



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 November 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

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9th December 2013

Record growth in activity, new orders and backlogs

Key findings:

- Record business activity growth at private sector firms
- New order growth hits record high
- Rate of job creation remains solid

The latest PMI® data from Lloyds Bank Commercial Banking signalled the sharpest growth in South East private sector business activity, new orders and backlogs since data collection began in January 1997. Anecdotal evidence indicated that the respective expansions were driven by increases in both domestic and foreign demand.

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 – increased further to 63.3 in November, up from 61.9 in October. The rate of growth accelerated for the second month running, to the sharpest since the series began in January 1997. The latest increase was attributed by respondents to higher domestic and foreign demand as well as a rise in the number of projects undertaken.

New order growth also registered a series high in November, having accelerated for the second consecutive month. Panellists cited new projects and increased demand from Ireland, the Asia-Pacific region and the US as key factors behind higher order intakes.

Employment and backlogs

In line with the trends in output and new orders, backlogs of work expanded at the sharpest rate on record in November. Conducting previously outsourced work in-house, production challenges and increased export orders were highlighted by respondents as primary causes of the accumulation of business outstanding.

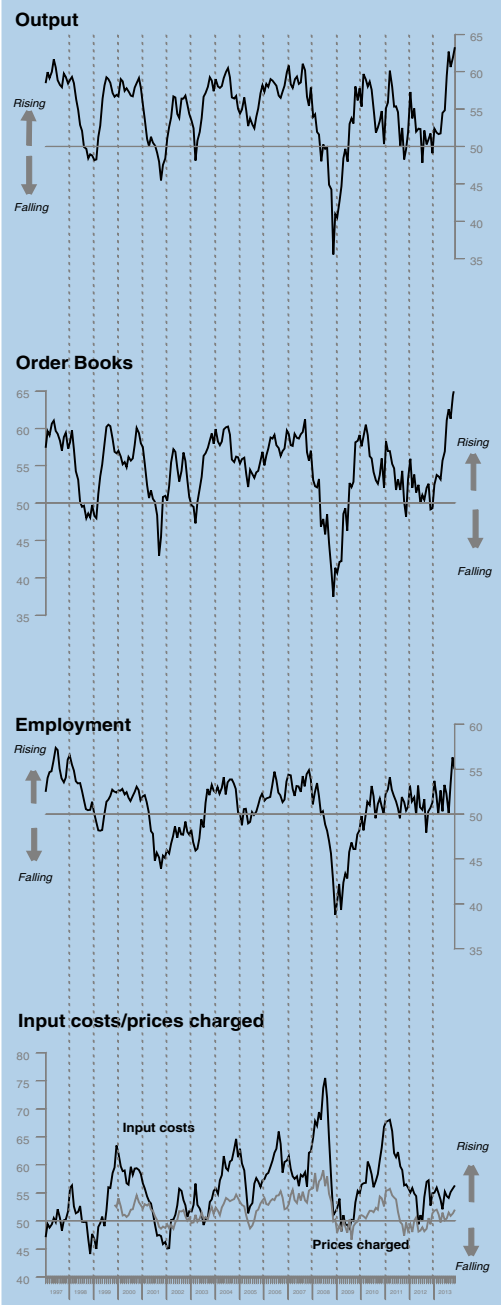
Private sector employment in the South East rose for the eighth consecutive month and at a faster rate than the UK average. Respondents partially attributed the latest rise in payroll numbers to increased demand and the introduction of new product ranges.

Input and output prices

November marked the sixteenth successive month of input price inflation, with the pace having accelerated to the fastest recorded in just over a year.

Meanwhile, output prices increased at the fastest pace since June 2011, but one that remained weaker than the UK average. Whilst manufacturers recorded a solid increase in charges, service providers saw a marginal fall.

South East Business Conditions

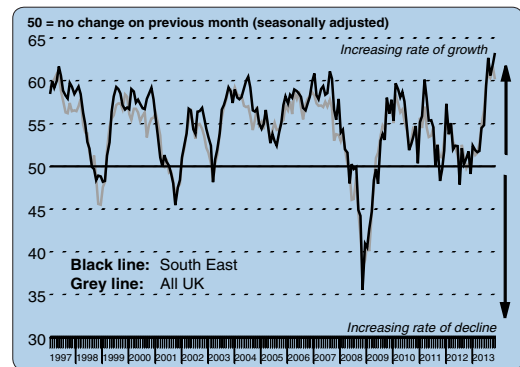




Output / Business Activity

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			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	60.5
	Oct	35.0	49.7	15.3	59.8	61.9	61.8
	Nov	39.1	49.7	11.2	63.9	63.3	60.2

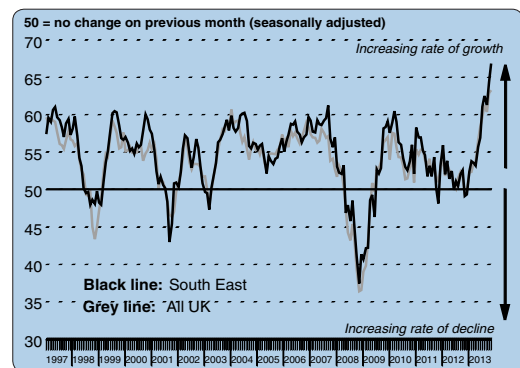


Business activity in the South East private sector rose in November, at the sharpest rate since this series began in January 1997. Moreover, the pace of expansion was sharper than the UK average. The latest increase was the eleventh in successive months, and attributed by a number of respondents to the introduction of new product ranges, higher demand both domestically and from abroad, and a rise in the number of projects undertaken. Steep expansions were registered across the private sector, with manufacturing output growing at a faster pace than service sector business activity.

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			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	58.5
	Jul	37.2	49.2	13.7	61.7	61.1	59.7
	Aug	38.1	46.0	15.9	61.1	62.6	61.4
	Sep	34.9	50.9	14.2	60.4	61.3	60.5
	Oct	40.1	41.2	18.7	60.7	64.4	63.1
	Nov	40.2	50.9	8.9	65.7	66.9	63.3

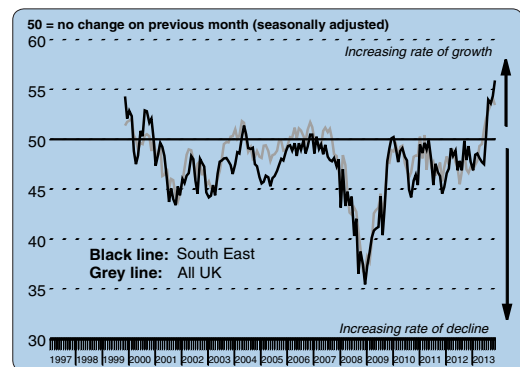


Growth in private sector new orders in the South East also registered a series high in November, having accelerated for the second consecutive month. In accordance with the trends seen in business activity, new orders also rose for the eleventh consecutive month, with a slightly sharper increase was registered at manufacturers than at service providers. Panellists largely attributed the latest month's growth to new projects and increased demand from Ireland, the Asia-Pacific region and the US.

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			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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
	Nov	22.9	63.1	14.0	54.5	55.9	53.5



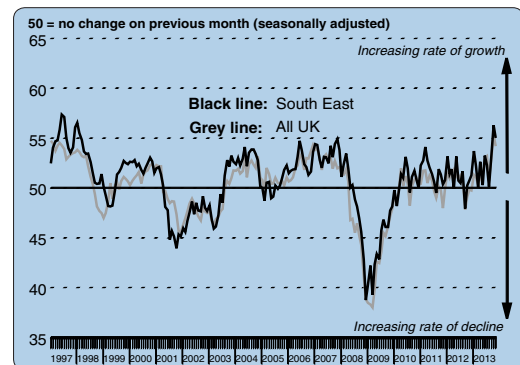
November saw private sector firms in the South East accumulate backlogs of work at an unprecedented pace, as the rate of growth in business outstanding hit a survey-high. The pace of expansion was sharper than that recorded across the UK as a whole. Moreover, November marked the fifth consecutive month of increased backlogs of work, the longest sequence of growth since December 2000. Respondents cited an increase in in-house work, production challenges and increased export orders as key drivers behind the latest increase in business outstanding.



Employment

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	12.4	76.2	11.4	50.5	50.0	50.3
	Apr	16.1	73.9	10.0	53.1	52.7	51.0
	May	12.6	73.6	13.7	49.5	50.3	51.3
	Jun	17.3	73.2	9.5	53.9	53.3	53.1
	Jul	15.2	75.0	9.8	52.7	52.3	53.3
	Aug	18.4	72.1	9.5	54.5	50.1	50.8
	Sep	17.3	73.8	8.9	54.2	53.4	53.3
	Oct	16.4	76.0	7.7	54.4	56.3	55.4
	Nov	18.3	74.6	7.1	55.6	55.0	54.2

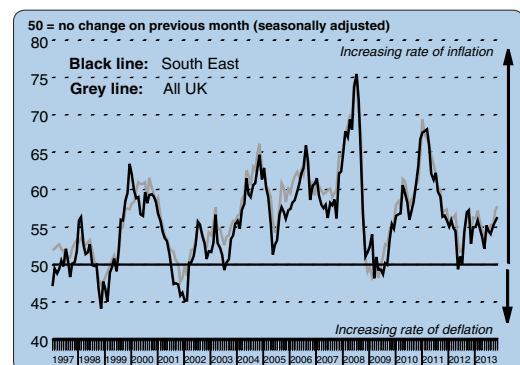


Employment rose for the eighth consecutive month in November. Whilst the rate of growth remained solid and was faster than the UK average, it had eased slightly from October's near 16-year high. South East service providers and manufacturers both saw solid growth in November, with the latter outpacing the former by a small margin. Anecdotal evidence indicated that the most recent recruitment was largely driven by the introduction of new product ranges and increased demand.

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			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	16.3	81.0	2.7	56.8	54.9	55.9
	Apr	18.8	77.3	3.9	57.5	53.8	54.9
	May	12.6	80.3	7.1	52.7	52.1	52.8
	Jun	14.0	80.4	5.6	54.2	55.2	54.3
	Jul	13.1	80.9	6.0	53.6	54.5	54.5
	Aug	10.6	84.4	5.0	52.8	54.1	55.2
	Sep	15.4	79.9	4.7	55.3	55.2	55.3
	Oct	12.6	83.6	3.8	54.4	55.8	57.2
	Nov	13.7	82.7	3.6	55.1	56.3	57.8

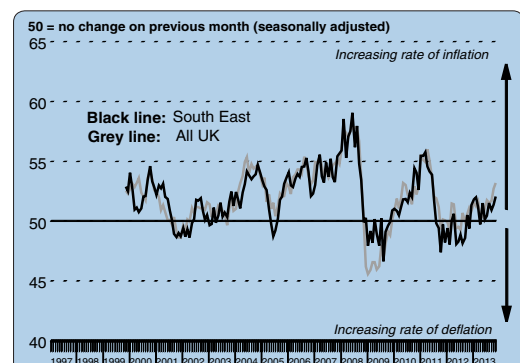


Input cost inflation was evident for the sixteenth consecutive month in November. The pace at which input prices rose accelerated to the sharpest since October 2012, but nevertheless remained weaker than the UK average for a fourth successive month. Panellists cited increases in rents, energy prices, food and salaries as contributory factors behind the latest inflation. At the sector level, service providers registered a sharper pace of inflation than manufacturers in November.

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			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Mar	6.0	89.1	4.9	50.5	51.2	51.7
	Apr	8.8	86.2	5.0	51.9	49.7	50.5
	May	10.4	84.1	5.5	52.5	51.5	50.4
	Jun	5.1	87.6	7.3	48.9	50.2	51.1
	Jul	7.6	85.3	7.1	50.3	50.5	51.8
	Aug	4.5	91.0	4.5	50.0	51.5	51.6
	Sep	4.2	88.7	7.1	48.5	51.0	51.7
	Oct	5.0	90.6	4.4	50.3	51.4	52.7
	Nov	4.1	91.1	4.7	49.7	52.1	53.2

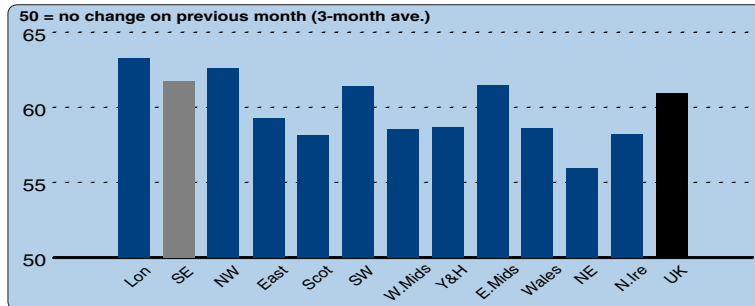


The pace at which private sector output prices increased in November was the sharpest since June 2011, but remained weaker than that registered across the UK as a whole. This was the seventh consecutive month of inflation in prices charged in the South East. Anecdotal evidence from the 4% of respondents that reported a rise in output charges pointed to increased costs of staff being passed on to clients as a key contributory factor. Whilst manufacturers recorded a solid increase in output prices, service providers registered a marginal reduction.



Regional Comparisons: Output

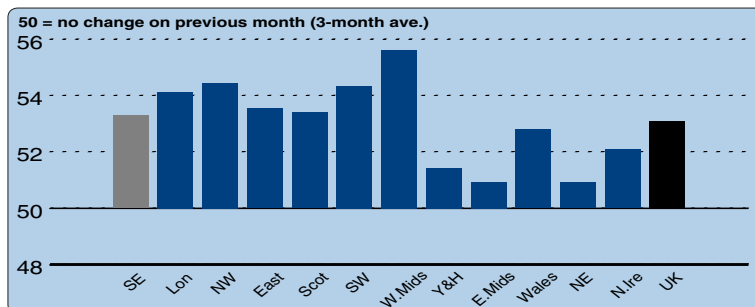
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions recorded sharp rises in business activity on average in the three months to November. The fastest rate of expansion was in London, followed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

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.