



# 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.

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 West 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 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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9th December 2013

## Output and new orders expand at robust rates

### Key findings:

- Business activity growth above survey average
- Incoming new work increases for tenth month running
- Job creation sustained in November

Business conditions in the North West private sector economy improved further in November, as output and new business continued to grow at robust rates. This led companies to hire additional workers for the seventh month in a row.

### Output and demand

Adjusted for seasonal factors, the Lloyds Bank Commercial Banking North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – posted 60.0 in November (October: 61.5), indicating a further improvement in business activity and one that remained above the long-run survey average. Evidence from survey participants highlighted better economic conditions and new contract wins.

Despite easing since the previous month, the rate of new business growth was marked. Moreover, the latest rise in new orders was the tenth in as many months. Panellists commented on improved client confidence, alongside stronger domestic and foreign demand. As with the trend for output, incoming new work rose at both manufacturers and service providers.

### Employment and backlogs

Employment increased for the seventh month in a row in November. The rate of job creation was the weakest since August, but was nonetheless solid. Companies indicated that payroll numbers rose in tandem with new business growth.

Amid reports of capacity constraints, some raw material shortages and strong new business growth, backlogs of work increased in November. However, the overall pace of accumulation was only marginal and the weakest in the current five-month period of expansion.

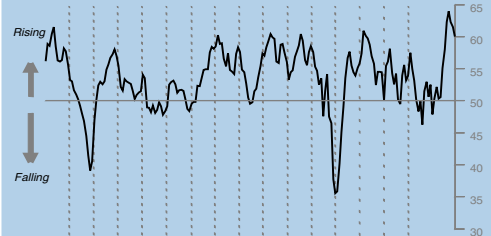
### Input and output prices

Average purchase costs rose further in November, with panellists reporting higher prices paid for energy and raw materials in general. The overall rate of cost inflation was sharp, but eased since October. Moreover, the latest rise in purchase prices was faster than the UK average.

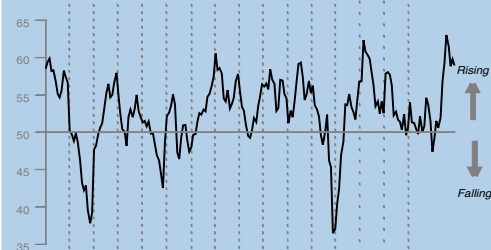
Additional cost burdens were passed on to clients, as average tariffs rose further in November. The rate of charge inflation across the region was weaker than that seen for costs, but accelerated to the strongest since August 2011.

### North West Business Conditions

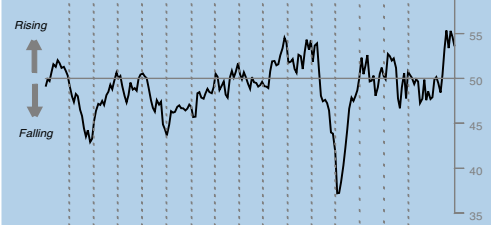
#### Output



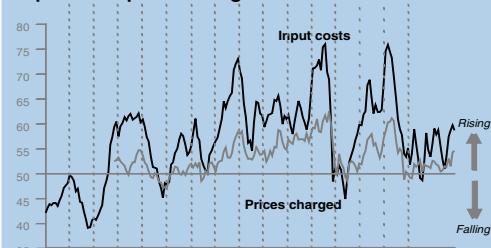
#### Order Books



#### Employment



#### Input costs/prices charged

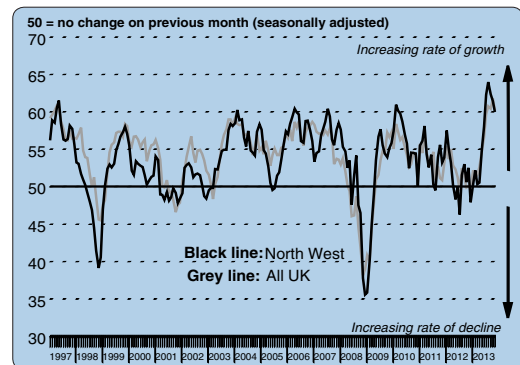




## Output / Business Activity

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	60.5
	Oct	30.5	56.8	12.6	58.9	61.5	61.8
	Nov	38.5	42.9	18.7	59.9	60.0	60.2

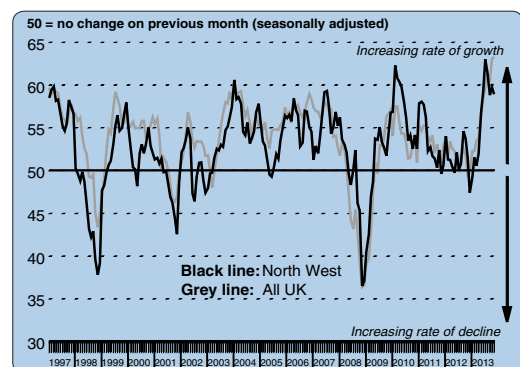


Private sector output across the North West rose in November, stretching the current sequence of expansion to 11 months. The overall pace of increase eased to the weakest since June, but nonetheless remained robust and stronger than the long-run series average. Broad-based growth was registered in the latest month, with both manufacturing and services companies indicating higher business activity. Panellists commented on new contract wins and better economic conditions.

## 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	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	58.5
	Jul	40.2	53.6	6.2	67.0	63.0	59.7
	Aug	28.7	47.9	23.4	52.7	61.6	61.4
	Sep	35.4	48.5	16.2	59.6	58.8	60.5
	Oct	31.6	48.4	20.0	55.8	59.8	63.1
	Nov	36.3	35.2	28.6	53.8	58.9	63.3

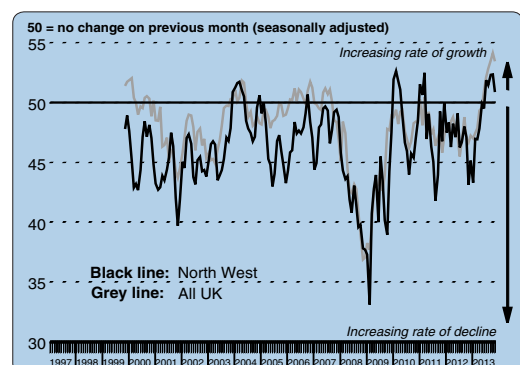


New business placed at private sector firms in the North West increased for the tenth month running in November. The overall rate of expansion was marked, although slower than seen in October. As with the trend for output, incoming new work rose at both manufacturers and service providers. Evidence from survey participants highlighted improved client confidence, strengthening demand conditions and higher new orders from abroad.

## 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	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
	Nov	16.3	61.6	22.1	47.1	50.9	53.5



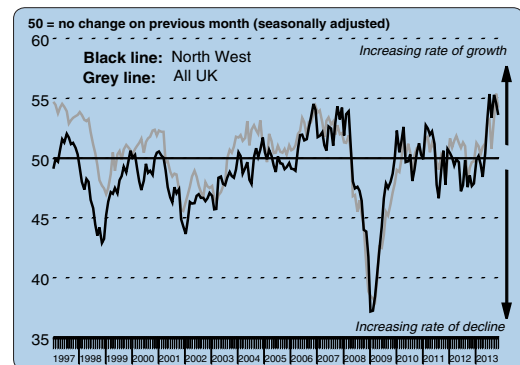
Amid reports of capacity constraints, raw material shortages and higher levels of incoming new orders, backlogs of work in the North West private sector economy rose in November. This was indicated by the seasonally adjusted Business Outstanding Index posting below the 50.0 no-change mark. That said, the overall pace of growth was only marginal and the weakest in the current five-month sequence of accumulation. Backlogs rose at both services and manufacturing firms.



## 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	Mar	12.4	76.3	11.3	50.5	49.5	50.3
	Apr	7.0	84.0	9.0	49.0	48.5	51.0
	May	11.7	81.9	6.4	52.7	50.4	51.3
	Jun	16.0	78.7	5.3	55.3	53.2	53.1
	Jul	18.6	76.3	5.2	56.7	55.4	53.3
	Aug	19.1	75.5	5.3	56.9	53.4	50.8
	Sep	24.2	71.7	4.0	60.1	55.3	53.3
	Oct	17.0	75.5	7.4	54.8	54.6	55.4
	Nov	16.5	75.8	7.7	54.4	53.6	54.2

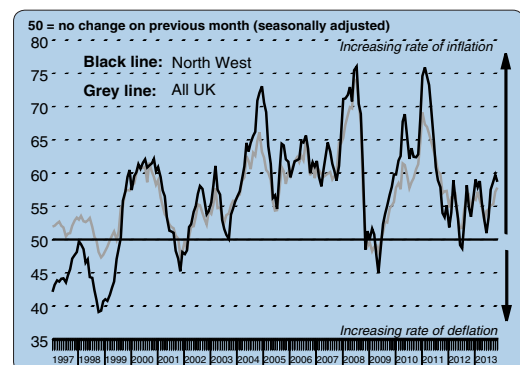


November data indicated that private sector employment in the North West increased for the seventh successive month. Although easing for the second successive month, the rate of job creation remained marked as manufacturing and services companies both signalled growth. Anecdotal evidence suggested that workforce numbers were raised in line with sustained rises in new business volumes.

## 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	Mar	31.6	66.3	2.0	64.8	58.8	55.9
	Apr	22.0	67.0	11.0	55.5	55.5	54.9
	May	17.0	76.6	6.4	55.3	52.9	52.8
	Jun	11.7	79.8	8.5	51.6	51.0	54.3
	Jul	15.5	69.1	15.5	50.0	53.3	54.5
	Aug	22.3	72.3	5.3	58.5	57.5	55.2
	Sep	22.0	72.0	6.0	58.0	58.7	55.3
	Oct	21.9	69.8	8.3	56.8	59.7	57.2
	Nov	16.5	72.5	11.0	52.7	58.7	57.8

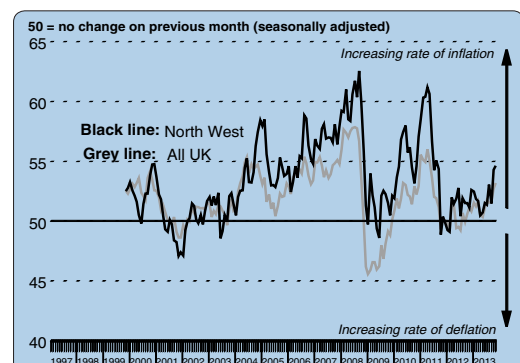


Companies operating in the North West private sector indicated that average purchase prices rose in November. The overall rate of cost inflation was sharp and stronger than the UK-wide trend, but nevertheless eased since the previous month. Almost 17% of panellists reported higher input costs and largely commented that raw materials and energy had increased in price since October.

## 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	Mar	9.1	82.8	8.1	50.5	51.7	51.7
	Apr	9.9	83.2	6.9	51.5	50.5	50.5
	May	9.5	85.3	5.3	52.1	50.7	50.4
	Jun	7.4	86.3	6.3	50.5	51.5	51.1
	Jul	5.1	90.8	4.1	50.5	51.4	51.8
	Aug	5.3	93.7	1.1	52.1	53.1	51.6
	Sep	8.0	88.0	4.0	52.0	51.5	51.7
	Oct	10.5	87.4	2.1	54.2	54.3	52.7
	Nov	13.3	80.0	6.7	53.3	54.6	53.2

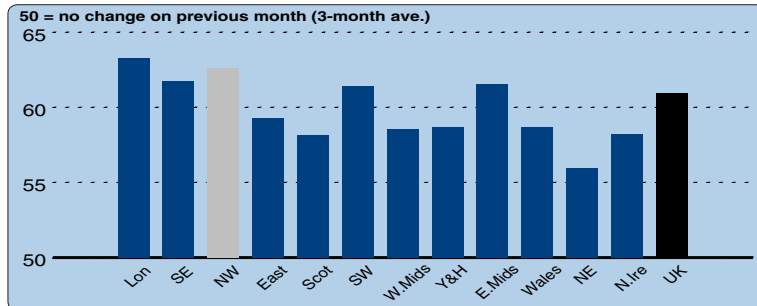


As part of efforts to protect margins in view of higher cost burdens, North West private sector firms raised their selling prices again in November. The rate of charge inflation was robust and the strongest since August 2011. Tariffs were raised by both manufacturing and services companies in the latest month. Meanwhile, the rate of output price inflation across the UK private sector reached a 29-month record.



Regional Comparisons: Output

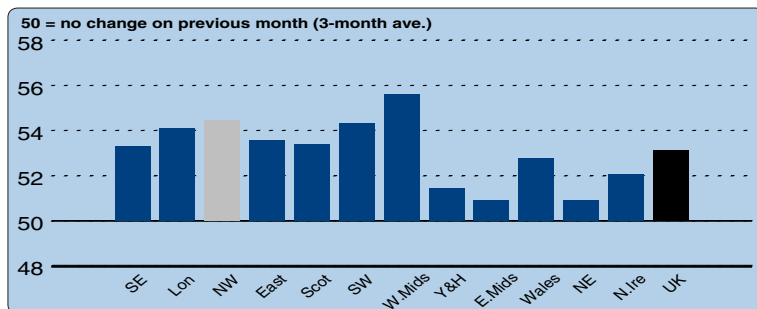
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed 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
<b>UK</b>	<b>(100.0%)</b>	<b>56.0</b>	<b>60.8</b>	<b>60.2</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). 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
<b>UK</b>	<b>(100.0%)</b>	<b>52.1</b>	<b>54.3</b>	<b>54.2</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.