



# 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.

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**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 January 2014 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.

For further information, please contact:

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10th February 2014

## Activity rises at near-record pace in January

### Key findings:

- Output and new orders increase sharply
- Employment rises as backlogs accumulate at second-quickest pace in series history
- Input cost inflation accelerates to 13-month high

East of England companies reported further solid increases in output and new orders in January, with the rate of activity growth near October's record high. Workforce numbers continued to increase as volumes of unfinished work rose at the second-sharpest rate on record. Meanwhile, average cost burdens increased at the steepest rate in 13 months.

### Output and demand

January saw a solid rise in output at East of England companies, with the headline **Lloyds Bank East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posting 59.9, up marginally from December's 59.7 and just short of October's record high. Activity in the region has now risen for 14 consecutive months, with survey participants linking the latest expansion to improved market conditions and higher new business.

New orders continued to rise at a marked pace in January, although the rate of growth slowed to a four-month low. The latest expansion was still one of the steepest seen in the series history. Anecdotal evidence suggested that improving economic conditions in the UK and euro area, new contract wins and higher activity in the domestic construction sector had all contributed to the latest rise.

### Employment and backlogs

Driven by increased workloads, staffing levels rose at a solid pace in January, with 18% of companies hiring additional workers. The rate of job creation was one of the highest seen in the series history. Meanwhile, backlogs of work accumulated at the second-sharpest rate on record, as large inflows of new work imparted pressure on operating capacity in the East of England.

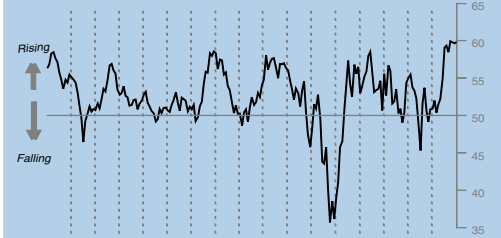
### Input and output prices

Average cost burdens rose further at the beginning of 2014, with the rate of input price inflation hitting a 13-month high. Panellists commented on higher staff costs, increased commodity prices and general inflationary pressures.

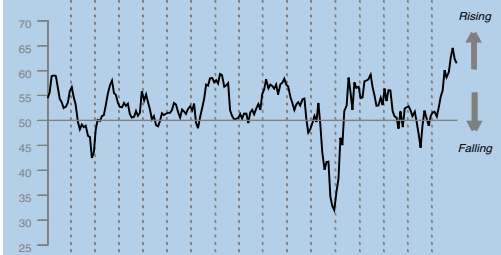
In response to increased input costs, companies raised their charges in January. The rate of charge inflation eased, however, to the weakest since October.

## East of England Business Conditions

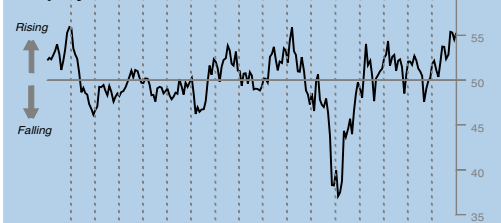
### Output



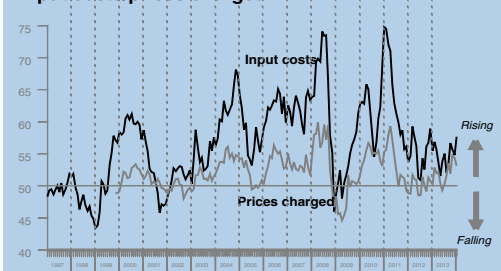
### Order Books



### Employment



### Input costs/prices charged

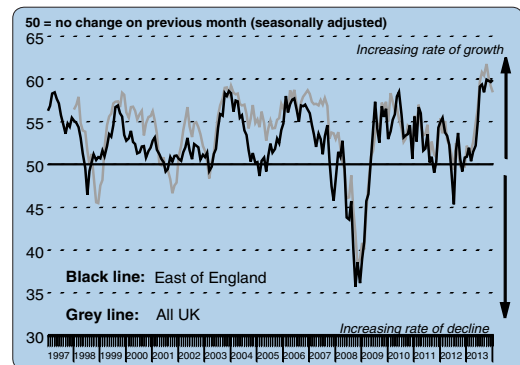




## Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	60.9
	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	59.1
2014	Jan	33.3	48.2	18.4	57.5	59.9	58.5

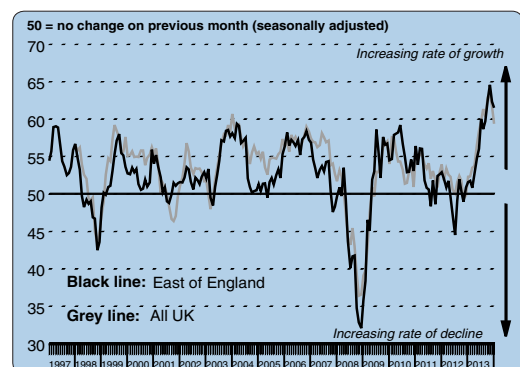


Private sector companies in the East of England reported a further sharp rise in activity in January, with the pace of expansion falling just short of October's record high. This was highlighted by the seasonally adjusted Output Index posting well above the 50.0 no-change mark. Moreover, output growth in the region was above the overall UK average for the second straight month. Anecdotal evidence suggested that improved market conditions and higher order intakes were drivers behind the latest solid rise in activity.

## 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	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	63.3
	Dec	26.7	55.2	18.1	54.3	62.4	61.8
2014	Jan	41.6	41.6	16.8	62.4	61.5	59.4

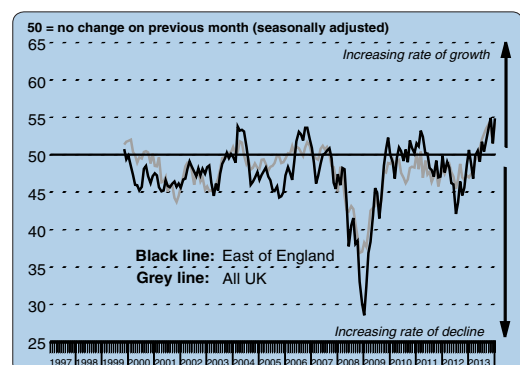


January saw a further solid increase in new orders placed at East of England companies. While the latest rate of growth in new work was the weakest in four months, the expansion was still one of the sharpest on record and above the overall UK average. Around 42% of survey participants indicated higher new business, while only 17% reported a decline. Improving market conditions in the UK and euro area, new contract wins and an upturn in the domestic construction sector had all contributed to increased order intakes, according to panel members.

## 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	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
2014	Jan	21.5	60.7	17.8	51.9	54.9	54.3



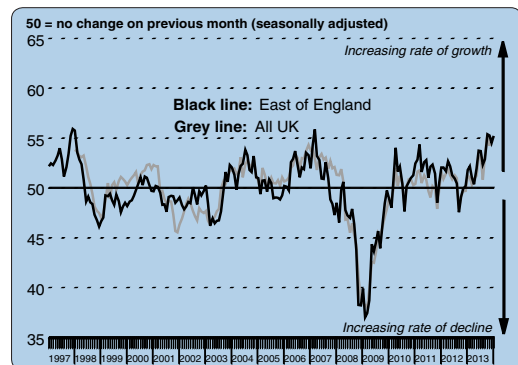
The seasonally adjusted Business Outstanding Index registered above the crucial 50.0 threshold in January, signalling ongoing pressure on operating capacity in the East of England. The rate of backlog accumulation accelerated since December and was the second-quickest recorded in the series history. More than one-in-five panellists reported increased work-in-hand, linking this mainly to large inflows of new work.



## 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	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
2014	Jan	17.9	70.5	11.6	53.1	55.3	55.2

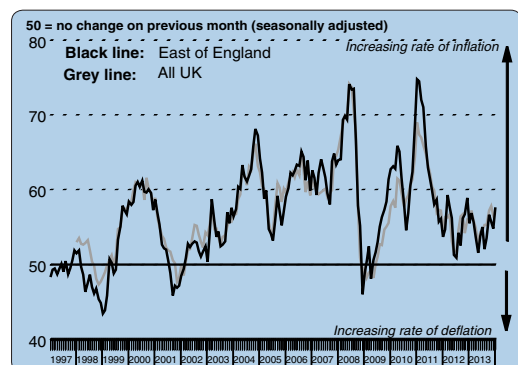


East of England private sector firms hired additional workers in January, extending the current sequence of job creation to 14 months. The latest increase in headcounts was broadly in line with that seen in the UK as a whole and sharper than the rise seen in December. Increased workloads was the primary factor behind the latest rise in employment levels, according to survey respondents.

## 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	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	56.4
2014	Jan	19.3	75.4	5.3	57.0	57.7	56.9

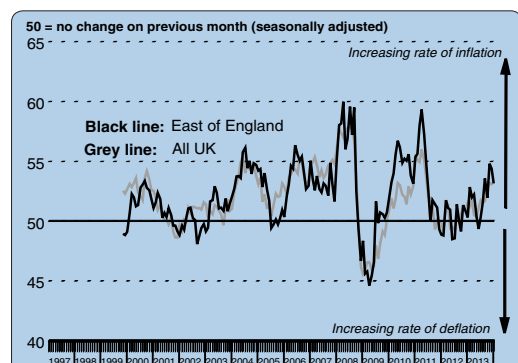


Companies' cost burdens rose further during January, as highlighted by the seasonally adjusted Input Prices Index posting above the neutral 50.0 threshold. While 19% of panel members reported increased input costs, only 5% recorded a reduction. Input prices have now risen continuously since May 2009, and in January increased at the sharpest rate in 13 months. Companies attributed inflation to higher commodity prices, increased staff costs and general inflationary pressures.

## 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	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
2014	Jan	12.5	79.5	8.0	52.2	53.2	53.3

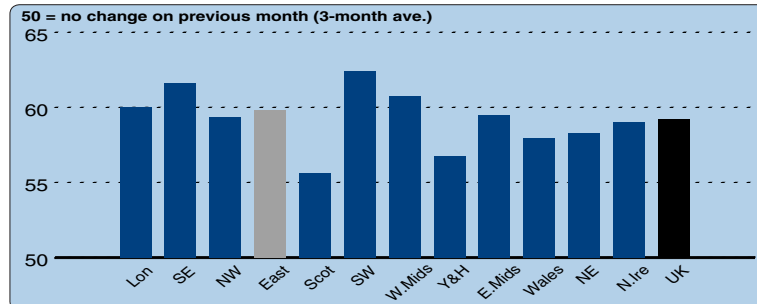


January's survey results signalled a further rise in output charges at East of England private sector companies. The rate of charge inflation eased to a three-month low, but remained above the long-run series average. Companies largely linked the rise in output prices to increased input costs. Furthermore, both manufacturers and service providers raised their selling prices.



## Regional Comparisons: Output

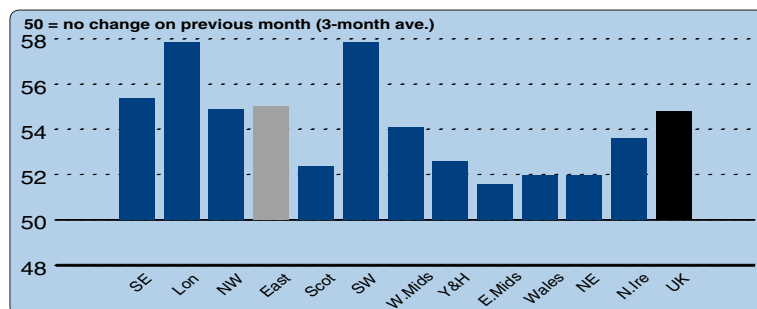
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the fastest rates of expansion respectively.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	58.7	60.0	57.0
South East	(14.7%)	57.9	61.6	61.5
North West	(9.5%)	57.9	59.3	58.9
East of England	(8.7%)	56.5	59.8	59.9
Scotland	(8.3%)	55.5	55.6	57.2
South West	(7.7%)	57.3	62.4	62.8
West Midlands	(7.3%)	56.5	60.7	60.9
Yorks & Humber	(7.0%)	56.6	56.8	57.6
East Midlands	(6.4%)	57.0	59.5	56.2
Wales	(3.6%)	57.0	57.9	58.2
North East	(3.2%)	54.0	58.3	56.8
N.Ireland	(2.2%)	54.5	59.0	60.4
<b>UK</b>	<b>(100.0%)</b>	<b>57.3</b>	<b>59.2</b>	<b>58.5</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). Net job hiring was recorded in all 12 UK regions in the three months to January. London and the South West registered the steepest increases in employment numbers. The East Midlands, North East and Wales posted the least marked rises in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	53.1	55.3	54.3
London	(12.3%)	53.9	57.9	58.5
North West	(10.9%)	52.9	54.9	56.6
East of England	(9.6%)	53.2	55.0	55.3
Scotland	(8.7%)	52.2	52.4	52.3
South West	(8.6%)	53.8	57.9	58.9
West Midlands	(8.6%)	53.9	54.1	53.5
Yorks & Humber	(8.2%)	50.7	52.6	55.0
East Midlands	(7.3%)	51.1	51.6	50.9
Wales	(4.6%)	52.2	52.0	52.3
North East	(3.9%)	50.9	52.0	53.3
N.Ireland	(2.7%)	50.8	53.6	55.0
<b>UK</b>	<b>(100.0%)</b>	<b>52.8</b>	<b>54.8</b>	<b>55.2</b>

## 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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**Markit Economics** is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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.