



Lloyds Bank East Midlands 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.

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The Lloyds Bank Commercial Banking East Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East Midlands 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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13th January 2014

Activity continues to rise sharply at end of 2013

Key findings:

- Output and new orders increase at strong, albeit slower rates
- Modest rise in employment
- Cost inflation picks up

The Lloyds Bank Commercial Banking East Midlands PMI® report signalled another strong rise in private-sector activity at the end of 2013. This mainly reflected ongoing growth in new orders. Backlogs of work and employment also increased during the month. Meanwhile, input costs rose at an accelerated pace and companies posted a moderate increase in their prices charged.

Output and demand

The headline Lloyds Bank Commercial Banking East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – remained well above the 50.0 no-change mark in December, pointing to a sharp increase in activity in the region's private sector. This was despite the index dipping to 59.4 from 62.8 in the month before, to signal a weaker rate of expansion. The rise in activity in the East Midlands was broadly in line with the UK economy average. Output rose across both the manufacturing and service sectors, with the sharper growth seen at the latter.

According to respondents, the key factor leading to higher activity was another monthly increase in new business. New orders rose for the eleventh successive month, and at a substantial pace. Panellists reported strengthening client confidence as wider economic conditions improved.

Employment and backlogs

Outstanding business rose for the fourth time in five months during December as strong new order growth led to a modest build-up of backlogs of work.

Employment also increased, although the rate of job creation eased and was slower than seen across the UK as a whole. Staffing levels rose at both manufacturing firms and services companies.

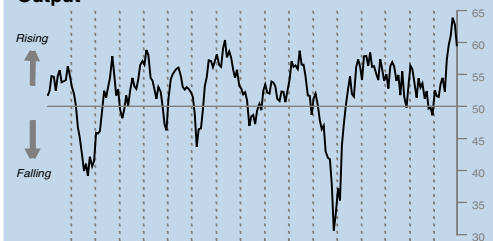
Input and output prices

The rate of input price inflation quickened for the second month running, amid reports of higher raw material prices. The increase in input costs in the East Midlands was sharper than the average for the UK as a whole.

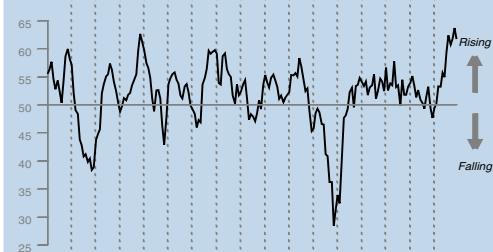
A number of panellists reported passing on higher input costs to their clients in December. As a result, output prices continued to increase. That said, the rate of charge inflation eased for the third month running to the slowest since July and was weaker than the UK average.

East Midlands Business Conditions

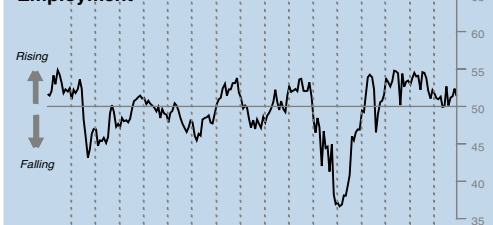
Output



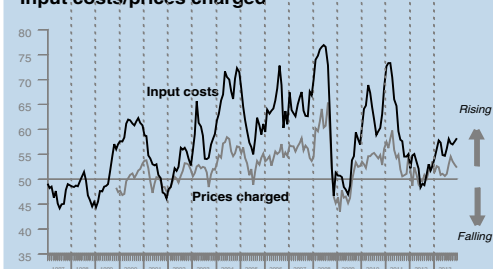
Order Books



Employment



Input costs/prices charged

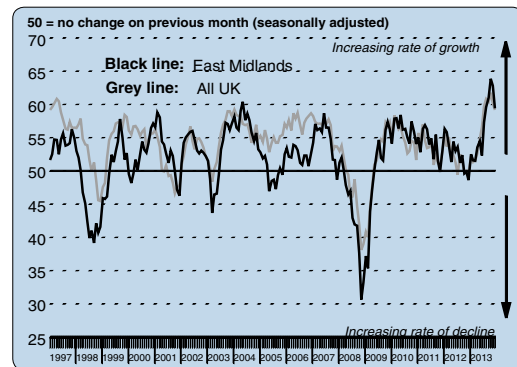




Output / Business Activity

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	28.0	53.8	18.3	54.8	53.6	52.7
	May	33.3	46.4	20.2	56.5	54.5	54.9
	Jun	22.2	63.3	14.4	53.9	52.3	56.6
	Jul	36.4	44.3	19.3	58.5	57.3	59.7
	Aug	33.3	46.7	20.0	56.7	59.6	60.8
	Sep	47.8	42.2	10.0	68.9	61.0	60.4
	Oct	41.6	48.3	10.1	65.7	63.9	61.8
	Nov	39.3	46.1	14.6	62.4	62.8	60.2
	Dec	26.1	53.3	20.7	52.7	59.4	59.2

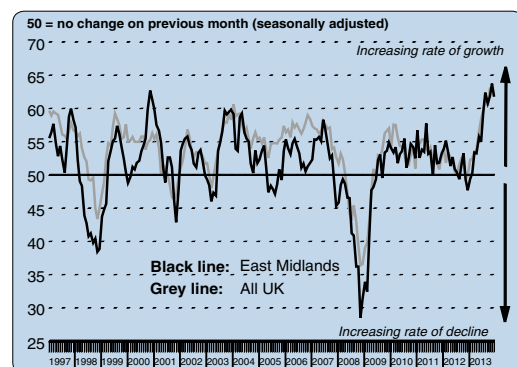


East Midlands companies continued to record growth of business activity during December, extending the current sequence of expansion to one year. Although easing further from October's series record, the pace at which output increased remained substantial. The rise in activity in the region was broadly in line with the UK average. Those panellists that recorded growth of output mainly linked this to increased new business. Activity expanded across both monitored sectors, with the sharper increase seen at services companies.

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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	31.2	49.5	19.4	55.9	53.3	53.7
	May	28.6	58.3	13.1	57.7	55.7	56.6
	Jun	30.0	47.8	22.2	53.9	55.0	58.4
	Jul	36.4	45.5	18.2	59.1	59.3	59.7
	Aug	32.6	46.1	21.3	55.6	62.4	61.4
	Sep	41.6	44.9	13.5	64.0	60.8	60.4
	Oct	35.2	52.3	12.5	61.4	61.9	63.0
	Nov	43.8	41.6	14.6	64.6	63.7	63.2
	Dec	34.8	43.5	21.7	56.5	61.8	61.8

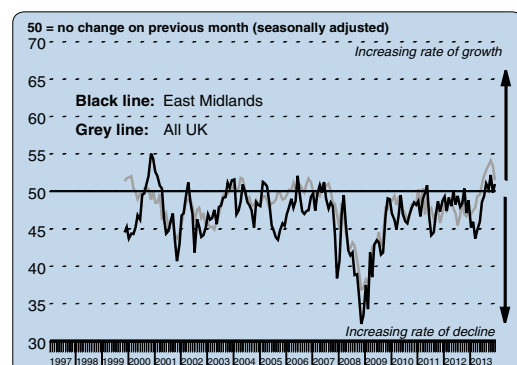


A further sharp rise in new business was recorded at East Midlands private-sector firms in December. Although slightly weaker than seen in the previous month, the rate of growth was one of the fastest in the survey's history. The pace of expansion in new orders across the region was the same as that registered in the UK economy as a whole. Where new business increased, panellists reported improved client confidence amid better economic conditions.

Business Outstanding

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	11.6	68.6	19.8	45.9	44.8	49.4
	May	14.1	61.5	24.4	44.9	46.0	49.6
	Jun	17.9	63.1	19.0	49.4	48.6	51.0
	Jul	20.5	59.0	20.5	50.0	49.4	52.1
	Aug	13.4	64.6	22.0	45.7	51.1	52.8
	Sep	14.5	68.7	16.9	48.8	50.3	53.5
	Oct	18.5	65.4	16.0	51.2	52.2	54.2
	Nov	17.1	63.4	19.5	48.8	49.8	53.5
	Dec	20.2	64.3	15.5	52.4	51.0	51.5

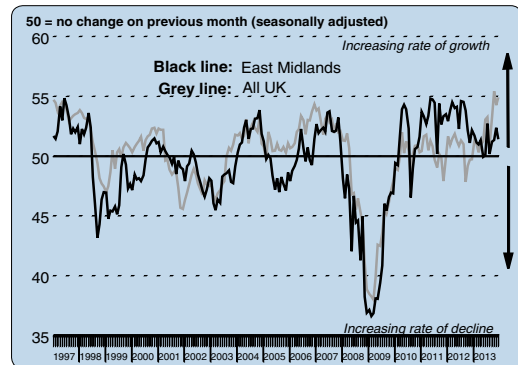


Increased order volumes led to a build-up of backlogs of work at East Midlands firms in December. The slight rise in outstanding business was the fourth in the past five months, following a fractional reduction in November. Backlogs of work were also accumulated at the UK level, with the pace of increase slightly faster than in the East Midlands. Sector data suggested that the overall rise in outstanding business was largely centred on the service sector.

Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	12.9	78.5	8.6	52.2	51.3	51.0
	May	11.9	78.6	9.5	51.2	49.9	51.3
	Jun	10.0	80.0	10.0	50.0	50.1	53.1
	Jul	17.0	75.0	8.0	54.5	52.7	53.3
	Aug	17.8	71.1	11.1	53.3	50.2	50.8
	Sep	16.7	72.2	11.1	52.8	51.2	53.3
	Oct	13.5	73.0	13.5	50.0	51.4	55.4
	Nov	19.1	69.7	11.2	53.9	52.4	54.3
	Dec	9.8	81.5	8.7	50.5	51.4	54.9

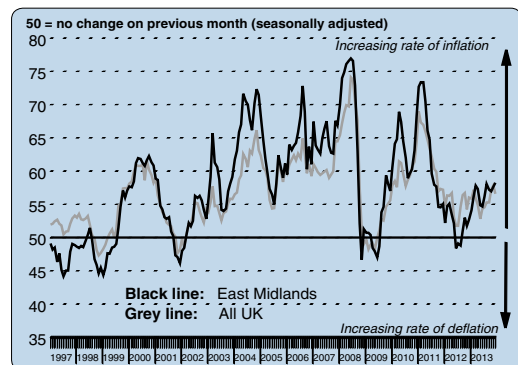


East Midlands companies increased their staffing levels for the seventh successive month in December. That said, the rate of job creation was only slight, having eased from the previous month. The rise in employment in the region was much slower than the UK economy average. Staffing levels increased across both monitored sectors, with the faster expansion seen at services companies.

Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	28.0	68.8	3.2	62.4	57.3	54.9
	May	16.7	76.2	7.1	54.8	54.8	52.8
	Jun	15.6	80.0	4.4	55.6	54.7	54.4
	Jul	17.0	78.4	4.5	56.3	56.2	54.6
	Aug	16.7	80.0	3.3	56.7	58.1	55.3
	Sep	14.4	83.3	2.2	56.1	57.2	55.3
	Oct	20.2	76.4	3.4	58.4	57.0	57.2
	Nov	15.7	73.0	11.2	52.2	57.7	57.8
	Dec	13.0	82.6	4.3	54.3	58.3	56.6

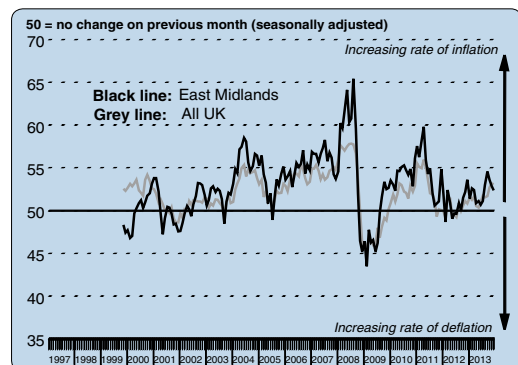


The rate of input cost inflation quickened for the second successive month in December and was the fastest since July 2011. Moreover, the rise in input prices in the East Midlands was faster than the UK economy average. Higher costs for raw materials including food and logs were reported by panellists. Exactly 13% of respondents indicated that input prices had increased, against 4% that posted a decrease.

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?

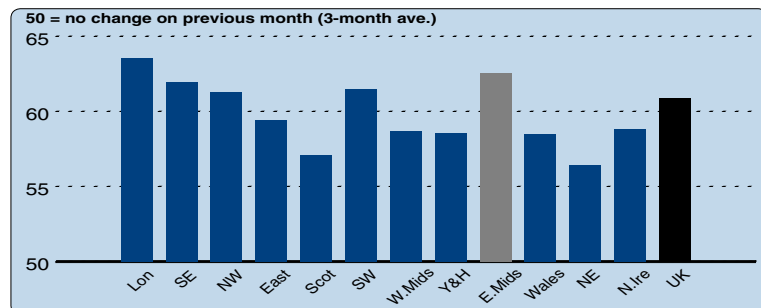
		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	9.7	86.0	4.3	52.7	50.9	50.5
	May	7.1	89.3	3.6	51.8	51.1	50.4
	Jun	2.2	97.8	0.0	51.1	50.7	51.1
	Jul	6.8	90.9	2.3	52.3	51.1	51.8
	Aug	4.4	93.3	2.2	51.1	53.0	51.6
	Sep	6.7	93.3	0.0	53.3	54.6	51.7
	Oct	7.9	91.0	1.1	53.4	53.6	52.7
	Nov	6.7	89.9	3.4	51.7	52.9	53.2
	Dec	8.7	89.1	2.2	53.3	52.4	53.1



Output prices rose for the seventeenth successive month in December. The rate of inflation was moderate and slowed for the third month running to the weakest since July. The rise in selling prices at East Midlands companies was slightly slower than the UK economy average. Anecdotal evidence suggested that the increase in charges mainly reflected the passing on of higher input costs to clients.

Regional Comparisons: Output

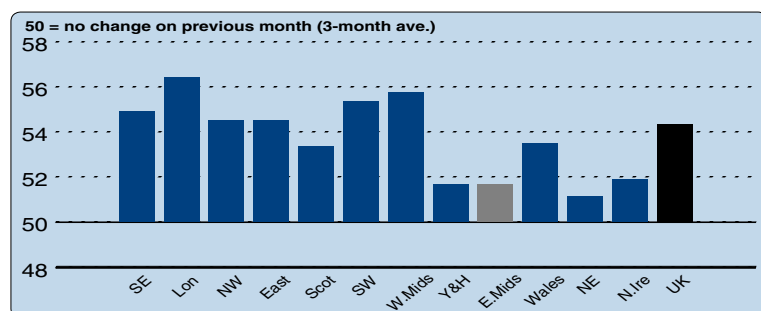
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the 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%)	53.4	58.1	56.5
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 numbers.



	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%)	50.4	52.9	54.5
UK	(100.0%)	52.5	54.9	54.9

PMI Survey Methodology

PMI surveys

Purchasing Managers' Index® (or 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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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.