



Lloyds Bank East of England 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 of England PMI® (Purchasing Managers' Index®) is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in November 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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9th December 2013

New order growth hits new record high

Key findings:

- Output increases at second-quickest pace in survey history
- Order intakes and backlogs of work rise at record pace
- Charges rise at sharpest rate in almost two-and-a-half years

East of England companies reported sharp rises in activity and new orders in November, with the latter expanding at the fastest rate since the survey began in 1997. Backlogs of work also accumulated at a record pace. Meanwhile, charge inflation accelerated to the quickest since June 2011, as companies responded to increased input costs.

Output and demand

The headline **Lloyds Bank Commercial Banking East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the nation's manufacturing and service sectors – registered 59.8 in November, down only fractionally from October's record high of 60.0. Activity rose for the twelfth consecutive month, with more than one-in-three panellists reporting growth.

New orders also rose in November, with the pace of expansion the quickest in the survey history and above the overall UK average. Anecdotal evidence suggested that growth in new business was linked to higher construction activity, stronger export demand and the securing of new clients.

Employment and backlogs

New order growth had imparted pressure on capacity in the East of England private sector, with backlogs of work accumulating at the quickest pace in the survey history. Work-in-hand rose for the fifth straight month and was centred around the services sector.

Meanwhile, employment levels rose at the second-fastest pace in over six-and-a-half years, as companies faced higher business requirements. More than one-in-five companies hired additional workers, while 7% shed staff.

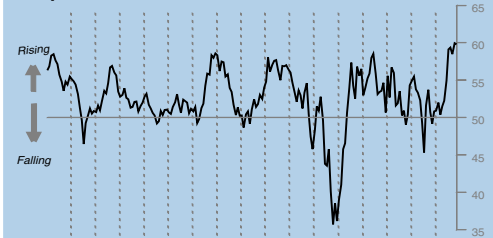
Input and output prices

Input costs continued to increase in November, but the rate of inflation eased slightly since October and was below the series average. Where a cost rise was reported, companies linked this to higher raw material prices and increased staff salaries.

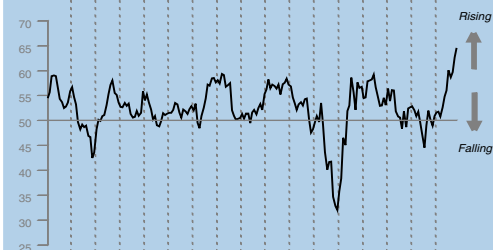
Selling prices at East of England companies also rose during the latest survey period. Charge inflation picked up since October and was the highest in almost two-and-a-half years. Panellists linked higher charges to increased input costs.

East of England Business Conditions

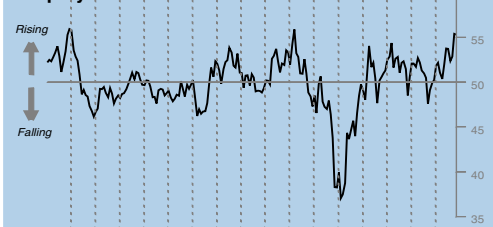
Output



Order Books



Employment



Input costs/prices charged

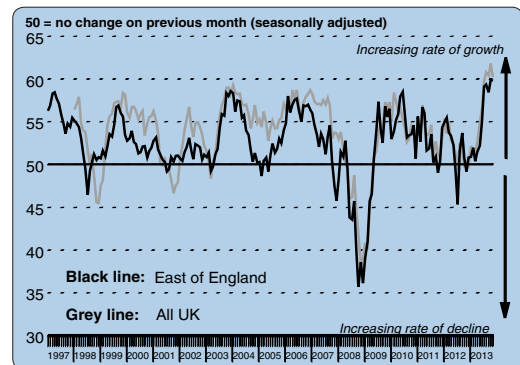




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	20.4	59.3	20.4	50.0	50.4	51.6
	Apr	30.2	48.3	21.6	54.3	51.5	52.7
	May	22.7	59.1	18.2	52.3	52.2	54.9
	Jun	28.7	53.0	18.3	55.2	55.0	56.6
	Jul	31.1	54.7	14.2	58.5	59.1	59.7
	Aug	26.6	55.0	18.3	54.1	59.4	60.8
	Sep	32.1	52.3	15.6	58.3	58.5	60.5
	Oct	29.6	59.3	11.1	59.3	60.0	61.8
	Nov	34.5	53.6	11.8	61.4	59.8	60.2

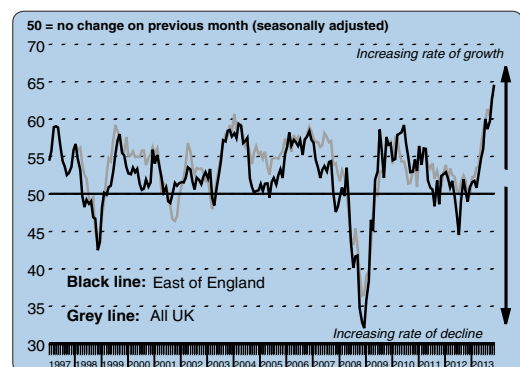


Activity rose sharply at East of England companies during November, with the seasonally adjusted Output Index posting well above the no-change mark of 50.0. The pace of expansion was down only fractionally from October's all-time high. Moreover, sector data suggested that output increased sharply in both the manufacturing and service sector. Companies linked higher activity to increased new business.

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 of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	25.9	53.6	20.5	52.7	50.9	53.5
	Apr	32.5	50.9	16.7	57.9	52.7	53.7
	May	26.6	56.0	17.4	54.6	54.8	56.6
	Jun	29.6	50.4	20.0	54.8	56.1	58.5
	Jul	36.8	41.5	21.7	57.5	60.1	59.7
	Aug	25.9	54.6	19.4	53.2	58.7	61.4
	Sep	32.4	52.8	14.8	58.8	59.7	60.5
	Oct	33.3	50.9	15.7	58.8	62.7	63.1
	Nov	33.3	52.8	13.9	59.7	64.6	63.3

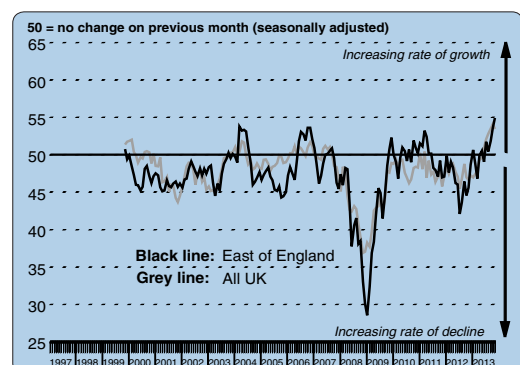


November data signalled a further increase in order intakes at East of England companies, with the rate of growth in new work accelerating to the sharpest in the series history. Exactly one-in-three panellists reported an expansion, while 14% indicated a decline. Higher construction activity, stronger export demand and the securing of new clients all contributed to the latest rise, according to survey respondents.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4
	May	14.7	70.6	14.7	50.0	50.6	49.6
	Jun	13.9	70.4	15.7	49.1	49.1	51.0
	Jul	19.8	63.4	16.8	51.5	51.8	52.1
	Aug	12.7	67.6	19.6	46.6	50.4	52.8
	Sep	17.2	67.7	15.2	51.0	51.9	53.5
	Oct	18.6	64.7	16.7	51.0	53.6	54.2
	Nov	18.1	65.7	16.2	51.0	55.0	53.5



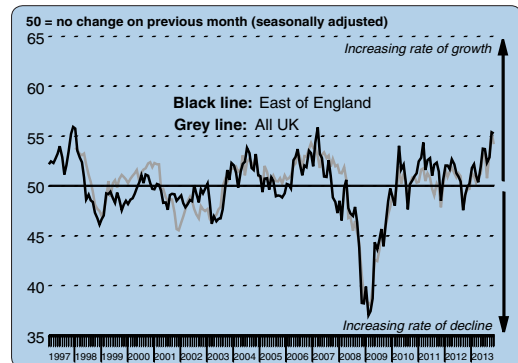
East of England companies reported a fifth successive rise in unfinished work in November. The rate of backlog accumulation was the highest recorded in the survey history and above the overall UK average, with 18% of survey respondents indicating a rise in work outstanding. According to panellists, sharp inflows of incoming new business accounted for most of the rise in work-in-hand.



Employment

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

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Mar	15.3	75.7	9.0	53.2	51.0
	Apr	16.5	72.2	11.3	52.6	51.0
	May	12.0	82.4	5.6	53.2	51.3
	Jun	14.2	80.5	5.3	54.4	53.1
	Jul	19.0	70.5	10.5	54.3	53.7
	Aug	16.8	74.8	8.4	54.2	52.4
	Sep	16.8	72.0	11.2	52.8	52.9
	Oct	17.0	76.4	6.6	55.2	55.4
	Nov	21.3	71.3	7.4	56.9	55.3

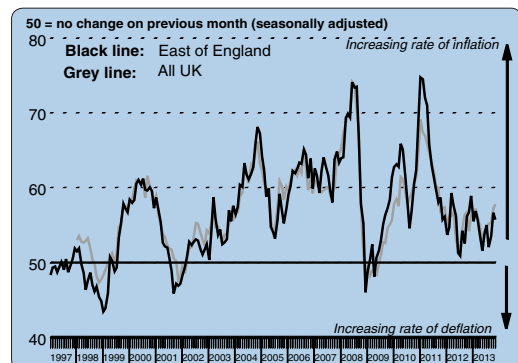


East of England companies continued to hire additional workers in November, with the rate of job creation broadly unchanged from October's 79-month high. Employment levels in the region rose to a greater extent than at the overall UK level. Moreover, more than one-in-five panel members reported higher staffing levels, while only 7% signalled a decline. Higher business requirements accounted for most of the latest job hiring, according to panellists.

Input Prices / Costs

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

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Mar	22.1	73.5	4.4	58.8	55.7
	Apr	16.4	77.6	6.0	55.2	53.7
	May	10.0	80.9	9.1	50.5	51.6
	Jun	13.0	83.5	3.5	54.8	53.8
	Jul	11.3	83.0	5.7	52.8	55.0
	Aug	13.0	78.7	8.3	52.3	52.1
	Sep	11.9	85.3	2.8	54.6	53.5
	Oct	13.9	83.3	2.8	55.6	56.7
	Nov	10.0	83.6	6.4	51.8	55.8

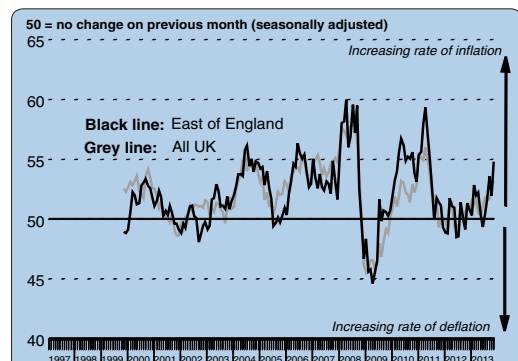


Average cost burdens rose further in November, as highlighted by the seasonally adjusted Input Prices Index registering above the neutral 50.0 threshold. Inflation eased since October and was below the long-run series average. According to anecdotal evidence, much of the cost rise was attributed to higher raw material prices and increased staff costs. Sector data suggested that costs rose in both the manufacturing and service 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 of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Mar	12.4	79.6	8.0	52.2	52.0
	Apr	11.3	86.1	2.6	54.3	52.2
	May	2.8	93.5	3.7	49.5	50.4
	Jun	6.1	85.1	8.8	48.7	49.4
	Jul	4.8	91.3	3.8	50.5	50.4
	Aug	6.5	86.1	7.4	49.5	51.6
	Sep	12.8	84.4	2.8	55.0	53.6
	Oct	7.5	85.8	6.6	50.5	52.0
	Nov	6.4	90.0	3.6	51.4	54.8

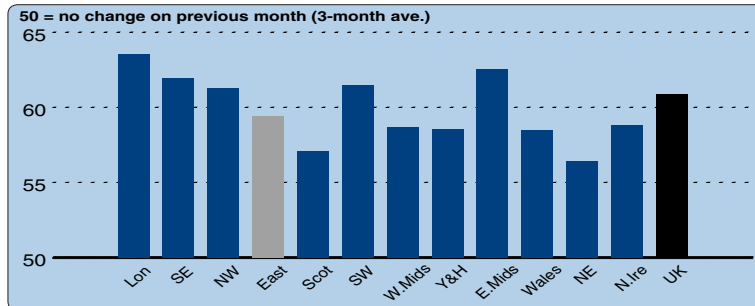


Companies in the East of England raised their charges for a fifth successive month in November. The rate of charge inflation picked up since October and accelerated to the highest since June 2011. Companies linked the rise in selling prices to increased input costs. Data from the sector level suggested that manufacturers and service providers both raised their charges.



Regional Comparisons: Output

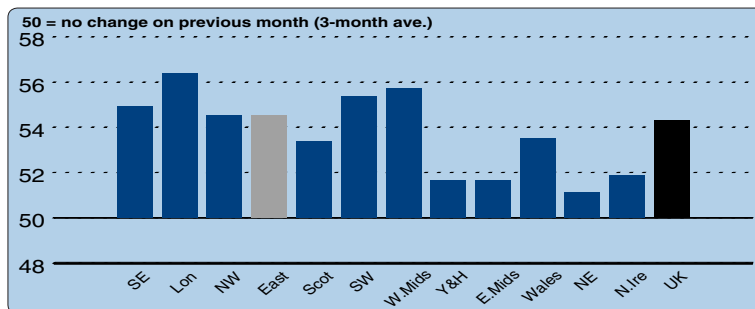
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed by the East Midlands.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	57.5	63.5	62.6
South East	(14.7%)	56.2	62.0	63.3
North West	(9.5%)	56.2	61.3	60.0
East of England	(8.7%)	55.0	59.4	59.8
Scotland	(8.3%)	54.8	57.1	55.2
South West	(7.7%)	55.3	61.5	62.1
West Midlands	(7.3%)	54.7	58.7	59.6
Yorks & Humber	(7.0%)	56.0	58.6	56.9
East Midlands	(6.4%)	55.8	62.6	62.8
Wales	(3.6%)	56.1	58.5	57.2
North East	(3.2%)	52.4	56.4	57.6
N.Ireland	(2.2%)	52.5	58.8	60.2
UK	(100.0%)	56.0	60.8	60.2

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). Higher levels of employment were indicated in all UK regions during the three months to November. Job creation was strongest in London and the West Midlands.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	52.6	54.9	55.0
London	(12.3%)	52.5	56.4	57.7
North West	(10.9%)	51.8	54.5	53.6
East of England	(9.6%)	52.6	54.5	55.3
Scotland	(8.7%)	52.0	53.4	53.3
South West	(8.6%)	52.2	55.4	56.1
West Midlands	(8.6%)	53.4	55.8	55.5
Yorks & Humber	(8.2%)	50.5	51.6	51.0
East Midlands	(7.3%)	51.3	51.7	52.4
Wales	(4.6%)	52.0	53.5	52.3
North East	(3.9%)	50.4	51.1	51.6
N.Ireland	(2.7%)	49.9	51.9	51.2
UK	(100.0%)	52.1	54.3	54.2

PMI Survey Methodology

PMI surveys

The Purchasing Managers' Index (or PMI) is a monthly survey 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.