

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

The North East 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

August data signals further solid expansion of business activity

Key findings:

- New business rises sharply
- Backlogs of work increase for the first time in six months
- Inflationary pressures remain relatively weak

North East private sector firms signalled a further expansion of business activity in August. Furthermore, the rate of growth was sharp and broadly unchanged from the previous month. Total new orders also increased sharply in August, despite growth easing slightly since July. Higher volumes of new work led to the first accumulation of work-in-hand in six months, while employment levels rose for the second successive month, albeit marginally. On the price front, total input costs rose modestly, and output charges increased for the first time since April.

Output and demand

The headline Lloyds Bank Commercial Banking North East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 56.3 in August, little-changed from the 28-month high of 56.4 in July, signalling a further sharp expansion of business activity in the North East. That said, the rate of growth in the region was weaker than that recorded across the UK economy as a whole.

Total new orders also increased sharply in the North East during August, though the rate of expansion eased since July. Nonetheless, both manufacturers and service providers in the region noted higher volumes of new work. In the UK economy as a whole new business also increased, and at a stronger rate than in the North East.

Employment and backlogs

Employment at North East private sector firms increased for the second month in a row in August, albeit marginally. The UK private sector economy as a whole showed a similar trend, with payroll numbers expanding only slightly in August.

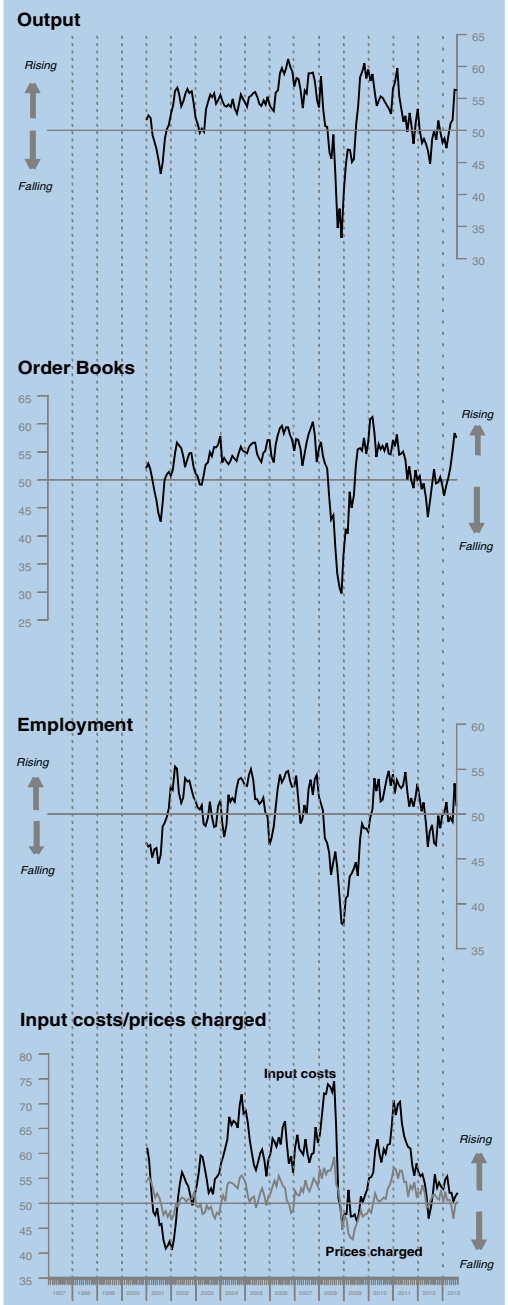
Backlogs of work rose for the first time since February, albeit marginally. Meanwhile, volumes of outstanding business in the UK private sector economy as a whole increased at a modest pace.

Input and output prices

Total input costs faced by private sector firms in the North East increased again in August. However, the rate of inflation was modest and weaker than the series average.

North East private sector firms partially passed on their higher cost burdens to clients, and raised their output charges marginally. Moreover, it was the first time tariffs had increased in four months.

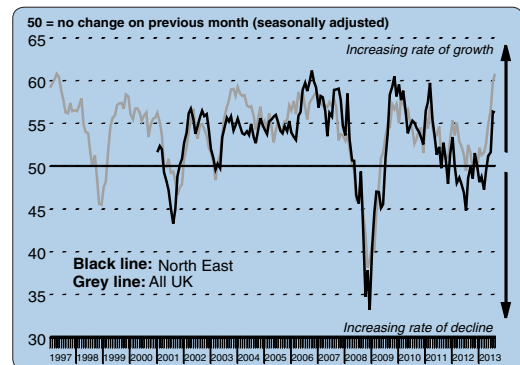
North East Business Conditions



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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	13.0	61.1	25.9	43.5	49.9	49.7
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.2
	Feb	28.6	49.0	22.4	53.1	48.7	51.3
	Mar	21.2	63.5	15.4	52.9	47.3	51.6
	Apr	19.1	61.7	19.1	50.0	49.5	52.7
	May	18.5	61.1	20.4	49.1	51.2	54.9
	Jun	25.5	52.9	21.6	52.0	51.7	56.7
	Jul	33.3	58.3	8.3	62.5	56.4	59.8
	Aug	27.9	53.5	18.6	54.7	56.3	60.8

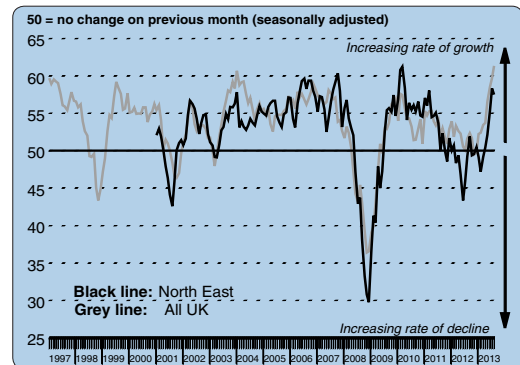


The seasonally adjusted Output/Business Activity Index signalled a further expansion of business activity at North East private sector firms in August. The rate of growth was little-changed from the previous month and sharp overall. Furthermore, sector data indicated that output increased across both manufacturers and service providers in the region, with a number of firms linking growth to higher volumes of new work. The UK private sector economy as a whole also saw an expansion of business activity in August, and at a faster rate than that recorded in the North East.

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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	26.4	47.2	26.4	50.0	50.5	49.8
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.3
	Feb	25.5	48.9	25.5	50.0	47.2	52.4
	Mar	28.0	56.0	16.0	56.0	49.2	53.5
	Apr	34.0	42.6	23.4	55.3	50.5	53.7
	May	26.4	60.4	13.2	56.6	52.2	56.6
	Jun	36.0	52.0	12.0	62.0	55.3	58.5
	Jul	31.3	54.2	14.6	58.3	58.4	59.7
	Aug	23.8	57.1	19.0	52.4	57.5	61.4

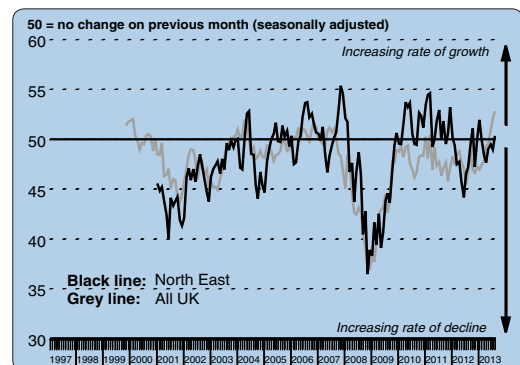


New business at North East private sector companies increased during August, extending the current sequence to five months. The rate of new order growth was sharp and stronger than the historical average, despite easing since July's 39-month high. Nearly one-in-four panellists noted an expansion of order book volumes, while 19% recorded a reduction. As was the case with output, growth of new business in the UK private sector economy as a whole was quicker than in the North East.

Business Outstanding

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9
	Apr	18.6	60.5	20.9	48.8	47.7	49.4
	May	14.3	67.3	18.4	48.0	49.1	49.6
	Jun	19.6	67.4	13.0	53.3	49.5	51.0
	Jul	9.3	86.0	4.7	52.3	49.0	52.1
	Aug	13.2	71.1	15.8	48.7	50.4	52.8

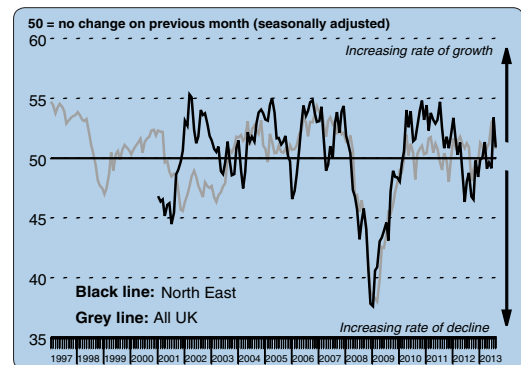


Volumes of outstanding business at North East private sector firms increased for the first time since February in August. That said, the rate of accumulation was only fractional. According to sector data, the accumulation of work-in-hand in the North East was largely driven by service providers, where higher volumes of new work were generally cited. Backlogs of work also rose in the UK private sector economy as a whole, and at a solid pace.

Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	11.3	67.9	20.8	45.3	48.4	49.7
2013	Jan	14.0	74.0	12.0	51.0	49.9	51.3
	Feb	14.3	73.5	12.2	51.0	50.0	51.0
	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	50.9
	May	11.1	77.8	11.1	50.0	49.6	51.2
	Jun	14.0	74.0	12.0	51.0	49.2	53.0
	Jul	21.3	70.2	8.5	56.4	53.4	53.2
	Aug	20.9	72.1	7.0	57.0	50.9	50.8

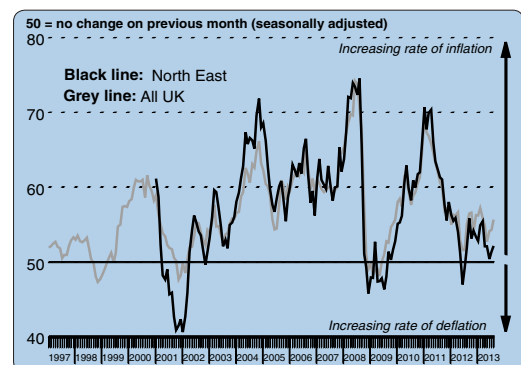


Employment at North East private sector firms increased for the second consecutive month in August. After adjusting for seasonal factors, however, the rate of job creation eased since July and was only marginal. Total employment in the UK private sector economy as a whole showed a similar trend, with payrolls expanding only slightly in August. Nonetheless, workforce numbers increased across both the manufacturing and service sectors in the North East, with a number of panellists linking this to increased business activity.

Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	9.6	80.8	9.6	50.0	53.4	56.3
2013	Jan	14.6	75.0	10.4	52.1	52.9	56.2
	Feb	14.6	81.3	4.2	55.2	54.9	57.2
	Mar	20.4	75.5	4.1	58.2	55.5	55.9
	Apr	17.8	77.8	4.4	56.7	52.1	54.9
	May	19.2	73.1	7.7	55.8	52.1	52.7
	Jun	10.0	84.0	6.0	52.0	50.4	54.2
	Jul	10.6	78.7	10.6	50.0	51.4	54.3
	Aug	11.9	85.7	2.4	54.8	52.2	55.7

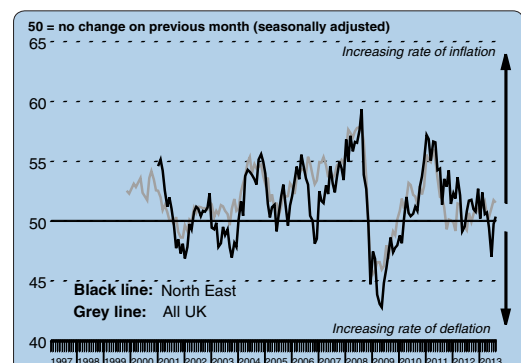


Average input costs faced by private sector companies in the North East continued to increase in August. The rate of input price inflation, though modest, was the quickest in five months. Inflation was largely centred on service providers in the region, as manufacturers noted reduced cost burdens. Meanwhile, input prices in the UK private sector economy as a whole also increased in August, and the rate of inflation was quicker than that recorded in the North East.

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?

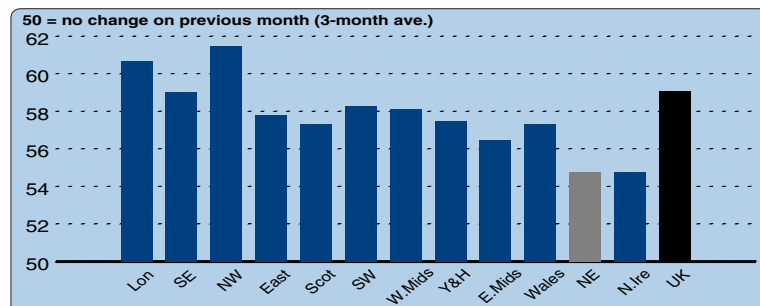
		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	5.7	92.5	1.9	51.9	52.7	50.8
2013	Jan	6.1	87.8	6.1	50.0	50.2	51.5
	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7
	Apr	10.9	84.8	4.3	53.3	50.7	50.5
	May	9.4	79.2	11.3	49.1	49.4	50.4
	Jun	6.1	83.7	10.2	48.0	47.0	51.1
	Jul	8.5	85.1	6.4	51.1	49.8	51.8
	Aug	7.1	88.1	4.8	51.2	50.4	51.6



Output charges set by North East private sector firms increased for the first time in four months in August. That said, the rate at which tariffs were raised was only slight. A number of respondents suggested that charges were increased to reflect higher input costs. Meanwhile, output charges in the UK private sector economy as a whole increased at a moderate pace.

Regional Comparisons: Output

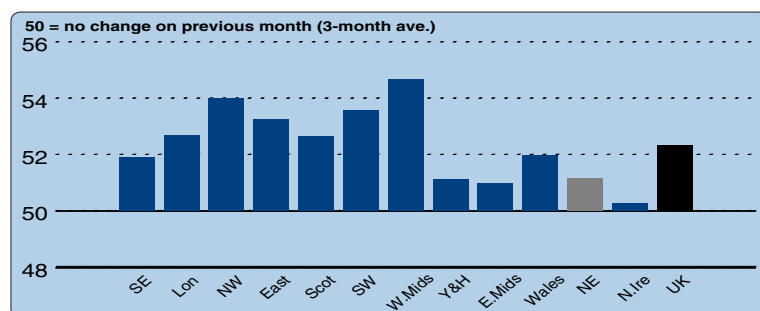
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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