



Lloyds Bank South 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 South 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 South East and operating in both manufacturing and service sectors.

The South 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.

For further information, please contact: economics@markit.com

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10th February 2014

Growth momentum sustained in January

Key findings:

- Thirteenth successive month of output growth
- Pace of new order growth sharper in South East than across the UK as a whole
- Backlogs of work accumulate at fastest rate in the series history

January's *PMI*® data from Lloyds Bank signalled a sharp expansion of output at private sector firms in the South East, marking the thirteenth consecutive month of growth.

Output and demand

The headline **Lloyds Bank South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted at 61.5 in January, up from 60.1 in December. Whilst remaining below November's survey-record high, the pace of expansion had accelerated from December and was sharper than the UK average. Panellists commonly attributed the latest increase in business activity to promotional activity, increased export volumes and an expansion of domestic demand.

Incoming new business increased for the thirteenth consecutive month in January, though the rate of growth eased from December. Anecdotal evidence suggested that increased export demand and a continuing domestic economic recovery were contributory factors behind the latest increase in new business.

Employment and backlogs

Employment in the South East's private sector grew for the tenth consecutive month in January. Though the pace of expansion eased from December's near 16-and-a-half year high, it nevertheless remained strong.

Meanwhile, backlogs of work rose for the seventh consecutive month in January, and at the sharpest rate recorded in the 14-year series history. Of the respondents that reported higher levels of outstanding business, a number attributed the latest rise to supply-chain issues resulting from increased demand.

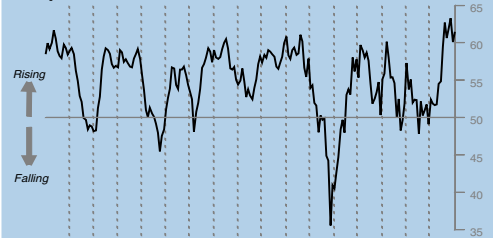
Input and output prices

Average input costs rose for the eighteenth month running in January, though the pace of inflation eased marginally from December. Respondents cited higher energy tariffs and increased transport costs as contributory factors behind the latest rise in input prices.

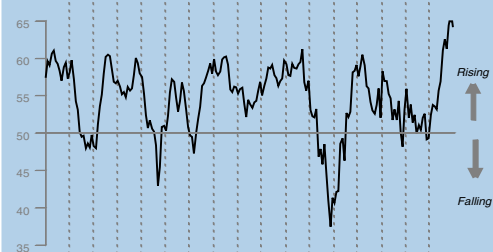
Concurrently, January saw prices charged increase at the sharpest rate in over two-and-a-half years. Goods producers saw the sharper rise in output prices, whilst the increase in charges at service providers was more modest.

South East Business Conditions

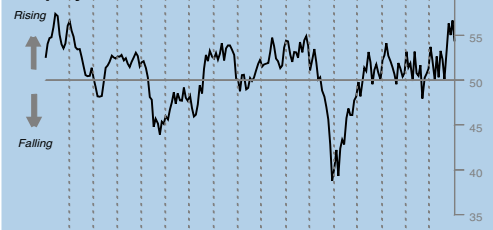
Output



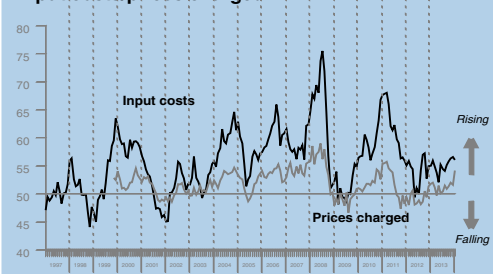
Order Books



Employment



Input costs/prices charged

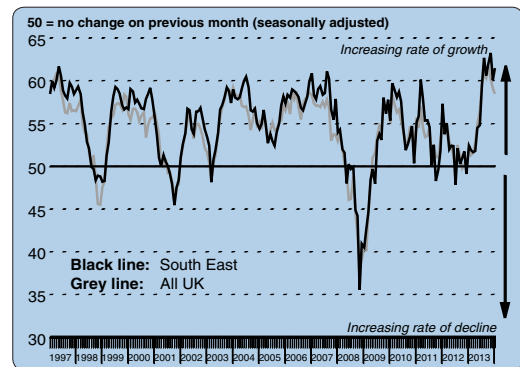




Output / Business Activity

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

| | | South East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | May | 27.5 | 51.1 | 21.4 | 53.0 | 54.5 | 54.9 |
| | Jun | 28.1 | 53.9 | 18.0 | 55.1 | 54.8 | 56.6 |
| | Jul | 36.4 | 50.0 | 13.6 | 61.4 | 59.5 | 59.7 |
| | Aug | 39.1 | 43.0 | 17.9 | 60.6 | 62.7 | 60.9 |
| | Sep | 34.5 | 50.6 | 14.9 | 59.8 | 60.7 | 60.4 |
| | Oct | 35.0 | 49.7 | 15.3 | 59.8 | 61.9 | 61.8 |
| | Nov | 39.1 | 49.7 | 11.2 | 63.9 | 63.3 | 60.2 |
| | Dec | 26.4 | 51.1 | 22.4 | 52.0 | 60.1 | 59.1 |
| 2014 | Jan | 36.5 | 46.4 | 17.2 | 59.6 | 61.5 | 58.5 |

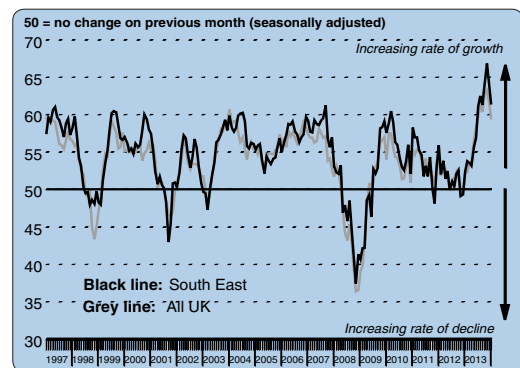


Business activity in the South East private sector expanded for the thirteenth consecutive month in January, and at a faster rate than the UK average. Promotional activity, increased exports and an expansion of domestic demand were cited by respondents as contributory factors behind the latest rise in output. Manufacturers registered a sharper increase in business activity than service providers for the fifth consecutive month.

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?

| | | South East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | May | 32.8 | 43.3 | 23.9 | 54.4 | 55.7 | 56.6 |
| | Jun | 34.3 | 47.8 | 18.0 | 58.1 | 57.0 | 58.4 |
| | Jul | 37.2 | 49.2 | 13.7 | 61.7 | 61.1 | 59.7 |
| | Aug | 38.1 | 46.0 | 15.9 | 61.1 | 62.6 | 61.4 |
| | Sep | 34.9 | 50.9 | 14.2 | 60.4 | 61.3 | 60.4 |
| | Oct | 40.1 | 41.2 | 18.7 | 60.7 | 64.4 | 63.0 |
| | Nov | 40.2 | 50.9 | 8.9 | 65.7 | 66.9 | 63.3 |
| | Dec | 28.5 | 55.8 | 15.7 | 56.4 | 64.2 | 61.8 |
| 2014 | Jan | 35.4 | 48.1 | 16.4 | 59.5 | 61.4 | 59.4 |

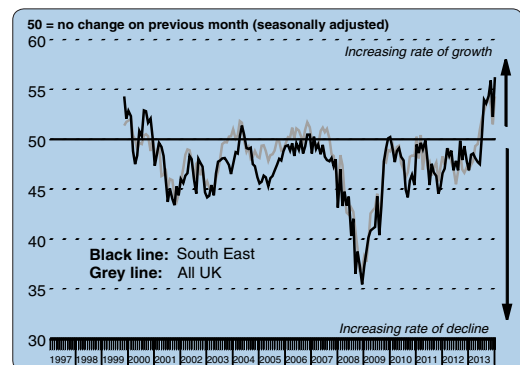


South East private sector incoming new business grew for the thirteenth consecutive month in January. The pace of expansion was the weakest in four months, but nevertheless remained substantially sharper than the long-run series average. In line with the trend in business activity, new orders rose at a sharper pace in the South East than across the UK as a whole. Respondents attributed the latest growth to increased demand for exports, particularly from South Korean and Chinese markets, and an ongoing domestic economic recovery.

Business Outstanding

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

| | | South East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | May | 15.7 | 64.5 | 19.9 | 47.9 | 47.7 | 49.6 |
| | Jun | 18.1 | 63.1 | 18.8 | 49.7 | 47.5 | 51.0 |
| | Jul | 21.4 | 62.5 | 16.1 | 52.7 | 50.5 | 52.1 |
| | Aug | 25.6 | 58.5 | 15.9 | 54.9 | 54.0 | 52.8 |
| | Sep | 21.6 | 61.4 | 17.0 | 52.3 | 53.6 | 53.5 |
| | Oct | 23.4 | 57.5 | 19.2 | 52.1 | 54.4 | 54.2 |
| | Nov | 22.9 | 63.1 | 14.0 | 54.5 | 55.9 | 53.5 |
| | Dec | 17.9 | 65.4 | 16.7 | 50.6 | 52.3 | 51.5 |
| 2014 | Jan | 23.1 | 62.7 | 14.2 | 54.4 | 56.2 | 54.3 |



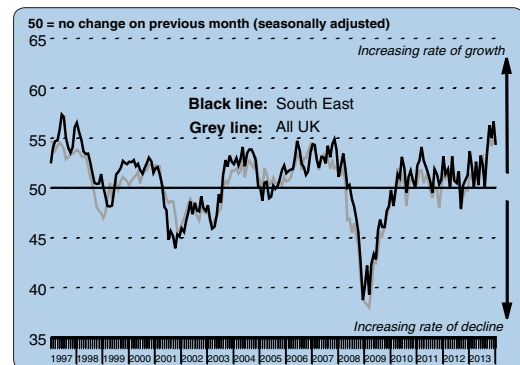
Backlogs of work at South East private sector firms rose at the sharpest rate recorded in over 14 years of data collection in January. This was the seventh consecutive month of expansion, marking the longest sequence of growth since a seven-month period of expansion that ended in December 2000. Over a fifth of respondents reported higher levels of outstanding business, of which a number attributed the latest rise to capacity issues as a result of increased demand.



Employment

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

| | | South East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | May | 12.6 | 73.6 | 13.7 | 49.5 | 50.3 | 51.3 |
| | Jun | 17.3 | 73.2 | 9.5 | 53.9 | 53.3 | 53.1 |
| | Jul | 15.2 | 75.0 | 9.8 | 52.7 | 52.3 | 53.3 |
| | Aug | 18.4 | 72.1 | 9.5 | 54.5 | 50.1 | 50.8 |
| | Sep | 17.3 | 73.8 | 8.9 | 54.2 | 53.4 | 53.3 |
| | Oct | 16.4 | 76.0 | 7.7 | 54.4 | 56.3 | 55.4 |
| | Nov | 18.3 | 74.6 | 7.1 | 55.6 | 55.0 | 54.3 |
| | Dec | 18.5 | 75.1 | 6.4 | 56.1 | 56.7 | 54.9 |
| 2014 | Jan | 12.0 | 81.3 | 6.8 | 52.6 | 54.3 | 55.2 |

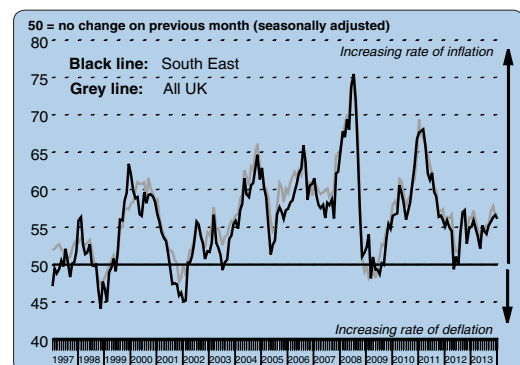


The seasonally adjusted Employment Index posted above the 50.0 no-change threshold for the tenth consecutive month in January, signalling further growth in South East private sector employment. The pace of expansion eased from December's near 16-and-a-half year high and was weaker than the UK average, but nevertheless remained strong overall. Staffing levels rose more sharply at service providers than at manufacturers for the second month running, though payroll numbers at both grew at a relatively fast pace.

Input Prices / Costs

Q. Have average input prices or input costs risen, fallen or remained unchanged this month compared to one month ago?

| | | South East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | May | 12.6 | 80.3 | 7.1 | 52.7 | 52.1 | 52.8 |
| | Jun | 14.0 | 80.4 | 5.6 | 54.2 | 55.2 | 54.4 |
| | Jul | 13.1 | 80.9 | 6.0 | 53.6 | 54.5 | 54.6 |
| | Aug | 10.6 | 84.4 | 5.0 | 52.8 | 54.1 | 55.3 |
| | Sep | 15.4 | 79.9 | 4.7 | 55.3 | 55.2 | 55.3 |
| | Oct | 12.6 | 83.6 | 3.8 | 54.4 | 55.8 | 57.2 |
| | Nov | 13.7 | 82.7 | 3.6 | 55.1 | 56.3 | 57.8 |
| | Dec | 11.0 | 86.0 | 2.9 | 54.1 | 56.6 | 56.4 |
| 2014 | Jan | 17.7 | 79.2 | 3.1 | 57.3 | 56.1 | 56.9 |

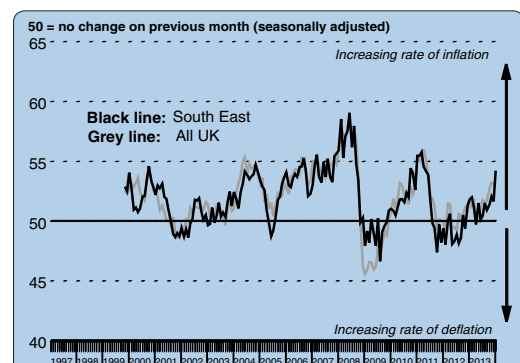


Average input costs rose in January, though the pace of inflation eased marginally from December. This was the eighteenth consecutive month in which the seasonally adjusted Input Prices Index posted above the 50.0 no-change mark. Around 18% of panellists registered an increase in input costs, compared with just 3% that reported a decline. Higher gas and electricity costs as well as increased transport costs were cited by respondents as contributory factors behind the latest rise in input prices.

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?

| | | South East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | May | 10.4 | 84.1 | 5.5 | 52.5 | 51.5 | 50.4 |
| | Jun | 5.1 | 87.6 | 7.3 | 48.9 | 50.2 | 51.1 |
| | Jul | 7.6 | 85.3 | 7.1 | 50.3 | 50.5 | 51.8 |
| | Aug | 4.5 | 91.0 | 4.5 | 50.0 | 51.5 | 51.6 |
| | Sep | 4.2 | 88.7 | 7.1 | 48.5 | 51.0 | 51.7 |
| | Oct | 5.0 | 90.6 | 4.4 | 50.3 | 51.4 | 52.7 |
| | Nov | 4.1 | 91.1 | 4.7 | 49.7 | 52.1 | 53.2 |
| | Dec | 3.5 | 93.1 | 3.5 | 50.0 | 51.6 | 53.1 |
| 2014 | Jan | 11.0 | 87.4 | 1.6 | 54.7 | 54.2 | 53.3 |

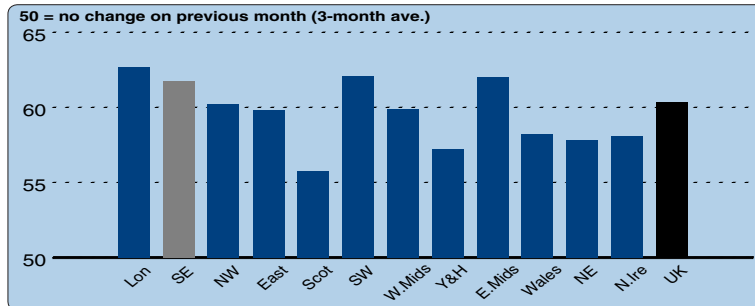


Prices charged increased at the sharpest rate in over two-and-a-half years in January. Moreover, the pace of inflation was sharper than the UK average. Passing on the cost of wage increases to clients in order to maintain profit margins was cited by panellists as a contributory factor behind the latest increase in charges. Manufacturers saw the sharper rise in output prices, with the rate of charge inflation at service providers only modest.



Regional Comparisons: Output

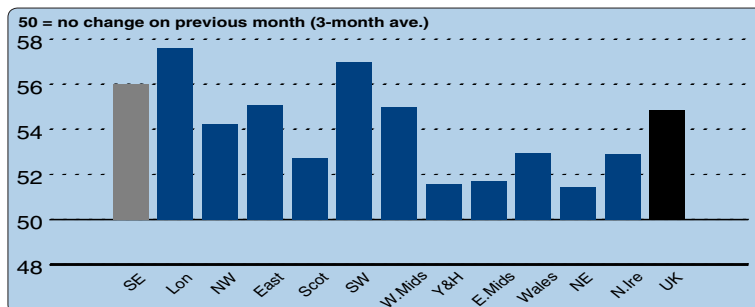
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the 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. *Purchasing Managers' Index*® (*PMI*®) surveys are 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. To learn more go to www.markit.com/economics.