



Lloyds Bank North 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 North East 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 North East and operating in both manufacturing and service sectors.

The North 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.

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13th January 2014

New business growth hits record high

Key findings:

- Sharpest expansion of output since November 2009
- Input price inflation reaches nine-month high
- Moderate increase in work-in-hand

North East private sector firms signalled the quickest expansion of new order books in 13 years of data collection in December. Greater inflows of new work led to the sharpest rate of output growth since November 2009. Concurrently, backlogs of work increased for the fifth successive month. Meanwhile, payroll growth eased to a marginal pace. On the price front, average input costs increased at the fastest pace in nine months, while selling prices rose modestly.

Output and demand

The headline Lloyds Bank Commercial Banking North East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 60.4 in December, up from 57.6 in November. This signalled the sharpest increase of business activity in the North East private sector in 49 months. Furthermore, output growth in the region was stronger than the UK private sector economy average.

Higher activity levels were supported by the strongest expansion of total new business placed at North East private sector companies since data collection began in January 2001. Anecdotal evidence attributed the rise to new client wins and strengthened demand. As was the case with output, the rate of new order growth in the region was faster than across the UK private sector economy as a whole.

Employment and backlogs

North East private sector firms raised their staffing levels for the sixth successive month in December, albeit marginally. Meanwhile, headcounts increased solidly across the UK private sector economy as a whole.

Capacity pressures persisted at North East private sector companies in December, as signalled by a further increase of outstanding business. That said, the rate of accumulation eased to a modest pace.

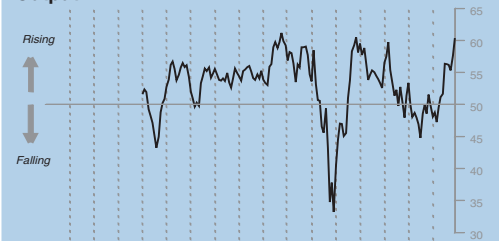
Input and output prices

Average input costs in the North East increased at the quickest pace in nine months in December. A number of panellists linked inflation to greater demand for inputs and higher energy costs.

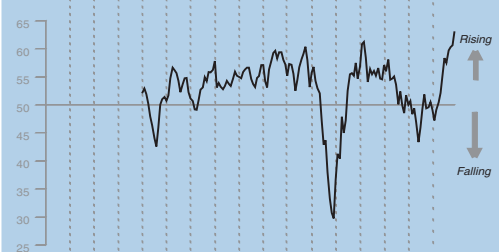
Similarly, private sector firms in the North East raised their selling prices in December. However, the rate of increase eased to a moderate pace.

North East Business Conditions

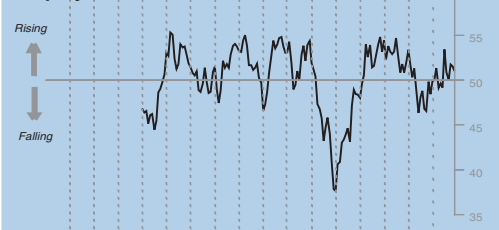
Output



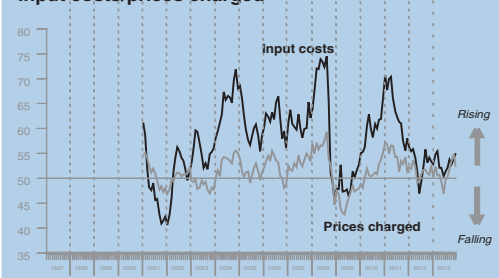
Order Books



Employment



Input costs/prices charged

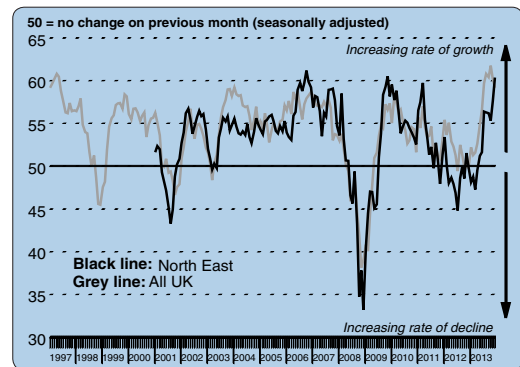




Output / Business Activity

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	19.1	61.7	19.1	50.0	49.5	52.7
	May	18.5	61.1	20.4	49.1	51.2	54.9
	Jun	25.5	52.9	21.6	52.0	51.7	56.6
	Jul	33.3	58.3	8.3	62.5	56.4	59.7
	Aug	27.9	53.5	18.6	54.7	56.3	60.8
	Sep	31.1	60.0	8.9	61.1	56.2	60.4
	Oct	23.4	63.8	12.8	55.3	55.3	61.8
	Nov	25.0	59.1	15.9	54.5	57.6	60.2
	Dec	28.9	53.3	17.8	55.6	60.4	59.2

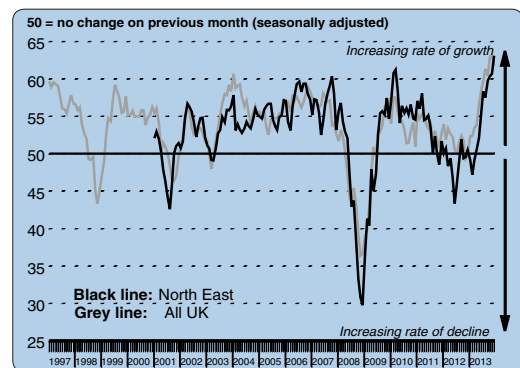


December's seasonally adjusted Business Activity Index signalled the strongest expansion of output at North East private sector companies since November 2009. Moreover, the rate of growth was stronger than the average for the UK private sector economy as a whole. According to sector data, growth was predominantly centred on manufacturers in the region, though service sector firms also noted solid growth. Panellists commented that activity levels rose in line with greater volumes of new work.

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 East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	34.0	42.6	23.4	55.3	50.5	53.7
	May	26.4	60.4	13.2	56.6	52.2	56.6
	Jun	36.0	52.0	12.0	62.0	55.3	58.4
	Jul	31.3	54.2	14.6	58.3	58.4	59.7
	Aug	23.8	57.1	19.0	52.4	57.5	61.4
	Sep	36.4	47.7	15.9	60.2	59.8	60.4
	Oct	38.3	40.4	21.3	58.5	60.4	63.0
	Nov	31.8	50.0	18.2	56.8	60.7	63.2
	Dec	34.8	54.3	10.9	62.0	63.1	61.8

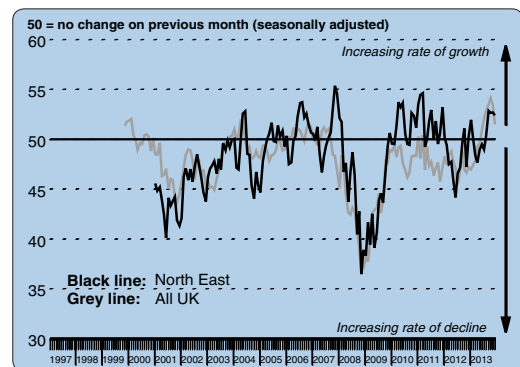


North East private sector firms signalled the sharpest expansion of new order books since data collection began in January 2001 in December. Approximately 35% of survey respondents in the region reported an increased amount of new business, with both the manufacturing and service sectors registering a sharp rise in new business. As was the case with output, the rate of new order growth in the North East was quicker than the UK private sector economy average.

Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	18.6	60.5	20.9	48.8	47.7	49.4
	May	14.3	67.3	18.4	48.0	49.1	49.6
	Jun	19.6	67.4	13.0	53.3	49.5	51.0
	Jul	9.3	86.0	4.7	52.3	49.0	52.1
	Aug	13.2	71.1	15.8	48.7	50.4	52.8
	Sep	23.1	61.5	15.4	53.8	52.9	53.5
	Oct	21.4	61.9	16.7	52.4	52.7	54.2
	Nov	18.4	68.4	13.2	52.6	52.7	53.5
	Dec	17.9	64.1	17.9	50.0	52.4	51.5



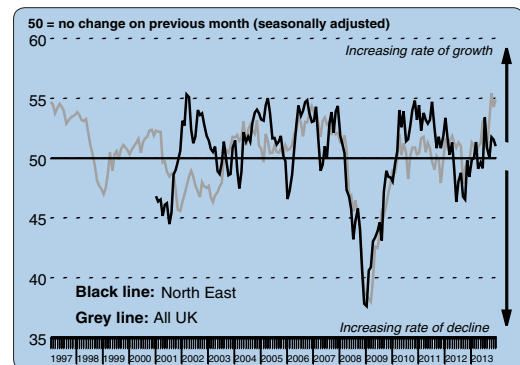
Latest data signalled a higher amount of work-in-hand at North East private sector firms during December, suggesting that increasing inflows of new work had left many firms with strained capacity. The rate of accumulation eased to a four-month low and was moderate overall. Nonetheless, the pace of increase was quicker than the UK private sector economy average. Sector data attributed the rise in outstanding business to service providers, while manufacturers in the region noted a reduction.



Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	8.5	76.6	14.9	46.8	49.1	51.0
	May	11.1	77.8	11.1	50.0	49.6	51.3
	Jun	14.0	74.0	12.0	51.0	49.2	53.1
	Jul	21.3	70.2	8.5	56.4	53.4	53.3
	Aug	20.9	72.1	7.0	57.0	50.9	50.8
	Sep	15.6	68.9	15.6	50.0	50.1	53.3
	Oct	17.0	72.3	10.6	53.2	51.8	55.4
	Nov	9.1	79.5	11.4	48.9	51.6	54.3
	Dec	6.5	84.8	8.7	48.9	51.0	54.9

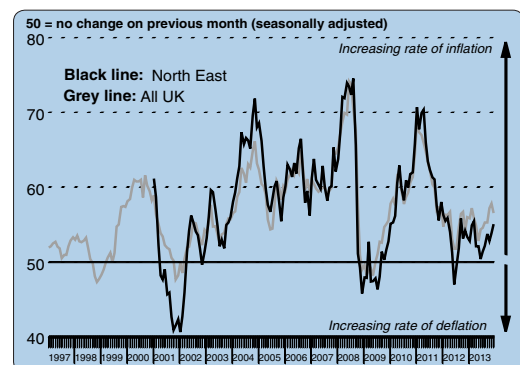


Payroll growth at North East private sector companies eased to a marginal pace in December, with the seasonally adjusted Employment Index posting at 51.0, down from 51.6 in November. Furthermore, the rate of job creation in the region was substantially weaker than that recorded across the UK private sector economy as a whole. Higher staffing levels were generally associated with service sector firms, while manufacturers in the North East reduced their headcounts over the month.

Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	17.8	77.8	4.4	56.7	52.1	54.9
	May	19.2	73.1	7.7	55.8	52.1	52.8
	Jun	10.0	84.0	6.0	52.0	50.4	54.4
	Jul	10.6	78.7	10.6	50.0	51.4	54.6
	Aug	11.9	85.7	2.4	54.8	52.2	55.3
	Sep	11.6	83.7	4.7	53.5	53.8	55.3
	Oct	8.7	89.1	2.2	53.3	52.8	57.2
	Nov	7.0	90.7	2.3	52.3	53.9	57.8
	Dec	11.1	84.4	4.4	53.3	55.1	56.6

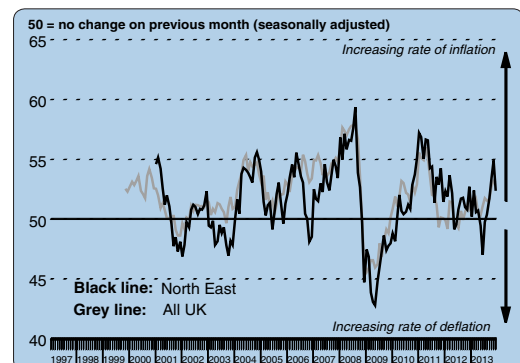


Average input costs faced by private sector firms in the North East continued to increase in December. Furthermore, the rate of inflation accelerated to a solid pace that was the quickest in nine months. However, inflationary pressures remained stronger in the UK private sector economy as a whole. Broken down by sector, service providers registered a much sharper rate of inflation than manufacturers in the region over the month. Anecdotal evidence suggested that a combination of greater demand for inputs and increased energy prices led to higher cost burdens.

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 East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	10.9	84.8	4.3	53.3	50.7	50.5
	May	9.4	79.2	11.3	49.1	49.4	50.4
	Jun	6.1	83.7	10.2	48.0	47.0	51.1
	Jul	8.5	85.1	6.4	51.1	49.8	51.8
	Aug	7.1	88.1	4.8	51.2	50.4	51.6
	Sep	6.8	88.6	4.5	51.1	51.8	51.7
	Oct	10.9	87.0	2.2	54.3	53.5	52.7
	Nov	9.3	90.7	0.0	54.7	54.9	53.2
	Dec	2.2	95.6	2.2	50.0	52.4	53.1

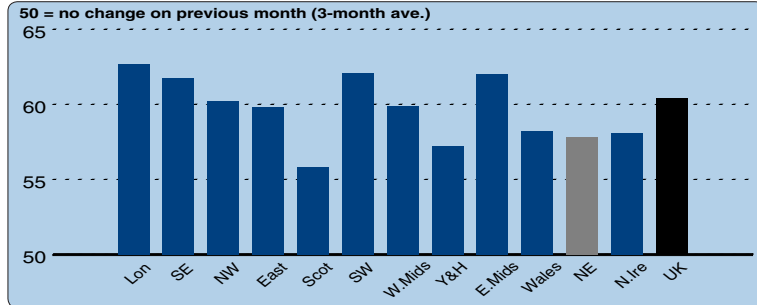


The seasonally adjusted Output Prices Index signalled a further increase in selling prices set by North East private sector firms during December. That said, the rate of output charge inflation eased to a moderate pace, and was weaker than the UK private sector economy average. Sector data signalled that selling prices for both goods and services in the North East increased over the month, with a number of respondents attributing the rise to greater input cost burdens.



Regional Comparisons: Output

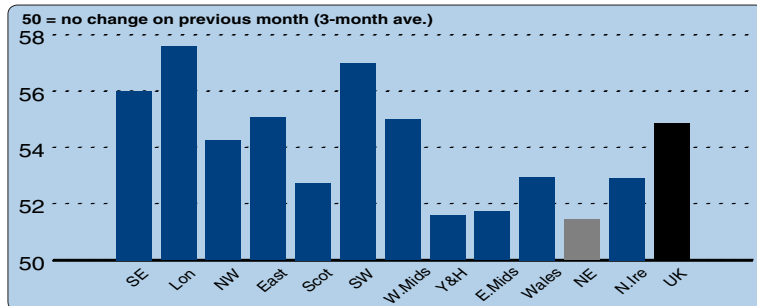
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the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

The *PMI* surveys 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.