

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

The East Midlands 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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**14th October 2013**

## Series-record rise in output

### Key findings:

- Growth of activity at record high
- Further strong rise in new orders
- Fastest increase in charges since December 2011

The Lloyds Bank Commercial Banking East Midlands PMI® report signalled the strongest monthly increase in private-sector business activity in the region since the survey began in January 1997. Growth of output was supported by a further sharp rise in new orders, which also contributed to higher backlogs and employment. Input prices continued to increase, and companies responded by raising their output prices at the fastest pace since December 2011.

### Output and demand

The headline Lloyds Bank Commercial Banking East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted a new record of 61.0 in September, up from 59.6 in August. The reading surpassed the previous record seen in May 2004. The rise in output in the East Midlands was slightly faster than the UK economy average.

New orders increased sharply during September, with panellists highlighting the domestic market as a key source of strength. Services companies posted a faster rise in new business than manufacturing firms, as was the case with activity.

### Employment and backlogs

A second successive increase in backlogs of work was recorded, as new order growth imparted capacity pressure on firms in the region. That said, the pace of accumulation was only marginal and slower than the UK average.

As has been the case throughout much of the past three years, East Midlands companies increased employment in September. The rate of job creation remained modest, but accelerated from that seen in August. Panellists indicated that additional hiring reflected new business growth.

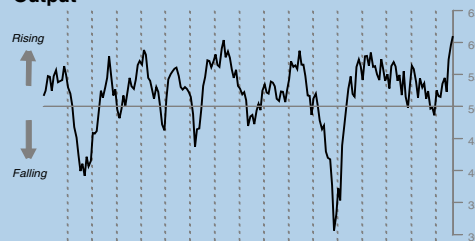
### Input and output prices

Input costs continued to rise during September, with panellists mainly attributing inflation to higher prices paid for raw materials such as paper. The pace of increase in input costs slowed from the previous month, but was faster than the UK average.

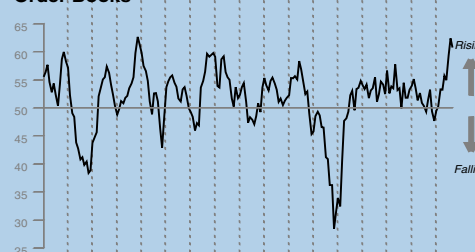
Panellists reported having passed on higher input costs to their clients in September, resulting in a fourteenth successive monthly rise in output prices. Moreover, the rate of charge inflation quickened for the third successive month to the sharpest since December 2011.

## East Midlands Business Conditions

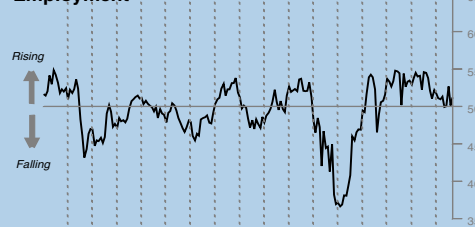
### Output



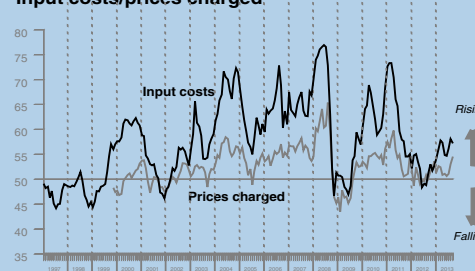
### Order Books



### Employment



### Input costs/prices charged

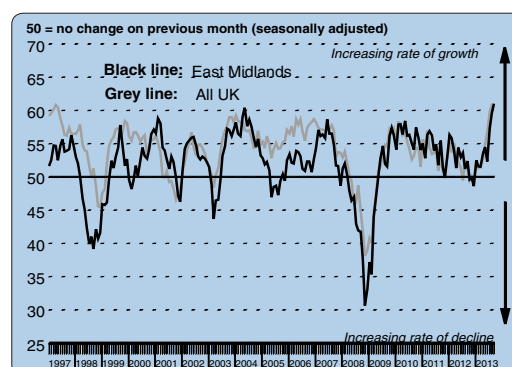




## Output / Business Activity

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jan	24.2	51.6	24.2	50.0	52.5
	Feb	29.5	47.7	22.7	53.4	51.6
	Mar	29.1	55.8	15.1	57.0	51.5
	Apr	28.0	53.8	18.3	54.8	52.7
	May	33.3	46.4	20.2	56.5	54.9
	Jun	22.2	63.3	14.4	53.9	52.3
	Jul	36.4	44.3	19.3	58.5	57.3
	Aug	33.3	46.7	20.0	56.7	59.6
	Sep	47.8	42.2	10.0	68.9	61.0

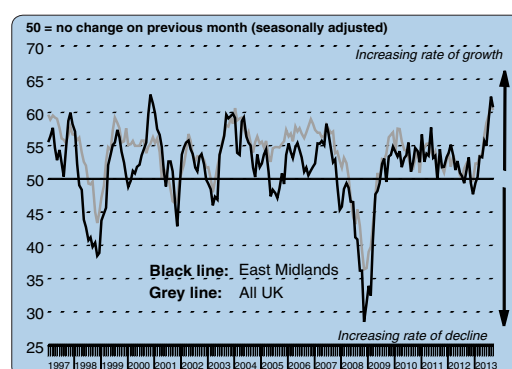


Business activity at companies in the East Midlands increased sharply during September. Moreover, the rate of expansion was the strongest in the history of the series, which began in January 1997. The increase in output across the region was slightly faster than the UK economy average. Those respondents that posted a rise in activity mainly linked this to higher new orders. Output growth was recorded across both monitored sectors, with the sharper expansion seen at services companies.

## 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 Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jan	24.2	48.4	27.5	48.4	49.5
	Feb	34.1	40.9	25.0	54.5	50.3
	Mar	31.4	52.3	16.3	57.6	53.4
	Apr	31.2	49.5	19.4	55.9	53.3
	May	28.6	58.3	13.1	57.7	55.7
	Jun	30.0	47.8	22.2	53.9	55.0
	Jul	36.4	45.5	18.2	59.1	59.3
	Aug	32.6	46.1	21.3	55.6	62.4
	Sep	41.6	44.9	13.5	64.0	60.8

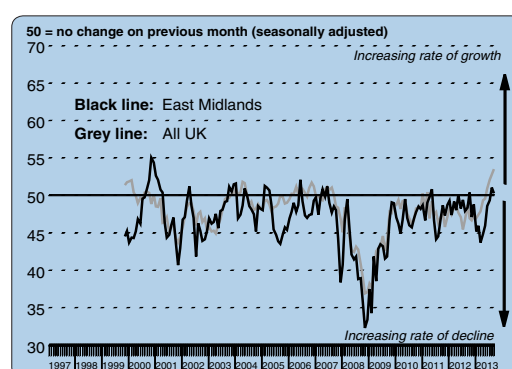


As has been the case in each of the past eight months, new orders at East Midlands companies increased in September. Although easing from the previous month, the rate of growth remained substantial. Anecdotal evidence suggested that the domestic market had been a key source of rising new business. Services companies posted a faster increase in incoming new work than their manufacturing counterparts.

## Business Outstanding

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jan	12.6	57.5	29.9	41.4	45.2
	Feb	18.1	59.0	22.9	47.6	46.0
	Mar	12.0	63.9	24.1	44.0	43.7
	Apr	11.6	68.6	19.8	45.9	44.8
	May	14.1	61.5	24.4	44.9	46.0
	Jun	17.9	63.1	19.0	49.4	48.6
	Jul	20.5	59.0	20.5	50.0	49.4
	Aug	13.4	64.6	22.0	45.7	51.1
	Sep	14.5	68.7	16.9	48.8	50.3



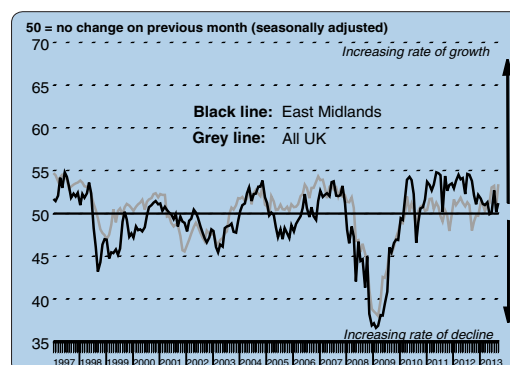
Ongoing growth of new orders led to further signs of capacity pressures in September, with outstanding business rising for the second successive month. That said, the latest increase in backlogs was only marginal and slower than seen in August. The rise in the East Midlands was also weaker than the UK economy average. The overall increase in outstanding business was largely centred on the service sector.



## Employment

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

		East Midlands Companies					All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	11.1	77.8	11.1	50.0	51.7	51.3
	Feb	11.4	77.3	11.4	50.0	51.2	51.1
	Mar	17.4	75.6	7.0	55.2	51.0	50.3
	Apr	12.9	78.5	8.6	52.2	51.3	50.9
	May	11.9	78.6	9.5	51.2	49.9	51.2
	Jun	10.0	80.0	10.0	50.0	50.1	53.1
	Jul	17.0	75.0	8.0	54.5	52.7	53.3
	Aug	17.8	71.1	11.1	53.3	50.2	50.8
	Sep	16.7	72.2	11.1	52.8	51.2	53.4

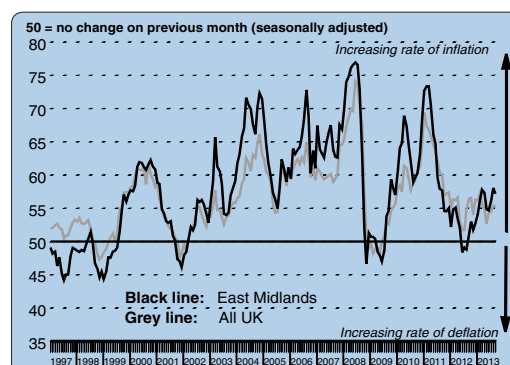


Companies increased their staffing levels during September in response to strengthening client demand. The rate of job creation picked up from the marginal pace seen in the previous month, but was still only modest and slower than the UK average. Employment in the region has increased in all but one month of the past three years. Sector data indicated that service providers led the latest rise in staffing levels.

## Input Prices / Costs

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

		East Midlands Companies					All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	18.7	74.7	6.6	56.0	54.1	56.2
	Feb	23.0	71.3	5.7	58.6	56.2	57.2
	Mar	27.6	69.0	3.4	62.1	57.9	55.9
	Apr	28.0	68.8	3.2	62.4	57.3	54.8
	May	16.7	76.2	7.1	54.8	54.8	52.7
	Jun	15.6	80.0	4.4	55.6	54.7	54.3
	Jul	17.0	78.4	4.5	56.3	56.2	54.5
	Aug	16.7	80.0	3.3	56.7	58.1	55.4
	Sep	14.4	83.3	2.2	56.1	57.2	55.4

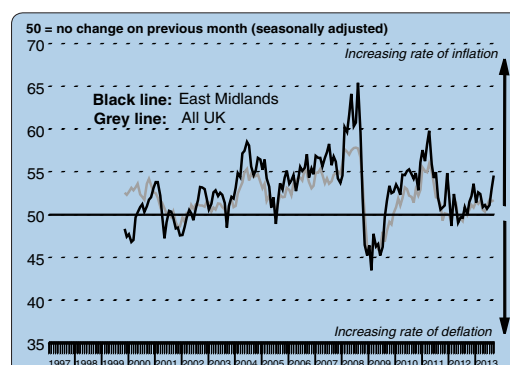


East Midlands companies recorded a further rise in input prices during September. Although slowing from the previous month, the rate of inflation was stronger than the UK economy average. More than 14% of panellists reported an increase in input costs during the month, linked to higher costs of raw materials such as paper. On the other hand, just 2% of respondents noted a decrease in average input prices.

## 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?

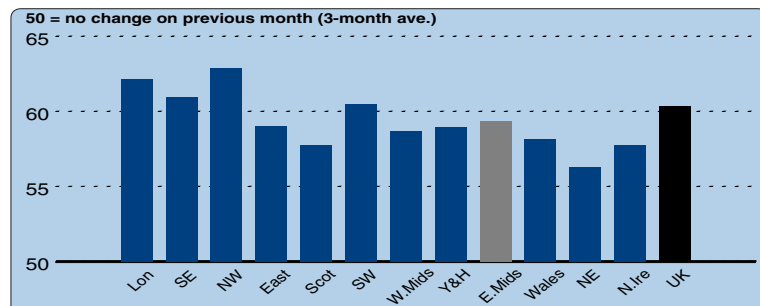
		East Midlands Companies					All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	8.8	86.8	4.4	52.2	51.4	51.5
	Feb	12.5	83.0	4.5	54.0	52.6	51.3
	Mar	8.0	88.5	3.4	52.3	52.4	51.7
	Apr	9.7	86.0	4.3	52.7	50.9	50.5
	May	7.1	89.3	3.6	51.8	51.1	50.4
	Jun	2.2	97.8	0.0	51.1	50.7	51.1
	Jul	6.8	90.9	2.3	52.3	51.1	51.8
	Aug	4.4	93.3	2.2	51.1	53.0	51.6
	Sep	6.7	93.3	0.0	53.3	54.6	51.7



A further rise in output prices was recorded in September, extending the current sequence of inflation to 14 months. The rate of inflation quickened for the third month running and was the sharpest since December 2011. The rise in charges across the East Midlands was stronger than the average seen across the UK as a whole. Where output prices increased, this was mainly linked to the passing on of higher input costs to clients.

## Regional Comparisons: Output

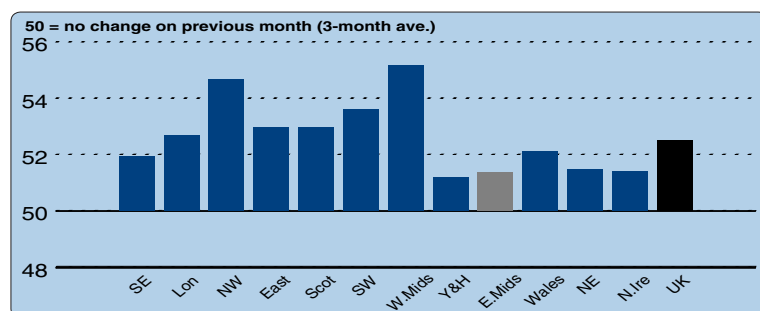
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth 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
UK	(100.0%)	54.2	60.4	60.5

## 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
UK	(100.0%)	51.2	52.5	53.4

## 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® (PMI®) 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.