



# Lloyds Bank London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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](mailto:economics@markit.com)

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13th January 2014

## Activity growth remains marked, but eases to six-month low

### Key findings:

- Further sharp increases in both activity and new business
- Employment growth little-changed from recent 13-year peaks
- London performs better than the UK average in December

London continued to outperform the UK average, with levels of activity and new business at private sector firms continuing to rise sharply in December. That said, the rate of output growth eased further from October's near record pace to a six-month low. Concurrently, employment and output charges increased, with the rate of job creation in particular little-changed from recent 13-year peaks.

### Output and demand

At 60.3 in December, the headline Lloyds Bank Commercial Banking London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – signalled a marked rise in private sector output in London. However, with the index down from 62.6 in November, the rate of growth was the weakest since June. Overall, the index averaged 62.7 in the final quarter of the year, which was the highest since Q2 1997.

Higher activity levels were supported by a sharp rise in new business, which in turn reflected greater client demand. The rate of new order growth remained much faster than its long-run average, despite having slowed to a five-month low in December.

### Employment and backlogs

Reflective of increased activity, companies hired additional staff in December. Private sector employment has increased in each month since May, with the rate of job creation strong and only marginally weaker than the near 13-year peaks in October and November. Employment growth in London remained stronger than the UK average.

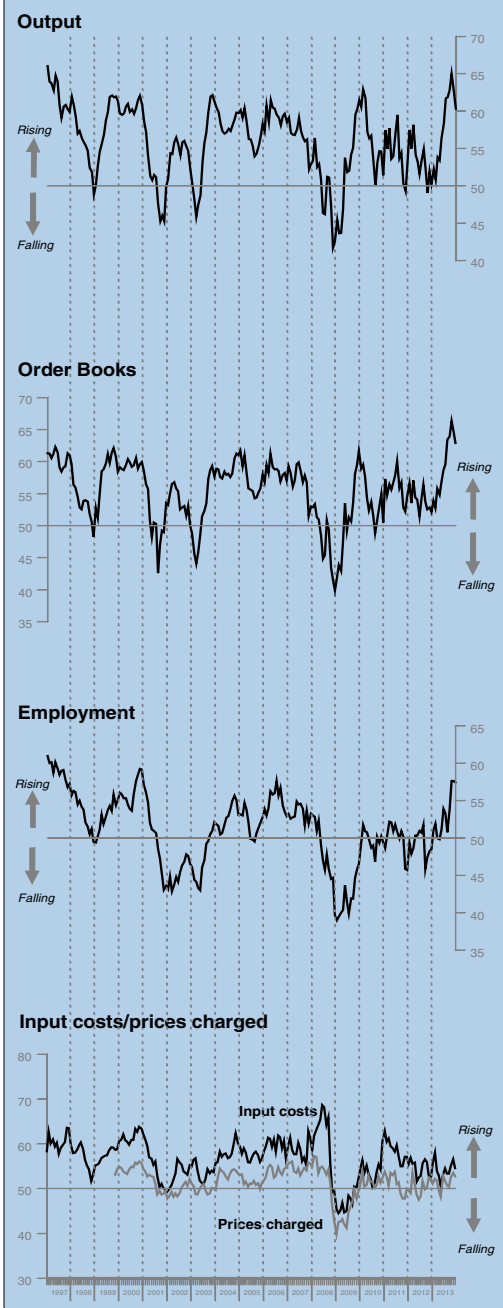
Meanwhile, outstanding business at private sector firms increased for the eighth consecutive month in December. However, the rate of backlog accumulation eased sharply from October's record pace to its weakest in six months.

### Input and output prices

Input costs rose at the weakest pace for three months in December, though the rate of inflation remained solid. Firms commonly reported higher fuel and utility prices in the latest survey period.

Similarly, output charges also increased over the month, amid reports of improving market conditions. On average, selling prices rose moderately, albeit to a lesser extent than in November.

## London Business Conditions

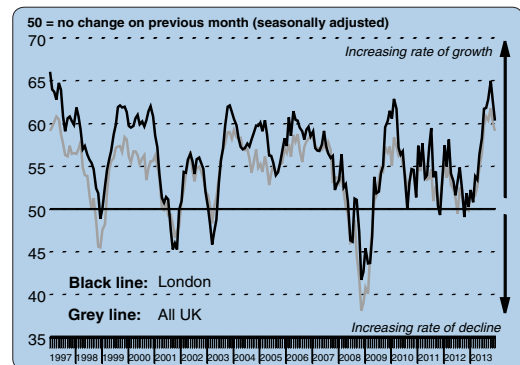




## Output / Business Activity

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	25.9	56.3	17.9	54.0	53.4	52.7
	May	24.0	61.0	15.0	54.5	56.4	54.9
	Jun	27.7	62.4	9.9	58.9	58.3	56.6
	Jul	28.4	56.9	14.7	56.9	61.8	59.7
	Aug	26.7	57.4	15.8	55.4	61.9	60.8
	Sep	38.1	52.4	9.5	64.3	62.9	60.4
	Oct	42.2	49.5	8.3	67.0	65.0	61.8
	Nov	33.6	55.5	10.9	61.4	62.6	60.2
	Dec	31.2	53.2	15.6	57.8	60.3	59.2

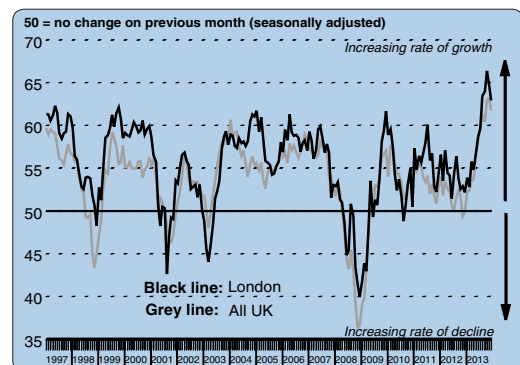


The seasonally adjusted Business Activity Index signalled a further marked expansion of private sector output in London during December. Despite having fallen to a six-month low, the index remained above its long-run series average and was higher than the equivalent reading for the UK as a whole. Sector data suggested that both manufacturing production and services activity increased over the month. Firms that reported larger volumes of output (approximately 31%) often linked this to greater volumes of new orders.

## 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?

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	27.0	55.0	18.0	54.5	54.8	53.7
	May	26.0	59.0	15.0	55.5	56.9	56.6
	Jun	30.6	60.2	9.2	60.7	58.7	58.4
	Jul	31.8	50.5	17.8	57.0	59.6	59.7
	Aug	32.3	57.6	10.1	61.1	63.5	61.4
	Sep	38.8	53.4	7.8	65.5	64.0	60.4
	Oct	40.0	50.5	9.5	65.2	66.4	63.0
	Nov	31.8	57.0	11.2	60.3	64.8	63.2
	Dec	31.2	48.6	20.2	55.5	63.0	61.8

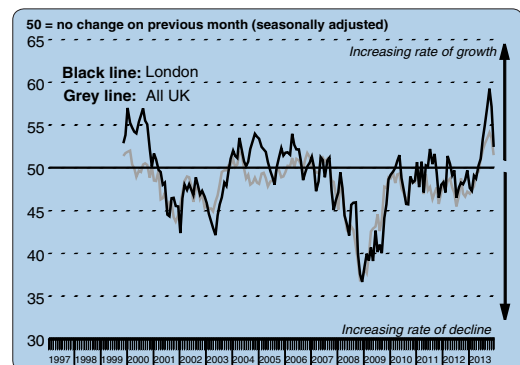


Private sector companies in London received a larger volume of new business in December. Although having eased further from October's record increase, the rate of new order growth remained marked and stronger than that for the UK as a whole. A number of survey respondents attributed the increase in new work to greater client demand, which was partially due to recent new product launches.

## Business Outstanding

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	14.7	70.6	14.7	50.0	48.7	49.4
	May	14.4	71.1	14.4	50.0	50.3	49.6
	Jun	12.0	77.2	10.9	50.5	51.1	51.0
	Jul	20.6	61.9	17.5	51.5	53.4	52.1
	Aug	17.6	72.5	9.9	53.8	55.1	52.8
	Sep	20.2	72.3	7.4	56.4	57.3	53.5
	Oct	23.2	69.7	7.1	58.1	59.3	54.2
	Nov	13.1	76.8	10.1	51.5	57.2	53.5
	Dec	17.3	66.3	16.3	50.5	52.5	51.5



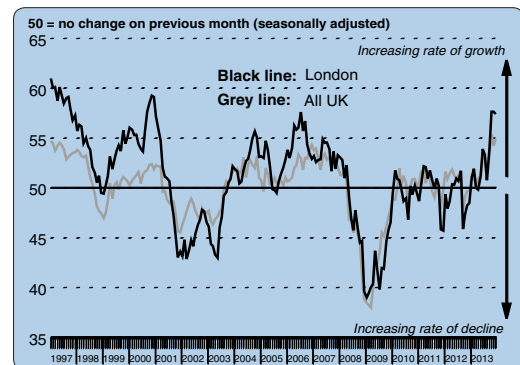
After adjusting for seasonal variation, outstanding business at private sector companies increased for the eighth consecutive month in December. Panellists often linked the accumulation of backlogs to larger volumes of new orders. That said, the latest increase in work-in-hand was modest and much weaker than the record rise in October. Similarly, the UK as a whole saw a slower rate of backlog accumulation in December, easing to a six-month low.



## Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	14.3	75.9	9.8	52.2	49.9	51.0
	May	13.9	76.2	9.9	52.0	51.2	51.3
	Jun	10.9	82.2	6.9	52.0	53.9	53.1
	Jul	15.6	76.1	8.3	53.7	53.4	53.3
	Aug	6.9	76.5	16.7	45.1	50.8	50.8
	Sep	26.7	66.7	6.7	60.0	53.9	53.3
	Oct	21.3	72.2	6.5	57.4	57.7	55.4
	Nov	23.6	70.0	6.4	58.6	57.7	54.3
	Dec	15.6	77.1	7.3	54.1	57.4	54.9

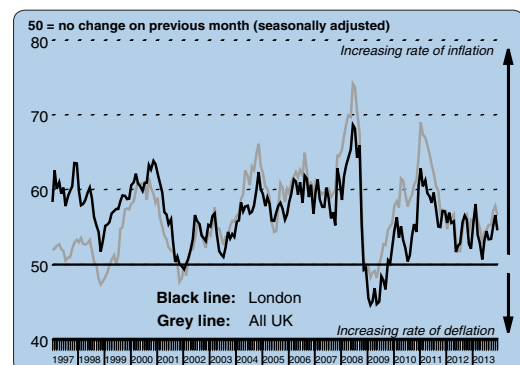


Employment in London's private sector economy continued to increase in December, taking the current sequence of growth to eight months. Approximately 16% of companies hired additional staff over the month (while 7% reduced their headcount), and often linked this to increased business activity. Overall, the rate of job creation was little-changed from the near 13-year peaks in October and November. London continued to post a stronger expansion of employment than the UK average.

## Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	11.6	85.7	2.7	54.5	52.9	54.9
	May	8.9	86.1	5.0	52.0	50.7	52.8
	Jun	9.9	85.1	5.0	52.5	53.2	54.4
	Jul	12.8	86.2	0.9	56.0	54.5	54.6
	Aug	10.9	82.2	6.9	52.0	53.4	55.3
	Sep	12.5	83.7	3.8	54.3	53.4	55.3
	Oct	11.2	86.9	1.9	54.7	55.1	57.2
	Nov	13.8	84.4	1.8	56.0	56.6	57.8
	Dec	6.5	92.5	0.9	52.8	54.6	56.6

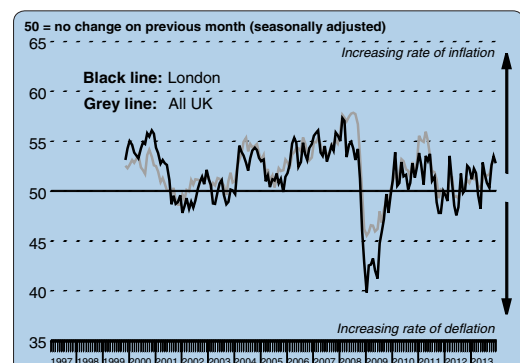


Following the trend that has been recorded in each month since October 2009, input costs faced by private sector firms in London rose further in December. Respondents commonly reported higher fuel and utility prices in the latest survey period. Overall, the rate of input price inflation was solid but, having eased from November's nine-month peak, the weakest since September and slower than the UK average.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	5.4	88.4	6.3	49.6	49.6	50.5
	May	4.0	90.1	5.9	49.0	48.3	50.4
	Jun	7.9	87.1	5.0	51.5	52.9	51.1
	Jul	3.7	93.5	2.8	50.5	51.7	51.8
	Aug	5.0	88.1	6.9	49.0	50.8	51.6
	Sep	1.9	93.2	4.9	48.5	50.4	51.7
	Oct	6.5	90.7	2.8	51.9	52.6	52.7
	Nov	6.4	90.0	3.6	51.4	53.5	53.2
	Dec	6.5	91.7	1.9	52.3	52.8	53.1

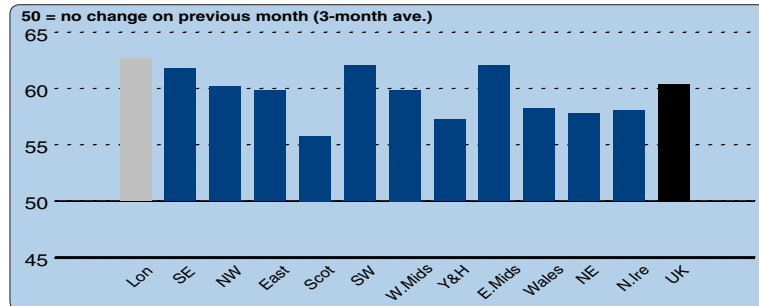


Firms operating in London's private sector raised their selling prices in December, as has been the case in each month since June. This was signalled by the seasonally adjusted Output Prices Index remaining above the 50.0 no-change mark. Approximately 7% of panellists reported higher output prices, amid some reports of improving market conditions. Nonetheless, the index was down from November's 20-month peak and below the UK average, suggesting that the latest increase in charges was moderate.



Regional Comparisons: Output

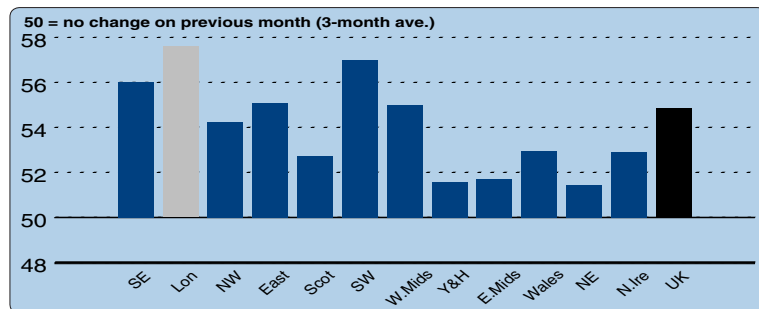
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the 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
<b>UK</b>	<b>(100.0%)</b>	<b>56.8</b>	<b>60.4</b>	<b>59.2</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). 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
<b>UK</b>	<b>(100.0%)</b>	<b>52.5</b>	<b>54.9</b>	<b>54.9</b>

PMI Survey Methodology

PMI surveys

Purchasing Managers' Index (or PMI) 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

Lloyds Bank Commercial Banking

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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. 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.