



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

The North West 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

## Sharp rise in business activity

### Key findings:

- Output growth eases, but remains stronger than UK average
- New business expands for eighth consecutive month
- Rate of job creation second-fastest in survey history

September data highlighted a sharp rise in output levels. Although slower than in August, the growth rate remained stronger than the UK-wide trend. Incoming new orders expanded for the eighth consecutive month, leading to the second-fastest rise in workforce numbers in the series history.

### Output and demand

At 62.3 in August, the seasonally adjusted Lloyds Bank Commercial Banking North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – fell from August's record high of 64.0. The latest reading pointed to a sharp, albeit slower, rise in output and one that was stronger than the national average.

Panellists reported new contract wins, improved client confidence and better economic conditions in the latest month, with incoming new work expanding for the eighth month running. The overall pace of increase was marked, but the slowest since May. Both sectors registered higher new business and manufacturers recorded faster growth than service providers.

### Employment and backlogs

In response to sustained new business growth, firms hired additional employees in September. Moreover, the pace of job creation in the region was the second-fastest in the history of the series and exceeded the UK average. Employment growth was stronger in the service sector.

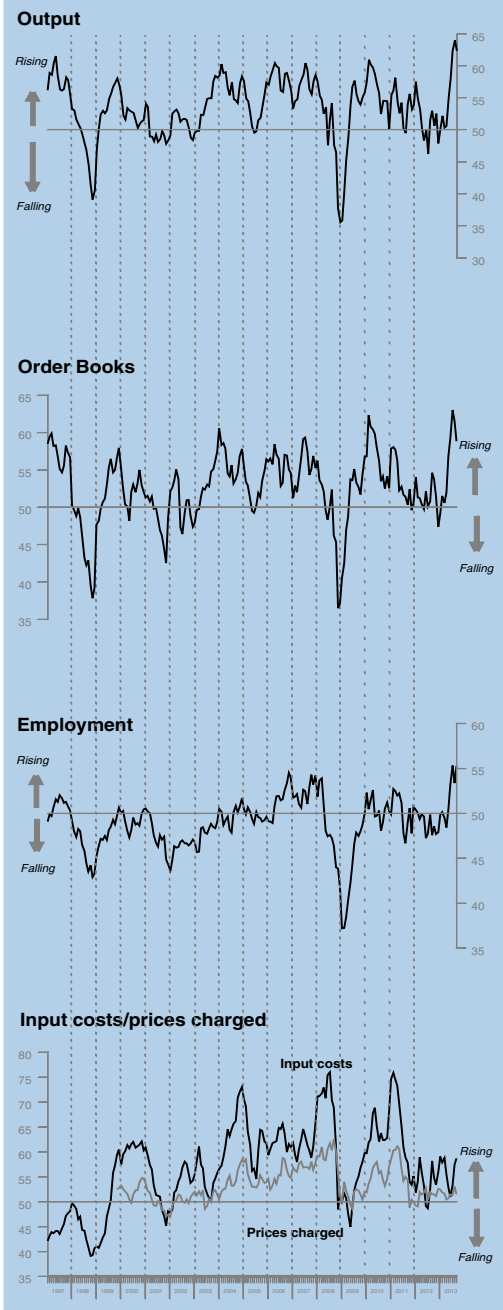
Pressures on operating capacity persisted in September, as unfinished business was accumulated for the third consecutive month. The rise in backlogs of work was the strongest in two-and-a-half years.

### Input and output prices

Input cost inflation in the North West private sector accelerated to the quickest since March and was faster than the national average. Manufacturing companies reported higher raw material prices, while services firms indicated that food, energy and labour costs all increased.

As a consequence of higher costs, companies raised their selling prices further. The rise in output charges was, however, only slight and the rate of inflation eased since August. Average tariffs in the North West have increased in each of the past 19 months.

## North West Business Conditions

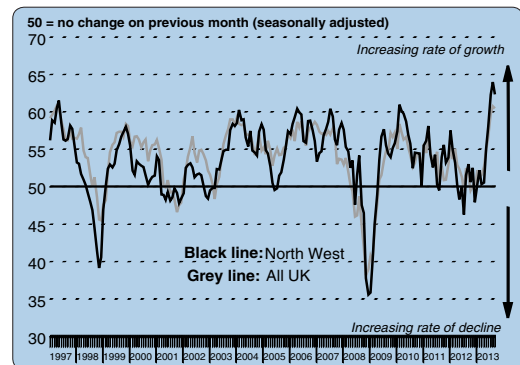




## Output / Business Activity

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.2
	Feb	32.7	55.1	12.2	60.2	52.2	51.4
	Mar	24.5	55.1	20.4	52.0	50.4	51.6
	Apr	25.7	49.5	24.8	50.5	50.6	52.7
	May	42.6	47.9	9.6	66.5	55.1	54.9
	Jun	38.3	47.9	13.8	62.2	58.1	56.7
	Jul	36.7	56.1	7.1	64.8	62.3	59.8
	Aug	31.6	52.6	15.8	57.9	64.0	60.8
	Sep	43.0	48.0	9.0	67.0	62.3	60.5

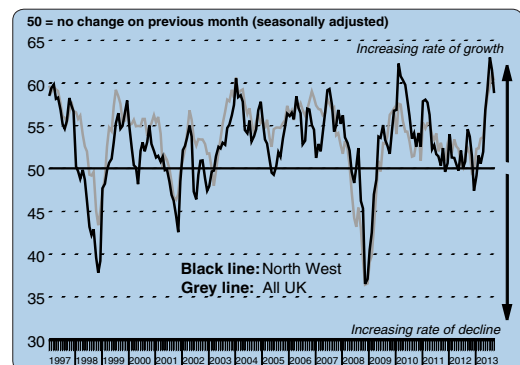


Private sector output in the North West expanded for the ninth successive month in September, amid reports of stronger client confidence, new contract wins and an overall improvement in the UK economy. Despite easing from August's peak, the rate of growth was among the strongest in the survey history and remained sharper than the national average. Manufacturing and services firms both recorded higher business activity during the latest month.

## 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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.3
	Feb	34.0	46.4	19.6	57.2	51.5	52.4
	Mar	25.5	54.1	20.4	52.6	50.6	53.5
	Apr	31.7	44.6	23.8	54.0	52.0	53.7
	May	35.1	48.9	16.0	59.6	56.8	56.6
	Jun	38.3	46.8	14.9	61.7	59.2	58.4
	Jul	40.2	53.6	6.2	67.0	63.0	59.7
	Aug	28.7	47.9	23.4	52.7	61.6	61.3
	Sep	35.4	48.5	16.2	59.6	58.8	60.4

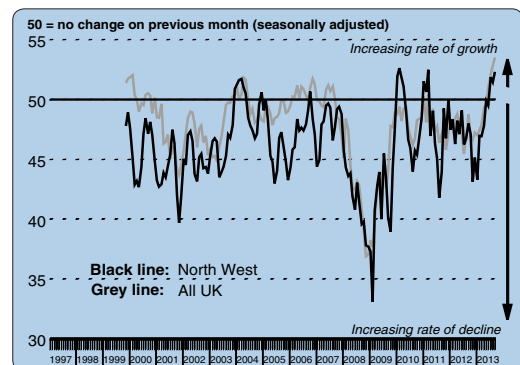


New business placed at private sector firms in the North West rose in September, marking an eight-month sequence of growth. The rise in incoming new work was marked, but the weakest since May and slower than the UK average. Panellists highlighted stronger demand from both domestic and export clients. New order growth in the region was broad-based, with manufacturers and service providers signalling expansion.

## Business Outstanding

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6
	Jun	13.0	71.7	15.2	48.9	49.5	51.0
	Jul	16.1	74.2	9.7	53.2	51.9	52.1
	Aug	17.8	61.1	21.1	48.3	51.5	52.8
	Sep	20.8	61.5	17.7	51.6	52.3	53.5



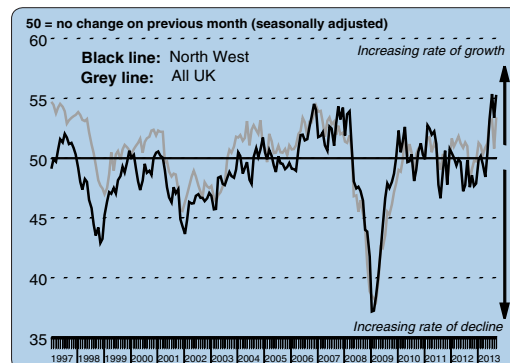
Amid reports of pressures on operating capacity led by strong new order inflows, unfinished business levels rose for the third consecutive month in September. Although moderate, the pace of backlog accumulation accelerated to the fastest in two-and-a-half years. Outstanding business volumes rose in the manufacturing and service sectors, and was sharper at the latter.



## Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	6.9	83.2	9.9	48.5	49.9	51.3
	Feb	10.3	79.4	10.3	50.0	50.2	51.1
	Mar	12.4	76.3	11.3	50.5	49.5	50.3
	Apr	7.0	84.0	9.0	49.0	48.5	50.9
	May	11.7	81.9	6.4	52.7	50.4	51.2
	Jun	16.0	78.7	5.3	55.3	53.2	53.1
	Jul	18.6	76.3	5.2	56.7	55.4	53.3
	Aug	19.1	75.5	5.3	56.9	53.4	50.8
	Sep	24.2	71.7	4.0	60.1	55.3	53.4

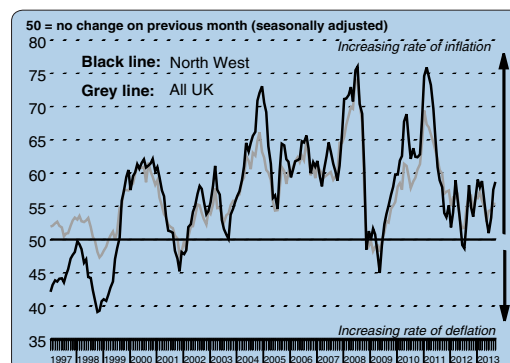


Staffing levels in the North West private sector rose at a marked pace in September, with manufacturers and service providers both posting employment growth. Moreover, the overall rate of job creation was the second-fastest in the survey history (exceeded only in July 2013) and stronger than the national average. Anecdotal evidence highlighted new business growth as the main reason behind the latest expansion in workforce numbers.

## Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	21.8	71.3	6.9	57.4	59.1	56.2
	Feb	19.6	75.3	5.2	57.2	57.9	57.2
	Mar	31.6	66.3	2.0	64.8	58.8	55.9
	Apr	22.0	67.0	11.0	55.5	55.5	54.8
	May	17.0	76.6	6.4	55.3	52.9	52.7
	Jun	11.7	79.8	8.5	51.6	51.0	54.3
	Jul	15.5	69.1	15.5	50.0	53.3	54.5
	Aug	22.3	72.3	5.3	58.5	57.5	55.4
	Sep	22.0	72.0	6.0	58.0	58.7	55.4

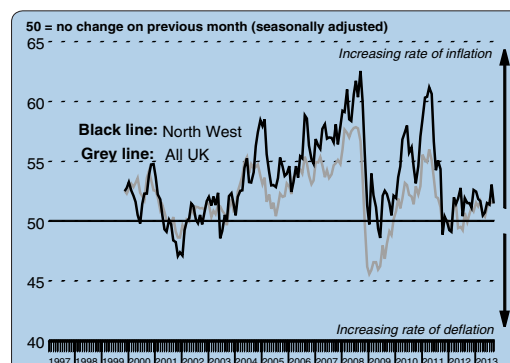


September data pointed to a sharp rise of input prices across the North West private sector. Furthermore, the rate of cost inflation was the fastest since March and stronger than that seen at the UK level. Service providers reported higher prices paid for food and energy, as well as salary increases. Manufacturers indicated that raw material costs in general had increased.

## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	12.7	82.4	4.9	53.9	52.5	51.5
	Feb	16.3	75.5	8.2	54.1	51.9	51.3
	Mar	9.1	82.8	8.1	50.5	51.7	51.7
	Apr	9.9	83.2	6.9	51.5	50.5	50.5
	May	9.5	85.3	5.3	52.1	50.7	50.4
	Jun	7.4	86.3	6.3	50.5	51.5	51.1
	Jul	5.1	90.8	4.1	50.5	51.4	51.8
	Aug	5.3	93.7	1.1	52.1	53.1	51.6
	Sep	8.0	88.0	4.0	52.0	51.5	51.7

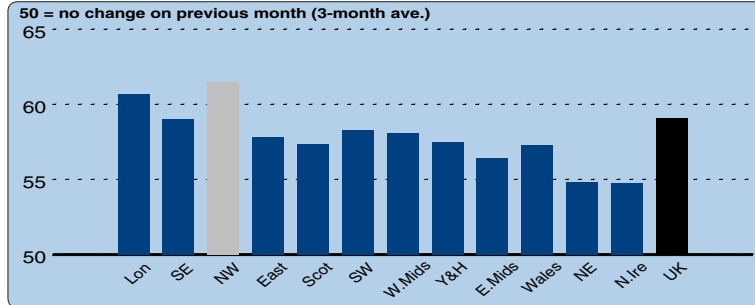


Average prices charged by private sector companies in the North West increased further in September, marking a 19-month sequence of inflation. Manufacturing and services companies both signalled higher tariffs, and largely commented on passing some of their cost increases to clients. That said, the rise in selling prices was only slight and broadly in line with that seen at the national level.



Regional Comparisons: Output

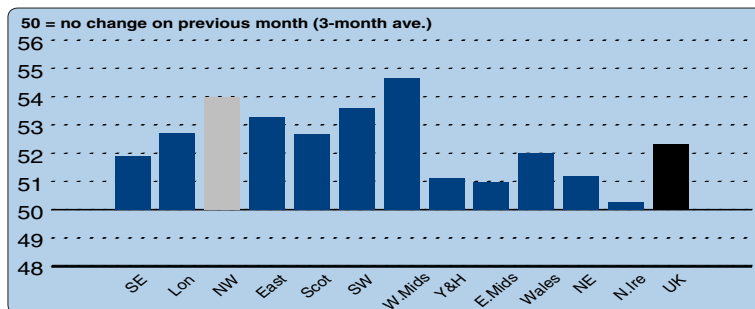
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth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