



Lloyds Bank East of England 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 East of England PMI® (Purchasing Managers' Index®)

is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in October 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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11th November 2013

Output and new orders rise at fastest rates in survey history

Key findings:

- Survey-record rise in activity, as new order growth accelerates
- Backlogs of work accumulate at fastest pace in almost seven years
- Employment levels increase sharply

October saw record increases in output and new orders at East of England private companies, with outstanding business accumulating at the quickest pace in nearly seven years. Meanwhile, the rate of job creation accelerated to the sharpest in more than six-and-a-half years.

Output and demand

The headline **Lloyds Bank Commercial Banking East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the nation's manufacturing and service sectors – accelerated from September's 58.5 to a record-high of 60.0 in October. Output in the region has now grown for 11 months in succession, with companies mainly commenting on increased new business. Sector data suggested that activity rose in both the service and manufacturing sectors.

Incoming new business also expanded at a record pace in October. According to anecdotal evidence, increased export business and the securing of new clients led to the sharp rise in order intakes.

Employment and backlogs

In line with increased output and new orders, East of England companies took on more staff during October. The rate of job creation accelerated to the quickest since March 2007 and was broadly in line with that seen at the overall UK level. Concurrently, unfinished orders accumulated to the greatest extent in nearly seven years, as companies struggled to process a sharp rise in incoming new work. The accumulation of backlogs was centred around the services sector.

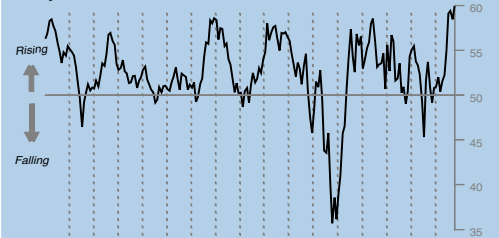
Input and output prices

Higher raw material prices, increased utility bills and rising staff costs all contributed to the latest rise in input costs in the East of England. The rate of inflation picked up to the highest since February.

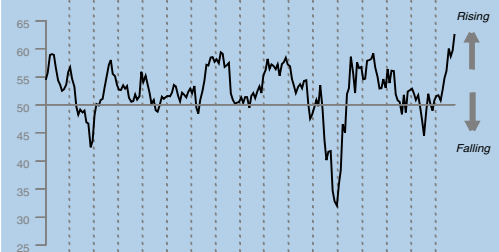
Despite an acceleration of input cost inflation, companies raised their output charges to a lesser degree than in the previous month. Moreover, charge inflation in the East of England was below the UK average.

East of England Business Conditions

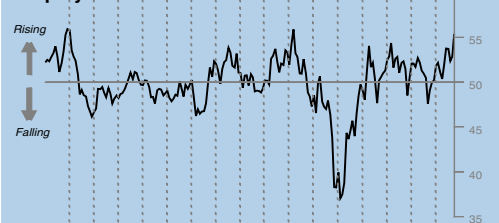
Output



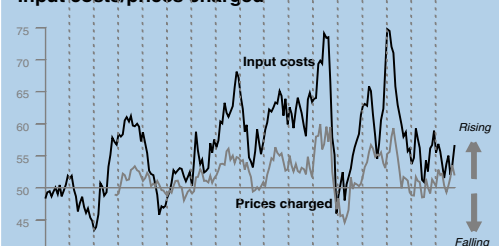
Order Books



Employment



Input costs/prices charged

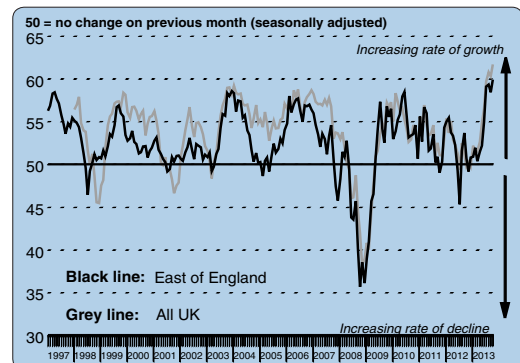




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	31.8	50.0	18.2	56.8	52.0	51.4
	Mar	20.4	59.3	20.4	50.0	50.4	51.6
	Apr	30.2	48.3	21.6	54.3	51.5	52.7
	May	22.7	59.1	18.2	52.3	52.2	54.9
	Jun	28.7	53.0	18.3	55.2	55.0	56.6
	Jul	31.1	54.7	14.2	58.5	59.1	59.7
	Aug	26.6	55.0	18.3	54.1	59.4	60.8
	Sep	32.1	52.3	15.6	58.3	58.5	60.3
	Oct	29.6	59.3	11.1	59.3	60.0	61.7

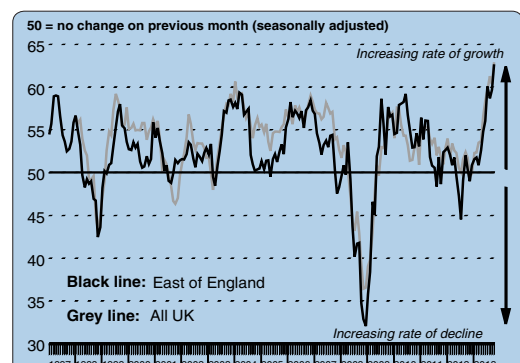


October data signalled a sharp rise in activity at East of England private sector companies, with the rate of expansion accelerating to the quickest recorded in the series history. Around 30% of panellists reported output growth, while only 11% indicated a fall. Anecdotal evidence suggested that the latest rise in activity was largely driven by increased new business. Output growth was reported in both the manufacturing and service sectors.

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 of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	31.2	49.5	19.3	56.0	51.8	52.4
	Mar	25.9	53.6	20.5	52.7	50.9	53.5
	Apr	32.5	50.9	16.7	57.9	52.7	53.7
	May	26.6	56.0	17.4	54.6	54.8	56.6
	Jun	29.6	50.4	20.0	54.8	56.1	58.4
	Jul	36.8	41.5	21.7	57.5	60.1	59.7
	Aug	25.9	54.6	19.4	53.2	58.7	61.3
	Sep	32.4	52.8	14.8	58.8	59.7	60.4
	Oct	33.3	50.9	15.7	58.8	62.7	62.9

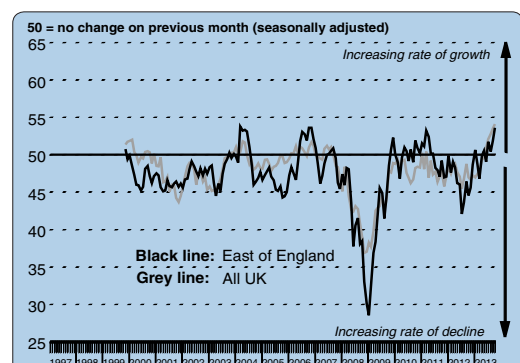


East of England companies reported a further rise in order intakes during October, extending the current sequence of growth in new work to 11 months. The pace of expansion accelerated since September to the strongest recorded since data collection began almost 17 years ago. Improved marketing, the securing of new clients and increased export business all contributed to the latest sharp rise in new work, according to panellists.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	18.1	61.0	21.0	48.6	48.8	47.4
	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4
	May	14.7	70.6	14.7	50.0	50.6	49.6
	Jun	13.9	70.4	15.7	49.1	49.1	51.0
	Jul	19.8	63.4	16.8	51.5	51.8	52.1
	Aug	12.7	67.6	19.6	46.6	50.4	52.8
	Sep	17.2	67.7	15.2	51.0	51.9	53.5
	Oct	18.6	64.7	16.7	51.0	53.6	54.2

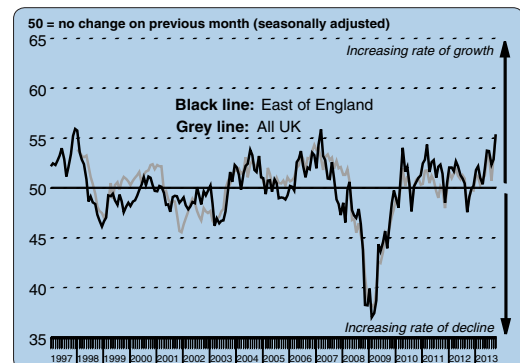


Business outstanding at East of England companies rose for a fourth successive month during October. The rate of backlog accumulations quickened from the previous month to the sharpest in almost seven years. Sector data suggested that a fall in unfinished work at manufacturers was offset by an increase at service providers. Some panel members attributed the latest rise to increased new business.

Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	16.5	75.2	8.3	54.1	52.2	51.1
	Mar	15.3	75.7	9.0	53.2	51.0	50.3
	Apr	16.5	72.2	11.3	52.6	50.4	50.9
	May	12.0	82.4	5.6	53.2	52.0	51.3
	Jun	14.2	80.5	5.3	54.4	53.8	53.1
	Jul	19.0	70.5	10.5	54.3	53.7	53.2
	Aug	16.8	74.8	8.4	54.2	52.4	50.8
	Sep	16.8	72.0	11.2	52.8	52.9	53.2
	Oct	17.0	76.4	6.6	55.2	55.4	55.3

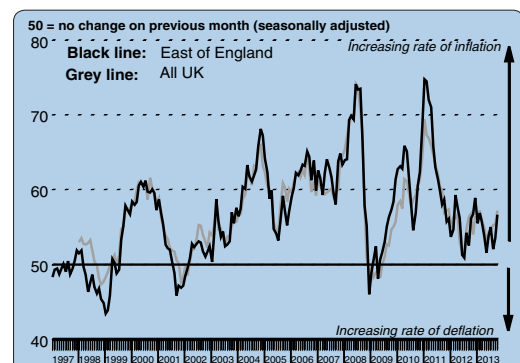


Driven by increased business requirements, companies in the East of England hired additional workers during October. Staffing levels have now risen continuously since last December. The rise in October was the quickest in over six-and-a-half years. Exactly 17% of firms reported increased payroll numbers, while only around 7% shed staff. Sector data suggested that employment levels rose in both the services and manufacturing sector.

Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	20.0	76.4	3.6	58.2	56.9	57.2
	Mar	22.1	73.5	4.4	58.8	55.7	55.9
	Apr	16.4	77.6	6.0	55.2	53.7	54.9
	May	10.0	80.9	9.1	50.5	51.6	52.8
	Jun	13.0	83.5	3.5	54.8	53.8	54.3
	Jul	11.3	83.0	5.7	52.8	55.0	54.5
	Aug	13.0	78.7	8.3	52.3	52.1	55.3
	Sep	11.9	85.3	2.8	54.6	53.5	55.3
	Oct	13.9	83.3	2.8	55.6	56.7	57.2

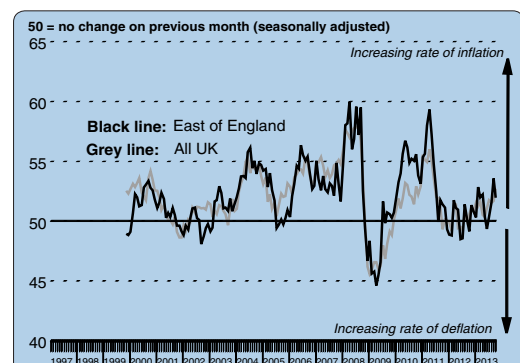


The seasonally adjusted Input Prices Index registered above the neutral 50.0 threshold in October, signalling ongoing cost pressures in the East of England private sector. The rate of cost inflation accelerated since September to the sharpest recorded in eight months. Higher raw material prices, increased utility bills and rising staff costs all contributed to the latest inflation, according to survey respondents.

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?

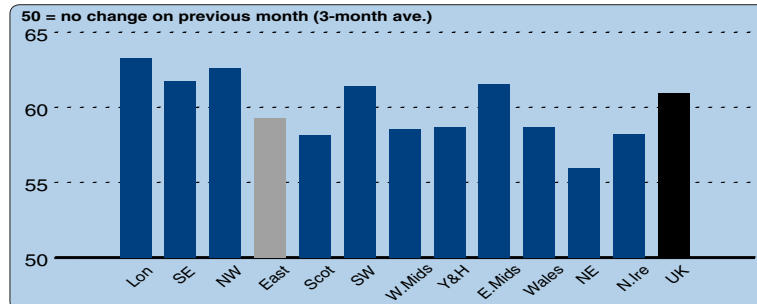
		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	14.7	79.8	5.5	54.6	52.9	51.3
	Mar	12.4	79.6	8.0	52.2	52.0	51.7
	Apr	11.3	86.1	2.6	54.3	52.2	50.5
	May	2.8	93.5	3.7	49.5	50.4	50.4
	Jun	6.1	85.1	8.8	48.7	49.4	51.1
	Jul	4.8	91.3	3.8	50.5	50.4	51.8
	Aug	6.5	86.1	7.4	49.5	51.6	51.6
	Sep	12.8	84.4	2.8	55.0	53.6	51.7
	Oct	7.5	85.8	6.6	50.5	52.0	52.7



Companies in the East of England raised their output charges in October, extending the current sequence of rising selling prices to four months. The rate of charge inflation eased, however, and was below the overall UK average. Anecdotal evidence suggested that increased input costs accounted for most of the latest rise in output prices. Manufacturers and service providers both reported higher output prices.

Regional Comparisons: Output

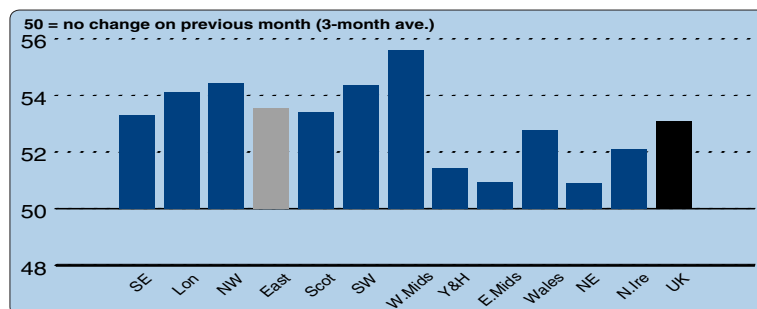
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed by the North West.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	56.6	63.3	65.0
South East	(14.7%)	55.2	61.8	61.9
North West	(9.5%)	55.6	62.6	61.5
East of England	(8.7%)	54.1	59.3	60.0
Scotland	(8.3%)	54.4	58.1	57.8
South West	(7.7%)	54.3	61.4	61.7
West Midlands	(7.3%)	53.8	58.6	58.3
Yorks & Humber	(7.0%)	55.5	58.7	59.0
East Midlands	(6.4%)	54.7	61.5	63.9
Wales	(3.6%)	55.8	58.7	59.1
North East	(3.2%)	51.9	56.0	55.3
N.Ireland	(2.2%)	50.9	58.2	57.6
UK	(100.0%)	55.2	61.0	61.7

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). Net job creation was broad-based across the 12 UK regions on average in the three months to October. The West Midlands recorded the most marked rise in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	52.2	53.3	56.3
London	(12.3%)	51.7	54.1	57.7
North West	(10.9%)	51.3	54.4	54.6
East of England	(9.6%)	52.1	53.5	55.4
Scotland	(8.7%)	51.7	53.4	53.4
South West	(8.6%)	51.8	54.3	56.2
West Midlands	(8.6%)	52.9	55.6	56.2
Yorks & Humber	(8.2%)	50.5	51.4	52.0
East Midlands	(7.3%)	51.2	50.9	51.4
Wales	(4.6%)	51.7	52.8	55.2
North East	(3.9%)	50.3	50.9	51.8
N.Ireland	(2.7%)	49.6	52.1	53.1
UK	(100.0%)	51.7	53.1	55.3

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.