



# Lloyds Bank Commercial Banking East of England 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.

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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 East of England PMI® (Purchasing Managers' Index®)** is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in September 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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:

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14th October 2013

## Output growth remains strong in September

### Key findings:

- Further sharp rise in activity
- New order growth accelerates
- Input cost inflation picks up slightly

September data signalled a strong rise in output levels in the East of England private sector, with the pace of expansion slowing only slightly from August's record-high. New orders also rose markedly, while inflationary pressures strengthened.

### Output and demand

The headline **Lloyds Bank Commercial Banking East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – came in at 58.5 in September. The latest reading was down slightly from August's record high of 59.4, but still pointed to a sharp rise in activity in the sector. Service providers reported stronger activity growth than manufacturers.

New orders also rose during the latest survey period, with the pace of expansion the second-quickest in the series history. Anecdotal evidence suggested that increased demand from the construction sector, especially housing, had contributed to the latest rise in order intakes.

### Employment and backlogs

September data signalled the tenth successive monthly increase in staffing levels. The pace of job creation was up slightly from that seen in August, although below the overall UK average. Survey respondents linked the latest rise in payroll numbers to increased workloads. Meanwhile, levels of outstanding work rose further, with the rate of backlog accumulation the sharpest in 29 months. Increased new business was repeatedly mentioned by survey respondents that indicated a rise in unfinished work.

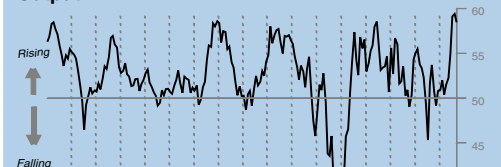
### Input and output prices

Inflationary pressures persisted into September, with the rate of cost inflation accelerating slightly from the previous survey period. However, the latest cost increase remained below the long-run series average. Companies recording higher input costs commented on increased raw material prices.

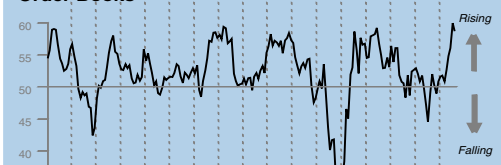
In response to increased input costs, East of England companies raised their output charges. Selling prices rose for the third straight month, and in September at the quickest pace in over two years.

## East of England Business Conditions

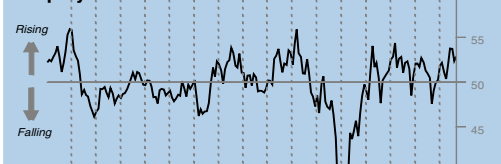
### Output



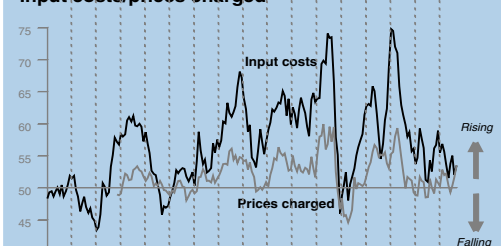
### Order Books



### Employment



### Input costs/prices charged

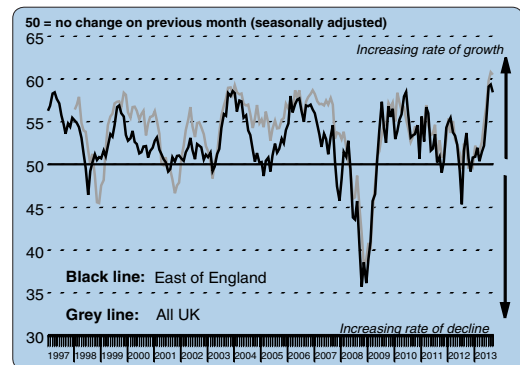




## Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.2
	Feb	31.8	50.0	18.2	56.8	52.0	51.4
	Mar	20.4	59.3	20.4	50.0	50.4	51.6
	Apr	30.2	48.3	21.6	54.3	51.5	52.7
	May	22.7	59.1	18.2	52.3	52.2	54.9
	Jun	28.7	53.0	18.3	55.2	55.0	56.7
	Jul	31.1	54.7	14.2	58.5	59.1	59.8
	Aug	26.6	55.0	18.3	54.1	59.4	60.8
	Sep	32.1	52.3	15.6	58.3	58.5	60.5

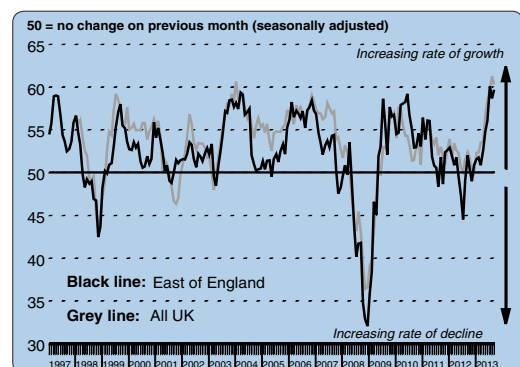


East of England companies reported a further rise in activity in September, with almost one-in-three panellists indicating output growth. The pace of expansion eased from August's record-high, but remained sharp overall. According to anecdotal evidence, the latest rise in activity was largely attributed to increased new orders. Moreover, sector data suggested that output rose the strongest in the services sector.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.3
	Feb	31.2	49.5	19.3	56.0	51.8	52.4
	Mar	25.9	53.6	20.5	52.7	50.9	53.5
	Apr	32.5	50.9	16.7	57.9	52.7	53.7
	May	26.6	56.0	17.4	54.6	54.8	56.6
	Jun	29.6	50.4	20.0	54.8	56.1	58.4
	Jul	36.8	41.5	21.7	57.5	60.1	59.7
	Aug	25.9	54.6	19.4	53.2	58.7	61.3
	Sep	32.4	52.8	14.8	58.8	59.7	60.4

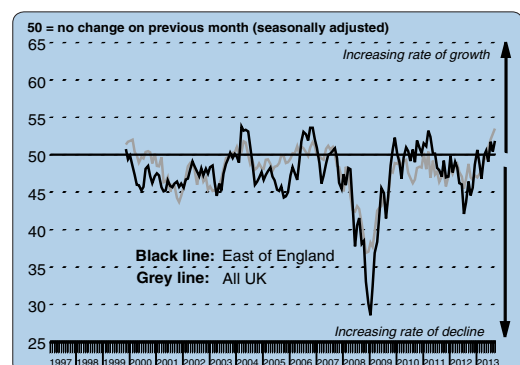


September data signalled a strong rise in incoming new business placed at East of England companies, with the seasonally adjusted New Orders Index posting above the neutral 50.0 threshold. Order intakes rose for the tenth month running, and in September at the second-quickest pace in the series history. Companies linked higher new business to increased construction activity and the securing of new clients.

## Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0
	Feb	18.1	61.0	21.0	48.6	48.8	47.4
	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4
	May	14.7	70.6	14.7	50.0	50.6	49.6
	Jun	13.9	70.4	15.7	49.1	49.1	51.0
	Jul	19.8	63.4	16.8	51.5	51.8	52.1
	Aug	12.7	67.6	19.6	46.6	50.4	52.8
	Sep	17.2	67.7	15.2	51.0	51.9	53.5



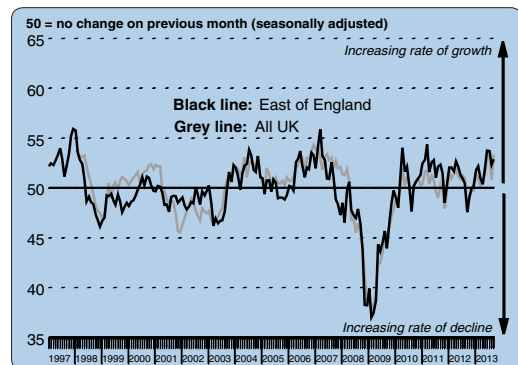
After adjusting for seasonal factors, volumes of unfinished work rose for the third month running in September. The rate of backlog accumulation accelerated to the quickest in 29 months, but remained below the overall UK average. Survey respondents commonly attributed the latest rise in work outstanding to increased incoming new business. A depletion of backlogs in the manufacturing sector was offset by a solid rise across service providers.



## Employment

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

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jan	14.4	70.3	15.3	49.5	51.8
	Feb	16.5	75.2	8.3	54.1	52.2
	Mar	15.3	75.7	9.0	53.2	51.0
	Apr	16.5	72.2	11.3	52.6	50.9
	May	12.0	82.4	5.6	53.2	52.0
	Jun	14.2	80.5	5.3	54.4	53.8
	Jul	19.0	70.5	10.5	54.3	53.7
	Aug	16.8	74.8	8.4	54.2	52.4
	Sep	16.8	72.0	11.2	52.8	52.9

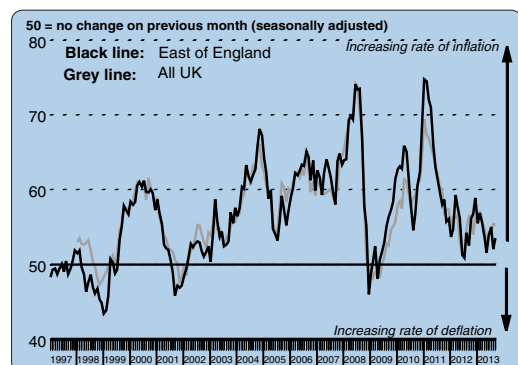


Employment levels in the East of England private sector rose further in September, extending the current sequence of job creation to ten months. Around 17% of panellists reported higher payroll numbers, while 11% indicated a decline. Increased workloads accounted for most of the latest job hiring, according to survey respondents. Staffing levels in the UK as a whole rose at a faster pace than in the East of England.

## Input Prices / Costs

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

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jan	13.4	81.3	5.4	54.0	55.5
	Feb	20.0	76.4	3.6	58.2	56.9
	Mar	22.1	73.5	4.4	58.8	55.7
	Apr	16.4	77.6	6.0	55.2	53.7
	May	10.0	80.9	9.1	50.5	51.6
	Jun	13.0	83.5	3.5	54.8	53.8
	Jul	11.3	83.0	5.7	52.8	55.0
	Aug	13.0	78.7	8.3	52.3	52.1
	Sep	11.9	85.3	2.8	54.6	53.5

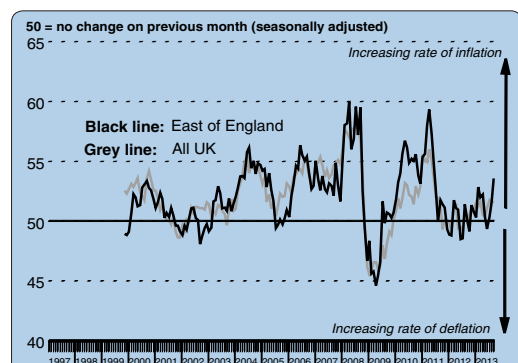


The seasonally adjusted Input Prices Index posted above the 50.0 no-change mark in September, pointing to further cost pressures in the East of England private sector. The rate of cost inflation picked up slightly since August, but remained below the long-run series average. Anecdotal evidence suggested that increased raw material prices accounted for much of the latest cost rise.

## 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?

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jan	9.1	83.6	7.3	50.9	50.3
	Feb	14.7	79.8	5.5	54.6	52.9
	Mar	12.4	79.6	8.0	52.2	52.0
	Apr	11.3	86.1	2.6	54.3	52.2
	May	2.8	93.5	3.7	49.5	50.4
	Jun	6.1	85.1	8.8	48.7	49.4
	Jul	4.8	91.3	3.8	50.5	50.4
	Aug	6.5	86.1	7.4	49.5	51.6
	Sep	12.8	84.4	2.8	55.0	53.6

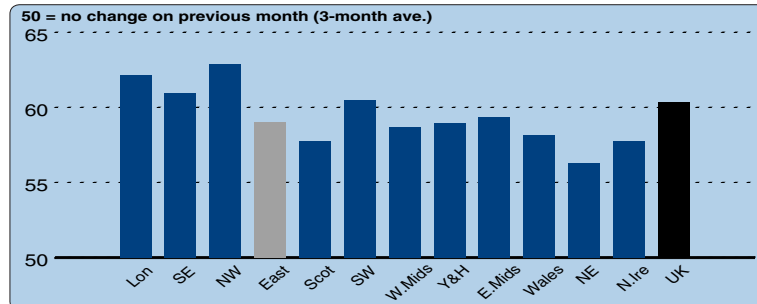


Driven by increased input costs, East of England private sector companies raised their selling prices for the third month in a row during September. The rate of charge inflation accelerated to the quickest in over two years, with 13% of panel members reporting higher prices charged for goods and services. Output prices rose at both manufacturing companies and service providers.



## Regional Comparisons: Output

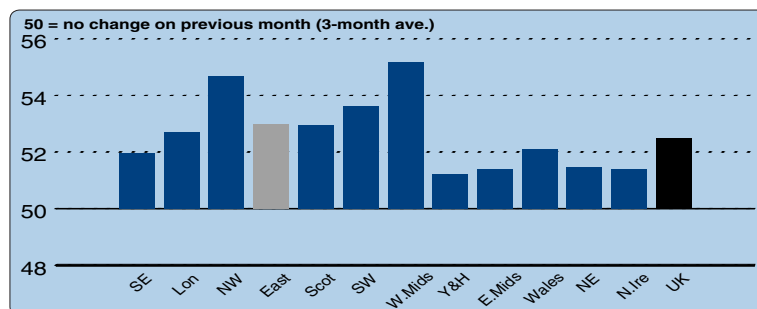
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth were in the North West and London.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	55.2	62.2	62.9
South East	(14.7%)	54.3	60.9	60.7
North West	(9.5%)	54.7	62.9	62.3
East of England	(8.7%)	53.3	59.0	58.5
Scotland	(8.3%)	53.8	57.8	58.3
South West	(7.7%)	53.1	60.5	60.5
West Midlands	(7.3%)	53.1	58.7	58.2
Yorks & Humber	(7.0%)	54.7	58.9	59.8
East Midlands	(6.4%)	53.5	59.3	61.0
Wales	(3.6%)	55.3	58.2	59.2
North East	(3.2%)	51.3	56.3	56.2
N.Ireland	(2.2%)	49.5	57.7	58.7
<b>UK</b>	<b>(100.0%)</b>	<b>54.2</b>	<b>60.4</b>	<b>60.5</b>

## 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). Job creation was recorded over the three months to September in all 12 UK regions. Employment growth was strongest in the West Midlands and weakest in Yorkshire & Humber.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.7	52.0	53.4
London	(12.3%)	50.9	52.7	53.9
North West	(10.9%)	50.8	54.7	55.3
East of England	(9.6%)	51.6	53.0	52.9
Scotland	(8.7%)	51.5	53.0	53.4
South West	(8.6%)	51.2	53.6	53.8
West Midlands	(8.6%)	52.5	55.2	55.6
Yorks & Humber	(8.2%)	50.4	51.2	52.0
East Midlands	(7.3%)	51.2	51.4	51.2
Wales	(4.6%)	51.2	52.1	53.0
North East	(3.9%)	49.9	51.5	50.1
N.Ireland	(2.7%)	48.9	51.4	51.4
<b>UK</b>	<b>(100.0%)</b>	<b>51.2</b>	<b>52.5</b>	<b>53.4</b>

## 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<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.