

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.

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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 January 2014 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

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10th February 2014

Growth of output in London slows further, but remains strong

Key findings:

- Slowest increase in private sector output since May; third-weakest among UK regions
- Employment growth highest since December 2000
- Input price inflation remains historically weak

London's private sector economy continued to expand sharply in January, but the pace of growth slowed further. Moreover, London grew at a slower rate than the UK average for the first time in nearly a year, with only the North East and East Midlands expanding at slower rates at the start of 2014. Nevertheless, sharp increases in new and outstanding business suggested that output would continue to rise strongly in the coming months and, reflecting this, firms increased workforces at the fastest rate since December 2000.

Output and demand

At 57.0 in January, 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 further sharp increase in private sector activity in the capital at the start of 2014. Although still higher than the long-run trend of 56.0, the latest figure signalled the slowest expansion since May, and was the third-lowest among all 12 UK regions covered.

New business continued to rise rapidly in January, albeit at the weakest rate in six months. Both manufacturing and services registered sharp rates of growth in new work.

Employment and backlogs

Although the rates of growth in new business and total activity eased further in January, the overall strength of business conditions led firms to expand staffing at a faster rate. Employment growth accelerated to the highest since December 2000, with sharp increases registered in both manufacturing and services.

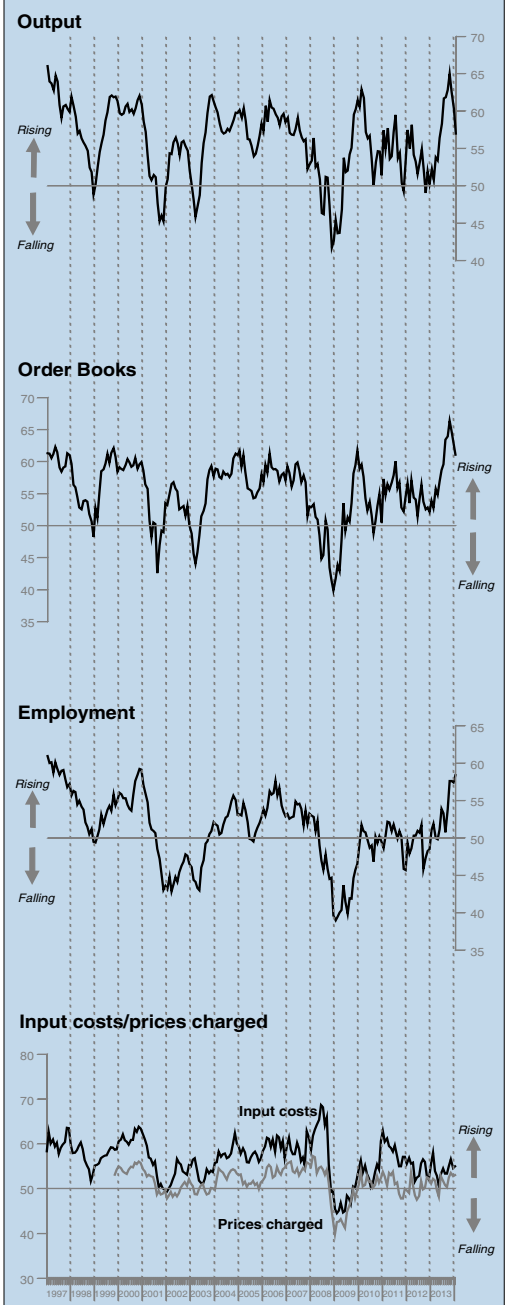
Firms partly recruited additional staff to deal with current workloads. Backlogs increased for the ninth month in succession, and the rate of growth was sharp.

Input and output prices

Average input prices increased in January, continuing the current inflationary sequence that began in October 2009. The rate of input cost inflation was solid, but weaker than the long-run survey average.

Output charges increased for the eighth month running, the longest sequence of inflation in nearly two-and-a-half years. Moreover, the rate of increase was stronger than the long-run survey average, reflecting the current strength of demand in the capital.

London Business Conditions

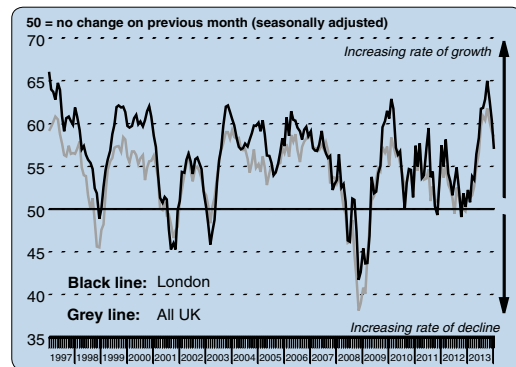




Output / Business Activity

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	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	60.9	
	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	59.1	
	2014	Jan	26.7	54.3	19.0	53.9	57.0	58.5

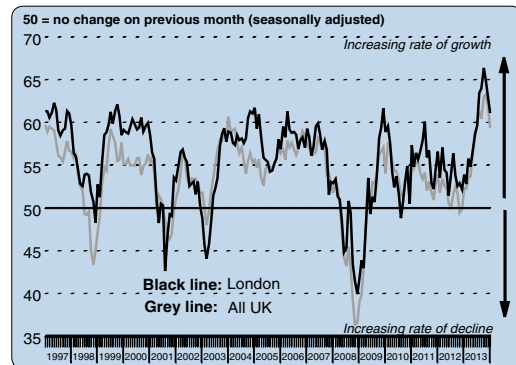


Growth of private sector output in London remained sharp in January, and the seasonally adjusted Business Activity Index posted above its long-run average of 56.0. Firms mainly linked higher activity to incoming new business. That said, the rate of expansion slowed for the third month running from October's near-record high, to the weakest since last May. London's rate of expansion also slipped below the UK average for the first time since February 2013, and was in fact slower than all regions except the East Midlands and North East. Manufacturing continued to outpace services, but both sectors registered slower rates of expansion.

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	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	63.3	
	Dec	31.2	48.6	20.2	55.5	63.0	61.8	
	2014	Jan	34.2	52.6	13.2	60.5	61.1	59.4

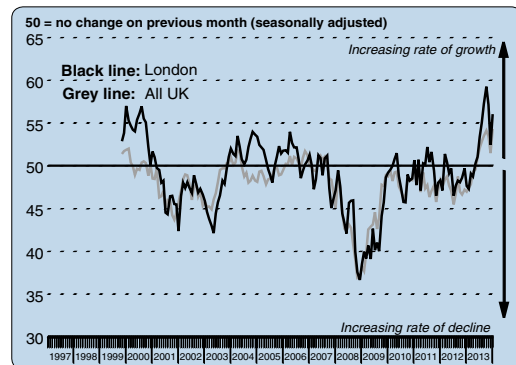


The volume of new business received by London private sector companies continued to grow at a marked pace in January. In line with the trend for output, however, the rate of expansion eased for the third month running. The seasonally adjusted Business Activity Index fell to a six-month low, but nonetheless remained greater than its long-run average of 55.5 and the latest All-UK figure of 59.4. Manufacturers and service providers registered broadly similar rates of expansion in new work. Firms generally reported strengthening demand and improving confidence.

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	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	
	2014	Jan	20.0	70.0	10.0	55.0	56.1	54.3

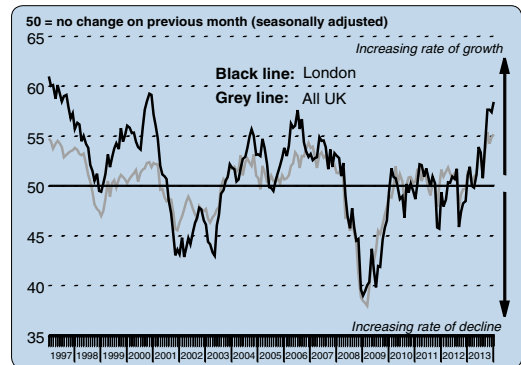


The overall strength of business conditions in London's private sector economy was underlined by a further sharp rise in backlogs in January. The seasonally adjusted Business Outstanding Index rebounded from December's six-month low, and was the fourth-highest since August 2000. Backlogs also increased at a sharper rate than that seen across the UK as a whole. Firms linked higher backlogs to new business growth and long-term client contracts.

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	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	
	2014	Jan	19.0	75.9	5.2	56.9	58.5	55.2

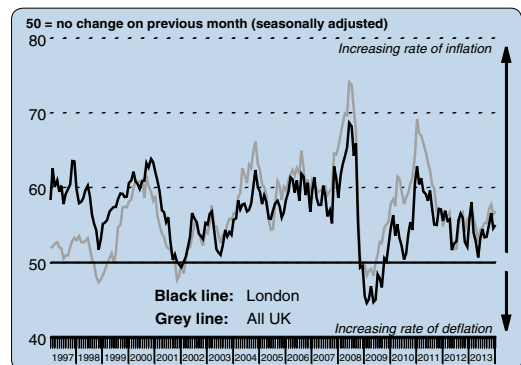


The pace of private sector job creation in London strengthened further in January from the already-marked rates seen throughout the final quarter of 2013, linked to current business requirements and also positive future expectations. The seasonally adjusted Employment Index rose to the highest since December 2000, and was the second-highest among all 12 UK regions covered, behind the South West. Employment has increased continually since May. In contrast to the trend shown over Q4, services employment increased more sharply than the manufacturing workforce in January.

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	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	56.4	
	2014	Jan	16.7	80.7	2.6	57.0	55.0	56.9

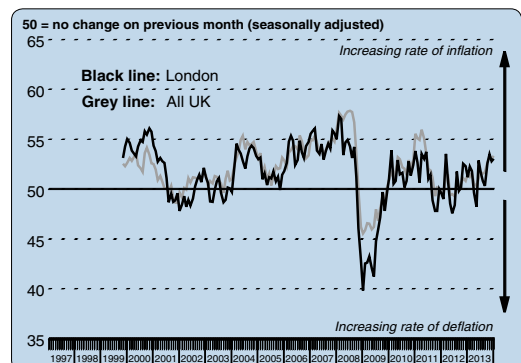


Average input prices paid by private sector firms in London rose solidly in January. The overall rise in input costs was centred on the service sector, while manufacturing input prices fell marginally. Service providers widely linked higher input costs to wage pressures. Overall, the seasonally adjusted Input Prices Index was little-changed from December and below its long-run average of 56.7. Input price inflation in London was also weaker 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	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	
	2014	Jan	9.6	87.0	3.5	53.0	53.0	53.3

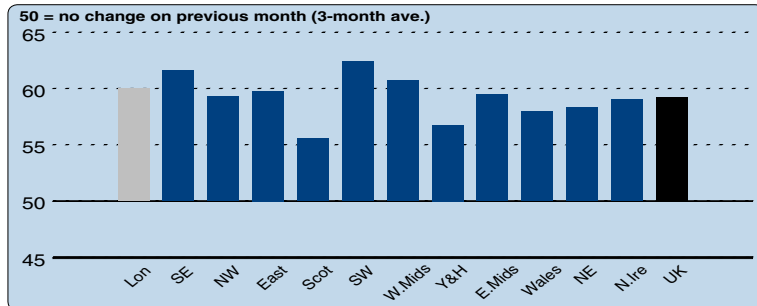


Prices charged for private sector goods and services rose for the eighth month running in January. The rate of inflation was broadly unchanged from December, and comparable to the UK average. In contrast to the trend shown for input prices, the rate of output price inflation was strong in the context of historic survey data, reflecting the current strength of market conditions. Manufacturers raised their prices at a slightly faster rate than service providers.



Regional Comparisons: Output

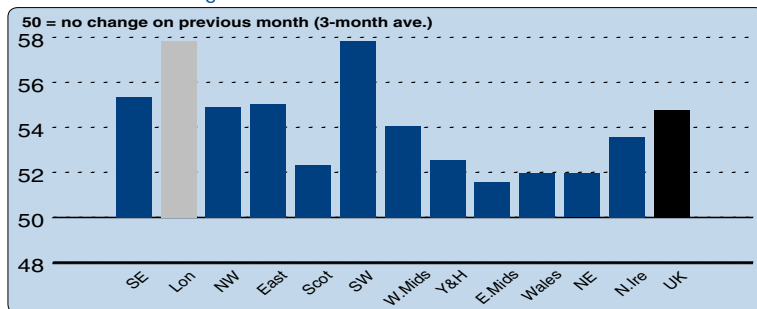
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the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