



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 November 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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9th December 2013

Sharpest expansion of business activity since March 2011

Key findings:

- New orders increase at the fastest pace in over three-and-a-half years
- Moderate expansion of payroll numbers
- Solid accumulation of work-in-hand

Latest data signalled a further sharp expansion of business activity at North East private sector firms in November. Growth was supported by the sharpest intake of new business since March 2010, though employment levels rose at only a modest pace. Consequently, backlogs of work increased solidly over the month. On the prices front, input costs and output charges both rose at faster rates.

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 57.6 in November, up from 55.3 in October. This signalled the strongest expansion of business activity in the North East private sector in 32 months. However, output growth remained weaker than that recorded across the UK private sector economy as a whole.

Total new orders placed at North East private sector firms also increased over the month in November. Furthermore, the rate of new order growth was the sharpest since March 2010. Sector data indicated that both manufacturers and service providers saw higher volumes of new business, amid reports of stronger client demand. That said, new order growth was quicker across the UK private sector economy as a whole than in the North East.

Employment and backlogs

Private sector firms in the North East raised their staffing levels for the fifth successive month in November. Though modest, it was one of the strongest rates of job creation in nearly two years. Sector data indicated that payroll growth was centred on service providers in the region.

Backlogs of work at North East private sector companies rose again in November. Moreover, the rate of accumulation was unchanged from the previous month and solid overall.

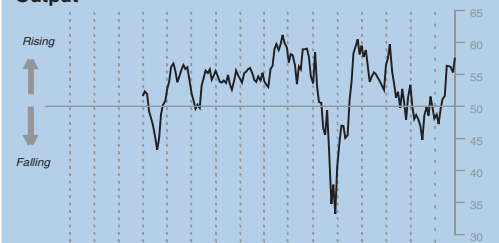
Input and output prices

Average input costs faced by private sector companies in the North East rose solidly in November. However, inflation in the region was below the UK private sector economy average.

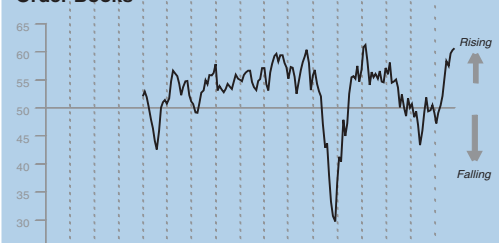
Similarly, selling prices increased at a faster rate in November, with a number of panellists citing higher cost burdens.

North East Business Conditions

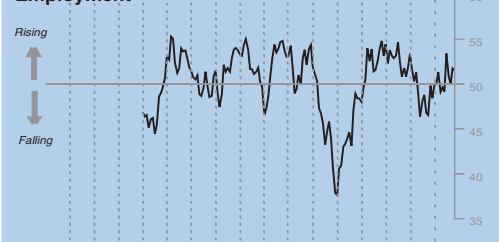
Output



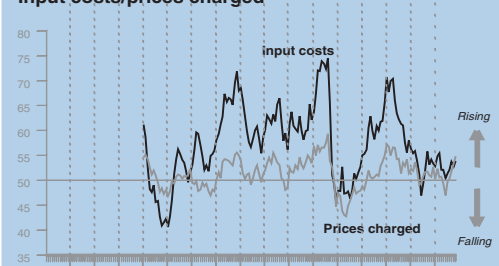
Order Books



Employment



Input costs/prices charged

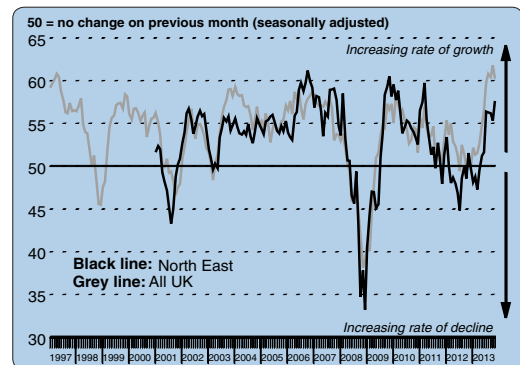




Output / Business Activity

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	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	60.5
	Oct	23.4	63.8	12.8	55.3	55.3	61.8
	Nov	25.0	59.1	15.9	54.5	57.6	60.2

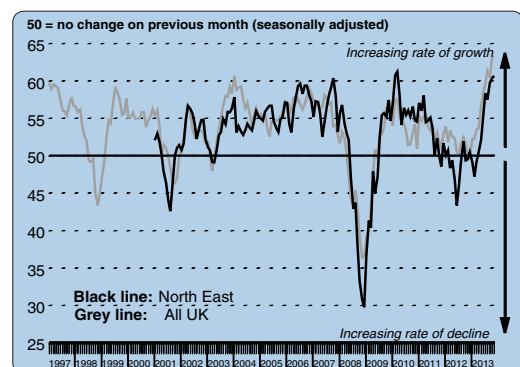


The seasonally adjusted Output/Business Activity Index signalled the sharpest expansion of North East private sector output since March 2011 in November. Growth was linked by panellists to greater volumes of new business, and one-in-four surveyed firms noted an increased level of business activity since October. That said, the rate of output growth in the region was weaker than that recorded 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	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	58.5
	Jul	31.3	54.2	14.6	58.3	58.4	59.7
	Aug	23.8	57.1	19.0	52.4	57.5	61.4
	Sep	36.4	47.7	15.9	60.2	59.8	60.5
	Oct	38.3	40.4	21.3	58.5	60.4	63.1
	Nov	31.8	50.0	18.2	56.8	60.7	63.3

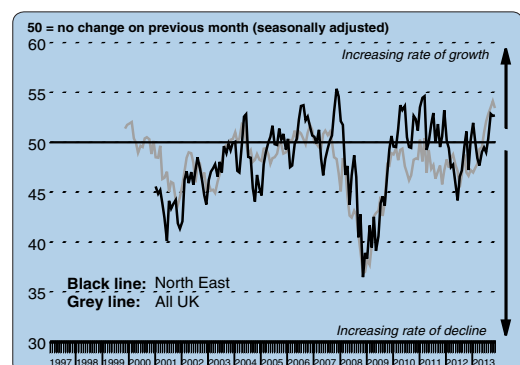


Private sector firms in the North East reported a further sharp intake of new business in November, with the rate of growth accelerating to a 44-month high. The expansion of new order books was largely centred on service providers in the region, though manufacturers also noted a solid increase. According to a number of surveyed firms, stronger client demand boosted new business in the latest survey period. As was the case with output, however, the rate at which new orders increased was sharper across the UK private sector economy as a whole.

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	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
	Nov	18.4	68.4	13.2	52.6	52.7	53.5



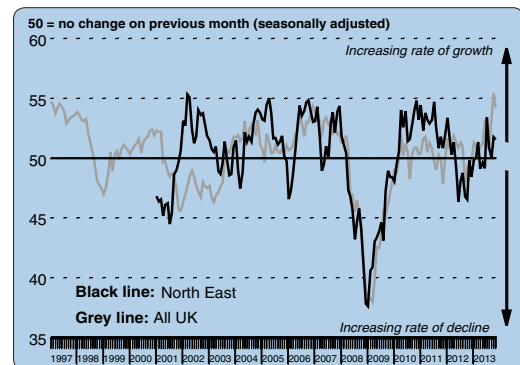
Backlogs of work at North East private sector companies increased for the fourth successive month in November. The rate of accumulation, though weaker than the UK private sector economy average, was unchanged from the previous month and solid overall. Higher levels of work-in-hand were predominantly reported by service providers in the region, a number of which linked the increase to greater volumes of new orders.



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	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	51.0
	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	53.3
	Aug	20.9	72.1	7.0	57.0	50.9	50.8
	Sep	15.6	68.9	15.6	50.0	50.1	53.3
	Oct	17.0	72.3	10.6	53.2	51.8	55.4
	Nov	9.1	79.5	11.4	48.9	51.6	54.2

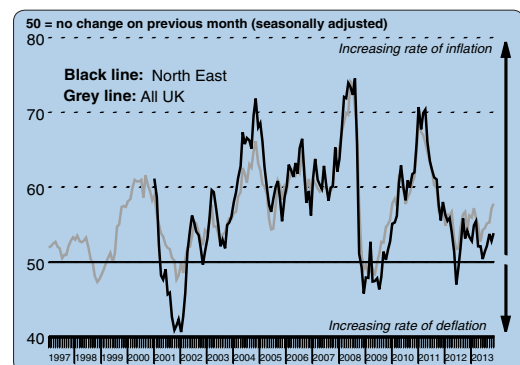


After adjusting for seasonality, the Employment Index signalled an expansion of payroll numbers in the North East private sector economy during November. Though modest, the rate of job creation was one of the strongest recorded in the past two years. Job creation was centred on the region's service sector. Meanwhile, employment levels rose solidly across the UK private sector economy as a whole.

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	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	55.2
	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
	Nov	7.0	90.7	2.3	52.3	53.9	57.8

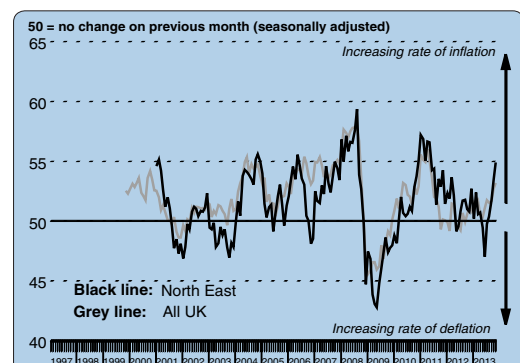


Average input costs faced by North East private sector firms increased again in November, extending the current sequence of inflation to 16 months. Though solid, the rate of input price inflation in the region was substantially weaker than that recorded across the UK private sector economy as a whole. Notably, it was one of the strongest rates of inflation in the North East private sector in 2013 so far, with a number of panellists citing increased labour costs and energy prices.

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	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
	Nov	9.3	90.7	0.0	54.7	54.9	53.2

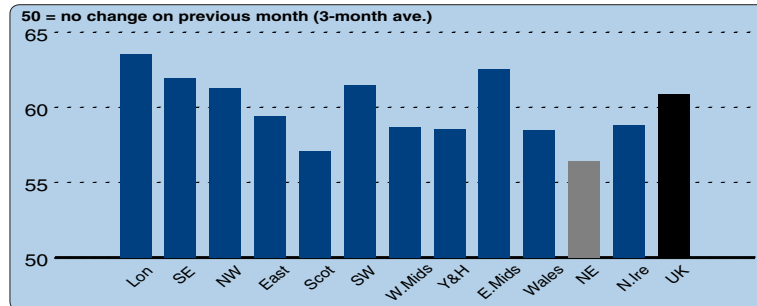


Firms operating in the North East private sector raised their selling prices for the fourth successive month in November. The rate of output charge inflation quickened to a marked pace that was the strongest in 30 months. Furthermore, the rate of increase was quicker than that recorded in the UK private sector economy as a whole. According to anecdotal evidence, a number of firms raised their tariffs to pass on higher input costs to clients.



Regional Comparisons: Output

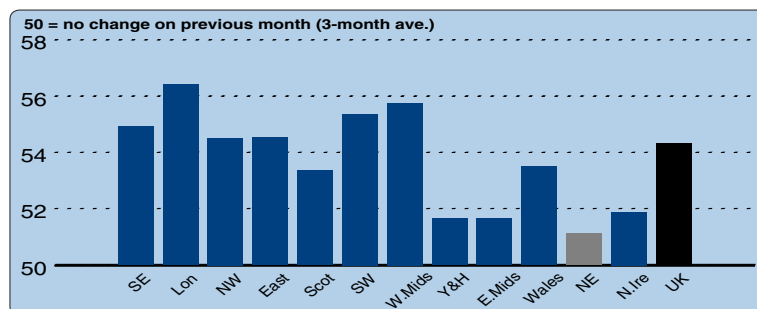
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed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

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.