



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

The North West 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

Output expands sharply as new orders continue to grow

Key findings:

- Business Activity Index at 59.1 in December
- New orders increase for eleventh month running
- Output price inflation strongest in two-and-a-half years

December data pointed to further growth of North West private sector activity and new orders. In both cases the rates of expansion were robust. Companies raised their staff numbers further as a result. On the price front, firms continued to pass on higher average costs to clients through increased selling prices.

Output and demand

Down from 60.0 in November to 59.1 in December, the seasonally adjusted Lloyds Bank Commercial Banking North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – indicated a further robust improvement in business activity, with the rate of output growth in line with the UK average.

Companies in the North West reported an eleventh consecutive monthly increase in new business during December. Although the weakest in seven months, the pace of expansion was sharp and well above its average. Both manufacturers and service providers signalled higher volumes of incoming new work, citing successful new product launches and stronger demand.

Employment and backlogs

In line with sustained new business growth, companies raised their workforce numbers further in December. The overall pace of job hiring was marked and quicker than in November. Furthermore, higher staffing levels were signalled by manufacturers as well as service providers.

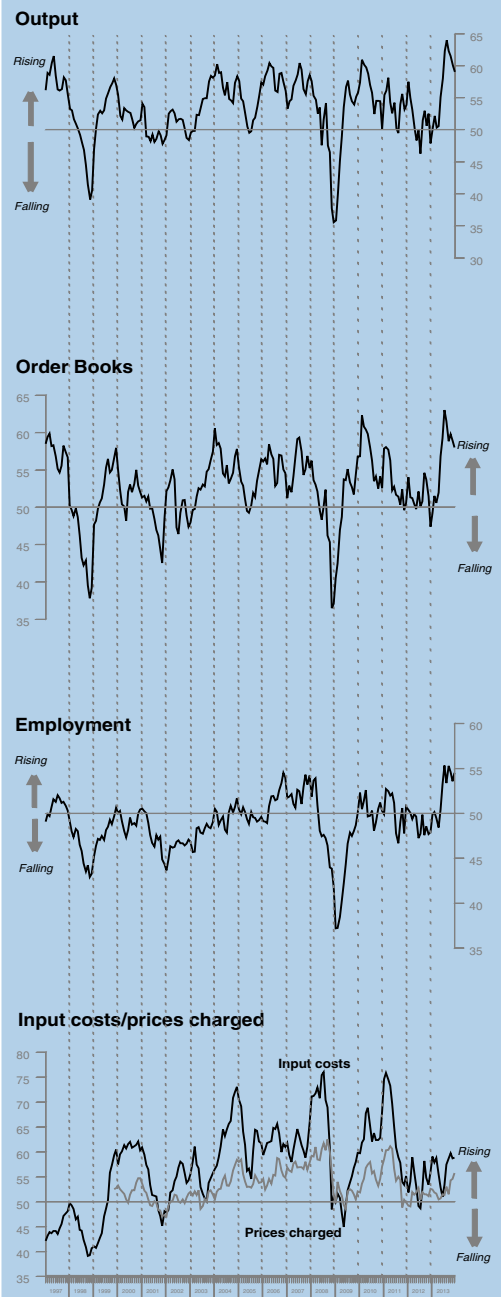
Backlogs of work fell in December for the first time since June 2013. Although moderate, the rate of depletion was the fastest in nine months. Almost 22% of respondents reported lower unfinished business, citing additional recruitment and overtime hours being worked by existing staff.

Input and output prices

Amid reports of higher raw material and utility costs, average input prices in the North West economy increased further in December. The rate of cost inflation was strong and sharper than that seen at the UK level.

As part of efforts to pass on increased cost burdens to clients, selling prices were raised further in December. The rate of charge inflation was robust and the quickest in two-and-a-half years.

North West Business Conditions

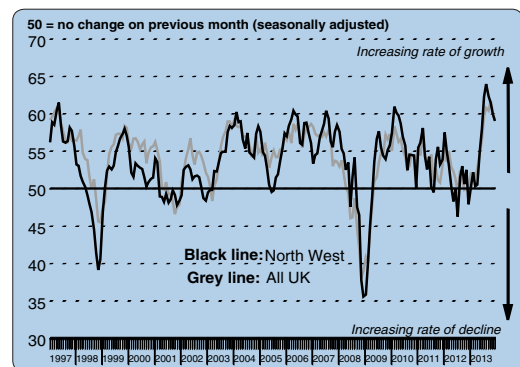




Output / Business Activity

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	25.7	49.5	24.8	50.5	50.6	52.7
	May	42.6	47.9	9.6	66.5	55.1	54.9
	Jun	38.3	47.9	13.8	62.2	58.1	56.6
	Jul	36.7	56.1	7.1	64.8	62.3	59.7
	Aug	31.6	52.6	15.8	57.9	64.0	60.8
	Sep	43.0	48.0	9.0	67.0	62.3	60.4
	Oct	30.5	56.8	12.6	58.9	61.5	61.8
	Nov	38.5	42.9	18.7	59.9	60.0	60.2
	Dec	33.0	47.3	19.8	56.6	59.1	59.2

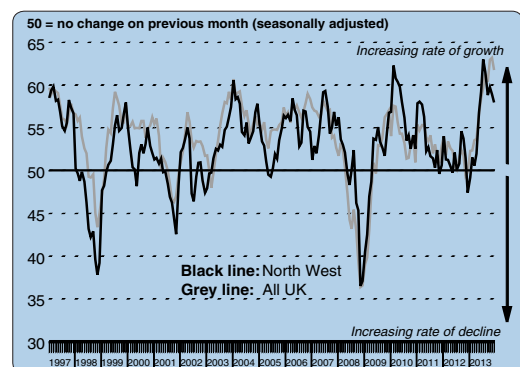


Output in the North West private sector economy rose in December, stretching the current sequence of growth to one year. Despite easing for the fourth month running, the overall rate of expansion remained marked and in line with the UK average. Higher business activity was signalled by companies operating in both the manufacturing and service sectors, with evidence highlighting 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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	31.7	44.6	23.8	54.0	52.0	53.7
	May	35.1	48.9	16.0	59.6	56.8	56.6
	Jun	38.3	46.8	14.9	61.7	59.2	58.4
	Jul	40.2	53.6	6.2	67.0	63.0	59.7
	Aug	28.7	47.9	23.4	52.7	61.6	61.4
	Sep	35.4	48.5	16.2	59.6	58.8	60.4
	Oct	31.6	48.4	20.0	55.8	59.8	63.0
	Nov	36.3	35.2	28.6	53.8	58.9	63.2
	Dec	31.1	50.0	18.9	56.1	58.0	61.8

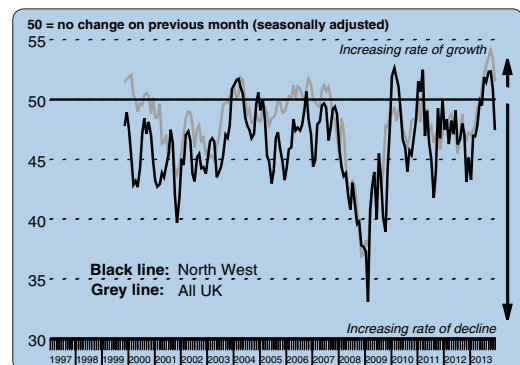


December data indicated that new orders placed at private sector companies in the North West increased, marking an 11-month expansionary sequence. The latest rise in incoming new work was sharp, although the weakest in seven months. Growth of new business was broad-based, with both manufacturers and service providers signalling expansion. Evidence from survey participants indicated that order books rose in tandem with strengthening demand conditions, successful new product launches and increased marketing.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6
	Jun	13.0	71.7	15.2	48.9	49.5	51.0
	Jul	16.1	74.2	9.7	53.2	51.9	52.1
	Aug	17.8	61.1	21.1	48.3	51.5	52.8
	Sep	20.8	61.5	17.7	51.6	52.3	53.5
	Oct	17.4	67.4	15.2	51.1	52.3	54.2
	Nov	16.3	61.6	22.1	47.1	50.9	53.5
	Dec	13.6	64.8	21.6	46.0	47.5	51.5



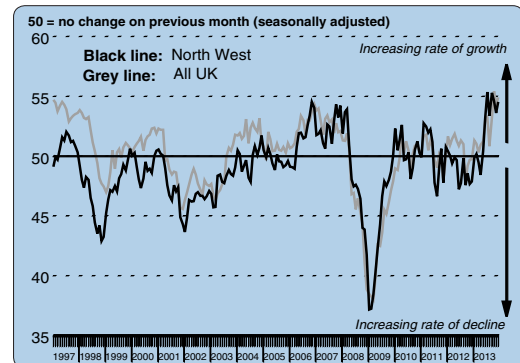
North West companies signalled lower volumes of work-in-hand during December, ending a five-month sequence of accumulation. The rate of depletion was moderate, but the seasonally adjusted Business Outstanding Index was at a nine-month low. Around 22% of monitored firms indicated backlog depletion, citing job creation and in some occasions extra hours being worked by existing staff.



Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	7.0	84.0	9.0	49.0	48.5	51.0
	May	11.7	81.9	6.4	52.7	50.4	51.3
	Jun	16.0	78.7	5.3	55.3	53.2	53.1
	Jul	18.6	76.3	5.2	56.7	55.4	53.3
	Aug	19.1	75.5	5.3	56.9	53.4	50.8
	Sep	24.2	71.7	4.0	60.1	55.3	53.3
	Oct	17.0	75.5	7.4	54.8	54.6	55.4
	Nov	16.5	75.8	7.7	54.4	53.6	54.3
	Dec	14.4	76.7	8.9	52.8	54.5	54.9

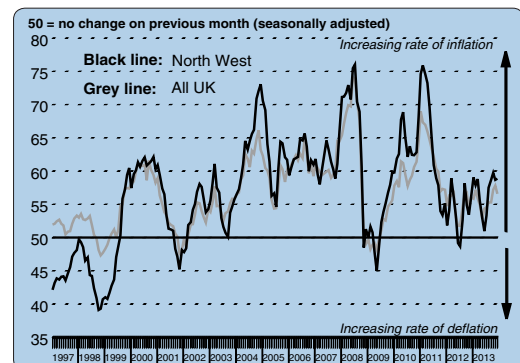


Reflective of sustained new business growth, private sector companies in the North West continued to add to their workforce numbers in December. Job creation has now been recorded for eight successive months, with the pace of increase in the latest month being sharp and broadly in line with that seen at the UK level. Manufacturers and service providers both signalled higher staffing levels.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	22.0	67.0	11.0	55.5	55.5	54.9
	May	17.0	76.6	6.4	55.3	52.9	52.8
	Jun	11.7	79.8	8.5	51.6	51.0	54.4
	Jul	15.5	69.1	15.5	50.0	53.3	54.6
	Aug	22.3	72.3	5.3	58.5	57.5	55.3
	Sep	22.0	72.0	6.0	58.0	58.7	55.3
	Oct	21.9	69.8	8.3	56.8	59.7	57.2
	Nov	16.5	72.5	11.0	52.7	58.7	57.8
	Dec	15.4	80.2	4.4	55.5	58.9	56.6

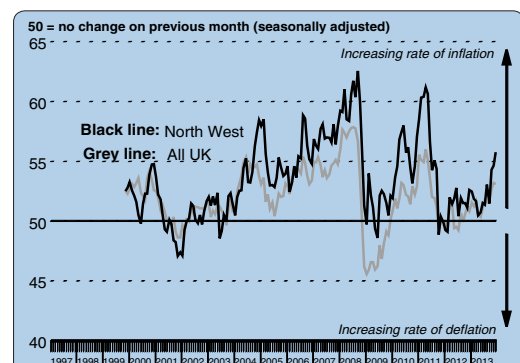


December data indicated that average input prices at North West private sector companies increased. The overall rate of cost inflation was marked and stronger than the UK average. Furthermore, the seasonally adjusted Input Costs Index posted above its long-run average. Anecdotal evidence highlighted higher raw material and utility prices. Input costs have increased in each month since August 2012.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Apr	9.9	83.2	6.9	51.5	50.5	50.5
	May	9.5	85.3	5.3	52.1	50.7	50.4
	Jun	7.4	86.3	6.3	50.5	51.5	51.1
	Jul	5.1	90.8	4.1	50.5	51.4	51.8
	Aug	5.3	93.7	1.1	52.1	53.1	51.6
	Sep	8.0	88.0	4.0	52.0	51.5	51.7
	Oct	10.5	87.4	2.1	54.2	54.3	52.7
	Nov	13.3	80.0	6.7	53.3	54.6	53.2
	Dec	9.9	89.0	1.1	54.4	55.8	53.1

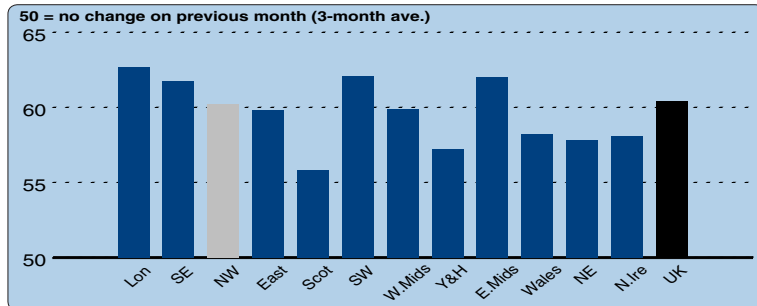


In line with higher cost burdens, North West companies raised their selling prices further in December. The rate of charge inflation was sharp and the quickest in two-and-a-half years. Moreover, it was much stronger than the UK average. Service providers and goods producers both indicated higher selling prices, with the manufacturing sector registering the faster increase.



Regional Comparisons: Output

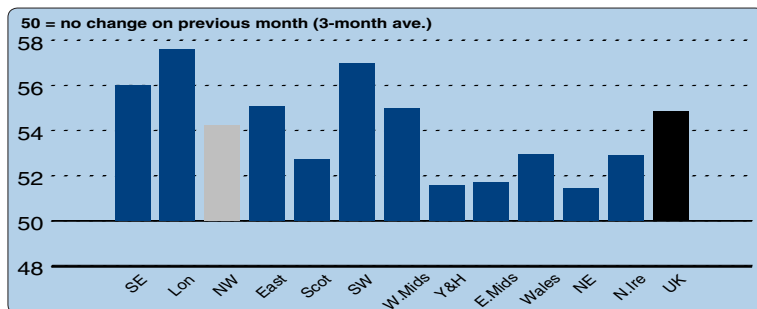
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of private sector output were recorded across all 12 UK regions monitored by the survey during the final quarter of 2013. London posted the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