



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 December 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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13th January 2014

Sharp rate of output growth maintained in December

Key findings:

- Activity and new orders rise sharply
- Further solid increase in workforce numbers
- Charges rise at second-quickest pace in 30 months

December data signalled further sharp increases in output and new orders at East of England companies, with the rates of expansion among the fastest in the series history. Meanwhile, employment levels continued to rise and output charges increased at the second-sharpest rate since June 2011.

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 region's manufacturing and service sectors – signalled a further sharp rise in activity at East of England companies. At 59.7, the latest reading was broadly unchanged from November's 59.8 and among the highest in the series history.

Order book volumes continued to rise in December. The rate of expansion eased slightly since November, but remained above the overall UK average and was among the sharpest recorded in the survey history. Panel members reported that the latest rise in new orders was mainly domestically driven, reflecting greater confidence about the economic outlook. Furthermore, improved marketing had also contributed to the expansion.

Employment and backlogs

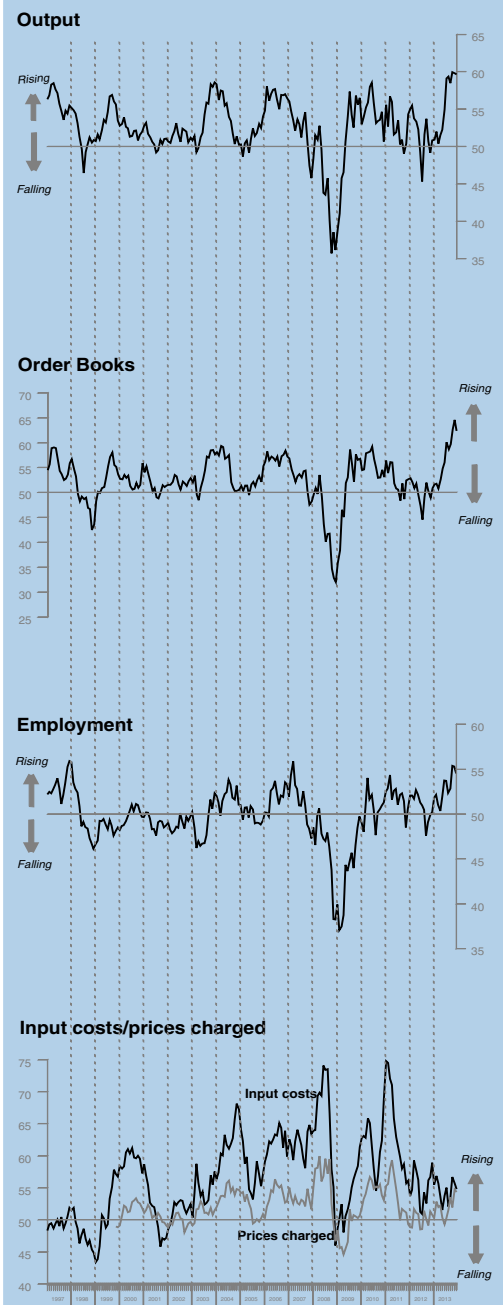
Employment levels rose further in December, with 17% of companies hiring additional workers over the month. Despite easing since November, the latest rate of job creation remained well above the long-run series average. Higher workloads was the main driver of the latest rise in staffing levels.

Backlogs of work accumulated for a sixth straight month during December with sector data suggesting that the rise was centred around the services economy.

Input and output prices

Rising cost burdens persisted into December, as companies faced higher energy costs and increased prices for some raw materials. The overall rate of cost inflation eased, however, to the weakest in three months. In response to higher input costs, East of England companies raised their charges in December. Charge inflation in the region was higher than across the UK as a whole, although down marginally since the previous survey period.

East of England Business Conditions

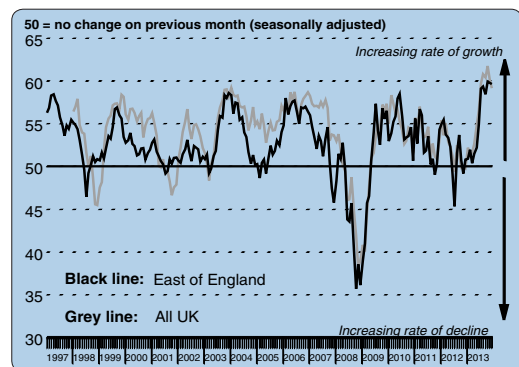




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	60.4
	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
	Dec	30.3	52.1	17.6	56.3	59.7	59.2

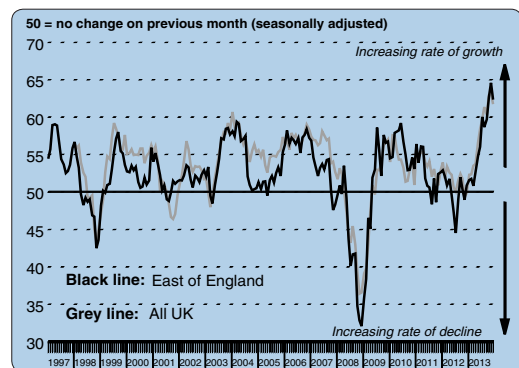


East of England companies reported a further sharp rise in activity in December, with the rate of growth broadly unchanged from November and still among the sharpest recorded in the survey history. Furthermore, the region outperformed the UK as a whole for the first time in ten months. Companies partly attributed increased output to relatively mild December weather and new contract wins.

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	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	58.4
	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	60.4
	Oct	33.3	50.9	15.7	58.8	62.7	63.0
	Nov	33.3	52.8	13.9	59.7	64.6	63.2
	Dec	26.7	55.2	18.1	54.3	62.4	61.8

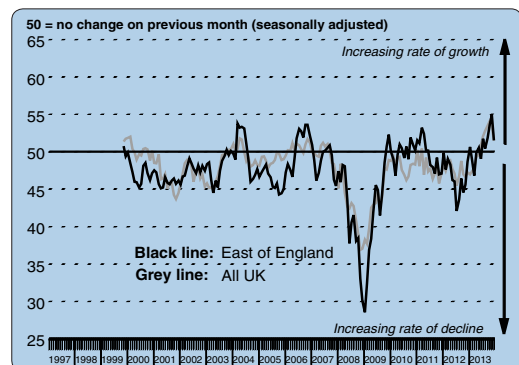


Order intakes continued to increase in December, as highlighted by the seasonally adjusted New Orders Index registering above the 50.0 no-change mark. While the pace of expansion eased to the slowest since September, the latest increase was still the third-sharpest in the series history. Anecdotal evidence suggested that the latest increase was domestically driven, and underpinned by improving confidence in the economic outlook.

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	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
	Dec	12.4	64.6	23.0	44.7	51.5	51.5

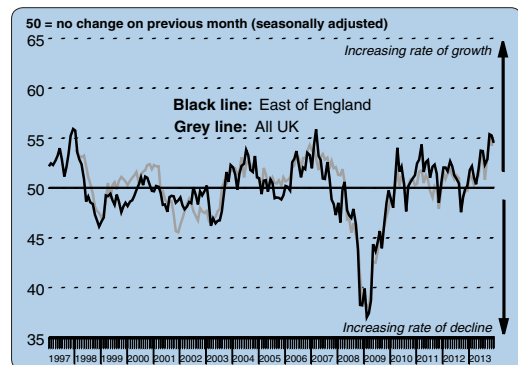


After adjusting for seasonal factors, volumes of unfinished work at East of England companies rose in December. Backlogs of work have now accumulated for a sixth month in succession, although the latest increase was the slowest since September. Sector data suggested that a depletion of work-in-hand at manufacturing companies was offset by an accumulation at service providers. Moreover, the latest rate of backlog accumulation was in line with the overall UK average.

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	S.Adj'd Ind
2013	Apr	16.5	72.2	11.3	52.6	50.4	51.0
	May	12.0	82.4	5.6	53.2	52.0	51.3
	Jun	14.2	80.5	5.3	54.4	53.8	53.1
	Jul	19.0	70.5	10.5	54.3	53.7	53.3
	Aug	16.8	74.8	8.4	54.2	52.4	50.8
	Sep	16.8	72.0	11.2	52.8	52.9	53.3
	Oct	17.0	76.4	6.6	55.2	55.4	55.4
	Nov	21.3	71.3	7.4	56.9	55.3	54.3
	Dec	16.9	74.6	8.5	54.2	54.5	54.9

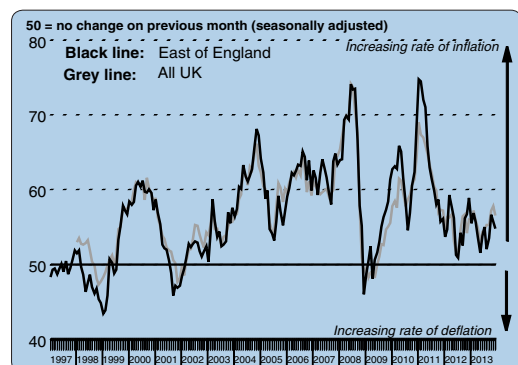


December saw a further rise in employment levels at East of England companies, extending the current sequence of job creation to 13 months. The latest increase was the weakest in three survey periods, but remained well above the series average. Moreover, both manufacturers and service providers reported higher staffing levels, mainly linking this to increased workloads.

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	S.Adj'd Ind
2013	Apr	16.4	77.6	6.0	55.2	53.7	54.9
	May	10.0	80.9	9.1	50.5	51.6	52.8
	Jun	13.0	83.5	3.5	54.8	53.8	54.4
	Jul	11.3	83.0	5.7	52.8	55.0	54.6
	Aug	13.0	78.7	8.3	52.3	52.1	55.3
	Sep	11.9	85.3	2.8	54.6	53.5	55.3
	Oct	13.9	83.3	2.8	55.6	56.7	57.2
	Nov	10.0	83.6	6.4	51.8	55.8	57.8
	Dec	8.4	89.1	2.5	52.9	54.8	56.6

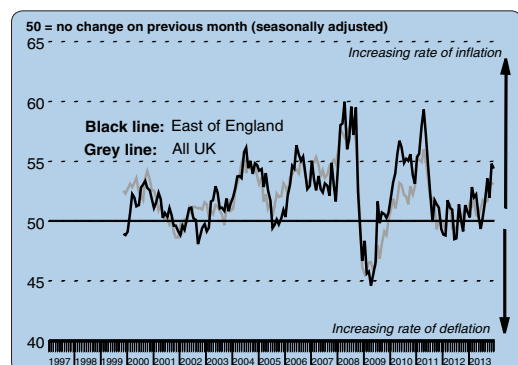


The seasonally adjusted Input Prices Index registered above the no-change mark of 50.0 in December, signalling ongoing cost pressures in the East of England. Input costs have now risen continuously since May 2009, but the rate of inflation in December was the slowest in three months. Some companies reported that higher energy costs had contributed to the latest rise in input costs.

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?

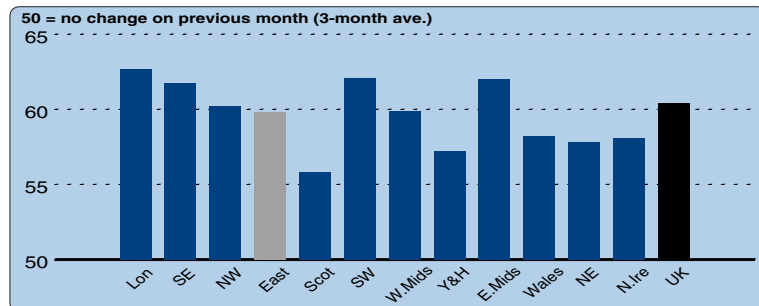
		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	11.3	86.1	2.6	54.3	52.2	50.5
	May	2.8	93.5	3.7	49.5	50.4	50.4
	Jun	6.1	85.1	8.8	48.7	49.4	51.1
	Jul	4.8	91.3	3.8	50.5	50.4	51.8
	Aug	6.5	86.1	7.4	49.5	51.6	51.6
	Sep	12.8	84.4	2.8	55.0	53.6	51.7
	Oct	7.5	85.8	6.6	50.5	52.0	52.7
	Nov	6.4	90.0	3.6	51.4	54.8	53.2
	Dec	6.8	89.8	3.4	51.7	54.4	53.1



Companies in the East of England continued to raise their output charges during December. The rate of charge inflation was the second-highest in 30 months and remained above the overall UK average. Around 7% of panel members reported higher selling prices, while 3% indicated a reduction. Increased staff costs and higher raw material prices were the main drivers behind the latest rise in charges, according to panellists.

Regional Comparisons: Output

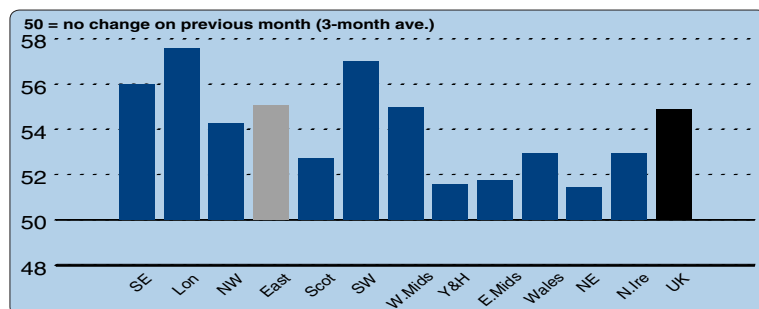
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the steepest rise in business activity, while Scotland saw the slowest pace of expansion.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	58.3	62.7	60.3
South East	(14.7%)	57.1	61.8	60.1
North West	(9.5%)	57.2	60.2	59.1
East of England	(8.7%)	55.7	59.8	59.7
Scotland	(8.3%)	55.1	55.8	54.5
South West	(7.7%)	56.3	62.1	62.4
West Midlands	(7.3%)	55.6	59.9	61.7
Yorks & Humber	(7.0%)	56.3	57.2	55.8
East Midlands	(6.4%)	56.7	62.0	59.4
Wales	(3.6%)	56.6	58.2	58.4
North East	(3.2%)	53.2	57.8	60.4
N.Ireland	(2.2%)	53.1	56.7	52.3
UK	(100.0%)	56.8	60.4	59.2

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). Increased staffing levels were registered across all 12 UK regions on average during the final quarter of 2013. The pace of job creation was strongest in London and the South West, while the North East and Yorkshire & Humber posted the slowest rises in employment.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	53.0	56.0	56.7
London	(12.3%)	53.2	57.6	57.4
North West	(10.9%)	52.4	54.3	54.5
East of England	(9.6%)	52.9	55.1	54.5
Scotland	(8.7%)	52.1	52.7	51.5
South West	(8.6%)	53.0	57.0	58.6
West Midlands	(8.6%)	53.7	55.0	53.3
Yorks & Humber	(8.2%)	50.5	51.6	51.8
East Midlands	(7.3%)	51.2	51.7	51.4
Wales	(4.6%)	52.0	52.9	51.4
North East	(3.9%)	50.7	51.4	51.0
N.Ireland	(2.7%)	50.3	52.4	52.8
UK	(100.0%)	52.5	54.9	54.9

PMI Survey Methodology

PMI surveys

Purchasing Managers' Index (or PMI) surveys are 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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specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

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.