



# Lloyds Bank North West 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.

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**The Lloyds Bank Commercial Banking North West 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 West and operating in both manufacturing and service sectors.

The North West 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

## Output growth remains sharp in October

### Key findings:

- New business flows expand sharply and firms raise output levels
- Employment increases for sixth successive month
- Inflation of input and output prices stronger than UK averages

The North West private sector economy continued to improve in October, with output, new orders and employment all growing at robust rates. Meanwhile, firms raised their selling prices further on the back of a sharp increase in average costs.

### Output and demand

At 61.5 in October, down slightly from 62.3 in September, the seasonally adjusted Lloyds Bank Commercial Banking North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – indicated a sharp, but slower, rise in output across the region. Growth was broad-based, with services and manufacturing firms posting rises.

Underpinning the latest rise in output was a further expansion in incoming new work. October data highlighted a sharp rate of growth, and one that was quicker than in September. North West companies commented on strengthening domestic and foreign demand. New business rose at both service providers and goods-producers.

### Employment and backlogs

Private sector employment in the North West increased for the sixth consecutive month in October. Although slower than in September, the overall rate of growth remained sharp and above the survey average. Manufacturing and services companies both indicated job creation, citing new business growth.

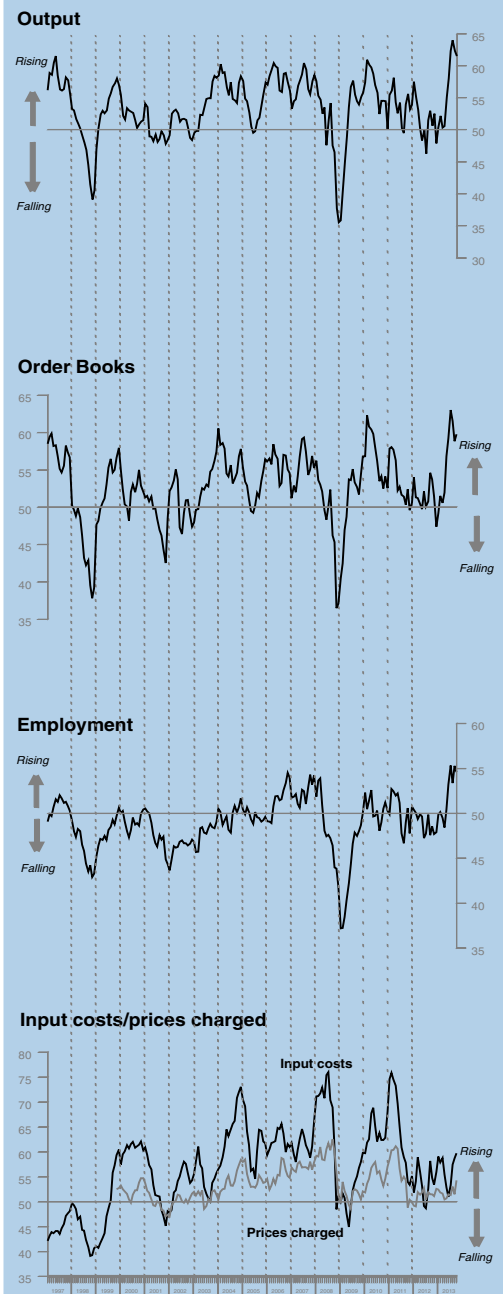
Evidence of pressures on operating capacity was signalled in October, as backlogs of work rose for the fourth successive month. The overall pace of accumulation was, however, moderate and unchanged from that seen one month previously. It was also weaker than that seen across the UK as a whole.

### Input and output prices

Amid reports of higher prices paid for food, energy, timber and electronics, North West firms recorded the strongest rise in average purchase costs for 27 months, with the rate of cost inflation exceeding the UK average.

Subsequently, firms raised their selling prices further, with the overall rate of charge inflation reaching a 25-month high and also surpassing the UK-wide trend. Output prices have now increased in each of the past 20 months.

### North West Business Conditions

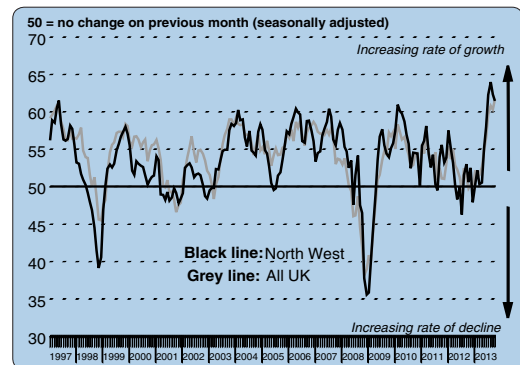




## Output / Business Activity

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	32.7	55.1	12.2	60.2	52.2	51.4
	Mar	24.5	55.1	20.4	52.0	50.4	51.6
	Apr	25.7	49.5	24.8	50.5	50.6	52.7
	May	42.6	47.9	9.6	66.5	55.1	54.9
	Jun	38.3	47.9	13.8	62.2	58.1	56.6
	Jul	36.7	56.1	7.1	64.8	62.3	59.7
	Aug	31.6	52.6	15.8	57.9	64.0	60.8
	Sep	43.0	48.0	9.0	67.0	62.3	60.3
	Oct	30.5	56.8	12.6	58.9	61.5	61.7

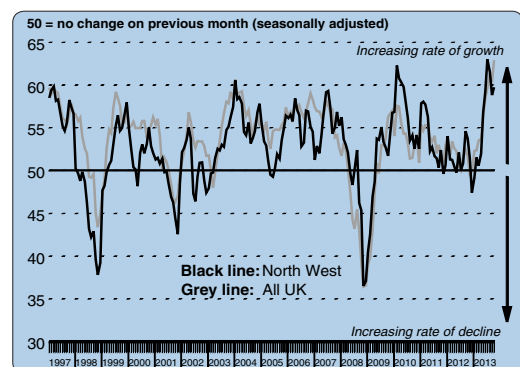


North West companies continued to signal strong output growth in October. Although easing for the second month running, the overall rate of expansion remained above the survey long-run average and was broadly in line with that seen across the UK as a whole. In line with the recent trend, both manufacturers and service providers recorded higher levels of business activity. Evidence from survey respondents highlighted new contract wins and improved client confidence.

## 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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	34.0	46.4	19.6	57.2	51.5	52.4
	Mar	25.5	54.1	20.4	52.6	50.6	53.5
	Apr	31.7	44.6	23.8	54.0	52.0	53.7
	May	35.1	48.9	16.0	59.6	56.8	56.6
	Jun	38.3	46.8	14.9	61.7	59.2	58.4
	Jul	40.2	53.6	6.2	67.0	63.0	59.7
	Aug	28.7	47.9	23.4	52.7	61.6	61.3
	Sep	35.4	48.5	16.2	59.6	58.8	60.4
	Oct	31.6	48.4	20.0	55.8	59.8	62.9

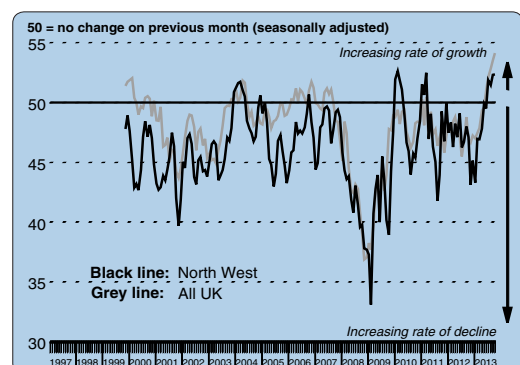


Manufacturing and services companies in the North West signalled new business growth in October. October data signalled that the rate of expansion across the private sector as a whole remained sharp and accelerated since the previous month. Monitored companies indicated that higher new order levels reflected strengthening domestic and foreign demand. At the UK level, the growth rate in new orders reached a survey-record peak.

## Business Outstanding

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6
	Jun	13.0	71.7	15.2	48.9	49.5	51.0
	Jul	16.1	74.2	9.7	53.2	51.9	52.1
	Aug	17.8	61.1	21.1	48.3	51.5	52.8
	Sep	20.8	61.5	17.7	51.6	52.3	53.5
	Oct	17.4	67.4	15.2	51.1	52.3	54.2



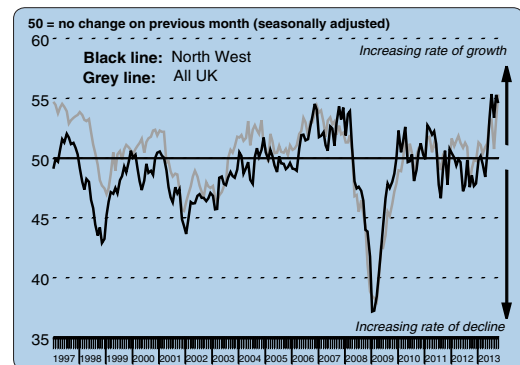
Companies operating in the North West private sector signalled pressures on operating capacity in October, with unfinished business increasing for the fourth consecutive month. The overall rate of accumulation was, however, moderate and unchanged from that recorded in September. Anecdotal evidence suggested that backlogs of work rose in tandem with new order growth. Outstanding business at the UK level expanded at the strongest pace in the survey history.



## Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	10.3	79.4	10.3	50.0	<b>50.2</b>	<b>51.1</b>
	Mar	12.4	76.3	11.3	50.5	<b>49.5</b>	<b>50.3</b>
	Apr	7.0	84.0	9.0	49.0	<b>48.5</b>	<b>50.9</b>
	May	11.7	81.9	6.4	52.7	<b>50.4</b>	<b>51.3</b>
	Jun	16.0	78.7	5.3	55.3	<b>53.2</b>	<b>53.1</b>
	Jul	18.6	76.3	5.2	56.7	<b>55.4</b>	<b>53.2</b>
	Aug	19.1	75.5	5.3	56.9	<b>53.4</b>	<b>50.8</b>
	Sep	24.2	71.7	4.0	60.1	<b>55.3</b>	<b>53.2</b>
	Oct	17.0	75.5	7.4	54.8	<b>54.6</b>	<b>55.3</b>

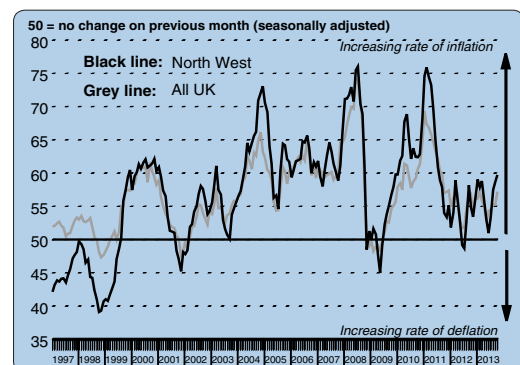


October data highlighted a sixth successive monthly expansion of staffing levels in the North West private sector. Despite easing since September, the overall rate of job creation remained sharp. Employment growth was broad-based, with manufacturers and service providers signalling increases. Panellists stated that higher new business was the main reason for additional hiring. At the UK level, the rate of job creation accelerated to the quickest in the survey history.

## Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	19.6	75.3	5.2	57.2	<b>57.9</b>	<b>57.2</b>
	Mar	31.6	66.3	2.0	64.8	<b>58.8</b>	<b>55.9</b>
	Apr	22.0	67.0	11.0	55.5	<b>55.5</b>	<b>54.9</b>
	May	17.0	76.6	6.4	55.3	<b>52.9</b>	<b>52.8</b>
	Jun	11.7	79.8	8.5	51.6	<b>51.0</b>	<b>54.3</b>
	Jul	15.5	69.1	15.5	50.0	<b>53.3</b>	<b>54.5</b>
	Aug	22.3	72.3	5.3	58.5	<b>57.5</b>	<b>55.3</b>
	Sep	22.0	72.0	6.0	58.0	<b>58.7</b>	<b>55.3</b>
	Oct	21.9	69.8	8.3	56.8	<b>59.7</b>	<b>57.2</b>

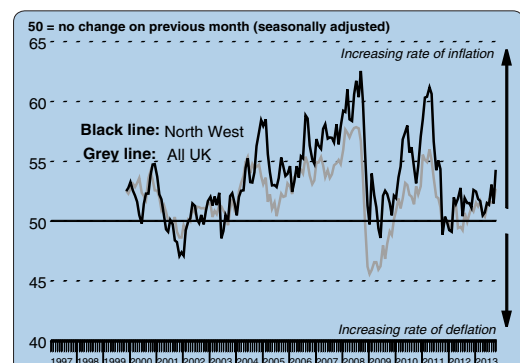


Input cost inflation across the North West private sector accelerated to the strongest in 27 months during October, and was sharper than the UK average. Almost 22% of respondents reported higher costs, compared with 8% that noted a reduction. Purchase prices increased at both services firms and goods-producers. Panel members reported higher prices paid for food, energy, timber, electronics and feedstock.

## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Feb	16.3	75.5	8.2	54.1	<b>51.9</b>	<b>51.3</b>
	Mar	9.1	82.8	8.1	50.5	<b>51.7</b>	<b>51.7</b>
	Apr	9.9	83.2	6.9	51.5	<b>50.5</b>	<b>50.5</b>
	May	9.5	85.3	5.3	52.1	<b>50.7</b>	<b>50.4</b>
	Jun	7.4	86.3	6.3	50.5	<b>51.5</b>	<b>51.1</b>
	Jul	5.1	90.8	4.1	50.5	<b>51.4</b>	<b>51.8</b>
	Aug	5.3	93.7	1.1	52.1	<b>53.1</b>	<b>51.6</b>
	Sep	8.0	88.0	4.0	52.0	<b>51.5</b>	<b>51.7</b>
	Oct	10.5	87.4	2.1	54.2	<b>54.3</b>	<b>52.7</b>

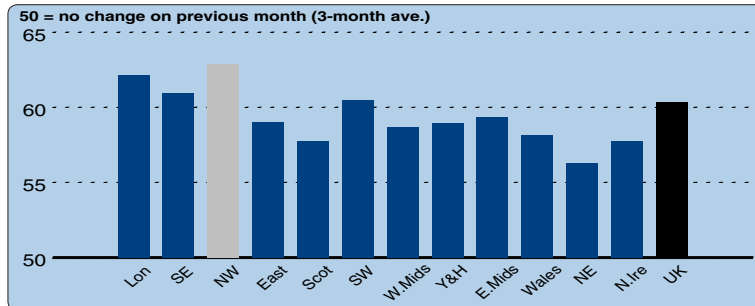


Reflective of increased cost burdens, private sector companies in the North West raised their average selling prices in October, stretching the current sequence of charge inflation to 20 months. The rise in tariffs was solid and the strongest since September 2011. Selling prices in the UK economy also increased at a quicker pace, with the seasonally adjusted Output Prices Index climbing to its highest mark in 28 months.



Regional Comparisons: Output

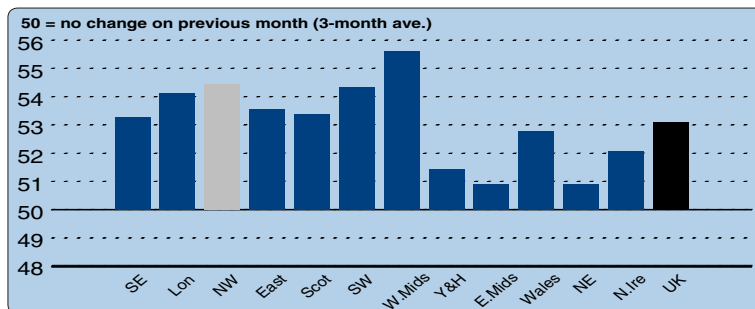
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed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