



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

The South 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

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14th October 2013

Private sector's sharp expansion continues

Key findings:

- Sharp growth in output and new orders continues
- Employment rises solidly in September, following August's brief stagnation
- Cost inflation accelerates, but remains below the UK average

The latest *PMI*® data from Lloyds Bank Commercial Banking showed that the strong expansion in the South East private sector economy seen in recent months continued into September. Whilst failing to match the survey-record highs set in August, the growth in output and new orders nevertheless remained very strong. In addition, employment regained growth momentum in September and rose at a solid pace following a brief period of stagnation in August. Meanwhile, the rate of cost inflation accelerated, though remained marginally slower than the UK average.

Output and demand

The headline **Lloyds Bank Commercial Banking South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – fell from 62.7 in August to 60.7 in September. Despite easing, output growth in the South East remained slightly higher than the UK average.

New order growth also eased slightly from August's survey record, but September nonetheless marked the ninth consecutive month of expansion.

Employment and backlogs

Employment in the South East's private sector rose solidly in September, following a virtual stagnation in August. Anecdotal evidence indicated that increased levels of production were a key driver.

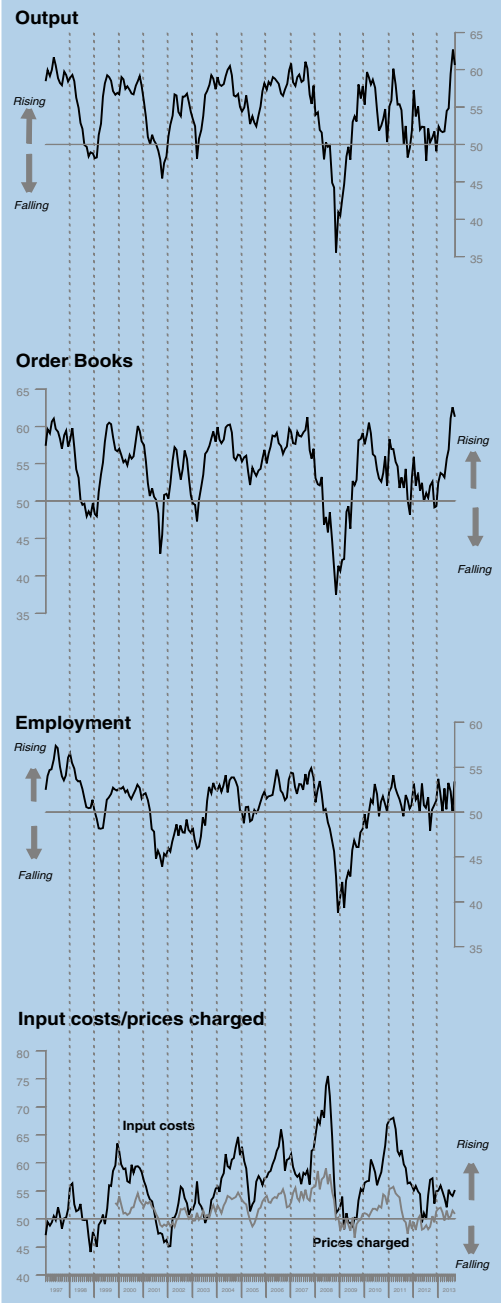
Meanwhile, growth in business outstanding orders, from August's near 14-year high. Despite this, the South East private sector's accumulation of backlogs was the third in successive months in September, and fractionally faster than that recorded nationwide.

Input and output prices

Input costs rose for the fourteenth consecutive month in September, though at a slightly slower pace than seen nationwide. Panellists cited increases in chemicals and energy prices as the key drivers of the cost inflation.

Prices charged by firms in the South East rose for the fifth consecutive month in September. That said, the pace of inflation eased marginally since August and was slightly lower than that recorded for the UK as a whole. Increased domestic demand was cited by panellists as a reason for higher charges.

South East Business Conditions

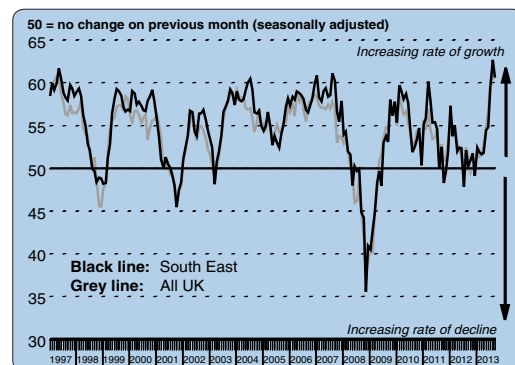




Output / Business Activity

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	25.4	50.8	23.8	50.8	52.4	52.2
	Feb	27.5	53.3	19.2	54.1	51.9	51.4
	Mar	30.8	51.9	17.3	56.8	51.7	51.6
	Apr	28.9	50.6	20.6	54.2	51.8	52.7
	May	27.5	51.1	21.4	53.0	54.5	54.9
	Jun	28.1	53.9	18.0	55.1	54.8	56.7
	Jul	36.4	50.0	13.6	61.4	59.5	59.8
	Aug	39.1	43.0	17.9	60.6	62.7	60.8
	Sep	34.5	50.6	14.9	59.8	60.7	60.5

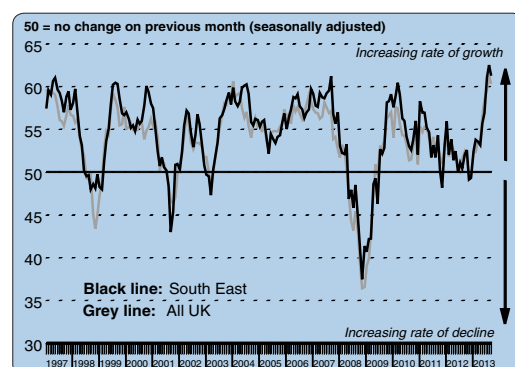


Business activity continued to rise at a sharp pace in September, though eased slightly from August's survey record. The latest increase continued a nine-month sequence of expansion in the South East, and surpassed the growth rate seen across the UK. Anecdotal evidence indicated improvements in domestic demand and easier access to credit were among the key drivers. At the sector level, growth was evident across the board, and whilst manufacturing business activity rose at a slightly sharper pace than in the service sector, service providers nevertheless saw the fastest growth in over six-and-a-half years.

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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	27.2	53.3	19.4	53.9	52.5	52.3
	Feb	31.5	48.1	20.4	55.5	53.8	52.4
	Mar	29.7	49.2	21.1	54.3	53.6	53.5
	Apr	29.6	49.7	20.7	54.5	53.2	53.7
	May	32.8	43.3	23.9	54.4	55.7	56.6
	Jun	34.3	47.8	18.0	58.1	57.0	58.4
	Jul	37.2	49.2	13.7	61.7	61.1	59.7
	Aug	38.1	46.0	15.9	61.1	62.6	61.3
	Sep	34.9	50.9	14.2	60.4	61.3	60.4

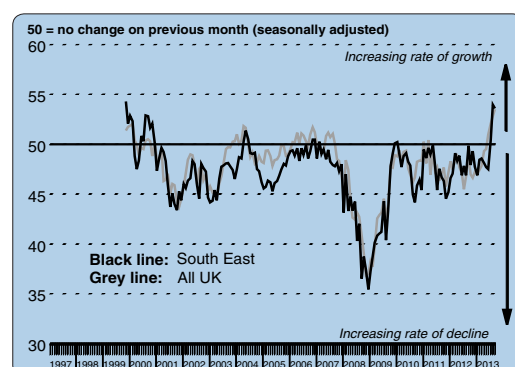


New orders in the South East private sector rose for the ninth successive month in September. Whilst the pace of growth eased marginally from August's survey record, it nevertheless remained well above the historical series average. Unlike the trend recorded for output growth in September, new order growth was led by the service sector rather than the manufacturing industry. A higher level of consumer demand was commonly cited as a factor to which respondents attributed the latest rise.

Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	17.4	56.3	26.3	45.5	46.9	47.0
	Feb	18.6	62.9	18.6	50.0	48.5	47.4
	Mar	17.6	62.4	20.0	48.8	48.6	47.9
	Apr	15.1	66.9	18.1	48.5	48.1	49.4
	May	15.7	64.5	19.9	47.9	47.7	49.6
	Jun	18.1	63.1	18.8	49.7	47.5	51.0
	Jul	21.4	62.5	16.1	52.7	50.5	52.1
	Aug	25.6	58.5	15.9	54.9	54.0	52.8
	Sep	21.6	61.4	17.0	52.3	53.6	53.5



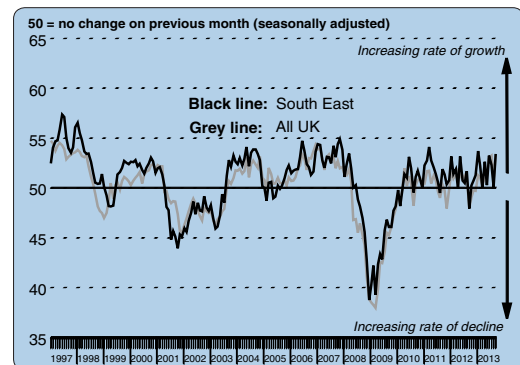
Business outstanding rose for the third successive month in September, and at a fractionally faster pace than recorded nationwide. As was the case with output and new orders, the pace of expansion eased marginally from August's near 14-year high, but nonetheless remained sharp. At the sector level, the rise in service sector backlogs was sharper than that recorded by manufacturers. Panellists largely attributed the latest increase in outstanding business to staff shortages and unanticipated increases in new order volumes.



Employment

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	14.4	76.8	8.8	52.8	53.7	51.3
	Feb	9.9	80.8	9.3	50.3	52.2	51.1
	Mar	12.4	76.2	11.4	50.5	50.0	50.3
	Apr	16.1	73.9	10.0	53.1	52.7	50.9
	May	12.6	73.6	13.7	49.5	50.3	51.2
	Jun	17.3	73.2	9.5	53.9	53.3	53.1
	Jul	15.2	75.0	9.8	52.7	52.3	53.3
	Aug	18.4	72.1	9.5	54.5	50.1	50.8
	Sep	17.3	73.8	8.9	54.2	53.4	53.4

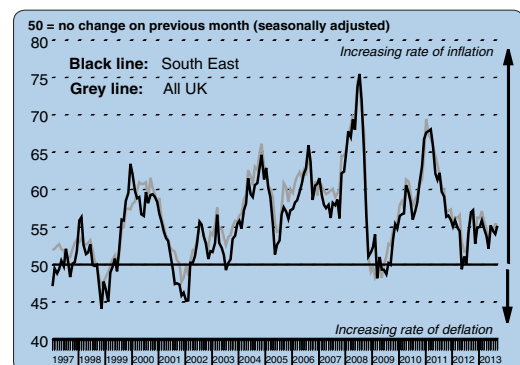


Private sector employment in the South East rose at the fastest pace for eight months in September, following a brief period of stagnation in August. The rate at which staffing levels rose was exactly the same as in the UK as a whole. The sharpest increase was seen in the manufacturing sector, but service providers increased payroll numbers at a pace not far behind. Anecdotal evidence suggested that the latest increase in employment was largely in response to the rising levels of production and new business growth.

Input Prices / Costs

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	16.0	80.1	3.9	56.1	55.0	56.2
	Feb	15.9	81.9	2.2	56.9	55.9	57.2
	Mar	16.3	81.0	2.7	56.8	54.9	55.9
	Apr	18.8	77.3	3.9	57.5	53.8	54.8
	May	12.6	80.3	7.1	52.7	52.1	52.7
	Jun	14.0	80.4	5.6	54.2	55.2	54.3
	Jul	13.1	80.9	6.0	53.6	54.5	54.5
	Aug	10.6	84.4	5.0	52.8	54.1	55.4
	Sep	15.4	79.9	4.7	55.3	55.2	55.4

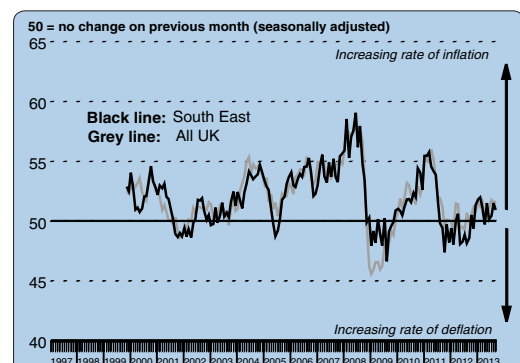


Input prices rose for the fourteenth successive month in September, and at a pace that was in line with the rate of cost-inflation nationwide. The services sector saw a slightly sharper increase in input prices than the manufacturing sector, though both recorded a solid pace. Respondents cited the rising prices of energy and chemicals as key sources of the latest cost inflation. A number also mentioned a rise in the cost of goods imported from the eurozone.

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?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jan	11.6	83.4	5.0	53.3	51.8	51.5
	Feb	10.4	84.6	4.9	52.7	52.0	51.3
	Mar	6.0	89.1	4.9	50.5	51.2	51.7
	Apr	8.8	86.2	5.0	51.9	49.7	50.5
	May	10.4	84.1	5.5	52.5	51.5	50.4
	Jun	5.1	87.6	7.3	48.9	50.2	51.1
	Jul	7.6	85.3	7.1	50.3	50.5	51.8
	Aug	4.5	91.0	4.5	50.0	51.5	51.6
	Sep	4.2	88.7	7.1	48.5	51.0	51.7

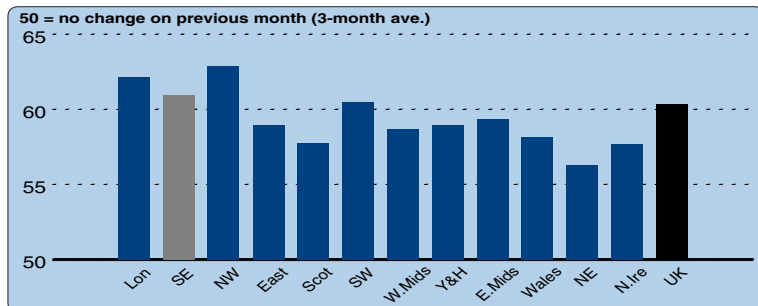


Charges increased for the fifth successive month in September, though the pace of inflation was slightly slower than the UK average. At the sector level, the rise in output prices was more pronounced among manufacturers, with service providers increasing their ticket prices only fractionally. A number of panellists cited the increase in domestic demand as a primary factor behind the rise in output prices.



Regional Comparisons: Output

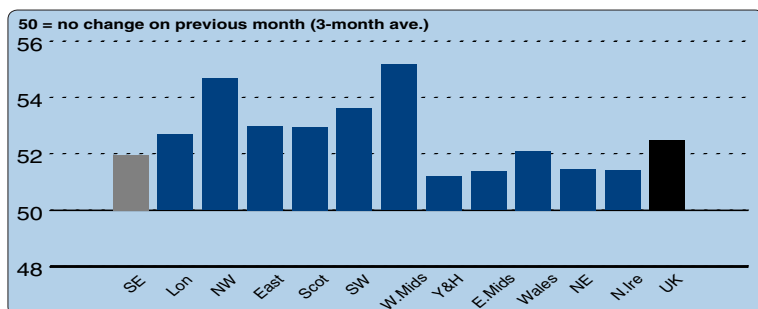
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded higher levels of private sector output on average over the third quarter of 2013. The fastest rates of business activity growth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