



Lloyds Bank Yorkshire & Humber 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 Yorkshire & Humber PMI® (Purchasing Managers' Index®)

The report features original survey data collected in January 2014 from a representative panel of companies based in Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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

Growth momentum recovers in January

Key findings:

- Business activity expands for the fifteenth consecutive month
- Sharpest employment growth since January 2012
- First increase in business outstanding in three months

The latest data from Lloyds Bank Yorkshire & Humber PMI® signalled a strong private sector expansion in January, supported by sharp employment growth and a solid increase in new orders. This was the fifteenth successive month in which output rose, and the rate of growth accelerated from December's six-month low.

Output and demand

The headline **Lloyds Bank Yorkshire & Humber Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from December's six-month low of 55.8, to 57.6 in January, the first increase in the Index since September 2013. A number of respondents attributed the latest output growth to improving economic conditions.

New business rose for the eighteenth month running in January, and though the pace of expansion eased for the third month running, it nevertheless remained solid. Manufacturers saw a sharper increase in new orders than service providers.

Employment and backlogs

Employment at Yorkshire & Humber private sector firms grew for the eighth successive month in January, and the pace of expansion accelerated to a two year high.

Meanwhile, business outstanding increased for the first time since October, and at a relatively solid pace. However, the rate of expansion in backlogs of work across the UK as a whole surpassed that seen in Yorkshire & Humber.

Input and output prices

Average input prices increased for the seventeenth consecutive month in January, and at a solid pace. Respondents attributed the latest cost inflation to higher raw material prices and using staff salaries.

Prices charged by Yorkshire & Humber private sector businesses increased for the ninth month running in January. A number of firms stated that the latest rise was in part a result of higher average costs. At the sector level, the sharpest expansion in prices charged was seen at manufacturers.

Yorkshire & Humber Business Conditions

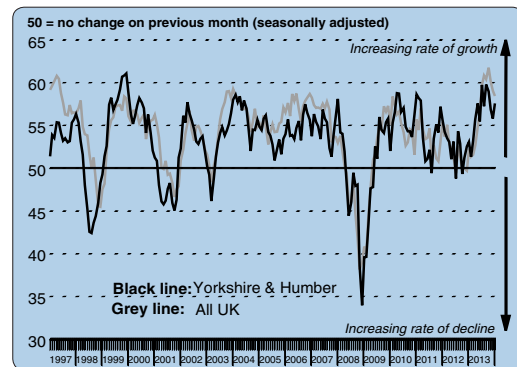




Output / Business Activity

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	32.9	47.1	20.0	56.5	57.6	54.9
	Jun	25.9	49.4	24.7	50.6	55.5	56.6
	Jul	37.5	51.1	11.4	63.1	59.8	59.7
	Aug	25.3	51.7	23.0	51.1	57.3	60.9
	Sep	37.9	50.6	11.5	63.2	59.8	60.4
	Oct	34.8	48.9	16.3	59.2	59.0	61.8
	Nov	30.1	51.8	18.1	56.0	56.9	60.2
	Dec	29.8	50.0	20.2	54.8	55.8	59.1
2014	Jan	27.7	55.3	17.0	55.3	57.6	58.5

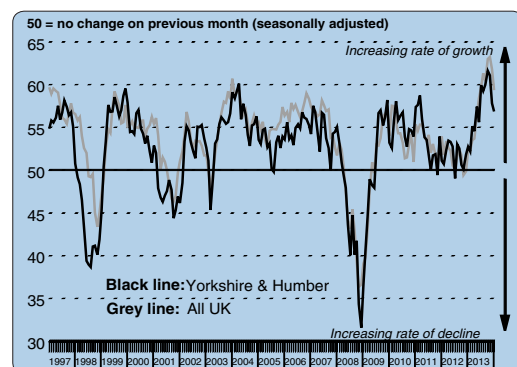


Business activity at private sector firms in Yorkshire & Humber sustained the solid growth momentum seen throughout the latter half of 2013 in January, with the pace of expansion accelerating from December. This was the fifteenth consecutive monthly rise in output, though the rate of growth was marginally weaker than the UK average. The expansion in business activity at manufacturers outpaced that registered at service providers for the fourth month in succession. Of the 28% of respondents that reported an increase in output, a number cited increased capital expenditure as a key driver.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	35.7	46.4	17.9	58.9	57.4	56.6
	Jun	26.2	50.0	23.8	51.2	55.6	58.4
	Jul	37.9	46.0	16.1	60.9	60.0	59.7
	Aug	30.2	50.0	19.8	55.2	59.3	61.4
	Sep	38.4	48.8	12.8	62.8	60.0	60.4
	Oct	40.0	42.2	17.8	61.1	61.7	63.0
	Nov	33.7	51.8	14.5	59.6	61.1	63.3
	Dec	33.7	41.0	25.3	54.2	57.8	61.8
2014	Jan	29.0	48.4	22.6	53.2	56.9	59.4

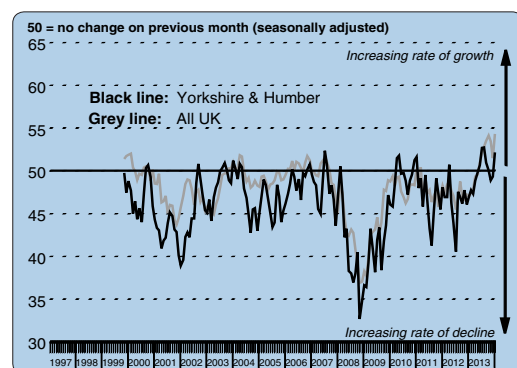


Incoming new business in the Yorkshire & Humber private sector grew for the eighteenth month running in January. The pace of expansion eased for the third month in succession, but nevertheless remained solid. Though the rate of growth was weaker than the UK average, it was sharper than the long-run series average. The recruitment and training of sales staff as well as business expansion in European markets were cited by panellists as contributory factors behind the latest growth. At the sector level, and in line with the trend in output, manufacturers saw a sharper increase in new orders than service providers.

Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	19.5	59.7	20.8	49.4	49.9	49.6
	Jun	21.1	57.9	21.1	50.0	50.7	51.0
	Jul	19.8	64.2	16.0	51.9	52.7	52.1
	Aug	16.7	65.5	17.9	49.4	52.8	52.8
	Sep	17.3	65.4	17.3	50.0	51.0	53.5
	Oct	23.8	52.4	23.8	50.0	50.1	54.2
	Nov	18.2	59.7	22.1	48.1	48.9	53.5
	Dec	16.9	58.4	24.7	46.1	49.4	51.5
2014	Jan	24.4	53.5	22.1	51.2	52.2	54.3



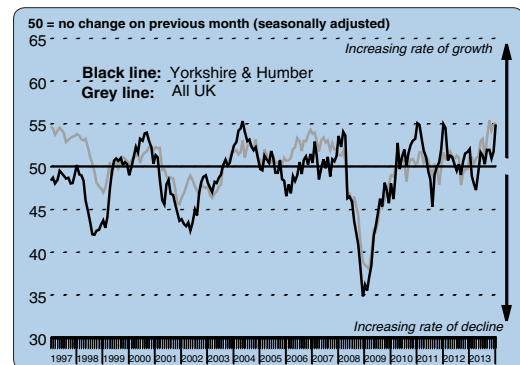
Private sector firms' business outstanding increased in January for the first time since October. The latest reading posted by the seasonally adjusted Business Outstanding Index suggested a relatively solid rate of growth. However, the pace of expansion in backlogs of work registered across the UK as a whole surpassed that seen in Yorkshire & Humber. Business outstanding rose at both manufacturers and service providers in January, and unlike the trend seen in output and new orders, it was service sector firms that saw the sharpest growth.



Employment

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	18.8	69.4	11.8	53.5	49.6	51.3
	Jun	10.6	75.3	14.1	48.2	51.7	53.1
	Jul	14.8	73.9	11.4	51.7	51.3	53.3
	Aug	12.5	72.7	14.8	48.9	50.3	50.8
	Sep	17.2	73.6	9.2	54.0	52.0	53.3
	Oct	12.0	76.1	12.0	50.0	52.0	55.4
	Nov	13.3	77.1	9.6	51.8	51.0	54.3
	Dec	13.1	78.6	8.3	52.4	51.8	54.9
2014	Jan	20.2	71.3	8.5	55.9	55.0	55.2

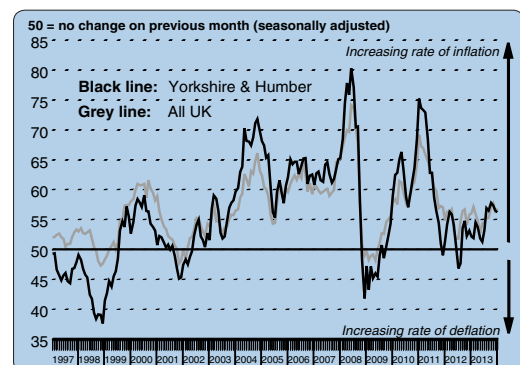


The pace of employment growth at Yorkshire & Humber private sector firms accelerated to a two year high in January. This marked the eighth successive month of expansion. Over a fifth of panellists recorded an increase in payroll numbers compared with just 9% that reported a reduction. Respondents commonly attributed the latest increase to fuller order books and forecasts of business expansion. At the sector level there was a further divergence as service providers registered a decline in staffing levels for the third successive month, whereas manufacturers saw sharp growth in payroll numbers.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	15.3	76.5	8.2	53.5	51.9	52.8
	Jun	12.9	72.9	14.1	49.4	51.3	54.4
	Jul	14.9	74.7	10.3	52.3	53.2	54.6
	Aug	15.9	81.8	2.3	56.8	56.9	55.3
	Sep	19.5	73.6	6.9	56.3	56.5	55.3
	Oct	19.6	73.9	6.5	56.5	57.8	57.2
	Nov	14.5	79.5	6.0	54.2	57.4	57.8
	Dec	11.9	82.1	6.0	53.0	56.6	56.4
2014	Jan	24.5	68.1	7.4	58.5	56.3	56.9

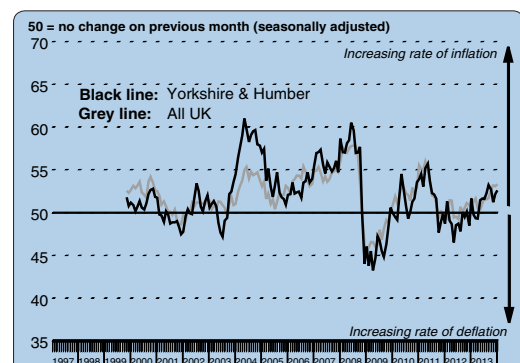


Average input prices at Yorkshire & Humber companies increased for the seventeenth consecutive month in January, and at a solid pace that was only marginally slower than in December. Higher raw material prices were cited by respondents as key drivers behind the latest cost inflation. The sharpest increase in input prices was registered at service providers in January, whilst manufacturers saw a more modest increase.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	May	5.9	92.9	1.2	52.4	51.5	50.4
	Jun	9.4	83.5	7.1	51.2	51.6	51.1
	Jul	4.5	93.2	2.3	51.1	51.6	51.8
	Aug	8.0	88.6	3.4	52.3	52.3	51.6
	Sep	5.7	93.1	1.1	52.3	53.2	51.7
	Oct	7.6	85.9	6.5	50.5	52.7	52.7
	Nov	6.0	88.0	6.0	50.0	51.2	53.2
	Dec	6.0	90.5	3.6	51.2	52.2	53.1
2014	Jan	16.0	79.8	4.3	55.9	52.6	53.3

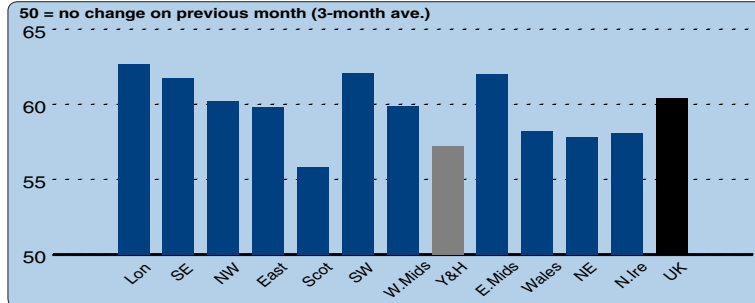


Prices charged by Yorkshire & Humber private sector businesses increased for a ninth consecutive month in January. Of the 16% of firms that registered a rise in prices charged, a number reported that the latest increase reflected higher cost burdens and rising staff wages. Unlike the trend seen in input prices, the sharpest expansion in prices charged was seen at manufacturers in January.



Regional Comparisons: Output

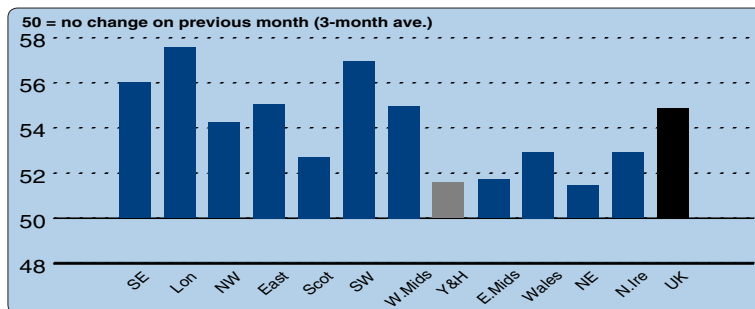
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong output growth was recorded across all 12 UK regions on average in the three months to January. Companies in the South West and South East posted the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

The PMIs 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.