

Lloyds Bank Commercial Banking Yorkshire & Humber 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 Yorkshire & Humber PMI® (Purchasing Managers' Index®)

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.

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9th September 2013

Business activity continues sharp ascent in August

Key findings:

- Business activity growth remains strong
- New business rises for thirteenth successive month
- Cost burdens increase at fastest pace in two years

Lloyds Bank Commercial Banking Yorkshire & Humber PMI® data indicated that the sharp output growth seen over the summer months continued into August, though eased slightly from July's recent peak. Input prices recorded a twelfth successive increase and rose at the fastest pace for two years.

Output and demand

The headline Lloyds Bank Commercial Banking Yorkshire & Humber Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – fell from 59.8 in July to 57.3 in August. The index remained well above the 50.0 no-change mark separating growth from contraction, and indicated the tenth successive increase in business activity in the region.

New orders also continued to expand sharply in August, though the pace of growth eased marginally from July's 9-year high. Panellists largely attributed the rise to an increase in clients and larger export orders. A number also cited an expansion in domestic demand as a key driver.

Employment and backlogs

Employment grew for the third successive month in August, though the increase was only fractional. Staffing levels across the UK as a whole rose at a marginally faster pace than in Yorkshire & Humber. Respondents in the region suggested increased production and client numbers were the main drivers of cost inflation.

Backlogs increased for the third successive month in August, and at the fastest pace since the series began in November 1999. Panellists attributed the rise in business outstanding to increased order volumes and an unanticipated spikes in demand.

Input and output prices

Input prices rose for the twelfth consecutive month in August, and at the fastest pace in two years. Higher import costs, caused in part by the weak pound, and a rise in fuel prices were commonly cited by panellists as the key factors driving cost inflation.

Charges rose for the fourth consecutive month in Yorkshire & Humber. The rise in input prices was the sharpest in just over two years and marginally faster than in the UK as a whole.

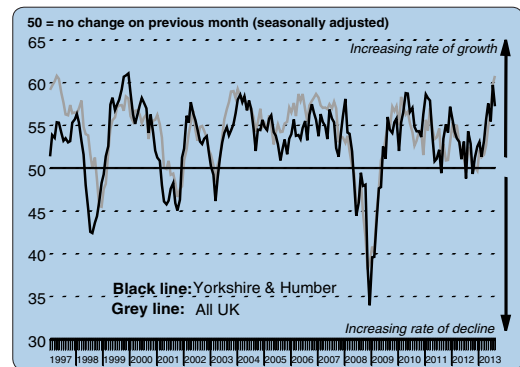
Yorkshire & Humber Business Conditions



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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	27.8	51.1	21.1	53.3	52.5	49.7
2013	Jan	27.5	40.7	31.9	47.8	53.1	52.2
	Feb	32.6	43.5	23.9	54.3	51.3	51.3
	Mar	29.7	51.6	18.7	55.5	53.3	51.6
	Apr	32.2	50.6	17.2	57.5	55.7	52.7
	May	32.9	47.1	20.0	56.5	57.6	54.9
	Jun	25.9	49.4	24.7	50.6	55.5	56.7
	Jul	37.5	51.1	11.4	63.1	59.8	59.8
	Aug	25.3	51.7	23.0	51.1	57.3	60.8

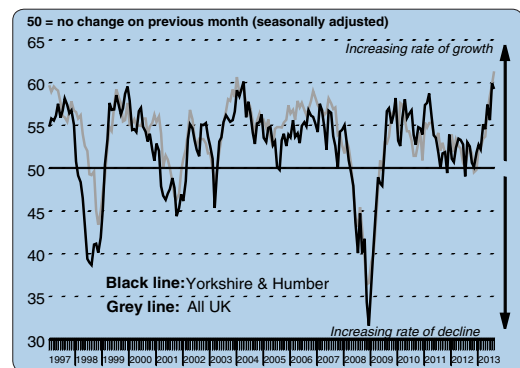


Business activity rose in August for the tenth successive month, though the pace of growth slowed from July's 13-year high. The rate of growth was slightly slower than that recorded for the UK as a whole, where output rose at a joint-survey record pace. Anecdotal evidence suggested the rise in business activity in the Yorkshire & Humber private sector was largely a result of an expansion in underlying demand, and a number of respondents cited an increase in new orders from emerging markets as a key driver.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	28.1	44.9	27.0	50.6	51.8	49.8
2013	Jan	31.1	35.6	33.3	48.9	52.8	52.3
	Feb	37.4	38.5	24.2	56.6	52.2	52.4
	Mar	38.2	40.4	21.3	58.4	55.2	53.5
	Apr	31.4	51.2	17.4	57.0	54.6	53.7
	May	35.7	46.4	17.9	58.9	57.4	56.6
	Jun	26.2	50.0	23.8	51.2	55.6	58.5
	Jul	37.9	46.0	16.1	60.9	60.0	59.7
	Aug	30.2	50.0	19.8	55.2	59.3	61.4

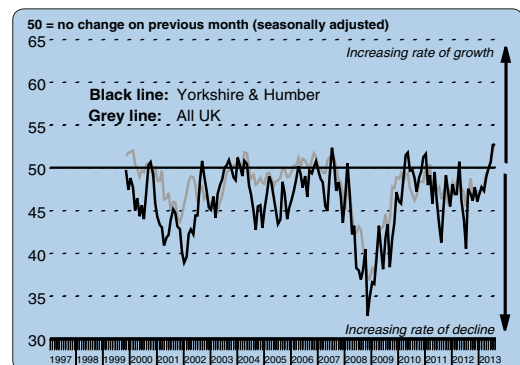


New orders in Yorkshire & Humber continued to expand sharply in August though the pace of growth eased marginally from July's 9-year high. Across the UK as a whole, new orders increased at the fastest rate since this series began over 16 years ago. Panellists cited an increase in clients, larger export orders and an expansion in domestic demand as key factors behind the increase in new business in August. The latest data indicated that at a sector level the rise in order book volumes was largely driven by the service sector, though solid increases in new work intakes were also recorded in manufacturing.

Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	12.2	58.5	29.3	41.5	46.1	47.3
2013	Jan	16.7	57.1	26.2	45.2	47.0	47.0
	Feb	16.9	62.7	20.5	48.2	47.8	47.4
	Mar	18.5	58.0	23.5	47.5	47.3	47.9
	Apr	15.0	67.5	17.5	48.8	48.9	49.4
	May	19.5	59.7	20.8	49.4	49.9	49.6
	Jun	21.1	57.9	21.1	50.0	50.7	51.0
	Jul	19.8	64.2	16.0	51.9	52.7	52.1
	Aug	16.7	65.5	17.9	49.4	52.8	52.8

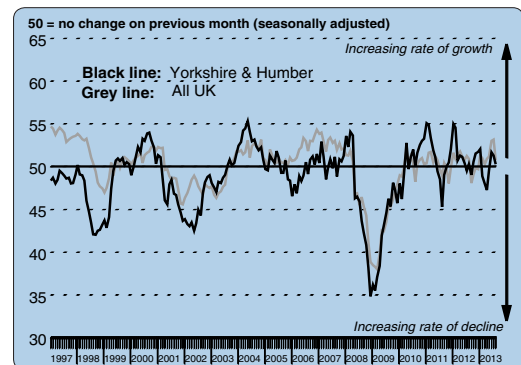


Backlogs increased for the third successive month in August, and the seasonally adjusted Business Outstanding Index rose to the highest level recorded since this series began in November 1999. The relatively sharp rise in unfinished work in Yorkshire & Humber was in line with the rate of increase recorded for the UK as a whole. Of the 17% of firms that recorded a rise in outstanding business, a number cited increased order volumes and an unanticipated improvement in demand.

Employment

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	13.5	77.5	9.0	52.2	51.8	49.7
2013	Jan	11.1	80.0	8.9	51.1	52.1	51.3
	Feb	7.6	80.4	12.0	47.8	48.9	51.0
	Mar	14.3	71.4	14.3	50.0	48.0	50.3
	Apr	8.0	75.9	16.1	46.0	47.3	50.9
	May	18.8	69.4	11.8	53.5	49.6	51.2
	Jun	10.6	75.3	14.1	48.2	51.7	53.0
	Jul	14.8	73.9	11.4	51.7	51.3	53.2
	Aug	12.5	72.7	14.8	48.9	50.3	50.8

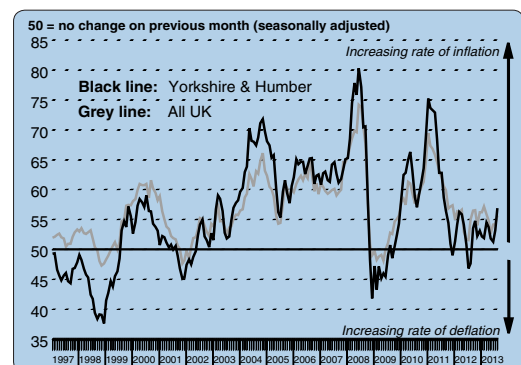


Employment growth eased in August, recording only a fractional rise following two months of modest growth. A similar pattern emerged at the UK level, as staffing levels grew at their weakest rate in five months, though still rose at a marginally faster pace than employment in Yorkshire & Humber. Anecdotal evidence from private sector firms in the region suggested that increased production and client numbers were the main drivers of job creation. At the sector level, data showed that payroll numbers fell among manufacturers, whilst service providers recorded a solid rise.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	10.0	76.7	13.3	48.3	53.2	56.3
2013	Jan	18.7	71.4	9.9	54.4	52.2	56.2
	Feb	21.7	69.6	8.7	56.5	52.0	57.2
	Mar	25.3	72.5	2.2	61.5	54.5	55.9
	Apr	18.4	74.7	6.9	55.7	53.8	54.9
	May	15.3	76.5	8.2	53.5	51.9	52.7
	Jun	12.9	72.9	14.1	49.4	51.3	54.2
	Jul	14.9	74.7	10.3	52.3	53.2	54.3
	Aug	15.9	81.8	2.3	56.8	56.9	55.7

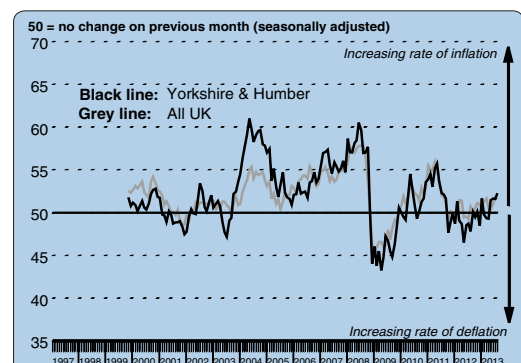


Input prices in the Yorkshire & Humber private sector rose in August for the twelfth consecutive month and at the fastest pace in exactly two years. This was slightly faster than the growth in input prices recorded UK-wide. Higher import costs as a result of the weak pound and a rise in fuel prices were commonly cited by panellists as the key factors driving cost inflation. At the sector level, service providers reported a far sharper increase in input costs than manufacturers.

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?

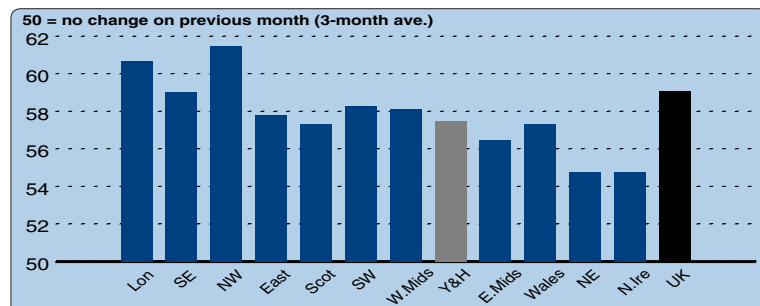
		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Dec	2.2	90.0	7.8	47.2	48.5	50.8
2013	Jan	13.2	83.5	3.3	54.9	51.7	51.5
	Feb	13.0	79.3	7.6	52.7	49.8	51.3
	Mar	7.7	81.3	11.0	48.4	49.4	51.7
	Apr	9.2	86.2	4.6	52.3	49.3	50.5
	May	5.9	92.9	1.2	52.4	51.5	50.4
	Jun	9.4	83.5	7.1	51.2	51.6	51.1
	Jul	4.5	93.2	2.3	51.1	51.6	51.8
	Aug	8.0	88.6	3.4	52.3	52.3	51.6



Firms in Yorkshire & Humber reported increased output prices for the fourth consecutive month in August. The rise in charges was the sharpest in 25 months and marginally faster than for the UK as a whole. A number of panellists reported improving demand conditions were a key factor behind the rise in charges, whilst others cited increased input costs as a primary driver.

Regional Comparisons: Output

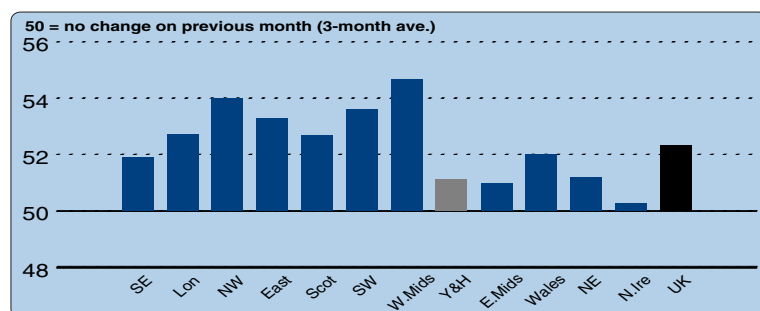
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All nine English regions and Wales recorded output growth on average over the three months to August. Growth of business activity was strongest in the North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

The PMIs 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.