



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 January 2014 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.

For further information, please contact:

economics@markit.com

The intellectual property rights to the North West PMI provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Lloyds Bank Commercial Banking use the above marks under licence. Markit is a registered trade mark of Markit Group Limited.

10th February 2014

Strong rises in output and new orders

Key findings:

- Business activity growth in the region outpaces UK average
- New orders expand for twelfth consecutive month
- Record rise in workforce numbers

New business placed at private sector companies in the North West continued to expand at a marked rate in January, leading firms to raise their output volumes further. Moreover, panellists reported the strongest increase in employment in the survey history.

Output and demand

Adjusted for seasonal factors, the headline Lloyds Bank North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – dropped from 59.1 in December to 58.9 in January. This signalled a slower rate of expansion, but one that was nevertheless marked and stronger than the UK average.

Boosting output growth was a further increase in new orders. Incoming new business rose for the twelfth successive month, with firms commenting on strengthening demand conditions and an overall improvement in the UK economy. As with the trend for output, new business expanded across both the manufacturing and service sectors.

Employment and backlogs

In response to higher levels of incoming new work, firms stepped-up hiring in January. Employment rose at a sharp pace that was the fastest in the history of the series. Moreover, jobs growth in the region was quicker than that seen at the UK level. Strong job creation was signalled by both manufacturers and service providers.

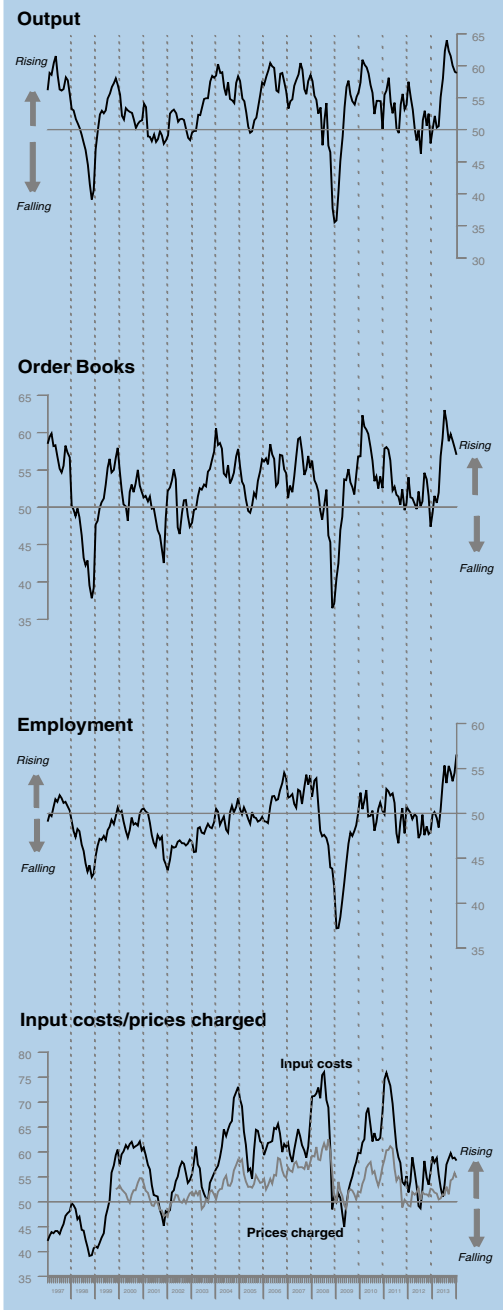
Following a decline in December, unfinished business in the North West economy rose in January. Amid reports from panel members of pressure on operating capacity, backlogs were accumulated at the fastest rate in the survey history.

Input and output prices

Input price inflation eased from the rate registered in December, but remained above the survey average and stronger than the UK-wide trend. Anecdotal evidence highlighted higher transport, labour, energy and raw material costs.

As part of efforts to pass on rising cost burdens, North West firms raised their average tariffs in January. Although robust, the rate of increase in charges was nonetheless still much weaker than that seen for input costs.

North West Business Conditions

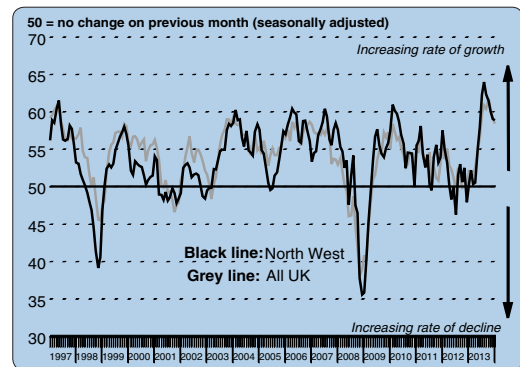




Output / Business Activity

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	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	60.9
	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	59.1
2014	Jan	28.3	52.5	19.2	54.5	58.9	58.5

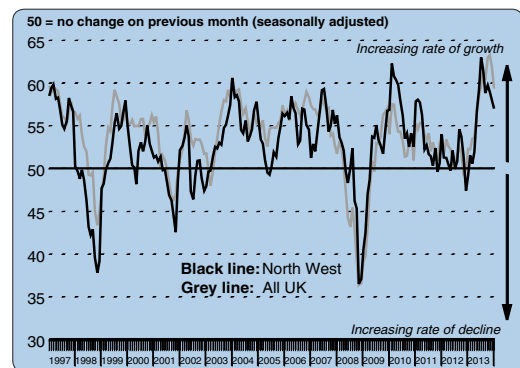


Growth of private sector output in the North West eased to the weakest in seven months during January. Nevertheless, the rate of expansion remained above the long-run series average and surpassed that seen at the UK level. Both manufacturers and services companies indicated higher levels of business activity, with anecdotal evidence highlighting new contract wins and an overall improvement in the UK economy.

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	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	63.3
	Dec	31.1	50.0	18.9	56.1	58.0	61.8
2014	Jan	31.6	40.8	27.6	52.0	57.1	59.4

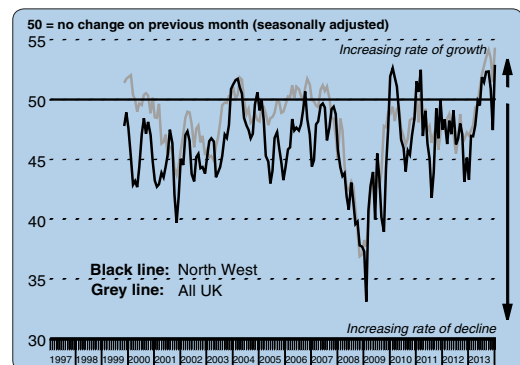


Private sector firms in the North West reported new business growth in January, stretching the current sequence of expansion to 12 months. The latest rise in incoming new work was marked, but the weakest since May 2013 and below the UK economy average. New orders rose across both the manufacturing and service sectors, with the quicker increase noted at the latter. Panellists signalled stronger underlying demand and better economic conditions.

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	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
2014	Jan	17.9	65.3	16.8	50.5	52.9	54.3



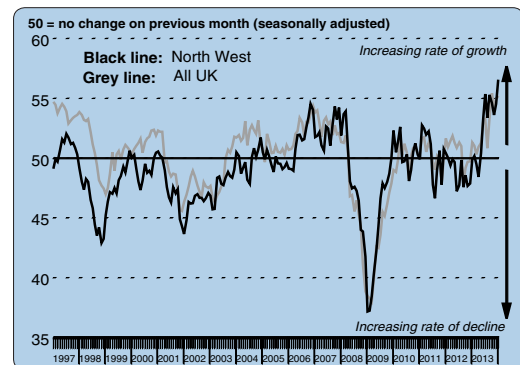
Backlogs of work were accumulated by companies operating in the North private sector during January, contrasting with a decline registered one month previously. Adjusted for seasonal factors, the Business Outstanding Index climbed to its highest level in the survey history and was consistent with a solid rate of growth. Monitored companies reported pressure on operating capacity and, to a lesser extent, shortages of skilled labour.



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	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
2014	Jan	17.3	76.5	6.1	55.6	56.6	55.2

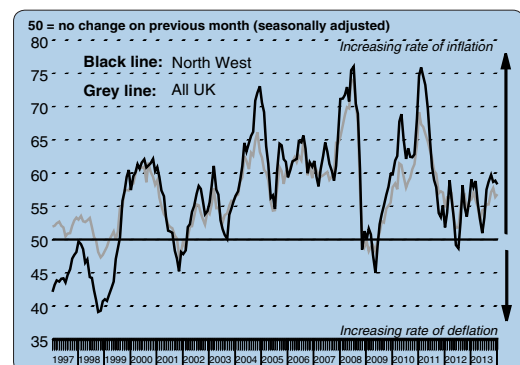


Adjusted for seasonal influences, the Employment Index rose to its highest mark in the survey history during January. The latest reading indicated a sharp rate of expansion that was stronger than the UK average. Growth of staffing levels across the region was broad-based by sector, with manufacturers and service providers posting job creation. Higher payroll numbers was linked by survey participants to new business growth.

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	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	56.4
2014	Jan	22.4	72.4	5.1	58.7	58.3	56.9

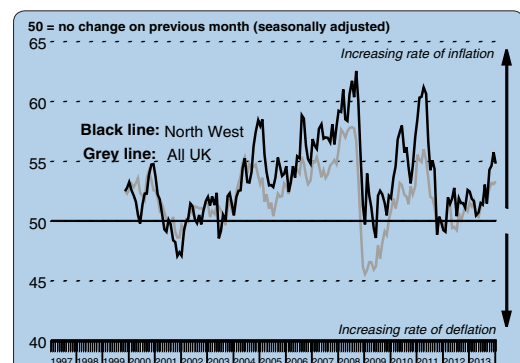


Input prices in the North West private sector economy rose in January, amid reports of higher transport, labour, energy and raw material costs. The overall rate of inflation remained robust and stronger than that seen in the UK as a whole. Higher input prices were recorded at both goods producers and services companies.

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	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
2014	Jan	14.1	79.8	6.1	54.0	54.8	53.3

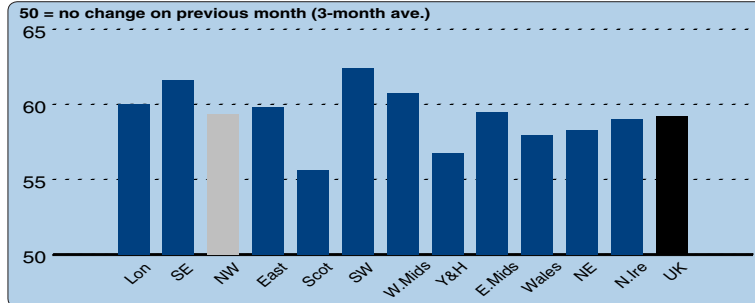


Reflective of higher cost burdens, North West companies raised their average tariffs again in January. The latest rise was the twenty-third in as many months. Nonetheless, the rate of charge inflation eased from December's 31-month peak and was much weaker than that seen for input costs. Output prices increased across the manufacturing and service sectors, led by the former.



Regional Comparisons: Output

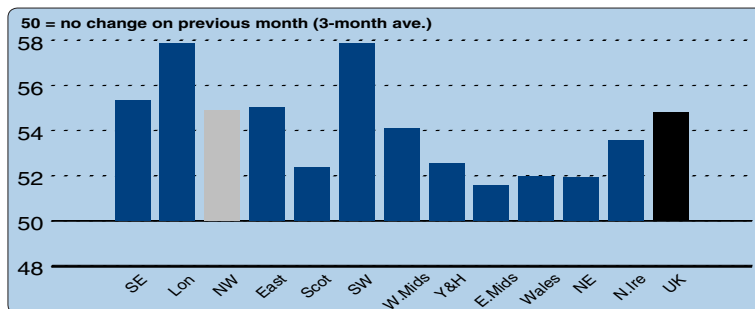
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the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

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.

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.