



# Lloyds Bank East Midlands 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 Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East Midlands 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](mailto:economics@markit.com)

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11th November 2013

## Survey-record rise in activity

### Key findings:

- Output and new orders expand at faster rates
- Job creation remains muted
- Sharpest rise in backlogs since early-2001

The Lloyds Bank Commercial Banking East Midlands PMI® report signalled a second successive series-record increase in activity across the region's private sector. Growth of activity was built on another sharp rise in new orders. Increasing new business also contributed to an accumulation of backlogs and a rise in employment. Meanwhile, the rate of cost inflation held steady and companies passed on higher input prices to their clients by way of increased charges.

### Output and demand

The headline Lloyds Bank Commercial Banking East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 63.9 in October, the highest since the survey began in January 1997. This was up from 61.0 in September, which at the time was also a series record.

The rise in activity at East Midlands firms was faster than the UK economy average, with growth linked by respondents to higher new orders. The pace of expansion in new business also picked up from the previous month and was substantial. Respondents mentioned increased client demand as economic conditions improved. Both monitored sectors recorded higher new business, with the rate of expansion faster among services companies.

### Employment and backlogs

Rising new orders contributed to increases in both employment and backlogs of work during October. The accumulation of outstanding business was the third in as many months, and the strongest since January 2001.

Continuing the trend seen in recent months, the rate of job creation in the region was only slight. The latest rise in employment was much slower than the UK average.

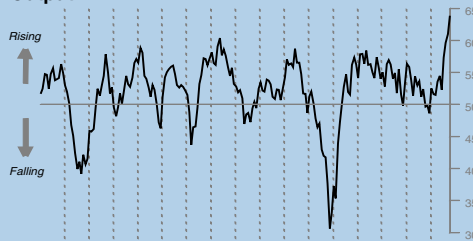
### Input and output prices

Input prices at East Midlands companies rose at a solid pace that was broadly in line with that seen in the preceding month. Some respondents indicated that a rise in the national minimum wage had contributed to increased input prices during the month.

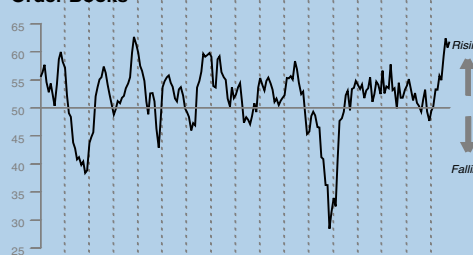
Companies raised their output prices in response to higher input costs during October, extending the current sequence of inflation to 15 months. Although easing slightly from that seen in September, the pace of increase in the region was faster than the UK economy average.

### East Midlands Business Conditions

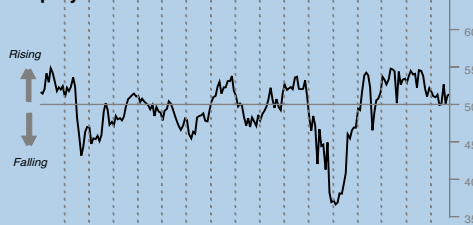
#### Output



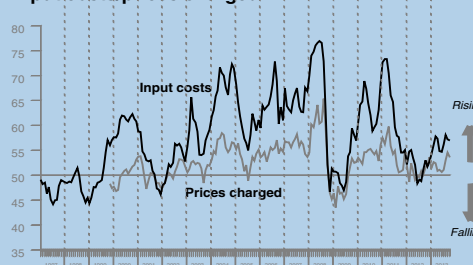
#### Order Books



#### Employment



#### Input costs/prices charged

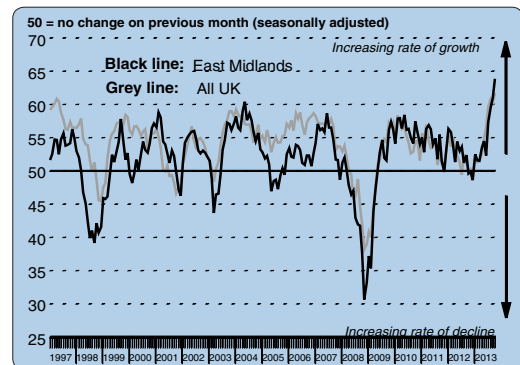




## Output / Business Activity

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	29.5	47.7	22.7	53.4	51.6	51.4
	Mar	29.1	55.8	15.1	57.0	51.5	51.6
	Apr	28.0	53.8	18.3	54.8	53.6	52.7
	May	33.3	46.4	20.2	56.5	54.5	54.9
	Jun	22.2	63.3	14.4	53.9	52.3	56.6
	Jul	36.4	44.3	19.3	58.5	57.3	59.7
	Aug	33.3	46.7	20.0	56.7	59.6	60.8
	Sep	47.8	42.2	10.0	68.9	61.0	60.3
	Oct	41.6	48.3	10.1	65.7	63.9	61.7

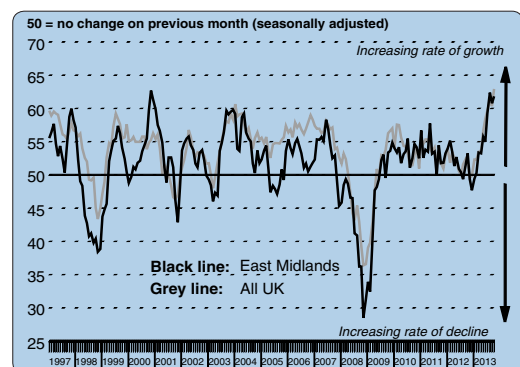


The rate of growth in business activity at companies in the East Midlands accelerated again in October, posting a new series record. The increase in the region was also faster than the UK economy average. According to respondents, strong new order growth was the main factor leading to the latest rise in activity. Output rose across both monitored sectors, but at a faster pace among services companies.

## 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 Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	34.1	40.9	25.0	54.5	50.3	52.4
	Mar	31.4	52.3	16.3	57.6	53.4	53.5
	Apr	31.2	49.5	19.4	55.9	53.3	53.7
	May	28.6	58.3	13.1	57.7	55.7	56.6
	Jun	30.0	47.8	22.2	53.9	55.0	58.4
	Jul	36.4	45.5	18.2	59.1	59.3	59.7
	Aug	32.6	46.1	21.3	55.6	62.4	61.3
	Sep	41.6	44.9	13.5	64.0	60.8	60.4
	Oct	35.2	52.3	12.5	61.4	61.9	62.9

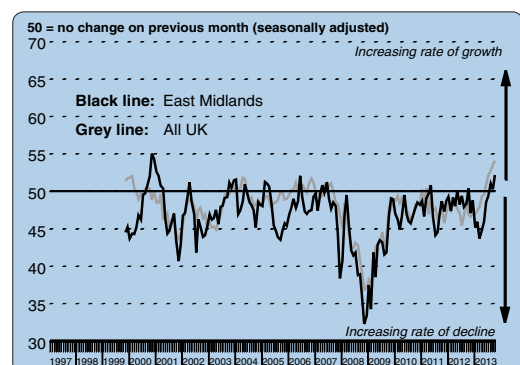


As has been the case in each of the past nine months, new orders increased at East Midlands companies in October. The rate of expansion was substantial and quickened to the third-fastest in the series history. However, the rise in the region was slightly weaker than the UK economy average. Improved client demand amid strengthening economic conditions was the main factor leading to higher new business. As with activity, services companies posted a faster rise in new business than their manufacturing counterparts.

## Business Outstanding

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	18.1	59.0	22.9	47.6	46.0	47.4
	Mar	12.0	63.9	24.1	44.0	43.7	47.9
	Apr	11.6	68.6	19.8	45.9	44.8	49.4
	May	14.1	61.5	24.4	44.9	46.0	49.6
	Jun	17.9	63.1	19.0	49.4	48.6	51.0
	Jul	20.5	59.0	20.5	50.0	49.4	52.1
	Aug	13.4	64.6	22.0	45.7	51.1	52.8
	Sep	14.5	68.7	16.9	48.8	50.3	53.5
	Oct	18.5	65.4	16.0	51.2	52.2	54.2



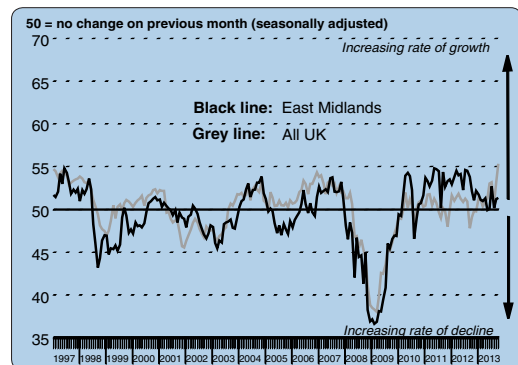
October data pointed to a third consecutive monthly rise in outstanding business in the East Midlands private sector, with respondents mainly attributing the latest increase to higher new orders. The rate of accumulation in the region accelerated to the sharpest since January 2001, but was slower than the average seen across the UK as a whole. Sector data suggested that the overall increase in outstanding business was mainly centred on service providers.



## Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	11.4	77.3	11.4	50.0	51.2	51.1
	Mar	17.4	75.6	7.0	55.2	51.0	50.3
	Apr	12.9	78.5	8.6	52.2	51.3	50.9
	May	11.9	78.6	9.5	51.2	49.9	51.3
	Jun	10.0	80.0	10.0	50.0	50.1	53.1
	Jul	17.0	75.0	8.0	54.5	52.7	53.2
	Aug	17.8	71.1	11.1	53.3	50.2	50.8
	Sep	16.7	72.2	11.1	52.8	51.2	53.2
	Oct	13.5	73.0	13.5	50.0	51.4	55.3

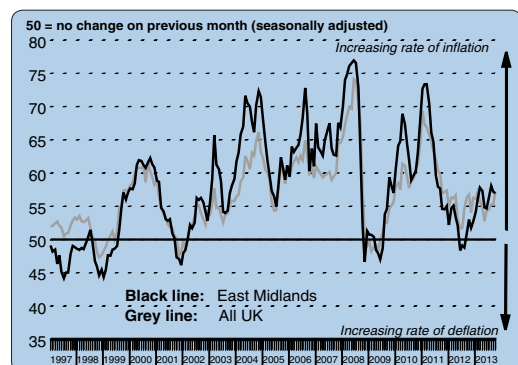


East Midlands companies took on extra staff in October. Staffing levels in the region have now increased in each of the past five months. Although the rate of job creation quickened fractionally from September, it was still only modest and much slower than that seen across the UK as a whole. Those respondents that raised employment linked this to stronger demand. On the other hand, some panellists reported having lowered staffing levels as part of attempts to improve efficiency.

## Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	23.0	71.3	5.7	58.6	56.2	57.2
	Mar	27.6	69.0	3.4	62.1	57.9	55.9
	Apr	28.0	68.8	3.2	62.4	57.3	54.9
	May	16.7	76.2	7.1	54.8	54.8	52.8
	Jun	15.6	80.0	4.4	55.6	54.7	54.3
	Jul	17.0	78.4	4.5	56.3	56.2	54.5
	Aug	16.7	80.0	3.3	56.7	58.1	55.3
	Sep	14.4	83.3	2.2	56.1	57.2	55.3
	Oct	20.2	76.4	3.4	58.4	57.0	57.2

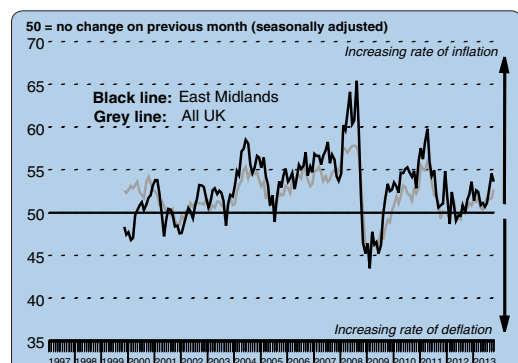


A solid increase in input prices was recorded in October, with the rate of inflation broadly in line with that registered in the previous month. The rise in input costs at East Midlands firms was also similar to the UK economy average. Where an increase in input prices was recorded, this was partly linked to a rise in the national minimum wage. Rates of inflation were similar across both monitored sectors.

## 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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	12.5	83.0	4.5	54.0	52.6	51.3
	Mar	8.0	88.5	3.4	52.3	52.4	51.7
	Apr	9.7	86.0	4.3	52.7	50.9	50.5
	May	7.1	89.3	3.6	51.8	51.1	50.4
	Jun	2.2	97.8	0.0	51.1	50.7	51.1
	Jul	6.8	90.9	2.3	52.3	51.1	51.8
	Aug	4.4	93.3	2.2	51.1	53.0	51.6
	Sep	6.7	93.3	0.0	53.3	54.6	51.7
	Oct	7.9	91.0	1.1	53.4	53.6	52.7

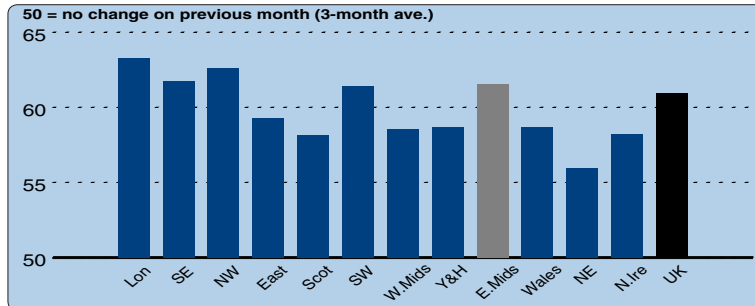


East Midlands companies raised their output prices for the fifteenth successive month in October. Although the rate of inflation eased from that recorded in September, it remained higher than at the UK level. Anecdotal evidence suggested that the passing on of higher input costs to clients had been the main factor leading to rising charges. Around 8% of respondents increased their output prices during the month, compared with just 1% that lowered them.



## Regional Comparisons: Output

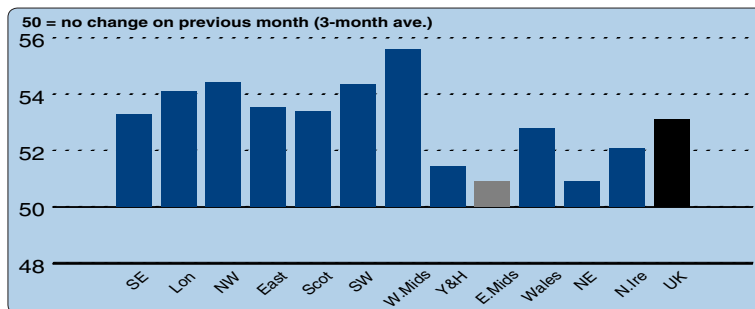
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed 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
<b>UK</b>	<b>(100.0%)</b>	<b>55.2</b>	<b>61.0</b>	<b>61.7</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). 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
<b>UK</b>	<b>(100.0%)</b>	<b>51.7</b>	<b>53.1</b>	<b>55.3</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. 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.