



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

The London 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

## New business growth accelerates to fresh survey-record high

### Key findings:

- Sharp increases in both output and new order levels
- Rate of job creation quickens to solid pace
- Modest increase in input prices

London private sector companies reported the joint-strongest rise in business activity since mid-1997. The marked increase in output in September reflected a sharp rise in new orders, of which the rate of growth accelerated to a new survey-record for the second month running. Meanwhile, employment rose further, and at one of the fastest rates since mid-2007.

### Output and demand

The headline Lloyds Bank Commercial Banking London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to 62.9 in September, indicating a marked increase in output levels. Moreover, the index was up from 61.9 and above the All-UK reading of 60.5, suggesting that the rate of activity growth was the joint-fastest for over 16 years (on par with February 2010).

The sharp rise in private sector output reflected a similarly marked increase in new business volumes. Notably, the rate of new order growth continued to accelerate in September, hitting a new survey-record, and was the fastest among the 12 UK regions.

### Employment and backlogs

Reflective of higher levels of incoming new work, outstanding business at private sector companies increased in September. Notably, the rate of backlog accumulation was strong and the fastest since the series began.

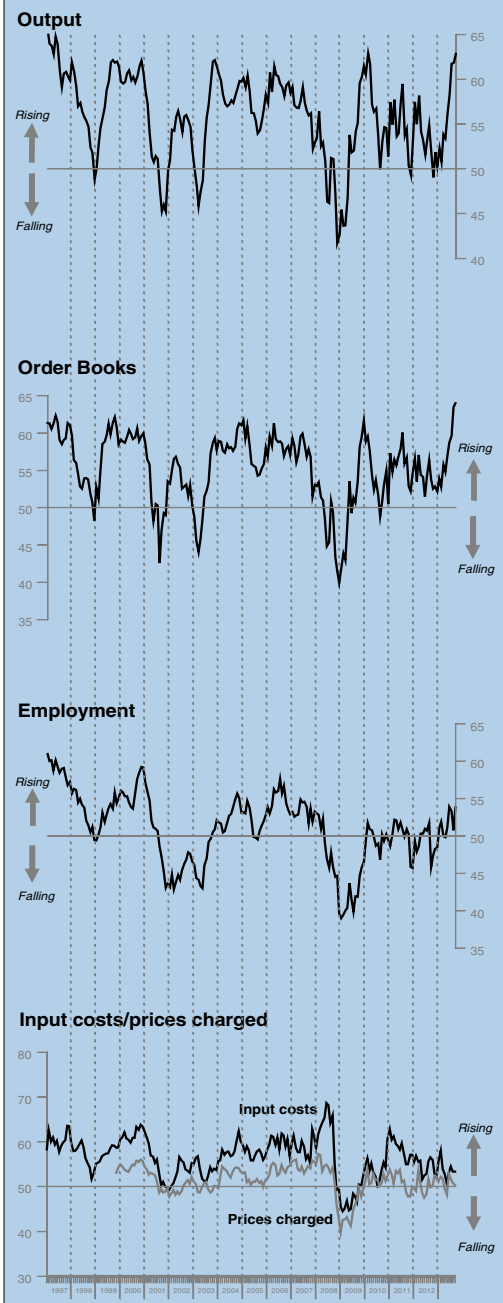
Meanwhile, employment in London's private sector rose for the fifth consecutive month in the latest survey period. Almost 27% of firms hired additional staff over the month, citing increased new business and forecasts of future activity growth. Overall, the rate of job creation was solid and stronger than the long-run series average.

### Input and output prices

Input costs faced by companies continued to rise during September. Panellists particularly mentioned higher fuel prices and larger salary bills. Nonetheless, the overall rate of inflation was unchanged from August's modest pace.

Firms passed on greater cost burdens to clients by raising their selling prices. Output charges increased for the fourth consecutive month, although the latest rise was marginal and the weakest in this sequence.

### London Business Conditions

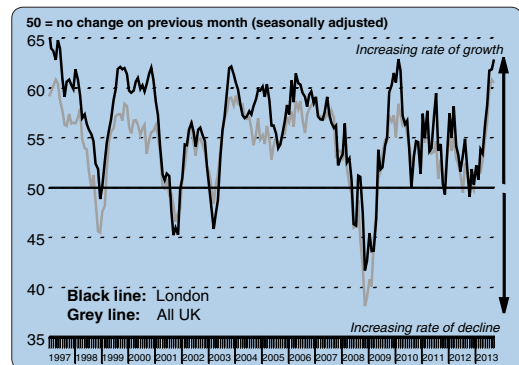




## Output / Business Activity

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	17.8	61.4	20.8	48.5	52.3	52.2
	Feb	20.4	64.1	15.5	52.4	50.8	51.4
	Mar	23.0	64.0	13.0	55.0	53.8	51.6
	Apr	25.9	56.3	17.9	54.0	53.4	52.7
	May	24.0	61.0	15.0	54.5	56.4	54.9
	Jun	27.7	62.4	9.9	58.9	58.3	56.7
	Jul	28.4	56.9	14.7	56.9	61.8	59.8
	Aug	26.7	57.4	15.8	55.4	61.9	60.8
	Sep	38.1	52.4	9.5	64.3	62.9	60.5

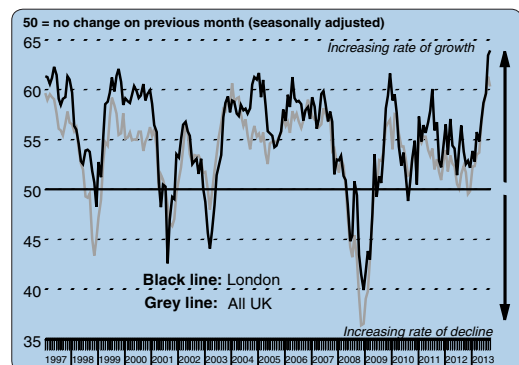


Private sector output in London continued to rise sharply during September. Moreover, the rate of growth accelerated for the fifth month running and, on par with February 2010, was the joint-fastest since mid-1997. The expansion was mostly driven by services, and panellists attributed this to increased market activity and new contract wins. London posted the strongest rise in business activity among all 12 UK regions.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	22.4	61.2	16.3	53.1	53.9	52.3
	Feb	27.5	55.9	16.7	55.4	52.8	52.4
	Mar	26.5	61.2	12.2	57.1	55.8	53.5
	Apr	27.0	55.0	18.0	54.5	54.8	53.7
	May	26.0	59.0	15.0	55.5	56.9	56.6
	Jun	30.6	60.2	9.2	60.7	58.7	58.4
	Jul	31.8	50.5	17.8	57.0	59.6	59.7
	Aug	32.3	57.6	10.1	61.1	63.5	61.3
	Sep	38.8	53.4	7.8	65.5	64.0	60.4

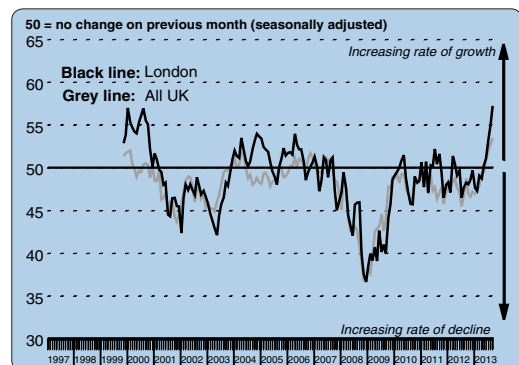


Incoming new work received by private sector companies in London rose markedly in September, with almost 39% of survey respondents reporting an increase since August. Moreover, following the record rise in new business during August, the rate of new order growth accelerated to a new survey-high in September. The faster rate of expansion in London contrasted with a slower pace across the UK as a whole.

## Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	10.9	71.7	17.4	46.7	47.6	47.0
	Feb	13.0	70.7	16.3	48.4	47.3	47.4
	Mar	15.4	70.3	14.3	50.5	49.1	47.9
	Apr	14.7	70.6	14.7	50.0	48.7	49.4
	May	14.4	71.1	14.4	50.0	50.3	49.6
	Jun	12.0	77.2	10.9	50.5	51.1	51.0
	Jul	20.6	61.9	17.5	51.5	53.4	52.1
	Aug	17.6	72.5	9.9	53.8	55.1	52.8
	Sep	20.2	72.3	7.4	56.4	57.3	53.5



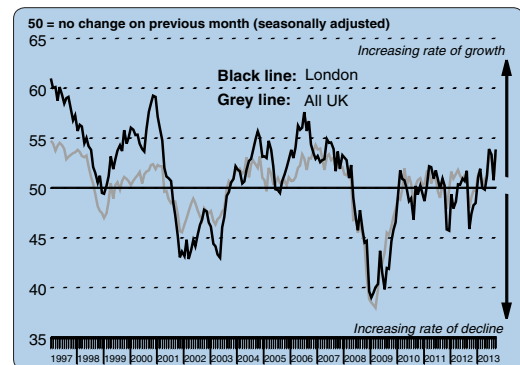
Reflective of the sharp rise in new business, the level of work-in-hand at private sector firms increased for the fifth successive month in September. The rate of backlog accumulation has gained momentum in each month of this sequence, with the latest pace strong and the fastest in the series history. Although outstanding business also increased at a stronger pace across the UK, the rate of increase was much slower than that recorded for London.



## Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3
	Feb	17.5	72.8	9.7	53.9	51.9	51.1
	Mar	10.0	77.0	13.0	48.5	50.0	50.3
	Apr	14.3	75.9	9.8	52.2	49.9	50.9
	May	13.9	76.2	9.9	52.0	51.2	51.2
	Jun	10.9	82.2	6.9	52.0	53.9	53.1
	Jul	15.6	76.1	8.3	53.7	53.4	53.3
	Aug	6.9	76.5	16.7	45.1	50.8	50.8
	Sep	26.7	66.7	6.7	60.0	53.9	53.4

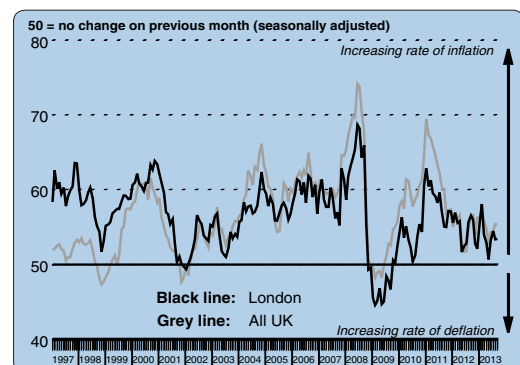


Employment in London's private sector increased for the fifth consecutive month in September, with approximately 27% of firms hiring additional staff since August. Anecdotal evidence suggested that companies expanded their workforces in light of increased new business and in anticipation of future activity growth. Overall, the rate of job creation was solid and one of the fastest since mid-2007.

## Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.2
	Feb	22.3	72.8	4.9	58.7	58.1	57.2
	Mar	6.0	90.0	4.0	51.0	54.0	55.9
	Apr	11.6	85.7	2.7	54.5	52.9	54.8
	May	8.9	86.1	5.0	52.0	50.7	52.7
	Jun	9.9	85.1	5.0	52.5	53.2	54.3
	Jul	12.8	86.2	0.9	56.0	54.5	54.5
	Aug	10.9	82.2	6.9	52.0	53.4	55.4
	Sep	12.5	83.7	3.8	54.3	53.4	55.4

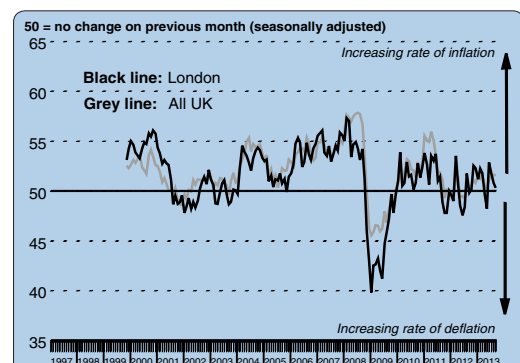


Input costs faced by private sector companies in London continued to increase in September. This was signalled by the seasonally adjusted Input Prices Index posting above the 50.0 no-change threshold, as has been the case for four years running. Panellists particularly mentioned higher costs for energy and fuel, as well as larger salary bills. Nonetheless, the overall rate of inflation was unchanged from August's modest pace and was weaker than the long-run series average.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7
	Apr	5.4	88.4	6.3	49.6	49.6	50.5
	May	4.0	90.1	5.9	49.0	48.3	50.4
	Jun	7.9	87.1	5.0	51.5	52.9	51.1
	Jul	3.7	93.5	2.8	50.5	51.7	51.8
	Aug	5.0	88.1	6.9	49.0	50.8	51.6
	Sep	1.9	93.2	4.9	48.5	50.4	51.7

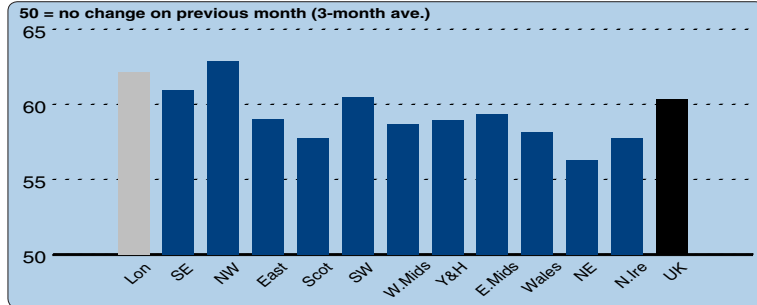


Average selling prices at monitored companies in London's private sector increased for the fourth consecutive month in September. A number of firms passed on greater costs to clients in the latest survey period. However, the latest rise in output charges was only marginal and the weakest in the sequence. Prices charged across the UK as a whole also increased in September, and at a stronger rate than that registered in London.



Regional Comparisons: Output

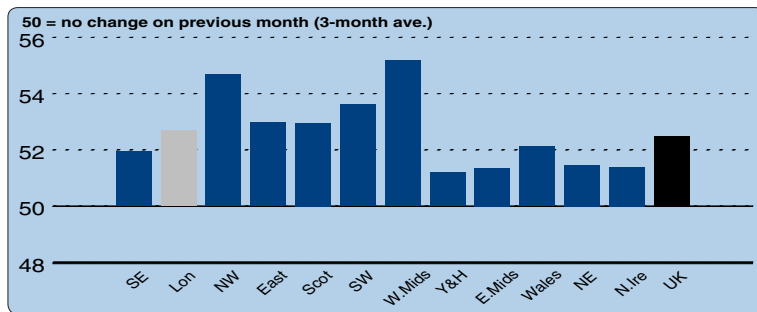
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth 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 (PMI) series, which is now available for 32 countries and also for key regions including the Eurozone. They 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.