

Lloyds Bank Commercial Banking South East PMI[®]

Lloyds Bank Commercial Banking Commercial

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

The Lloyds Bank Commercial Banking Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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

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9th September 2013

Fastest increase in output in survey's 16-and-a-half-year history

Key findings:

- Sharpest growth in output and new orders since survey began in January 1997
- Employment virtually stagnates despite record expansion in business activity
- Cost inflation continues for thirteenth consecutive month, though pace slows

The latest PMI[®] data from Lloyds Bank Commercial Banking showed a sharp expansion in the South East private sector economy, with output and new orders increasing at the fastest rates recorded in the survey's history. Employment increased only slightly in August, failing to match the growth of business activity and new orders. Meanwhile, the rate of cost inflation eased for the second consecutive month.

Output and demand

The headline **Lloyds Bank Commercial Banking South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from 59.5 in July to 62.7 in August. This signalled the fastest growth in output recorded since this survey began in January 1997.

New orders also rose at the sharpest pace in the series' history, and August marked the eighth consecutive month of growth. Respondents attributed the expansion in output to a rise in market confidence and an improvement in demand.

Employment and backlogs

In spite of the unprecedented surges in growth in business activity and new orders, employment in the South East's private sector virtually stagnated in August. Anecdotal evidence indicated that whilst the rise in sales volumes had translated into recruitment drives in some firms, this was largely offset by difficulties in filling vacancies and cost-cutting measures.

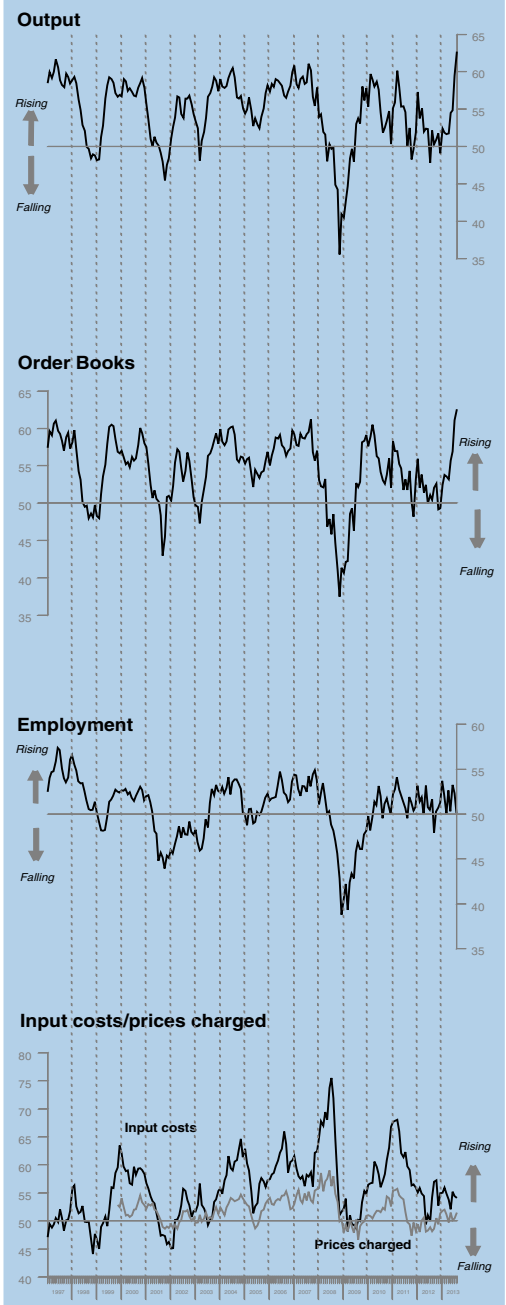
Business outstanding grew at the fastest pace since November 1999. This was only the second increase in backlogs recorded since February 2010. The accumulation was led solely by service providers, with the manufacturing sector recording a slight decline in outstanding business.

Input and output prices

Input costs rose for the thirteenth consecutive month in August, though the rate of inflation slowed marginally. Panellists cited increases in fuel and energy prices as the key drivers behind the cost inflation.

Output prices rose for the fourth consecutive month in August and at a more substantial pace than recorded in the previous two months, in which the increases recorded were largely negligible. Increased commodity prices were cited by panellists as a reason for higher charges.

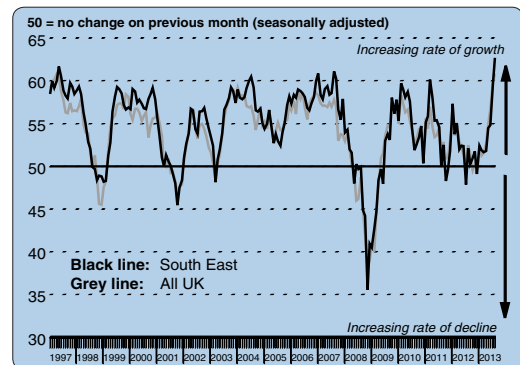
South East Business Conditions



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?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Dec	24.6	46.9	28.6	48.0	49.1	49.7
	Jan	25.4	50.8	23.8	50.8	52.4	52.2
	Feb	27.5	53.3	19.2	54.1	51.9	51.3
	Mar	30.8	51.9	17.3	56.8	51.7	51.6
	Apr	28.9	50.6	20.6	54.2	51.8	52.7
	May	27.5	51.1	21.4	53.0	54.5	54.9
	Jun	28.1	53.9	18.0	55.1	54.8	56.7
	Jul	36.4	50.0	13.6	61.4	59.5	59.8
	Aug	39.1	43.0	17.9	60.6	62.7	60.8

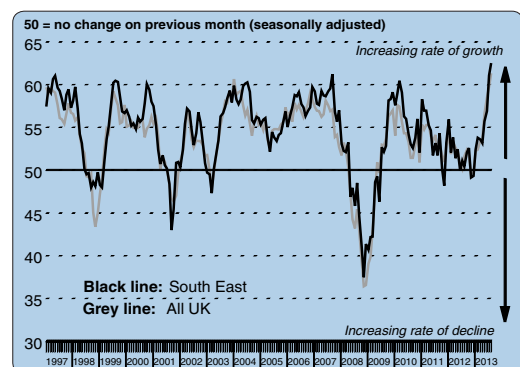


Business activity in the South East rose for the eighth consecutive month in August, with growth accelerating to the fastest rate since this survey began in January 1997. Respondents attributed the increase to an expansion in demand and a consequent rise in new business. The record-breaking rise was largely driven by the service sector, though manufacturers also recorded a sharp expansion in output. The rate of output growth was faster than that recorded for the UK overall, in spite of the fact that nationwide, business activity rose at a pace only previously matched once in April 1997.

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?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Dec	27.2	40.5	32.4	47.4	49.3	49.8
	Jan	27.2	53.3	19.4	53.9	52.5	52.3
	Feb	31.5	48.1	20.4	55.5	53.8	52.4
	Mar	29.7	49.2	21.1	54.3	53.6	53.5
	Apr	29.6	49.7	20.7	54.5	53.2	53.7
	May	32.8	43.3	23.9	54.4	55.7	56.6
	Jun	34.3	47.8	18.0	58.1	57.0	58.5
	Jul	37.2	49.2	13.7	61.7	61.1	59.7
	Aug	38.1	46.0	15.9	61.1	62.6	61.4

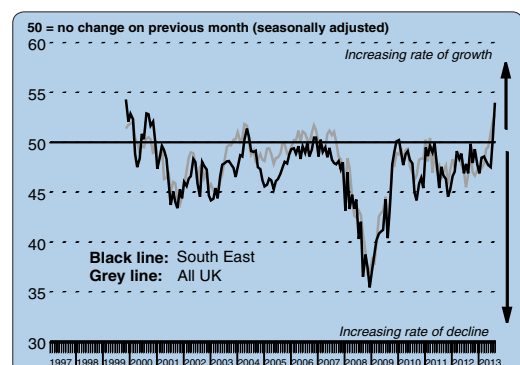


Following the trend set by business activity, new orders rose at the fastest pace recorded since the survey began over 16 years ago. The expansion in new business in the South East continued an eight-month sequence of growth and was slightly faster than the average rate of increase in new orders recorded nationwide. A rise in market confidence and an improvement in demand conditions were cited by panellists as the major drivers. At a sector level, data indicated that the service sector led August's sharp increase in growth, while manufacturers recorded a smaller but solid increase.

Business Outstanding

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Dec	12.3	57.7	30.1	41.1	47.8	47.3
	Jan	17.4	56.3	26.3	45.5	46.9	47.0
	Feb	18.6	62.9	18.6	50.0	48.5	47.4
	Mar	17.6	62.4	20.0	48.8	48.6	47.9
	Apr	15.1	66.9	18.1	48.5	48.1	49.4
	May	15.7	64.5	19.9	47.9	47.7	49.6
	Jun	18.1	63.1	18.8	49.7	47.5	51.0
	Jul	21.4	62.5	16.1	52.7	50.5	52.1
	Aug	25.6	58.5	15.9	54.9	54.0	52.8

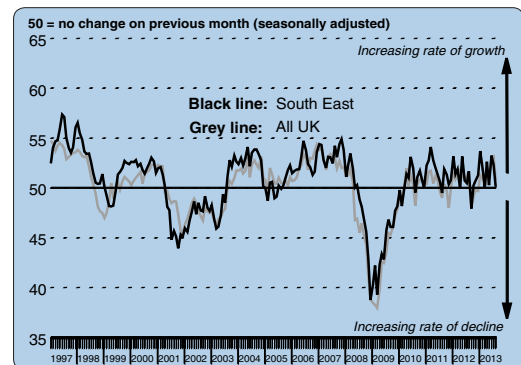


Business outstanding grew for the second consecutive month in August, and at the fastest pace since November 1999. Anecdotal evidence indicated that backlogs grew as firms struggled to keep up with demand, and a number of respondents reported difficulties in filling vacancies with skilled workers. Some panellists also cited a reversal of outsourcing and increasing the amount of work conducted in-house as a key factor. Data showed a divergence at the sector level, as service providers recorded a solid rise in outstanding business whilst manufacturers saw a slight decline in August.

Employment

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Dec	14.9	75.4	9.7	52.6	51.3	49.7
	Jan	14.4	76.8	8.8	52.8	53.7	51.3
	Feb	9.9	80.8	9.3	50.3	52.2	51.0
	Mar	12.4	76.2	11.4	50.5	50.0	50.3
	Apr	16.1	73.9	10.0	53.1	52.7	50.9
	May	12.6	73.6	13.7	49.5	50.3	51.2
	Jun	17.3	73.2	9.5	53.9	53.3	53.0
	Jul	15.2	75.0	9.8	52.7	52.3	53.2
Aug	18.4	72.1	9.5	54.5	50.1	50.8	

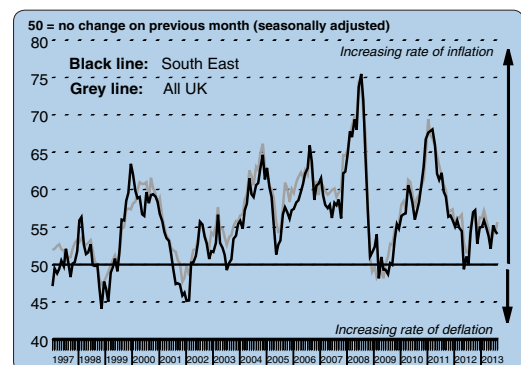


In spite of sharp growth in business activity and new orders, the seasonally adjusted Employment Index signalled only a fractional rise in head counts at South East private sector firms. Staffing levels within the service sector increased at a marginally faster rate than within the manufacturing sector, though in both cases growth was weak. Anecdotal evidence indicated that while increased sales led to recruitment in some firms, this was largely offset by difficulties in filling vacancies and the implementation of cost-cutting strategies.

Input Prices / Costs

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Dec	10.3	85.1	4.6	52.9	55.0	56.3
	Jan	16.0	80.1	3.9	56.1	55.0	56.2
	Feb	15.9	81.9	2.2	56.9	55.9	57.2
	Mar	16.3	81.0	2.7	56.8	54.9	55.9
	Apr	18.8	77.3	3.9	57.5	53.8	54.9
	May	12.6	80.3	7.1	52.7	52.1	52.7
	Jun	14.0	80.4	5.6	54.2	55.2	54.2
	Jul	13.1	80.9	6.0	53.6	54.5	54.3
Aug	10.6	84.4	5.0	52.8	54.1	55.7	

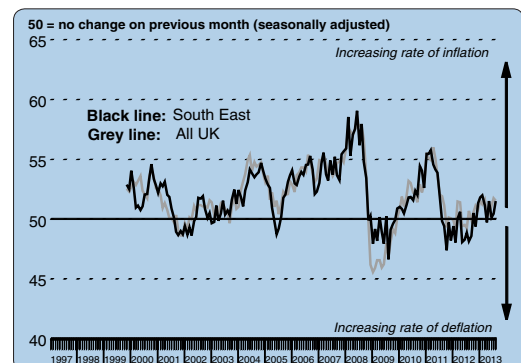


Cost inflation continued in August for the thirteenth successive month. That said, growth in input costs in the South East abated slightly for the second consecutive month, and was slower than for the UK overall. The latest data indicated that much of the inflationary pressure stemmed from the services sector, in which input prices rose at a faster rate than recorded by manufacturers. Panellists cited increases in fuel and energy prices as the key drivers behind 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?

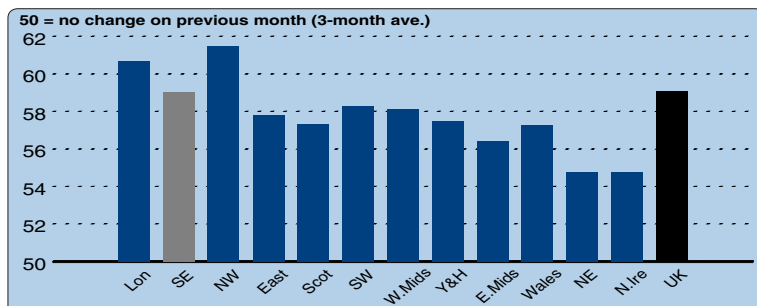
		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Dec	4.0	92.0	4.0	50.0	51.4	50.8
	Jan	11.6	83.4	5.0	53.3	51.8	51.5
	Feb	10.4	84.6	4.9	52.7	52.0	51.3
	Mar	6.0	89.1	4.9	50.5	51.2	51.7
	Apr	8.8	86.2	5.0	51.9	49.7	50.5
	May	10.4	84.1	5.5	52.5	51.5	50.4
	Jun	5.1	87.6	7.3	48.9	50.2	51.1
	Jul	7.6	85.3	7.1	50.3	50.5	51.8
Aug	4.5	91.0	4.5	50.0	51.5	51.6	



Charges rose for the fourth consecutive month in the South East increasing at a quicker pace than recorded in June and July when inflation was negligible. However, growth in output prices was fractionally slower than recorded nationwide. An increase in commodity prices was commonly cited by panellists as a key factor behind rising charges. Increases in dairy prices were also highlighted by some respondents. At the sector level there was little difference between the rise in charges of manufacturers and service providers, with both recording small increases.

Regional Comparisons: Output

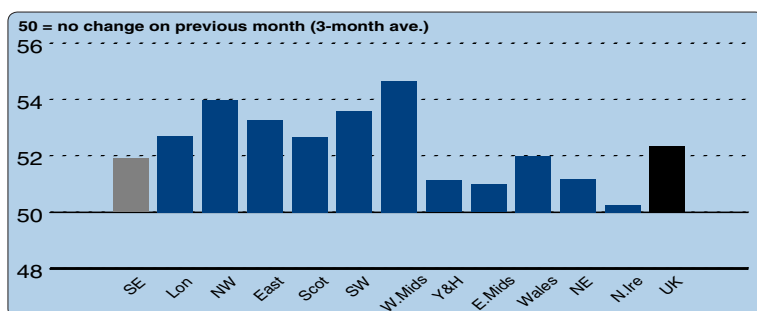
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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