



Lloyds Bank London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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

Business activity grows at sharpest pace since January 1997

Key findings:

- Sharp increases in both output and new orders
- Employment growth accelerates to highest since December 2000
- Input price inflation remains below long-run series average

Private sector output in London grew at the strongest pace for almost 17 years in October. The sharp rise in activity largely reflected a similarly marked increase in new business, which was the greatest since data collection began in January 1997. Concurrently, employment growth accelerated to a near 13-year peak, while price pressures remained muted.

Output and demand

The headline Lloyds Bank Commercial Banking London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to its highest level since January 1997. At 65.0 in October, up from 62.9 in September, the headline index indicated a rapid rise in private sector output in London, which remained the strongest among all 12 UK regions.

The marked rise in activity was alongside a similarly sharp increase in new business. Two-in-five surveyed firms reported larger volumes of new orders over the month, often linking this to greater client demand. Notably, the rate of growth accelerated for the sixth month running and was the fastest in the near 17-year series history.

Employment and backlogs

Backlogs of work at private sector companies rose for the sixth consecutive month in October. The marked rise in outstanding business was the greatest since this series began in November 1999 and by far the strongest increase across the 12 UK regions.

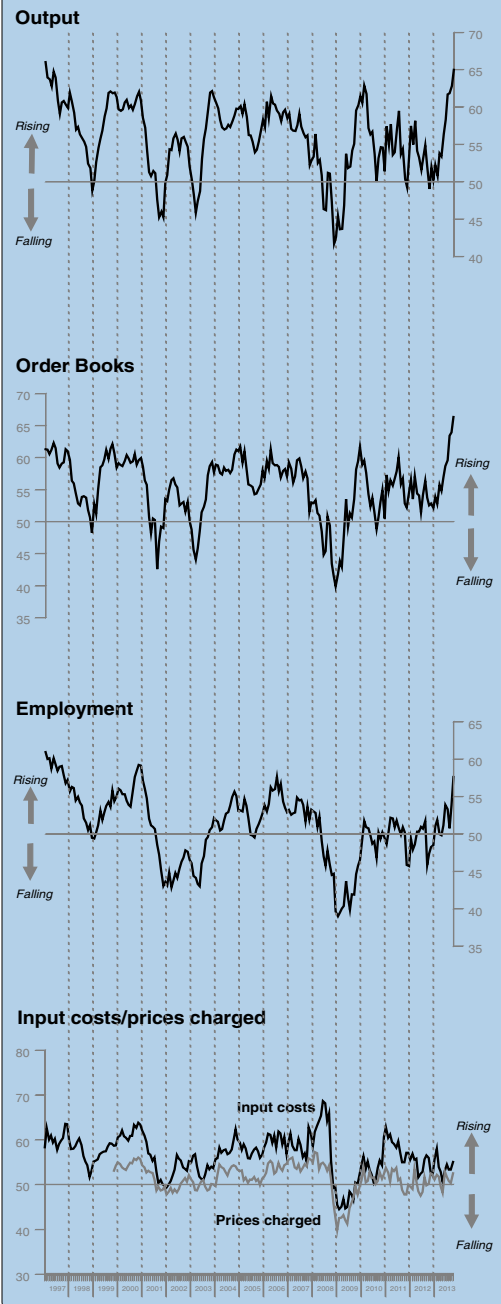
Meanwhile, employment in London's private sector rose at a strong and accelerated pace in October. Approximately 21% of firms hired additional staff since September, often attributing this to increased activity. Overall, the rate of jobs growth was the fastest since December 2000.

Input and output prices

Although input costs faced by companies in London rose at the strongest pace in eight months, the rate of inflation remained weaker than the long-run series average in October. Panellists reported higher fuel prices and larger salary bills in the latest survey period.

Firms passed on greater input costs to clients by raising their output charges in October. On average, selling prices rose moderately and at a pace broadly in line with the UK average.

London Business Conditions

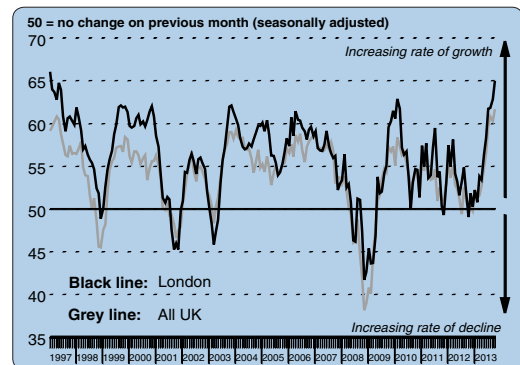




Output / Business Activity

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	20.4	64.1	15.5	52.4	50.8	51.4
	Mar	23.0	64.0	13.0	55.0	53.8	51.6
	Apr	25.9	56.3	17.9	54.0	53.4	52.7
	May	24.0	61.0	15.0	54.5	56.4	54.9
	Jun	27.7	62.4	9.9	58.9	58.3	56.6
	Jul	28.4	56.9	14.7	56.9	61.8	59.7
	Aug	26.7	57.4	15.8	55.4	61.9	60.8
	Sep	38.1	52.4	9.5	64.3	62.9	60.3
	Oct	42.2	49.5	8.3	67.0	65.0	61.7

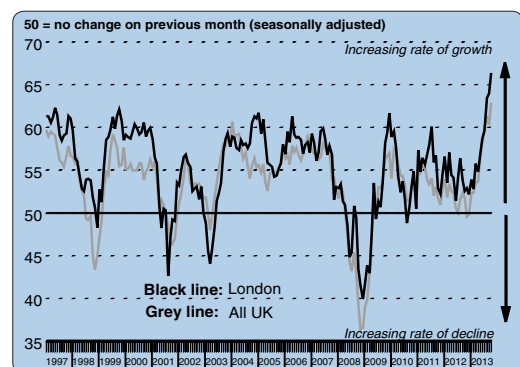


Business activity in London's private economy continued to rise at a marked and accelerated pace in October. The latest expansion was broad based across the manufacturing and service sectors and, having strengthened for the sixth consecutive month, the sharpest for almost 17 years. Monitored companies largely linked the increase in output to a similarly sharp rise in new business. London continued to record the fastest rate of activity growth among the 12 UK regions in the latest survey period.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	27.5	55.9	16.7	55.4	52.8	52.4
	Mar	26.5	61.2	12.2	57.1	55.8	53.5
	Apr	27.0	55.0	18.0	54.5	54.8	53.7
	May	26.0	59.0	15.0	55.5	56.9	56.6
	Jun	30.6	60.2	9.2	60.7	58.7	58.4
	Jul	31.8	50.5	17.8	57.0	59.6	59.7
	Aug	32.3	57.6	10.1	61.1	63.5	61.3
	Sep	38.8	53.4	7.8	65.5	64.0	60.4
	Oct	40.0	50.5	9.5	65.2	66.4	62.9

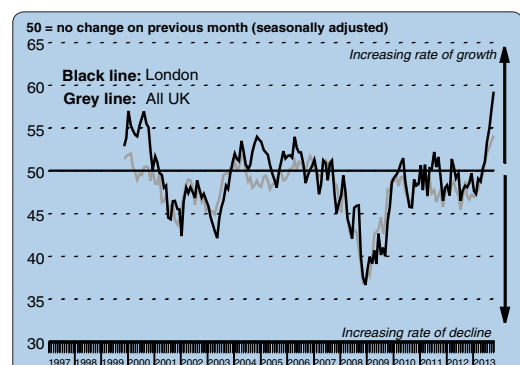


During October, private sector companies in London recorded the sharpest increase in new order volumes since data collection began in January 1997. Two-in-five surveyed firms reported higher levels of new work, often linking this to improved market conditions and greater client demand, particularly for new products. The rate of new business growth in London remained much faster than the UK average, which also accelerated to a record pace.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	13.0	70.7	16.3	48.4	47.3	47.4
	Mar	15.4	70.3	14.3	50.5	49.1	47.9
	Apr	14.7	70.6	14.7	50.0	48.7	49.4
	May	14.4	71.1	14.4	50.0	50.3	49.6
	Jun	12.0	77.2	10.9	50.5	51.1	51.0
	Jul	20.6	61.9	17.5	51.5	53.4	52.1
	Aug	17.6	72.5	9.9	53.8	55.1	52.8
	Sep	20.2	72.3	7.4	56.4	57.3	53.5
	Oct	23.2	69.7	7.1	58.1	59.3	54.2



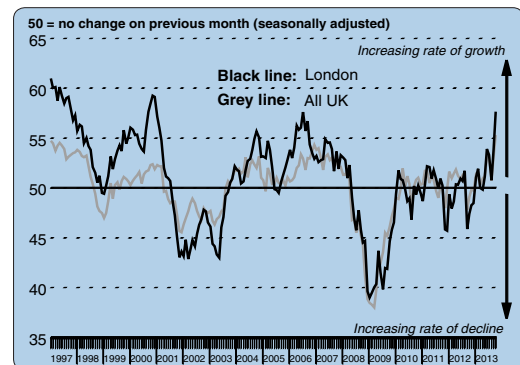
Outstanding business at private sector firms in London increased for the sixth consecutive month in October. Approximately 23% of panellists reported higher levels of work-in-hand, compared with 7% that registered a reduction. Overall, the rate of backlog accumulation was the sharpest since the series began in November 1999. London posted a much faster rise in business outstanding than the other 11 UK regions.



Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	17.5	72.8	9.7	53.9	51.9	51.1
	Mar	10.0	77.0	13.0	48.5	50.0	50.3
	Apr	14.3	75.9	9.8	52.2	49.9	50.9
	May	13.9	76.2	9.9	52.0	51.2	51.3
	Jun	10.9	82.2	6.9	52.0	53.9	53.1
	Jul	15.6	76.1	8.3	53.7	53.4	53.2
	Aug	6.9	76.5	16.7	45.1	50.8	50.8
	Sep	26.7	66.7	6.7	60.0	53.9	53.2
	Oct	21.3	72.2	6.5	57.4	57.7	55.3

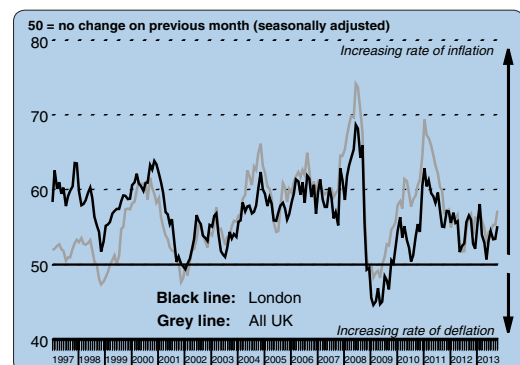


Private sector employment in London increased for the sixth consecutive month in October. This was signalled by the seasonally adjusted Employment Index remaining above the 50.0 no-change mark. Firms that hired additional staff over the month (approximately 21%) generally attributed this to greater levels of business activity. Notably, the index rose nearly four points to its highest reading in almost 13 years, consistent with a sharp rate of job creation overall in the region.

Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	22.3	72.8	4.9	58.7	58.1	57.2
	Mar	6.0	90.0	4.0	51.0	54.0	55.9
	Apr	11.6	85.7	2.7	54.5	52.9	54.9
	May	8.9	86.1	5.0	52.0	50.7	52.8
	Jun	9.9	85.1	5.0	52.5	53.2	54.3
	Jul	12.8	86.2	0.9	56.0	54.5	54.5
	Aug	10.9	82.2	6.9	52.0	53.4	55.3
	Sep	12.5	83.7	3.8	54.3	53.4	55.3
	Oct	11.2	86.9	1.9	54.7	55.1	57.2

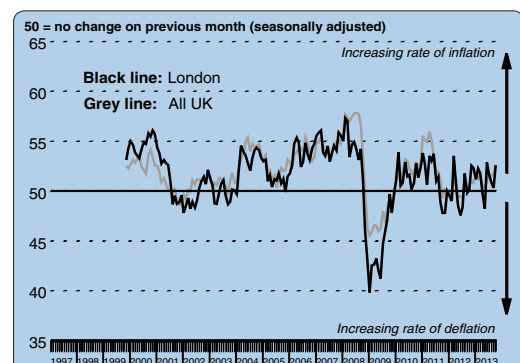


Input costs faced by private sector firms in London continued to rise in October, as has been the case in each month since October 2009. Higher raw material and fuel prices, as well as greater staff costs were commonly reported by survey respondents. Although the overall rate of input price inflation quickened to an eight-month high, it remained slower than the long-run series average. The latest increase in costs in London was also weaker than that recorded for the UK as a whole.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7
	Apr	5.4	88.4	6.3	49.6	49.6	50.5
	May	4.0	90.1	5.9	49.0	48.3	50.4
	Jun	7.9	87.1	5.0	51.5	52.9	51.1
	Jul	3.7	93.5	2.8	50.5	51.7	51.8
	Aug	5.0	88.1	6.9	49.0	50.8	51.6
	Sep	1.9	93.2	4.9	48.5	50.4	51.7
	Oct	6.5	90.7	2.8	51.9	52.6	52.7

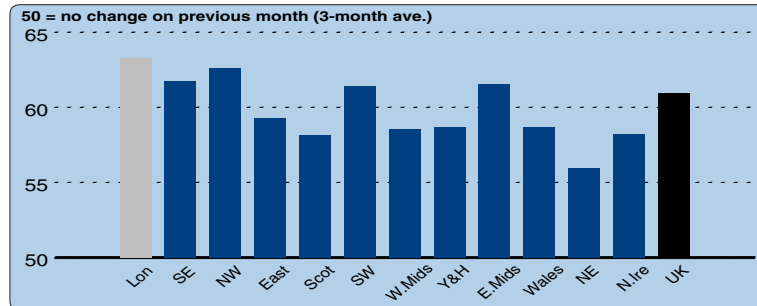


Average selling prices at private sector companies in London increased for the fifth successive month in October. A number of panellists passed on greater costs to clients in the form of higher output prices, while other respondents raised charges in line with greater client demand. Average tariffs rose moderately since September, with the rate of increase the greatest in four months and broadly in line with the UK average.



Regional Comparisons: Output

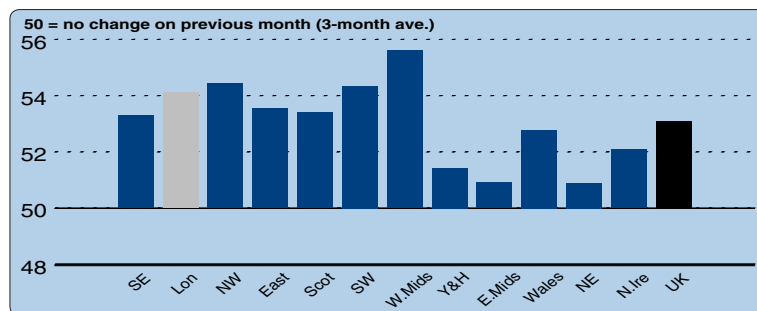
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed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