

# Lloyds Bank Commercial Banking North West PMI<sup>®</sup>

## 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.

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**The Lloyds Bank Commercial Banking North West PMI<sup>®</sup> (Purchasing Managers' Index<sup>®</sup>)** 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 West and operating in both manufacturing and service sectors.

The North West 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 growth hits survey record high in August

### Key findings:

- Business activity and new orders expand sharply
- Growth of output recorded in manufacturing and service sectors
- Cost inflation exceeds UK-wide trend

Private sector companies in the North West posted sharp rises in business activity and new orders during August, with the rate of output growth accelerating to the fastest in the survey history. Meanwhile, inflationary pressures persisted in the latest month, with both input and output prices rising at faster rates than those seen at the UK level.

### Output and demand

The seasonally adjusted Lloyds Bank Commercial Banking North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – rose from 62.3 in July to 64.0 in August, indicating that output across the region expanded at the fastest pace in the survey history. Furthermore, business activity growth remained stronger than the UK average and was seen in both the manufacturing and service sectors.

Companies indicated that output levels were raised in line with higher volumes of incoming new work. New business increased at a sharp (albeit slower) pace in August, with firms reporting stronger foreign and domestic demand. Sector data highlighted new order growth at manufacturers and service providers.

### Employment and backlogs

Reflective of robust new business growth, North West companies recruited additional workers in August. Some companies reported that recruitment-freeze policies had been lifted. Although still solid, the overall rate of job creation eased from July's recent pace.

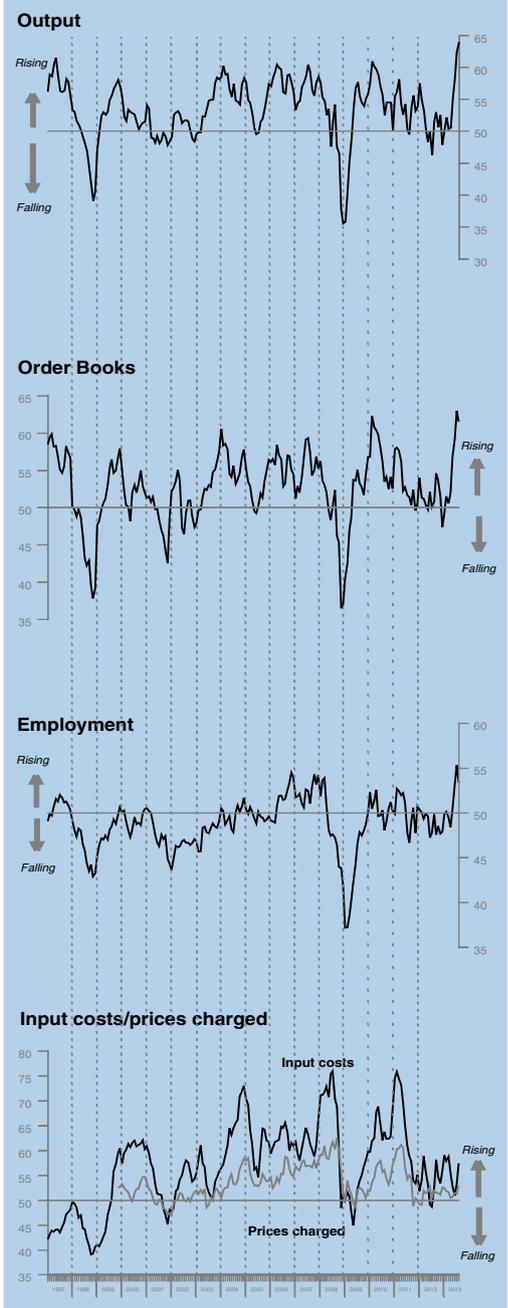
Unfinished business levels rose for the second consecutive month in August, amid reports of capacity constraints. The pace of backlog accumulation was, however, only slight and eased since July.

### Input and output prices

Input costs increased at a robust and accelerated rate in August, with private sector companies reporting higher prices paid for raw materials and labour. The rate of cost inflation was at a five-month high and surpassed the UK average.

Concurrently, output prices were raised again in August. Prices charged rose at a solid pace and one that was stronger than that seen at the UK level. Sector data highlighted higher prices charged by both manufacturing and services firms.

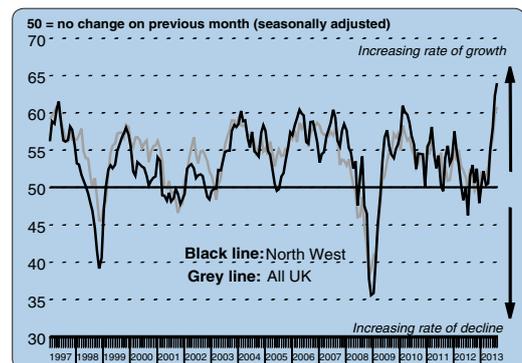
### North West Business Conditions



## 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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	20.5	44.3	35.2	42.6	47.9	49.7
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.2
	Feb	32.7	55.1	12.2	60.2	52.2	51.3
	Mar	24.5	55.1	20.4	52.0	50.4	51.6
	Apr	25.7	49.5	24.8	50.5	50.6	52.7
	May	42.6	47.9	9.6	66.5	55.1	54.9
	Jun	38.3	47.9	13.8	62.2	58.1	56.7
	Jul	36.7	56.1	7.1	64.8	62.3	59.8
	Aug	31.6	52.6	15.8	57.9	64.0	60.8

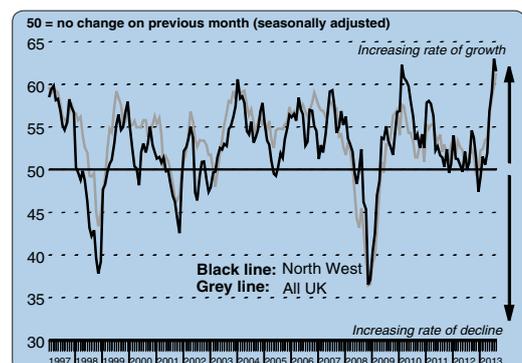


Output in the North West private sector rose at a sharp and accelerated pace in August, with the seasonally adjusted Business Activity Index rising to its highest level in the survey history. Sector data pointed to robust growth across both the manufacturing and service sectors. Almost one-in-three panellists reported higher levels of output and widely commented on new contract wins and favourable weather. At the UK level, output expanded at the fastest rate in over 16 years.

## 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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	21.8	42.5	35.6	43.1	47.4	49.8
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.3
	Feb	34.0	46.4	19.6	57.2	51.5	52.4
	Mar	25.5	54.1	20.4	52.6	50.6	53.5
	Apr	31.7	44.6	23.8	54.0	52.0	53.7
	May	35.1	48.9	16.0	59.6	56.8	56.6
	Jun	38.3	46.8	14.9	61.7	59.2	58.5
	Jul	40.2	53.6	6.2	67.0	63.0	59.7
	Aug	28.7	47.9	23.4	52.7	61.6	61.4

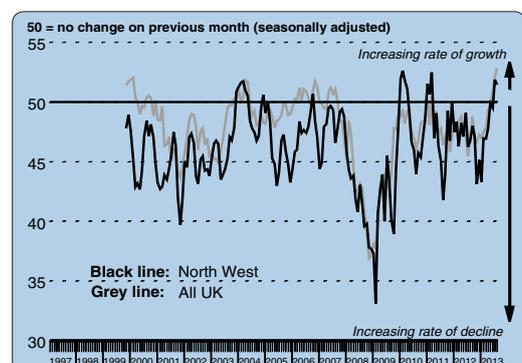


Despite easing since July, growth of new orders remained sharp in August. Sector data highlighted new business expansion across the manufacturing and service sectors, with monitored companies commenting on stronger demand from both domestic and export clients. There were some reports of increased marketing initiatives as a result of improving economic conditions. The growth rate across the region was broadly in line with the UK average.

## Business Outstanding

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.8	61.4	27.7	41.6	45.2	47.3
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6
	Jun	13.0	71.7	15.2	48.9	49.5	51.0
	Jul	16.1	74.2	9.7	53.2	51.9	52.1
	Aug	17.8	61.1	21.1	48.3	51.5	52.8

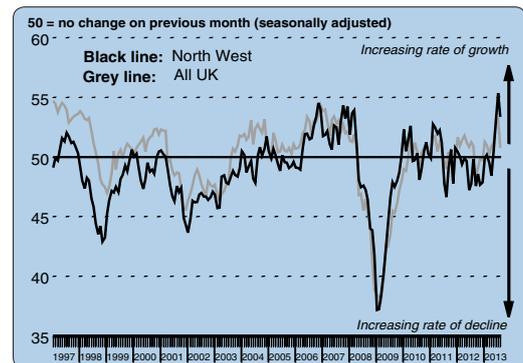


Backlogs of work were accumulated for the second month running in August, reflecting solid gains in incoming new work and capacity constraints. However, unfinished business levels rose only slightly and at a slower rate than in July. At the UK level, outstanding business volumes were accumulated at a solid pace and one that was stronger than that seen across the North West.

## Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	5.7	83.0	11.4	47.2	<b>47.9</b>	<b>49.7</b>
2013	Jan	6.9	83.2	9.9	48.5	<b>49.9</b>	<b>51.3</b>
	Feb	10.3	79.4	10.3	50.0	<b>50.2</b>	<b>51.0</b>
	Mar	12.4	76.3	11.3	50.5	<b>49.5</b>	<b>50.3</b>
	Apr	7.0	84.0	9.0	49.0	<b>48.5</b>	<b>50.9</b>
	May	11.7	81.9	6.4	52.7	<b>50.4</b>	<b>51.2</b>
	Jun	16.0	78.7	5.3	55.3	<b>53.2</b>	<b>53.0</b>
	Jul	18.6	76.3	5.2	56.7	<b>55.4</b>	<b>53.2</b>
	Aug	19.1	75.5	5.3	56.9	<b>53.4</b>	<b>50.8</b>

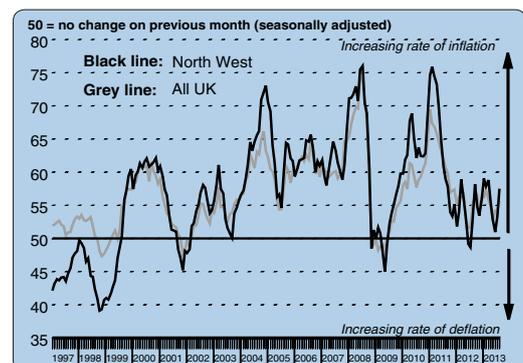


Workforce numbers in the North West private sector rose in August, amid reports of new business growth. Some firms noted that recruitment-freeze policies had been lifted. Job creation across the region has now been sustained for four months running and the rate of expansion in August was stronger than the UK economy average.

## Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	12.5	80.7	6.8	52.8	<b>56.0</b>	<b>56.3</b>
2013	Jan	21.8	71.3	6.9	57.4	<b>59.1</b>	<b>56.2</b>
	Feb	19.6	75.3	5.2	57.2	<b>57.9</b>	<b>57.2</b>
	Mar	31.6	66.3	2.0	64.8	<b>58.8</b>	<b>55.9</b>
	Apr	22.0	67.0	11.0	55.5	<b>55.5</b>	<b>54.9</b>
	May	17.0	76.6	6.4	55.3	<b>52.9</b>	<b>52.7</b>
	Jun	11.7	79.8	8.5	51.6	<b>51.0</b>	<b>54.2</b>
	Jul	15.5	69.1	15.5	50.0	<b>53.3</b>	<b>54.3</b>
	Aug	22.3	72.3	5.3	58.5	<b>57.5</b>	<b>55.7</b>

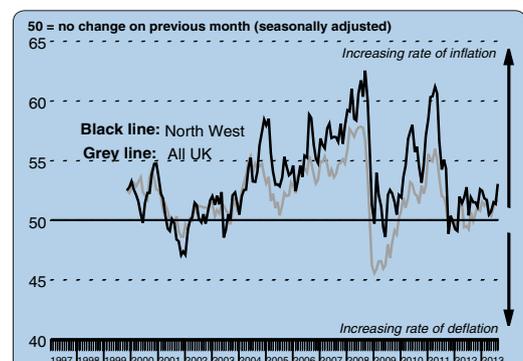


Average cost burdens rose for the thirteenth consecutive month in August. The overall rate of cost inflation was sharp and stronger than that seen at the UK level. The seasonally adjusted Input Prices Index posted above the long-run series average and was at a five-month high. Panellists indicated that raw material and labour costs increased over the month. Higher input prices were signalled by both manufacturers and service providers.

## 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?

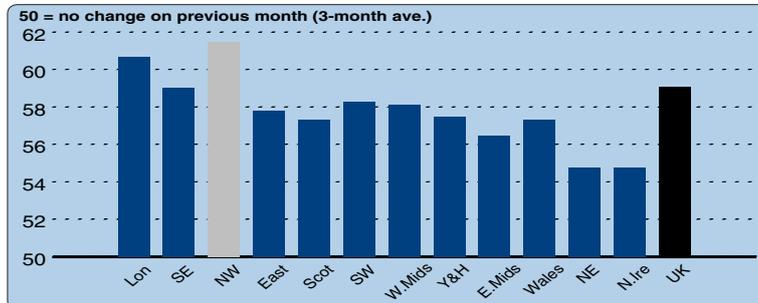
		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	5.7	89.8	4.5	50.6	<b>52.6</b>	<b>50.8</b>
2013	Jan	12.7	82.4	4.9	53.9	<b>52.5</b>	<b>51.5</b>
	Feb	16.3	75.5	8.2	54.1	<b>51.9</b>	<b>51.3</b>
	Mar	9.1	82.8	8.1	50.5	<b>51.7</b>	<b>51.7</b>
	Apr	9.9	83.2	6.9	51.5	<b>50.5</b>	<b>50.5</b>
	May	9.5	85.3	5.3	52.1	<b>50.7</b>	<b>50.4</b>
	Jun	7.4	86.3	6.3	50.5	<b>51.5</b>	<b>51.1</b>
	Jul	5.1	90.8	4.1	50.5	<b>51.4</b>	<b>51.8</b>
	Aug	5.3	93.7	1.1	52.1	<b>53.1</b>	<b>51.6</b>



Prices charged by private sector companies in the North West rose for the eighteenth consecutive month in August. The overall rate of charge inflation was solid and the quickest since September 2011. Manufacturing and services companies both raised their tariffs in the latest month, citing additional cost burdens. Average selling prices across the UK as a whole also increased, but only slightly.

## 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*<sup>®</sup> (or *PMIs*<sup>®</sup>) 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*<sup>®</sup> (*PMI*<sup>®</sup>) 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.