



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.

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 East Midlands 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 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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10th February 2014

Slower rise in output, but new business growth picks up

Key findings:

- Substantial rise in new orders
- Rate of job creation slows to marginal pace
- Fastest increase in backlogs since January 2001

The Lloyds Bank Commercial Banking East Midlands PMI® report signalled a further strong rise in new business at private-sector companies in the region at the start of 2014. That said, rates of growth in output and employment eased, contributing to another build-up of outstanding work.

Output and demand

The headline Lloyds Bank 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 January, thereby pointing to another sharp rise in output across the region's private sector. However, posting 56.2, down from 59.4 in December, the rate of growth signalled was the slowest since last June. Where activity did increase, this was mainly due to higher new business.

The rate of growth in new business quickened marginally in January and was also faster than the UK average. This was in contrast to the picture for activity where the increase in the East Midlands was weaker than that seen across the UK as a whole. Panellists indicated that strengthening customer demand had been the key factor leading to higher new orders.

Employment and backlogs

Companies continued to increase their staffing levels in January, although the rate of job creation was only marginal, having slowed for the second successive month. The rise in employment in the region was much weaker than that recorded across the UK economy as a whole.

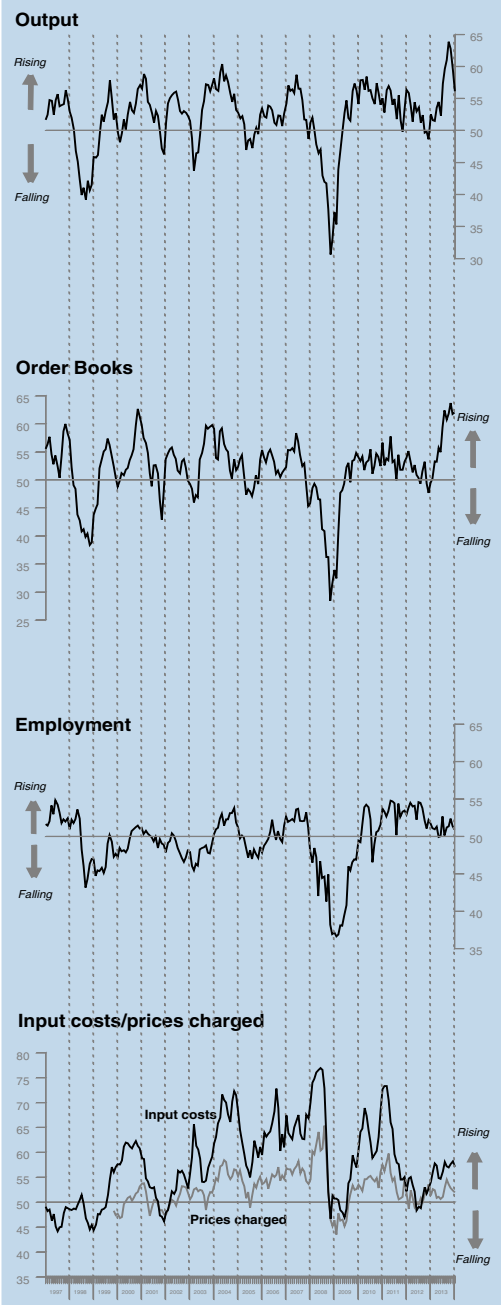
Strong growth of new orders alongside slower rises in output and employment led to a solid increase in backlogs of work. Moreover, the rate of accumulation was the strongest in 13 years and one of the sharpest since the series began in November 1999.

Input and output prices

The rate of input cost inflation remained solid, despite easing slightly from the previous month. Some panellists indicated that costs had increased in line with improved demand for inputs.

Companies attempted to pass on part of the rise in input prices to their clients, leading to an eighteenth successive monthly increase in output prices. That said, the rate of inflation slowed for the fourth month running to the weakest since July 2013.

East Midlands Business Conditions

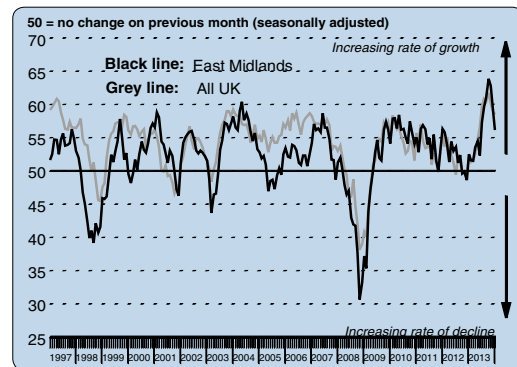




Output / Business Activity

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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	60.9
	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	59.1
2014	Jan	28.1	49.0	22.9	52.6	56.2	58.5

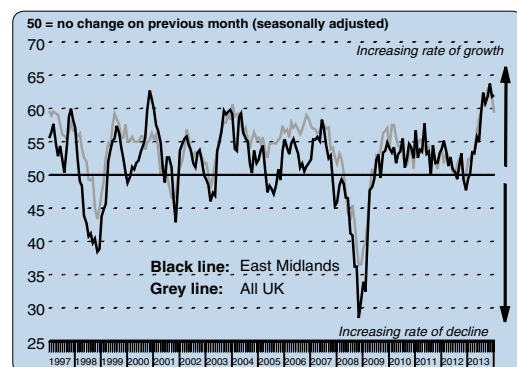


January data signalled a further strong rise in business activity in the East Midlands private sector, although the rate of expansion slowed for the third consecutive month and was weaker than the UK economy average. Output has now increased in each of the past 13 months. Improved customer demand had reportedly led to new contract wins, thereby resulting in further growth of activity. Both monitored sectors posted rises in output.

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	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	63.3
	Dec	34.8	43.5	21.7	56.5	61.8	61.8
2014	Jan	37.9	44.2	17.9	60.0	62.0	59.4

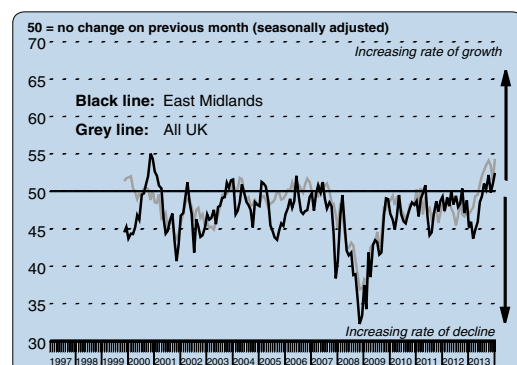


A further substantial rise in new orders was recorded in January, with the rate of expansion ticking up slightly from the end of 2013. The latest increase in new business was the fourth-fastest in the series history. The rise in new orders in the East Midlands was quicker than the UK economy average. Panellists reported that strong customer demand had been the main factor leading to higher new business. Rates of growth remained sharp across both the manufacturing and service sectors.

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	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
2014	Jan	19.5	66.7	13.8	52.9	52.5	54.3

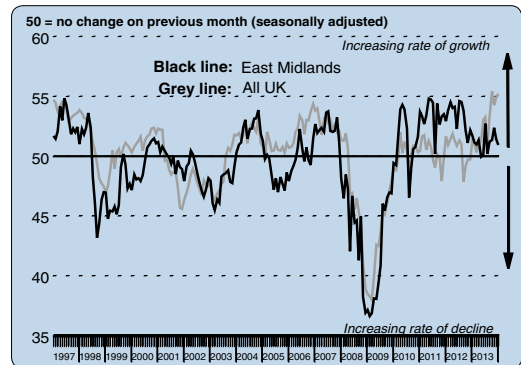


Backlogs of work increased at a solid pace during January. Outstanding business has now risen in five of the past six months. Moreover, the latest accumulation was the fastest in 13 years and the fourth-sharpest since data were first collected in November 1999. Backlogs of work also rose at a sharper pace at the UK level, where the increase was stronger than in the East Midlands. Panellists indicated that rising new business had led to capacity pressures.

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	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
2014	Jan	10.4	82.3	7.3	51.6	50.9	55.2

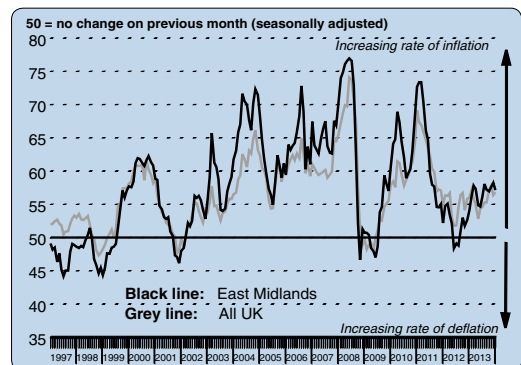


Although employment continued to increase in the East Midlands private sector during January, the rate of job creation was only marginal having slowed for the second month running. The increase in staffing levels in the region was much slower than the UK average. Where employment did rise, this was in response to improving market conditions. Services companies posted a much faster increase in staffing levels than manufacturing firms.

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	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	56.4
2014	Jan	18.8	77.1	4.2	57.3	57.1	56.9

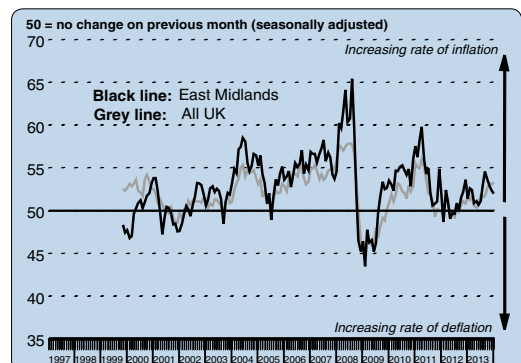


Input prices at East Midlands companies increased during January, with the rate of inflation broadly in line with the series average. The latest rise in costs was also similar to that recorded across the UK economy as a whole. Close to 19% of panellists recorded a rise in input prices, with a number linking this to stronger demand for inputs. Solid increases in input costs were seen across both monitored sectors.

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	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
2014	Jan	8.3	88.5	3.1	52.6	52.0	53.3

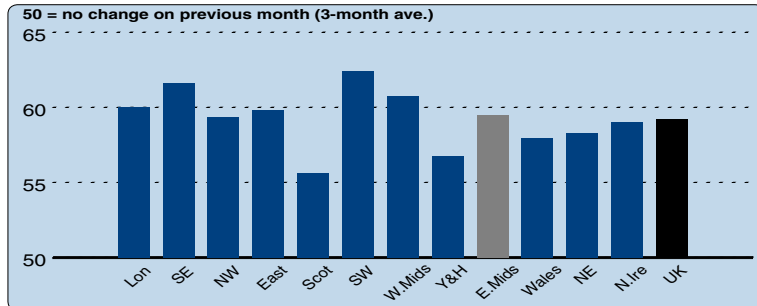


Companies in the East Midlands raised their output prices in January, as part of attempts to pass on higher input costs to their clients. However, the rate of charge inflation eased for the fourth consecutive month and was the slowest since July 2013. The rise in selling prices in the region was also weaker than the UK average. More than 8% of panellists increased their output prices, against 3% that lowered them.



Regional Comparisons: Output

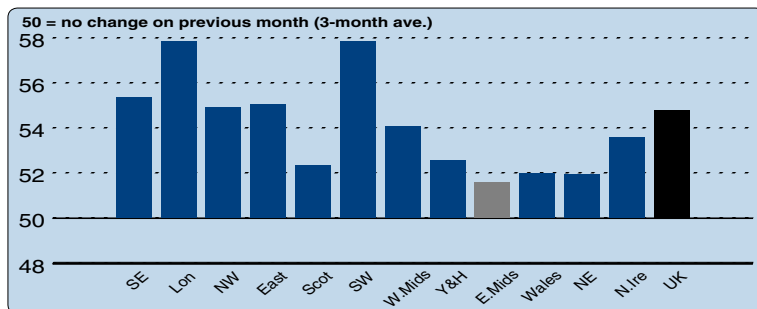
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the 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
UK	(100.0%)	57.3	59.2	58.5

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 monitored by the survey 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
UK	(100.0%)	52.8	54.8	55.2

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.