



Lloyds Bank North 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 North East 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 North East and operating in both manufacturing and service sectors.

The North 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.

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11th November 2013

Business activity continues to rise sharply

Key findings:

- Sharpest expansion of new orders since March 2010
- Employment levels increase at the second-strongest rate in 21 months
- Solid increase in output charges

North East private sector firms signalled an expansion of business activity for the sixth successive month in October. Furthermore, the rate of growth remained sharp, despite easing to the slowest since June, and was supported by the quickest expansion of new orders in over three-and-a-half years. Consequently, backlogs of work increased solidly over the month, while staffing levels rose at the second-strongest rate in 21 months.

Output and demand

The headline Lloyds Bank Commercial Banking North East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 55.3 in October, down from 56.2 in September. This signalled a further marked expansion of business activity in the North East private sector. That said, growth was slower than across the UK private sector economy as a whole.

New work placed at private sector firms in the North East also continued to increase in October. Furthermore, the rate of new order growth was the sharpest since March 2010. According to sector data, both manufacturers and service providers saw greater volumes of new business in the latest survey period, amid reports of stronger client demand. New work also rose in the UK private sector economy as a whole, and at a faster pace than that recorded in the North East.

Employment and backlogs

October signalled a further expansion of payroll numbers at private sector firms in the North East. Though modest, it was the second-strongest rate of job creation since January 2012. Moreover, staffing levels increased at both manufacturers and service providers in the region.

Meanwhile, the level of work-in-hand in the North East increased solidly in October. However, the rate of accumulation was stronger in the UK private sector economy as a whole.

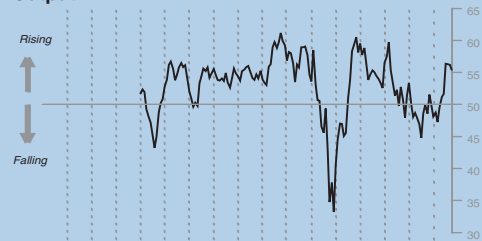
Input and output prices

Input costs faced by North East private sector companies continued to increase in October. That said, the rate of inflation was moderate and weaker than the UK private sector economy average.

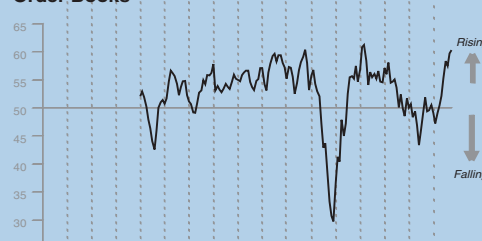
Output charges increased for the third month in a row, and at the strongest rate in 19 months.

North East Business Conditions

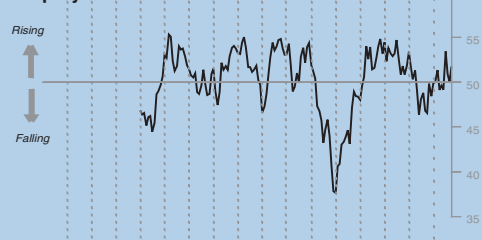
Output



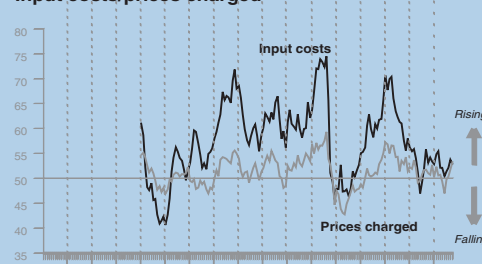
Order Books



Employment



Input costs/prices charged

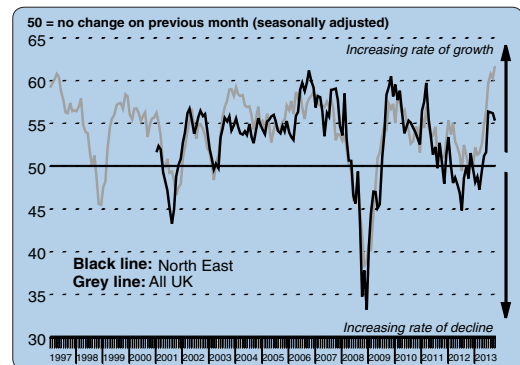




Output / Business Activity

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	28.6	49.0	22.4	53.1	48.7	51.4
	Mar	21.2	63.5	15.4	52.9	47.3	51.6
	Apr	19.1	61.7	19.1	50.0	49.5	52.7
	May	18.5	61.1	20.4	49.1	51.2	54.9
	Jun	25.5	52.9	21.6	52.0	51.7	56.6
	Jul	33.3	58.3	8.3	62.5	56.4	59.7
	Aug	27.9	53.5	18.6	54.7	56.3	60.8
	Sep	31.1	60.0	8.9	61.1	56.2	60.3
	Oct	23.4	63.8	12.8	55.3	55.3	61.7

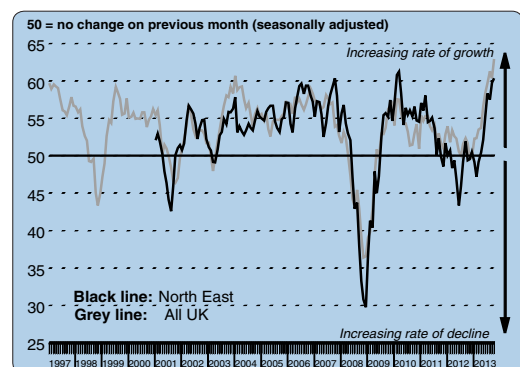


Private sector firms in the North East signalled a further expansion of business activity during October. After adjusting for seasonal factors, the rate of growth remained sharp, despite easing to a four-month low. Sector data pointed to an expansion of output across both the manufacturing and service sectors in the North East in October. However, business activity in the region continued to increase at a slower rate than across the UK private sector economy as a whole.

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 East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	25.5	48.9	25.5	50.0	47.2	52.4
	Mar	28.0	56.0	16.0	56.0	49.2	53.5
	Apr	34.0	42.6	23.4	55.3	50.5	53.7
	May	26.4	60.4	13.2	56.6	52.2	56.6
	Jun	36.0	52.0	12.0	62.0	55.3	58.4
	Jul	31.3	54.2	14.6	58.3	58.4	59.7
	Aug	23.8	57.1	19.0	52.4	57.5	61.3
	Sep	36.4	47.7	15.9	60.2	59.8	60.4
	Oct	38.3	40.4	21.3	58.5	60.4	62.9

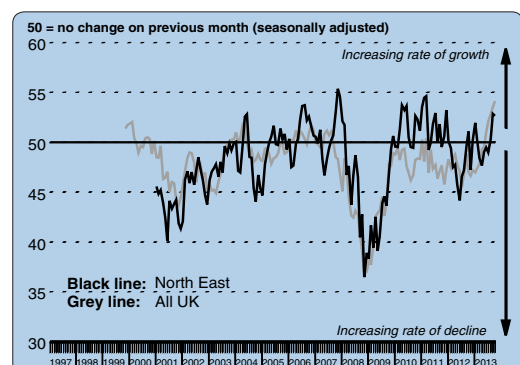


New business placed at North East private sector companies increased for the seventh consecutive month in October. Moreover, it was the quickest expansion of new order books in the region for over three-and-a-half years. Growth was attributed to increased client demand, with both manufacturers and service providers signalling higher volumes of new work. That said, new orders increased at a quicker pace in the UK private sector economy as a whole than in the North East.

Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9
	Apr	18.6	60.5	20.9	48.8	47.7	49.4
	May	14.3	67.3	18.4	48.0	49.1	49.6
	Jun	19.6	67.4	13.0	53.3	49.5	51.0
	Jul	9.3	86.0	4.7	52.3	49.0	52.1
	Aug	13.2	71.1	15.8	48.7	50.4	52.8
	Sep	23.1	61.5	15.4	53.8	52.9	53.5
	Oct	21.4	61.9	16.7	52.4	52.7	54.2



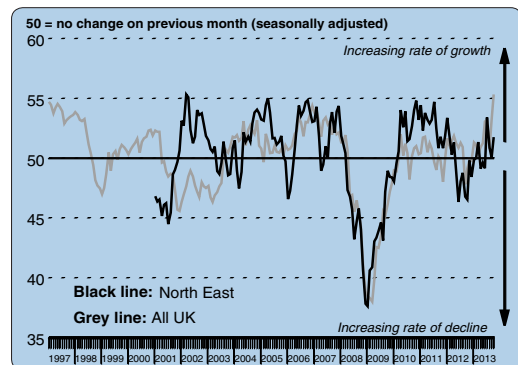
The seasonally adjusted Business Outstanding Index signalled an increased amount of backlogged work in the North East private sector economy in October, extending the current upward trend to three months. The rate of accumulation was broadly unchanged from September and solid, but weaker than the UK private sector economy average. Nonetheless, more than 21% of panellists recorded greater volumes of work-in-hand, with growth largely centred on service providers in the region.



Employment

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	14.3	73.5	12.2	51.0	50.0	51.1
	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	50.9
	May	11.1	77.8	11.1	50.0	49.6	51.3
	Jun	14.0	74.0	12.0	51.0	49.2	53.1
	Jul	21.3	70.2	8.5	56.4	53.4	53.2
	Aug	20.9	72.1	7.0	57.0	50.9	50.8
	Sep	15.6	68.9	15.6	50.0	50.1	53.2
	Oct	17.0	72.3	10.6	53.2	51.8	55.3

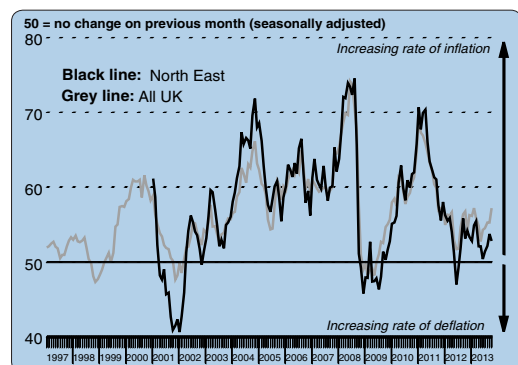


Staffing levels rose at North East private sector companies for the fourth successive month in October. After adjusting for seasonal variation, the rate of job creation accelerated from September to the second-strongest in 21 months. That said, growth of employment in the region was weaker than that recorded for the UK private sector economy as a whole. Both manufacturers and service providers in the North East increased workforce numbers in October, with anecdotal evidence suggesting this was primarily to accommodate a further expansion of output.

Input Prices / Costs

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	14.6	81.3	4.2	55.2	54.9	57.2
	Mar	20.4	75.5	4.1	58.2	55.5	55.9
	Apr	17.8	77.8	4.4	56.7	52.1	54.9
	May	19.2	73.1	7.7	55.8	52.1	52.8
	Jun	10.0	84.0	6.0	52.0	50.4	54.3
	Jul	10.6	78.7	10.6	50.0	51.4	54.5
	Aug	11.9	85.7	2.4	54.8	52.2	55.3
	Sep	11.6	83.7	4.7	53.5	53.8	55.3
	Oct	8.7	89.1	2.2	53.3	52.8	57.2

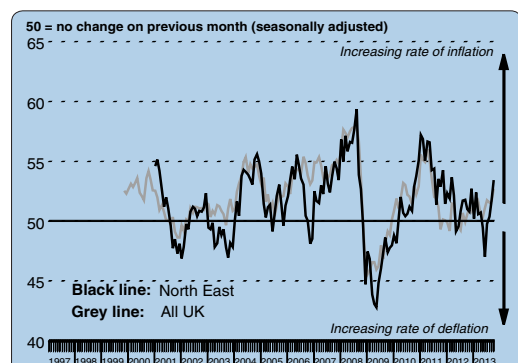


Average input costs faced by North East private sector firms increased in October, as has been the case since August 2012. After adjusting for seasonality, however, the rate of input price inflation eased from September's six-month high to a moderate pace. Moreover, the rate of inflation in the region was substantially weaker than the UK private sector economy average. According to sector data, inflation in the North East was centred on service sector firms.

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 East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7
	Apr	10.9	84.8	4.3	53.3	50.7	50.5
	May	9.4	79.2	11.3	49.1	49.4	50.4
	Jun	6.1	83.7	10.2	48.0	47.0	51.1
	Jul	8.5	85.1	6.4	51.1	49.8	51.8
	Aug	7.1	88.1	4.8	51.2	50.4	51.6
	Sep	6.8	88.6	4.5	51.1	51.8	51.7
	Oct	10.9	87.0	2.2	54.3	53.5	52.7

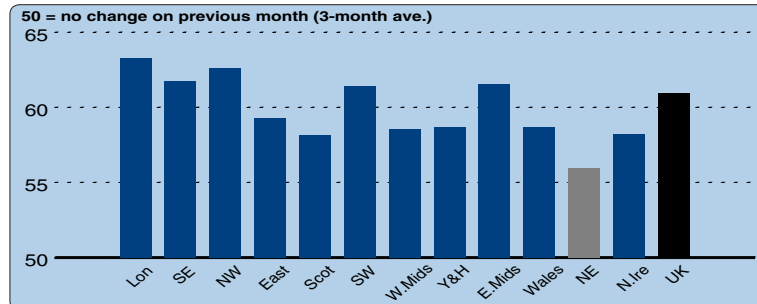


North East private sector firms raised their selling prices for the third month running in October. The seasonally adjusted Output Prices Index signalled a solid rate of increase that was the fastest since March 2012. Furthermore, the rate of output charge inflation in the region was faster than the UK private sector economy average. Sector data indicated that both manufacturers and service providers raised their average tariffs in October, and most notably at service sector firms.



Regional Comparisons: Output

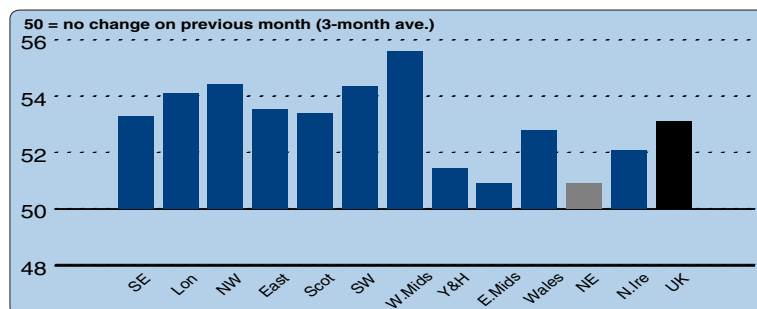
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed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