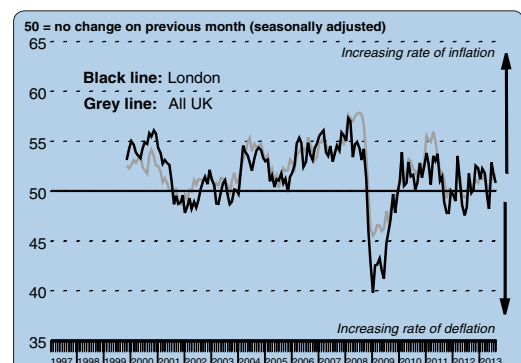


Average cost burdens increased again in the London private sector. At 53.4 in August, down from 54.5 in July, the seasonally adjusted Input Prices Index signalled that the rate of cost inflation eased since the previous month and was slower than the trend seen for the UK as a whole. Companies that reported a rise in their average costs generally cited greater fuel prices and higher salary payments at their units in August.

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?

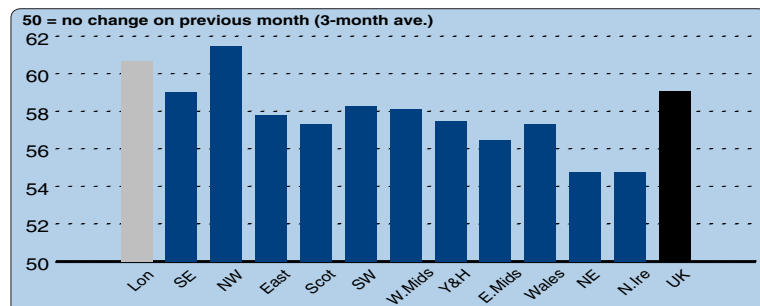
		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7
	Apr	5.4	88.4	6.3	49.6	49.6	50.5
	May	4.0	90.1	5.9	49.0	48.3	50.4
	Jun	7.9	87.1	5.0	51.5	52.9	51.1
	Jul	3.7	93.5	2.8	50.5	51.7	51.8
	Aug	5.0	88.1	6.9	49.0	50.8	51.6



Prices charged by private sector companies in London continued to rise in August, thereby extending the current period of inflation to three months. However, the seasonally adjusted Output Prices Index dipped from 51.7 in July to 50.8 in August, its lowest reading for three months. Latest data therefore indicated only a marginal increase in average tariffs in the capital, and the rate of inflation was slightly slower than that seen across the UK as a whole.

Regional Comparisons: Output

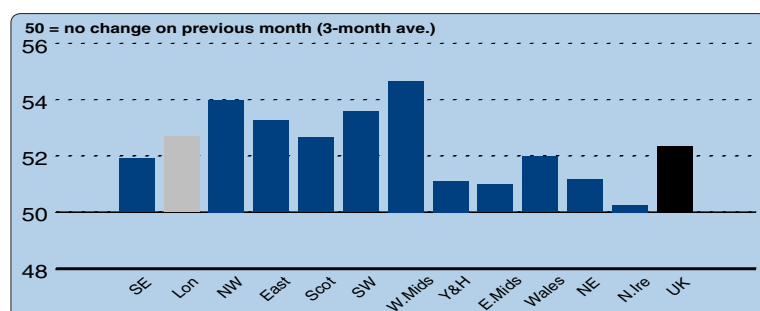
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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