



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

The South 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.

For further information, please contact: [economics@markit.com](mailto:economics@markit.com)

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11th November 2013

## Record new order growth drives expansion in business activity

### Key findings:

- Sharp growth in business activity accelerates from September
- New orders rise at record pace
- Fastest expansion in employment since January 1998

The latest *PMI*® data from Lloyds Bank Commercial Banking showed the strong expansion in the South East private sector's economy seen over the past few months continued in October. Whilst failing to match the survey-record high set in August, growth in output accelerated from September. In addition, employment and new orders both grew at a sharper pace than the respective rates recorded nationally. Meanwhile, inflation in both charges and input prices accelerated in October, but remained marginally slower than the UK averages.

### Output and demand

The headline **Lloyds Bank Commercial Banking South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from 60.7 in September to 61.9 in October. The rate of growth accelerated from September, registering fractionally higher than the average recorded nationwide, but failed to match August's record high.

New orders grew at the sharpest pace recorded in almost 17 years of data collection in October, and surpassed the national average by a small margin. Respondents largely attributed fuller order books to an increase in demand.

### Employment and backlogs

Employment grew at the sharpest pace since January 1998 in October, outpacing the average rate of expansion recorded for the UK as a whole. Private sector payroll numbers have now risen for seven months in succession and growth accelerated further from August's low.

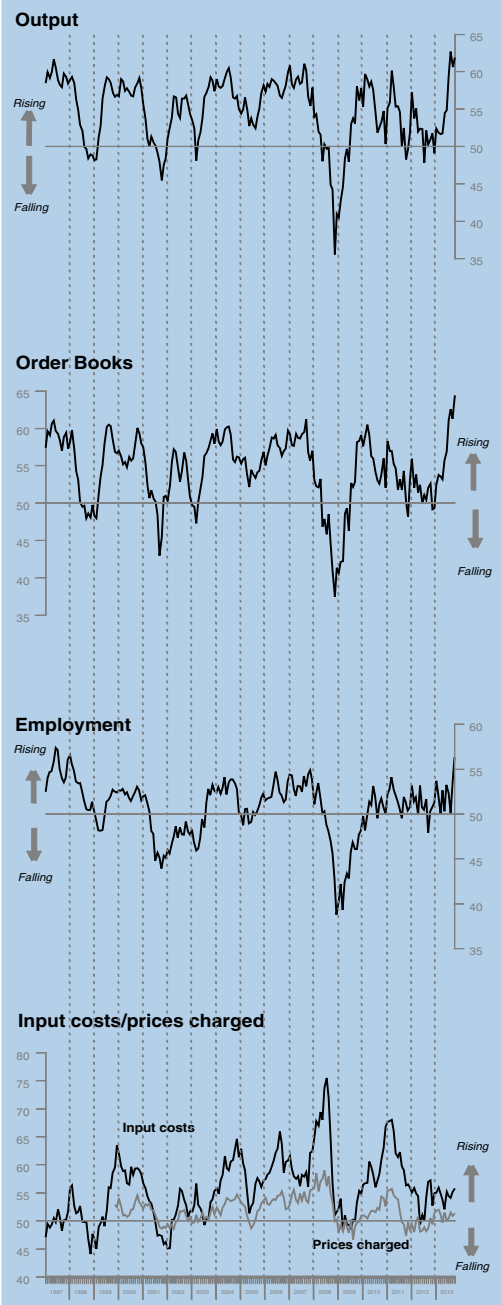
Business outstanding rose for the fourth successive month in October and at the sharpest pace recorded in almost 14 years of data collection. In addition, backlogs of work in the South East saw a slightly faster rate of growth than the average recorded across the UK.

### Input and output prices

Input costs rose for the fifteenth successive month in October, though at a slightly slower pace than recorded across the UK as a whole.

Meanwhile, October continued a six-month sequence of output price inflation in the South East private sector. Anecdotal evidence indicated that regulatory changes were a key contributory factor.

## South East Business Conditions

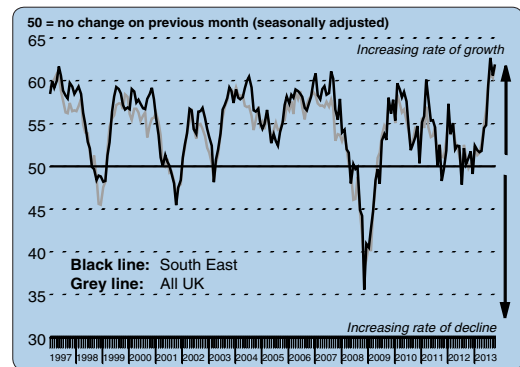




## Output / Business Activity

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

|     | South East Companies |        |         | Index<br>50=no chg | S.Adj'd | All UK      |
|-----|----------------------|--------|---------|--------------------|---------|-------------|
|     | Higher %             | Same % | Lower % |                    | Index   | S.Adj'd Ind |
| Feb | 27.5                 | 53.3   | 19.2    | 54.1               | 51.9    | 51.4        |
| Mar | 30.8                 | 51.9   | 17.3    | 56.8               | 51.7    | 51.6        |
| Apr | 28.9                 | 50.6   | 20.6    | 54.2               | 51.8    | 52.7        |
| May | 27.5                 | 51.1   | 21.4    | 53.0               | 54.5    | 54.9        |
| Jun | 28.1                 | 53.9   | 18.0    | 55.1               | 54.8    | 56.6        |
| Jul | 36.4                 | 50.0   | 13.6    | 61.4               | 59.5    | 59.7        |
| Aug | 39.1                 | 43.0   | 17.9    | 60.6               | 62.7    | 60.8        |
| Sep | 34.5                 | 50.6   | 14.9    | 59.8               | 60.7    | 60.3        |
| Oct | 35.0                 | 49.7   | 15.3    | 59.8               | 61.9    | 61.7        |

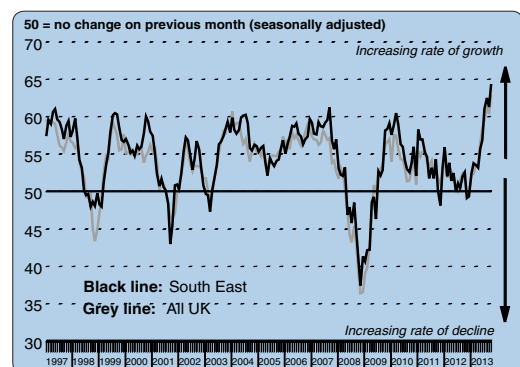


Business activity in the South East private sector continued to expand at a sharp pace in October, as the rate of growth accelerated from September but failed to match August's record high. The seasonally adjusted index posted above the 50.0 no-change mark for the tenth successive month. Anecdotal evidence indicated that an expansion in demand was a primary factor driving the activity growth, whilst rising confidence and fuller order books were also cited. At a more detailed level, the data indicated that manufacturers saw a slightly sharper expansion in activity than service providers in October.

## 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?

|     | South East Companies |        |         | Index<br>50=no chg | S.Adj'd | All UK      |
|-----|----------------------|--------|---------|--------------------|---------|-------------|
|     | Higher %             | Same % | Lower % |                    | Index   | S.Adj'd Ind |
| Feb | 31.5                 | 48.1   | 20.4    | 55.5               | 53.8    | 52.4        |
| Mar | 29.7                 | 49.2   | 21.1    | 54.3               | 53.6    | 53.5        |
| Apr | 29.6                 | 49.7   | 20.7    | 54.5               | 53.2    | 53.7        |
| May | 32.8                 | 43.3   | 23.9    | 54.4               | 55.7    | 56.6        |
| Jun | 34.3                 | 47.8   | 18.0    | 58.1               | 57.0    | 58.4        |
| Jul | 37.2                 | 49.2   | 13.7    | 61.7               | 61.1    | 59.7        |
| Aug | 38.1                 | 46.0   | 15.9    | 61.1               | 62.6    | 61.3        |
| Sep | 34.9                 | 50.9   | 14.2    | 60.4               | 61.3    | 60.4        |
| Oct | 40.1                 | 41.2   | 18.7    | 60.7               | 64.4    | 62.9        |

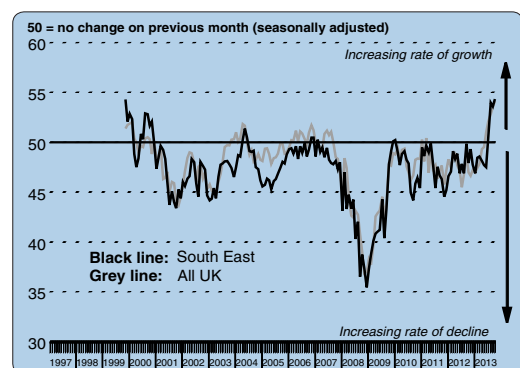


New orders in the South East grew at the sharpest pace recorded in almost 17 years of data collection in October, though only surpassed the national average by a small margin. Like business activity, the most recent increase in new business continued a ten-month sequence of expansion, and manufacturers saw marginally faster growth than service providers. Respondents largely attributed fuller order books to an increase in demand.

## Business Outstanding

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

|     | South East Companies |        |         | Index<br>50=no chg | S.Adj'd | All UK      |
|-----|----------------------|--------|---------|--------------------|---------|-------------|
|     | Higher %             | Same % | Lower % |                    | Index   | S.Adj'd Ind |
| Feb | 18.6                 | 62.9   | 18.6    | 50.0               | 48.5    | 47.4        |
| Mar | 17.6                 | 62.4   | 20.0    | 48.8               | 48.6    | 47.9        |
| Apr | 15.1                 | 66.9   | 18.1    | 48.5               | 48.1    | 49.4        |
| May | 15.7                 | 64.5   | 19.9    | 47.9               | 47.7    | 49.6        |
| Jun | 18.1                 | 63.1   | 18.8    | 49.7               | 47.5    | 51.0        |
| Jul | 21.4                 | 62.5   | 16.1    | 52.7               | 50.5    | 52.1        |
| Aug | 25.6                 | 58.5   | 15.9    | 54.9               | 54.0    | 52.8        |
| Sep | 21.6                 | 61.4   | 17.0    | 52.3               | 53.6    | 53.5        |
| Oct | 23.4                 | 57.5   | 19.2    | 52.1               | 54.4    | 54.2        |



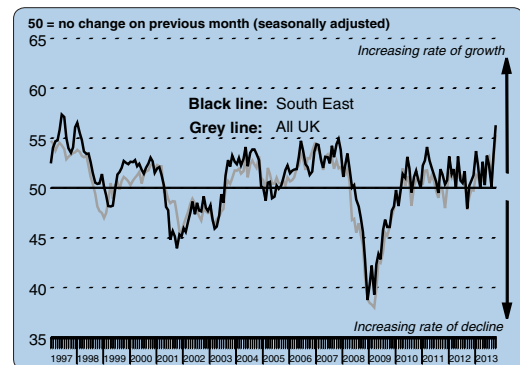
Business outstanding in the South East private sector grew for the fourth successive month in October and at the sharpest pace recorded since the start of the series 14 years ago. In addition, backlogs of work in the South East saw a fractionally faster rate of growth than the average recorded across the UK. Staff shortages and sharp new order growth were among a number of reasons cited by panellists for the expansion.



## Employment

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

|     | South East Companies |           |            | Index<br>50=no chg | S.Adj'd     | All UK         |
|-----|----------------------|-----------|------------|--------------------|-------------|----------------|
|     | Higher<br>%          | Same<br>% | Lower<br>% |                    | Index       | S.Adj'd<br>Ind |
| Feb | 9.9                  | 80.8      | 9.3        | 50.3               | <b>52.2</b> | <b>51.1</b>    |
| Mar | 12.4                 | 76.2      | 11.4       | 50.5               | <b>50.0</b> | <b>50.3</b>    |
| Apr | 16.1                 | 73.9      | 10.0       | 53.1               | <b>52.7</b> | <b>50.9</b>    |
| May | 12.6                 | 73.6      | 13.7       | 49.5               | <b>50.3</b> | <b>51.3</b>    |
| Jun | 17.3                 | 73.2      | 9.5        | 53.9               | <b>53.3</b> | <b>53.1</b>    |
| Jul | 15.2                 | 75.0      | 9.8        | 52.7               | <b>52.3</b> | <b>53.2</b>    |
| Aug | 18.4                 | 72.1      | 9.5        | 54.5               | <b>50.1</b> | <b>50.8</b>    |
| Sep | 17.3                 | 73.8      | 8.9        | 54.2               | <b>53.4</b> | <b>53.2</b>    |
| Oct | 16.4                 | 76.0      | 7.7        | 54.4               | <b>56.3</b> | <b>55.3</b>    |

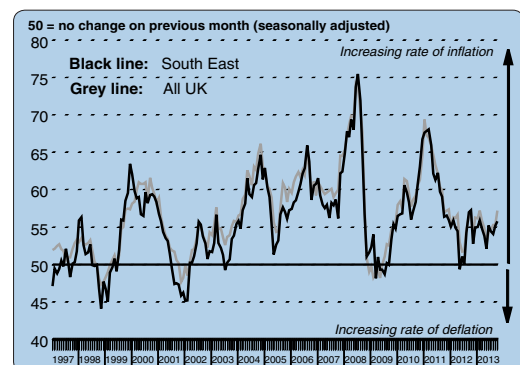


October saw employment at firms in the South East grow at the sharpest pace since January 1998, outpacing the average rate recorded for the UK as a whole. Private sector payroll numbers have now risen for seven months in succession and growth has accelerated sharply since August's lull. Following the trends seen in business activity and new orders, employment grew at a sharper pace at manufacturers than service providers, though by a small margin only. Respondents cited expectations of further increases in business activity and increased product ranges as contributory factors.

## Input Prices / Costs

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

|     | South East Companies |           |            | Index<br>50=no chg | S.Adj'd     | All UK         |
|-----|----------------------|-----------|------------|--------------------|-------------|----------------|
|     | Higher<br>%          | Same<br>% | Lower<br>% |                    | Index       | S.Adj'd<br>Ind |
| Feb | 15.9                 | 81.9      | 2.2        | 56.9               | <b>55.9</b> | <b>57.2</b>    |
| Mar | 16.3                 | 81.0      | 2.7        | 56.8               | <b>54.9</b> | <b>55.9</b>    |
| Apr | 18.8                 | 77.3      | 3.9        | 57.5               | <b>53.8</b> | <b>54.9</b>    |
| May | 12.6                 | 80.3      | 7.1        | 52.7               | <b>52.1</b> | <b>52.8</b>    |
| Jun | 14.0                 | 80.4      | 5.6        | 54.2               | <b>55.2</b> | <b>54.3</b>    |
| Jul | 13.1                 | 80.9      | 6.0        | 53.6               | <b>54.5</b> | <b>54.5</b>    |
| Aug | 10.6                 | 84.4      | 5.0        | 52.8               | <b>54.1</b> | <b>55.3</b>    |
| Sep | 15.4                 | 79.9      | 4.7        | 55.3               | <b>55.2</b> | <b>55.3</b>    |
| Oct | 12.6                 | 83.6      | 3.8        | 54.4               | <b>55.8</b> | <b>57.2</b>    |

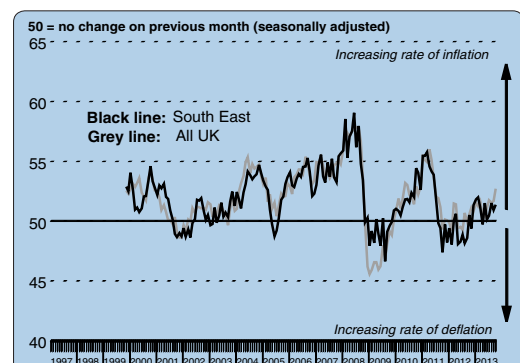


Input costs rose for the fifteenth successive month in October, though at a slightly slower pace than recorded across the UK as a whole. The rate of inflation accelerated for the second consecutive month, and was broadly in line with the historical series average. A number of panellists attributed the increase to rises in salaries and higher energy prices. Others cited the higher cost of packaging materials.

## 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?

|     | South East Companies |           |            | Index<br>50=no chg | S.Adj'd     | All UK         |
|-----|----------------------|-----------|------------|--------------------|-------------|----------------|
|     | Higher<br>%          | Same<br>% | Lower<br>% |                    | Index       | S.Adj'd<br>Ind |
| Feb | 10.4                 | 84.6      | 4.9        | 52.7               | <b>52.0</b> | <b>51.3</b>    |
| Mar | 6.0                  | 89.1      | 4.9        | 50.5               | <b>51.2</b> | <b>51.7</b>    |
| Apr | 8.8                  | 86.2      | 5.0        | 51.9               | <b>49.7</b> | <b>50.5</b>    |
| May | 10.4                 | 84.1      | 5.5        | 52.5               | <b>51.5</b> | <b>50.4</b>    |
| Jun | 5.1                  | 87.6      | 7.3        | 48.9               | <b>50.2</b> | <b>51.1</b>    |
| Jul | 7.6                  | 85.3      | 7.1        | 50.3               | <b>50.5</b> | <b>51.8</b>    |
| Aug | 4.5                  | 91.0      | 4.5        | 50.0               | <b>51.5</b> | <b>51.6</b>    |
| Sep | 4.2                  | 88.7      | 7.1        | 48.5               | <b>51.0</b> | <b>51.7</b>    |
| Oct | 5.0                  | 90.6      | 4.4        | 50.3               | <b>51.4</b> | <b>52.7</b>    |

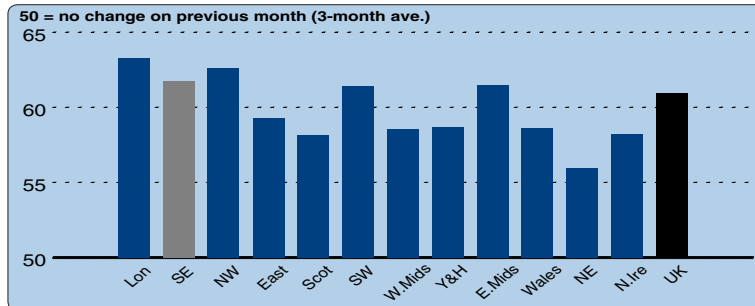


October marked the sixth successive month of output price inflation in the South East private sector. The pace of inflation rose marginally from September, but the seasonally adjusted Output Prices Index posted a reading below that which was registered nationwide. Anecdotal evidence pointed to market shortages that allowed firms to raise prices and regulatory changes as contributory factors.



## Regional Comparisons: Output

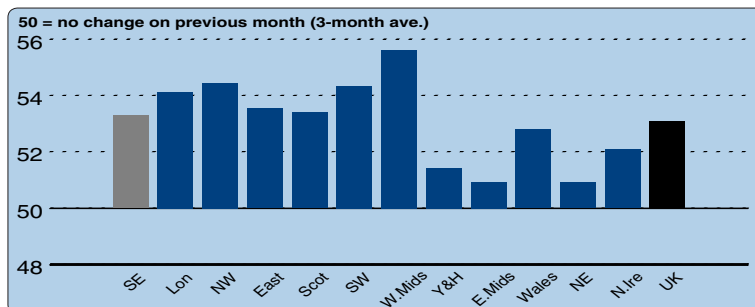
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded in all 12 UK regions during the three months to October. London posted the fastest pace of expansion, followed 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' Index*® (*PMI*®) surveys 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. *Purchasing Managers' Index*® (*PMI*®) surveys are 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).