



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

The North East 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

The intellectual property rights to the North East PMI provided herein is owned by Markit Economics Limited, Lloyds Bank Commercial Banking use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

14th October 2013

## Sharp expansion of business activity sustained in September

### Key findings:

- New order growth at three-and-a-half year high
- Strongest accumulation of work-in-hand since December 2011
- Inflationary pressures remain relatively subdued

September data signalled a further sharp expansion of business activity in the North East private sector economy. Growth was supported by increased volumes of new work, which rose at the fastest rate since March 2010. However, employment levels were little-changed from August. Consequently, backlogs of work increased at the fastest rate in 21 months.

### Output and demand

The headline Lloyds Bank Commercial Banking North East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 56.2 in September, little-changed from 56.3 in August and the 28-month high of 56.4 in July. This signalled that sharp growth of business activity in the North East private sector was sustained throughout the third quarter. That said, the expansion of business activity in the region remained weaker than that recorded for the UK private sector economy as a whole.

New business continued to increase in September, and at the quickest rate since March 2010. Furthermore, sector data indicated that new orders increased across both the manufacturing and service sectors in the region. New orders also rose in the UK private sector economy as a whole, and at a slightly sharper pace than in the North East.

### Employment and backlogs

Following on from a marginal increase in August, staffing levels at North East private sector firms were broadly unchanged in September. In contrast, payroll numbers rose solidly in the UK private sector economy as a whole.

Backlogs of work meanwhile increased at a solid rate that was the fastest since December 2011. Growth of work-in-hand was centred on service providers in the region.

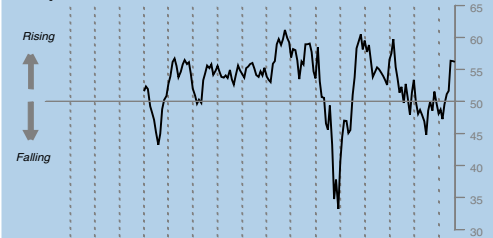
### Input and output prices

Average input costs in the North East private sector increased again in September. However, inflation remained historically weak and slower than the UK private sector economy average.

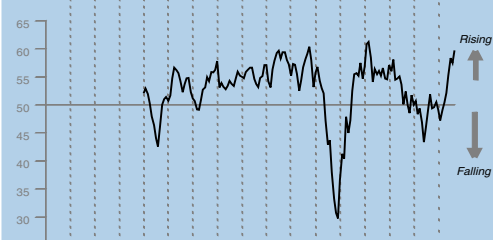
North East private sector firms partially passed on higher input costs to clients and raised their output charges for the second successive month in September.

## North East Business Conditions

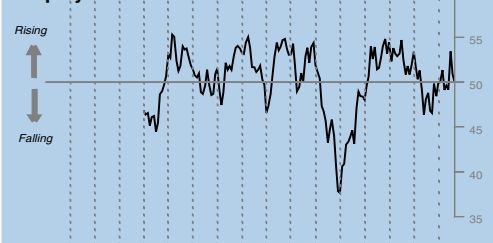
### Output



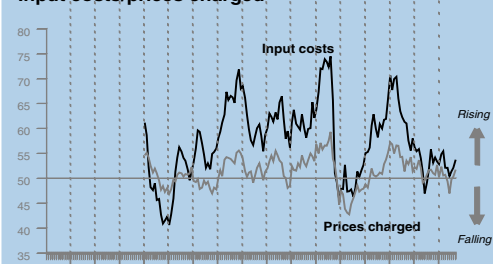
### Order Books



### Employment



### Input costs/prices charged

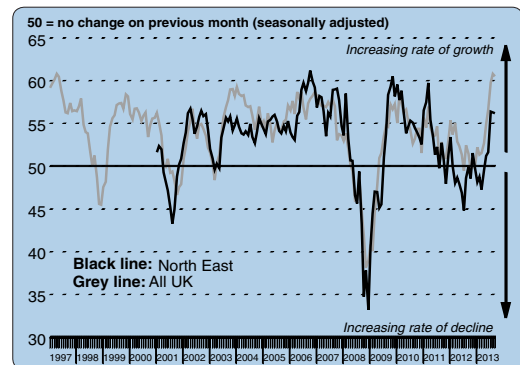




## Output / Business Activity

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.2
	Feb	28.6	49.0	22.4	53.1	48.7	51.4
	Mar	21.2	63.5	15.4	52.9	47.3	51.6
	Apr	19.1	61.7	19.1	50.0	49.5	52.7
	May	18.5	61.1	20.4	49.1	51.2	54.9
	Jun	25.5	52.9	21.6	52.0	51.7	56.7
	Jul	33.3	58.3	8.3	62.5	56.4	59.8
	Aug	27.9	53.5	18.6	54.7	56.3	60.8
	Sep	31.1	60.0	8.9	61.1	56.2	60.5

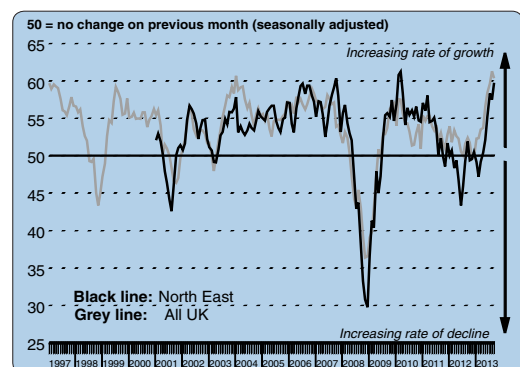


Private sector companies in the North East signalled a further expansion of business activity in September. Furthermore, the rate of growth was one of the sharpest recorded since data collection began in 2001, and only slightly weaker than July's 28-month high. The expansion of activity was broad-based across the manufacturing and service sectors in the North East, with a number of companies linking the rise to new order growth. However, activity growth in the region remained weaker than that recorded in the UK private sector economy as a whole.

## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.3
	Feb	25.5	48.9	25.5	50.0	47.2	52.4
	Mar	28.0	56.0	16.0	56.0	49.2	53.5
	Apr	34.0	42.6	23.4	55.3	50.5	53.7
	May	26.4	60.4	13.2	56.6	52.2	56.6
	Jun	36.0	52.0	12.0	62.0	55.3	58.4
	Jul	31.3	54.2	14.6	58.3	58.4	59.7
	Aug	23.8	57.1	19.0	52.4	57.5	61.3
	Sep	36.4	47.7	15.9	60.2	59.8	60.4

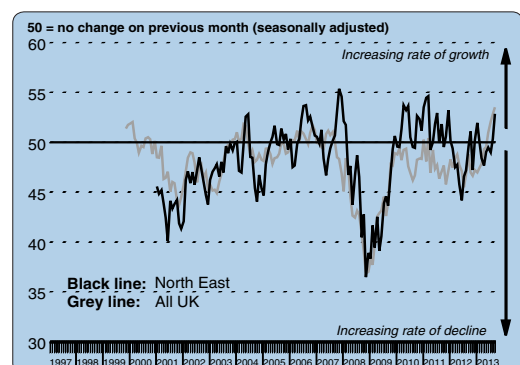


New business at North East private sector firms increased for the sixth successive month during September. After adjusting for seasonal factors, the Incoming New Business Index signalled that the rate of new order growth accelerated to the sharpest in three-and-a-half years, with more than 36% of panellists recording higher volumes of new work. Furthermore, the rate of increase was only fractionally below that recorded in the UK private sector economy as a whole. According to anecdotal evidence, new business in the North East increased as a result of greater client demand.

## Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9
	Apr	18.6	60.5	20.9	48.8	47.7	49.4
	May	14.3	67.3	18.4	48.0	49.1	49.6
	Jun	19.6	67.4	13.0	53.3	49.5	51.0
	Jul	9.3	86.0	4.7	52.3	49.0	52.1
	Aug	13.2	71.1	15.8	48.7	50.4	52.8
	Sep	23.1	61.5	15.4	53.8	52.9	53.5



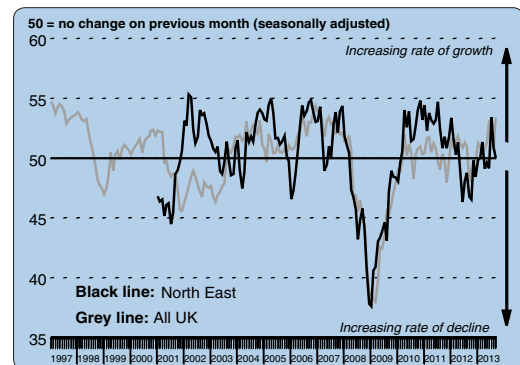
Backlogs of work rose across the North East private sector during September, extending the current trend to two months. Moreover, the rate of accumulation quickened to a solid pace that was the fastest since December 2011. Increased volumes of outstanding business were centred on service providers in the region. However, the level of work-in-hand in the UK private sector economy as a whole increased at a slightly faster pace than in the North East.



## Employment

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	14.0	74.0	12.0	51.0	49.9	51.3
	Feb	14.3	73.5	12.2	51.0	50.0	51.1
	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	50.9
	May	11.1	77.8	11.1	50.0	49.6	51.2
	Jun	14.0	74.0	12.0	51.0	49.2	53.1
	Jul	21.3	70.2	8.5	56.4	53.4	53.3
	Aug	20.9	72.1	7.0	57.0	50.9	50.8
	Sep	15.6	68.9	15.6	50.0	50.1	53.4

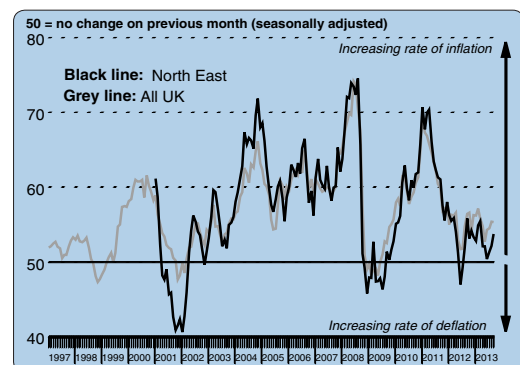


The seasonally adjusted Employment Index signalled that staffing levels in the North East private sector were broadly unchanged from the previous month in September. This followed a marginal rate of job creation in August, as the expansion of payroll numbers continued to ease from July's 18-month high. Meanwhile, workforce numbers increased at the fastest rate since June 2007 in the UK private sector economy as a whole.

## Input Prices / Costs

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	14.6	75.0	10.4	52.1	52.9	56.2
	Feb	14.6	81.3	4.2	55.2	54.9	57.2
	Mar	20.4	75.5	4.1	58.2	55.5	55.9
	Apr	17.8	77.8	4.4	56.7	52.1	54.8
	May	19.2	73.1	7.7	55.8	52.1	52.7
	Jun	10.0	84.0	6.0	52.0	50.4	54.3
	Jul	10.6	78.7	10.6	50.0	51.4	54.5
	Aug	11.9	85.7	2.4	54.8	52.2	55.4
	Sep	11.6	83.7	4.7	53.5	53.8	55.4

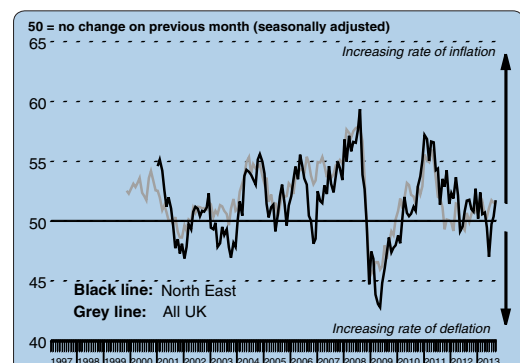


Average input costs faced by North East private sector companies increased during September, extending the current trend to 14 months. Although solid, the rate of input price inflation remained historically weak. Furthermore, cost burdens in the UK private sector economy as a whole rose at a sharper rate than that recorded in the North East. Sector data indicated that operating costs rose sharply at North East service providers, but declined at manufacturers in the region.

## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	6.1	87.8	6.1	50.0	50.2	51.5
	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7
	Apr	10.9	84.8	4.3	53.3	50.7	50.5
	May	9.4	79.2	11.3	49.1	49.4	50.4
	Jun	6.1	83.7	10.2	48.0	47.0	51.1
	Jul	8.5	85.1	6.4	51.1	49.8	51.8
	Aug	7.1	88.1	4.8	51.2	50.4	51.6
	Sep	6.8	88.6	4.5	51.1	51.8	51.7

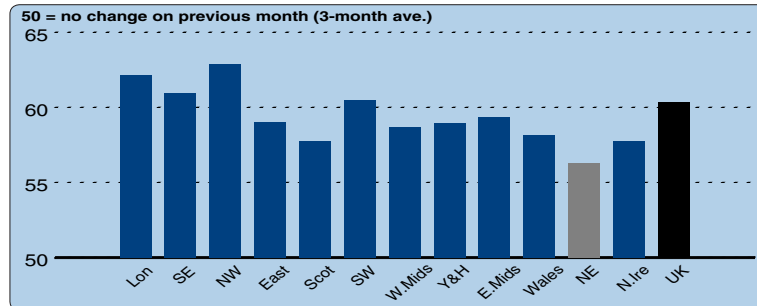


North East private sector firms raised their average selling prices for the second month running in September. The rate of increase quickened from the previous month to a modest pace, one that was broadly in line with the UK private sector economy average. According to sector data, both manufacturers and service providers in the region raised their tariffs, with a number of panellists suggesting that firms were passing on greater input costs to clients.



## Regional Comparisons: Output

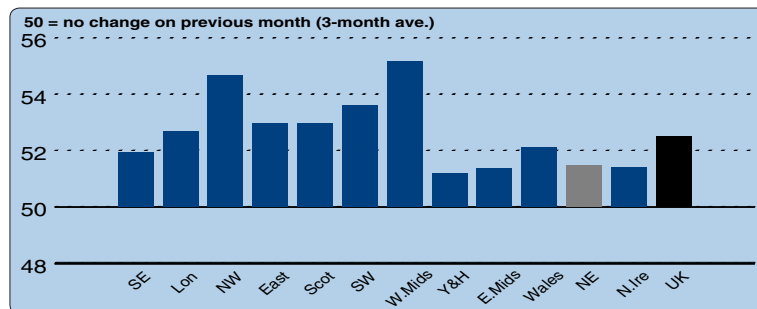
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth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

### 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.

**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 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.