



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 January 2014 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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10th February 2014

North East output growth eases to three-month low

Key findings:

- New business growth eases from December's record high but remains sharp
- Job creation accelerates to six-month high
- Output charges are cut for the first time since July 2013

North East private sector companies signalled further expansions of output and new orders at the start of the year. Though sharp, the rates of growth eased from December in both cases. Nonetheless, companies raised their staffing levels solidly in January in response to higher workloads. On the price front, input cost inflation eased to a three-month low, while competitive market pressures led firms to cut their output charges for the first time since last July.

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 56.8 in January, down from 60.4 in December. Although still at a strong level, this signalled the slowest increase in business activity at North East private sector firms since last October. Furthermore, business activity rose at a weaker pace than across the UK private sector economy as a whole.

Growth of new business also eased at the start of the year, following the sharpest expansion of new orders in the series history during December. Moreover, it was the slowest rise in new business for four months. That said, growth of new work in the North East remained above the UK trend, amid reports of improving client demand.

Employment and backlogs

North East private sector companies raised their staffing levels again in January. Furthermore, the rate of job creation accelerated to a six-month high. However, payroll numbers expanded at a slower rate than across the UK private sector economy as a whole.

Backlogs of work rose for the sixth consecutive month at the start of the year, albeit only marginally. This contrasted with a solid increase in unfinished business in the UK private sector economy as a whole.

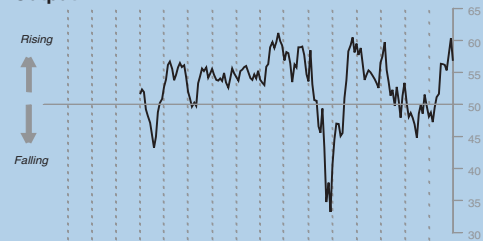
Input and output prices

Average cost burdens faced by North East private sector firms increased again in January. That said, the rate of input price inflation was the weakest since last October.

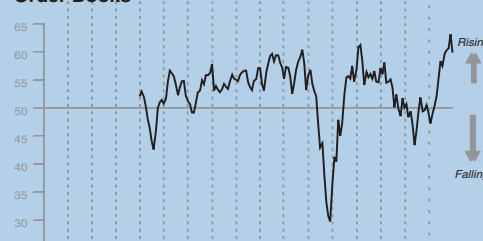
Meanwhile, private sector firms in the North East cut their selling prices for the first time since July 2013 in January, albeit marginally.

North East Business Conditions

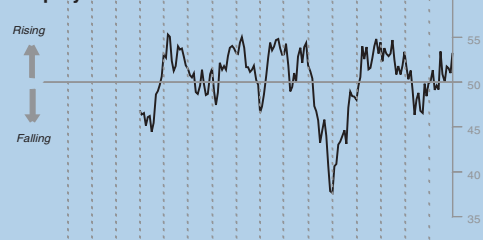
Output



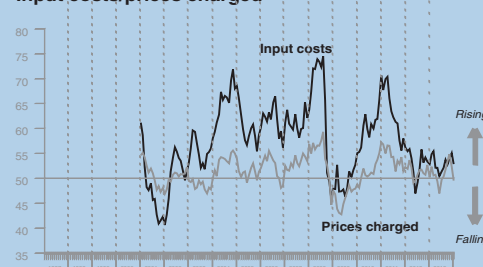
Order Books



Employment



Input costs/prices charged

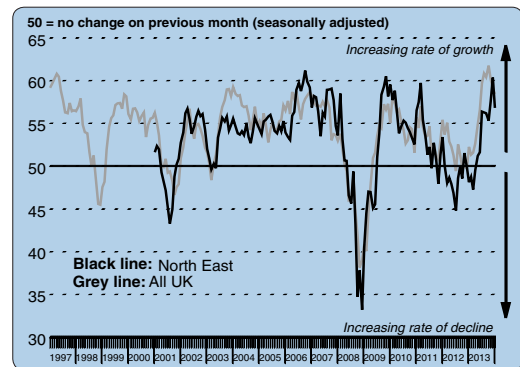




Output / Business Activity

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	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	60.9	
	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	59.1	
	2014	Jan	21.6	56.9	21.6	50.0	56.8	58.5

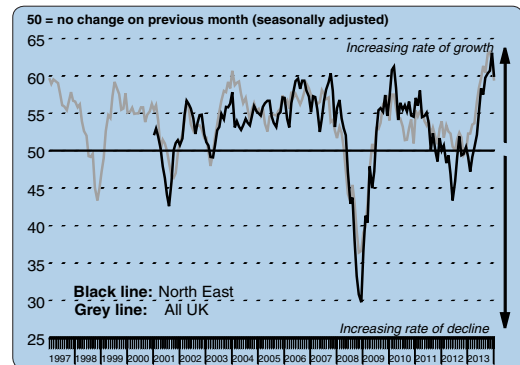


Private sector companies in the North East signalled a further expansion of business activity in January, extending the current sequence of growth to nine months. After adjusting for seasonality, the rate of increase eased from December's 49-month peak, but remained sharp overall. That said, output expanded at a faster rate across the UK private sector economy as a whole. According to sector data, increased business activity in the North East was primarily driven by manufacturers, with service providers reporting a more modest rise.

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	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	63.3	
	Dec	34.8	54.3	10.9	62.0	63.1	61.8	
	2014	Jan	29.4	51.0	19.6	54.9	59.9	59.4

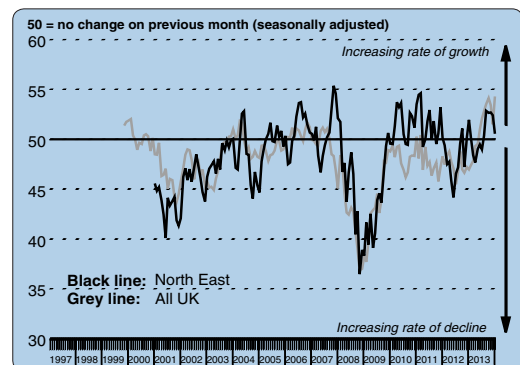


The seasonally adjusted New Orders Index signalled an increased amount of new business placed at North East private sector companies in January. Despite having eased from December's record high, the rate of new order growth remained sharp, with nearly 30% of panellists noting an increased amount of new work. Furthermore, new business increased at a similar pace in the UK private sector economy as a whole. Improving client demand was cited by a number of panellists as the key driver of new order growth.

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	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	
	2014	Jan	15.6	66.7	17.8	48.9	50.6	54.3



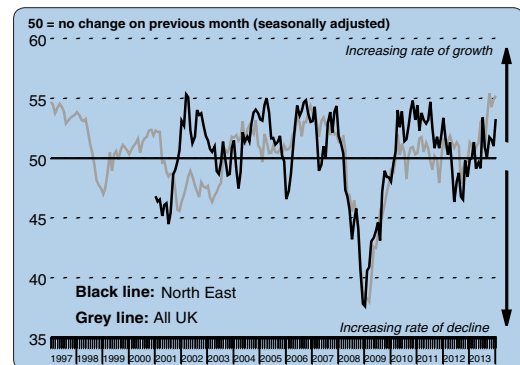
Outstanding business at North East private sector firms rose for the sixth successive month in January. Adjusted for seasonal factors, the Business Outstanding Index signalled that the rate of accumulation eased to a only a marginal pace. Weaker growth of work outstanding reflected divergent trends at the sector level, with the level of work-in-hand rising at service providers but declining at goods producers. Meanwhile, unfinished business rose solidly across the UK private sector economy as a whole.



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	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	
	2014	Jan	17.3	78.8	3.8	56.7	53.3	55.2

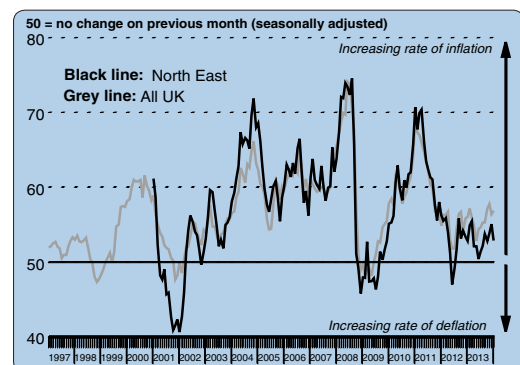


Employment levels continued to increase at North East private sector companies in January. After adjusting for seasonal variation, the rate of job creation accelerated to a solid pace that was the strongest since July 2013. However, payroll growth in the region remained weaker than that seen in the UK private sector economy as a whole. According to sector data, increased staffing levels in the North East were largely driven by service sector firms, with number of surveyed companies hiring additional staff in response to higher workloads. In contrast, manufacturers reduced employment.

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	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	56.4	
	2014	Jan	6.0	86.0	8.0	49.0	52.9	56.9

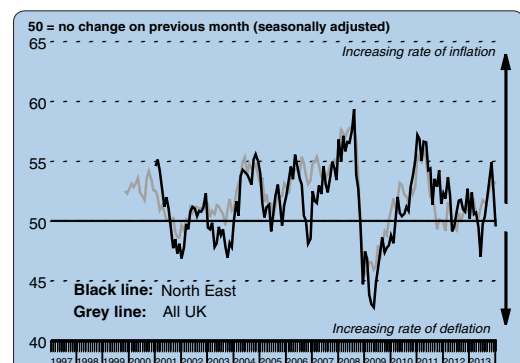


Average input costs faced by private sector companies in the North East increased again in January. The rate of inflation, though solid, was the weakest in three months. Furthermore, average input costs rose at a much slower rate than across the UK private sector economy as a whole. Sector data indicated that cost burdens increased at weaker rates at both manufacturers and service providers.

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	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	
	2014	Jan	2.0	88.2	9.8	46.1	49.6	53.3

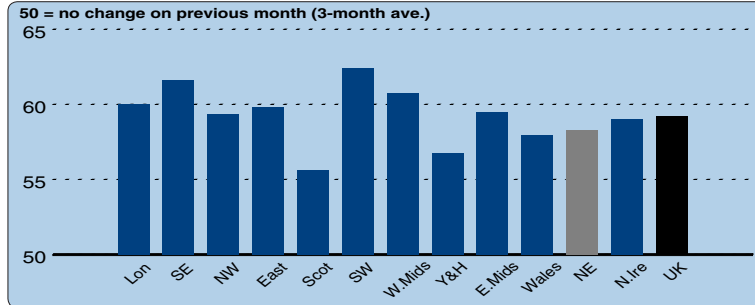


Private sector companies in the North East cut their average selling prices for the first time in six months during January. After adjusting for seasonality, however, the rate of discounting was only slight. Anecdotal evidence suggested that output prices in the North East declined in response to competitive market pressures. Meanwhile, output charges rose at a solid pace across the UK private sector economy as a whole.



Regional Comparisons: Output

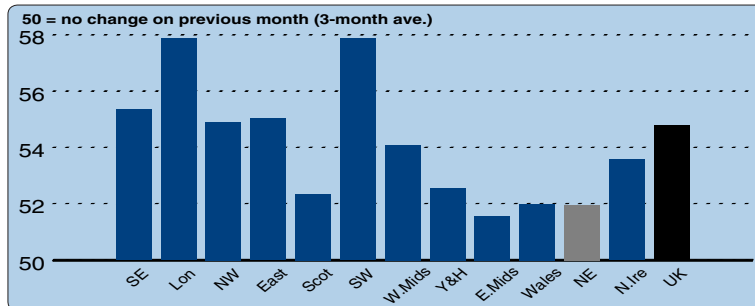
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the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