



Lloyds Bank East of England 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 East of England PMI® (Purchasing Managers' Index®) is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in February 2014 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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 March 2014

Employment rises at quickest pace in the series history

Key findings:

- Rate of job creation hits record-high
- Output and new orders increase markedly, but at weaker rates
- Charge inflation eases to seven-month low

February data signalled the strongest rise in employment levels since data collection began more than 17 years ago. Activity and new orders also rose markedly, although at weaker rates than seen in January. Meanwhile, the rate of charge inflation eased to the slowest since last July.

Output and demand

East of England private sector companies reported a further robust increase in output in February, as highlighted by the headline **Lloyds Bank East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registering 58.1. The latest reading was the lowest in eight months, but still signalled one of the strongest expansions in activity in the series history.

In line with the trend for output, new orders rose sharply during February, with 42% of the survey panel reporting growth in new work. The pace of expansion slowed for the third straight month, but remained at a historically high level. Anecdotal evidence suggested that the latest rise in order intakes was partly attributed to the introduction of new products.

Employment and backlogs

Rising inflows of new work was the primary reason for East of England companies to increase their workforce numbers in February. The rate of job creation accelerated to a record-high, with one-in-five companies reporting higher staffing levels. Concurrently, work outstanding rose again in February, signalling ongoing pressure on operating capacity. However, the rate at which backlogs accumulated eased since January and was below the overall UK average.

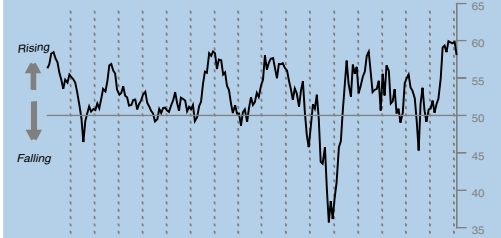
Input and output prices

Input costs rose further in February, with companies commenting on higher staff costs and increased utility bills. The rate of cost inflation eased since the preceding month, but remained above the overall UK average for the second month running.

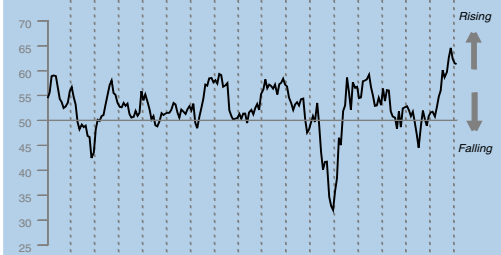
Output prices also increased during February, as companies passed higher costs on to their clients. The rate of charge inflation eased, however, to the weakest in seven months.

East of England Business Conditions

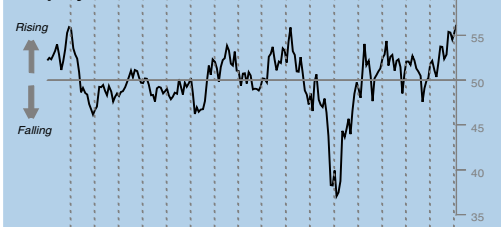
Output



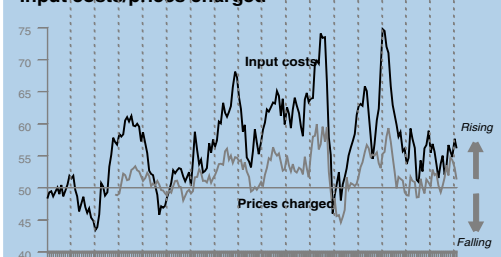
Order Books



Employment



Input costs/prices charged

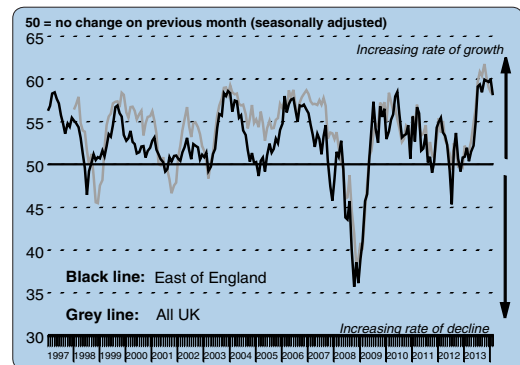




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	28.7	53.0	18.3	55.2	55.0	56.6
	Jul	31.1	54.7	14.2	58.5	59.1	59.7
	Aug	26.6	55.0	18.3	54.1	59.4	60.9
	Sep	32.1	52.3	15.6	58.3	58.5	60.4
	Oct	29.6	59.3	11.1	59.3	60.0	61.8
	Nov	34.5	53.6	11.8	61.4	59.8	60.1
	Dec	30.3	52.1	17.6	56.3	59.7	59.0
2014	Jan	33.3	48.2	18.4	57.5	59.9	58.5
	Feb	33.9	55.0	11.0	61.5	58.1	58.2

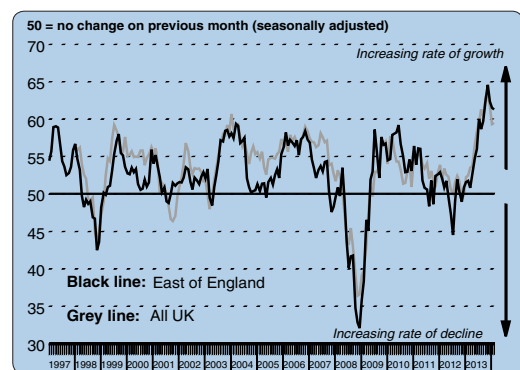


February data signalled a further sharp rise in activity at East of England companies, as highlighted by the seasonally adjusted Output Index posting above the no-change mark of 50.0. Despite easing to an eight-month low, the latest expansion was still among the steepest recorded in the series history and broadly in line with the overall UK average. Some survey participants attributed increased activity to increased order intakes.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	29.6	50.4	20.0	54.8	56.1	58.4
	Jul	36.8	41.5	21.7	57.5	60.1	59.7
	Aug	25.9	54.6	19.4	53.2	58.7	61.3
	Sep	32.4	52.8	14.8	58.8	59.7	60.4
	Oct	33.3	50.9	15.7	58.8	62.7	63.0
	Nov	33.3	52.8	13.9	59.7	64.6	63.2
	Dec	26.7	55.2	18.1	54.3	62.4	61.7
2014	Jan	41.6	41.6	16.8	62.4	61.5	59.3
	Feb	41.7	47.2	11.1	65.3	61.3	59.5

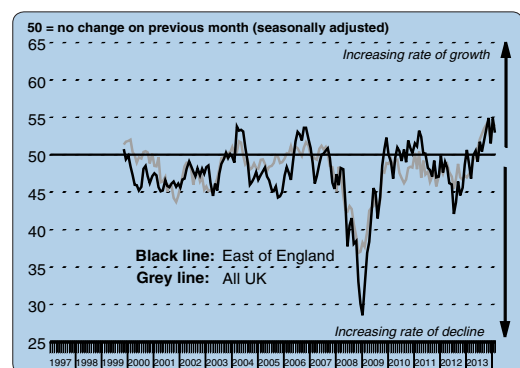


New orders placed at East of England private sector firms rose further in February, although the rate of growth eased for the third month running. Nevertheless, the latest expansion was one of the strongest seen in the series history and remained above the UK average, with 42% of the survey panel reporting higher new business. The introduction of new products was frequently mentioned by panellists as a main contributor to the latest rise.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	13.9	70.4	15.7	49.1	49.1	51.0
	Jul	19.8	63.4	16.8	51.5	51.8	52.1
	Aug	12.7	67.6	19.6	46.6	50.4	52.8
	Sep	17.2	67.7	15.2	51.0	51.9	53.5
	Oct	18.6	64.7	16.7	51.0	53.6	54.2
	Nov	18.1	65.7	16.2	51.0	55.0	53.5
	Dec	12.4	64.6	23.0	44.7	51.5	51.5
2014	Jan	21.5	60.7	17.8	51.9	54.9	54.3
	Feb	18.1	68.6	13.3	52.4	53.0	53.9



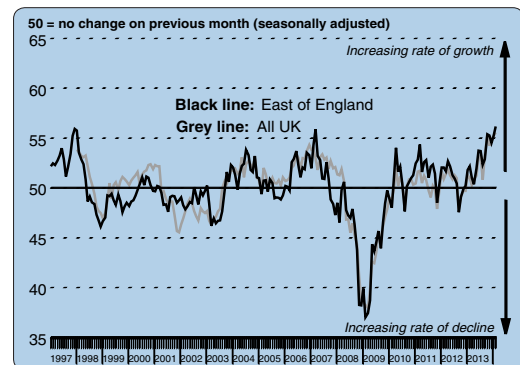
Backlogs of work accumulated again in February, as highlighted by the seasonally adjusted Business Outstanding Index posting above the crucial 50.0 threshold. Some survey participants commented that increased order intakes led to the latest rise in work outstanding. Work-in-hand has now risen for eight months in succession, but the latest rate of backlog accumulation was weaker than that seen in January.



Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	14.2	80.5	5.3	54.4	53.8	53.1
	Jul	19.0	70.5	10.5	54.3	53.7	53.3
	Aug	16.8	74.8	8.4	54.2	52.4	50.8
	Sep	16.8	72.0	11.2	52.8	52.9	53.3
	Oct	17.0	76.4	6.6	55.2	55.4	55.4
	Nov	21.3	71.3	7.4	56.9	55.3	54.3
2014	Dec	16.9	74.6	8.5	54.2	54.5	54.9
	Jan	17.9	70.5	11.6	53.1	55.3	55.3
	Feb	20.2	75.2	4.6	57.8	56.2	55.6

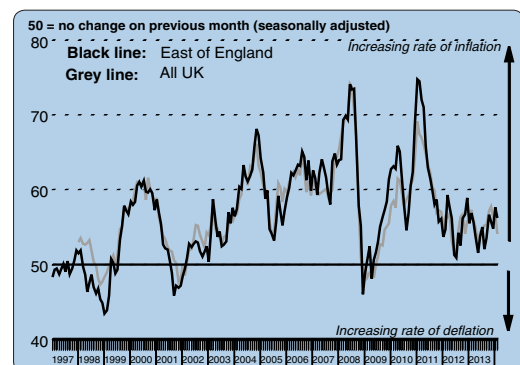


The latest survey data signalled a further rise in staffing levels in the East of England, with one-in-five companies hiring additional workers. Payroll numbers have now risen for 15 months in a row, with the latest rate of job creation accelerating to the quickest in the series history. Anecdotal evidence suggested that companies increased their headcounts in order to meet increased business requirements.

Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	13.0	83.5	3.5	54.8	53.8	54.4
	Jul	11.3	83.0	5.7	52.8	55.0	54.6
	Aug	13.0	78.7	8.3	52.3	52.1	55.2
	Sep	11.9	85.3	2.8	54.6	53.5	55.3
	Oct	13.9	83.3	2.8	55.6	56.7	57.2
	Nov	10.0	83.6	6.4	51.8	55.8	57.8
2014	Dec	8.4	89.1	2.5	52.9	54.8	56.4
	Jan	19.3	75.4	5.3	57.0	57.7	56.8
	Feb	15.6	80.7	3.7	56.0	56.2	54.1

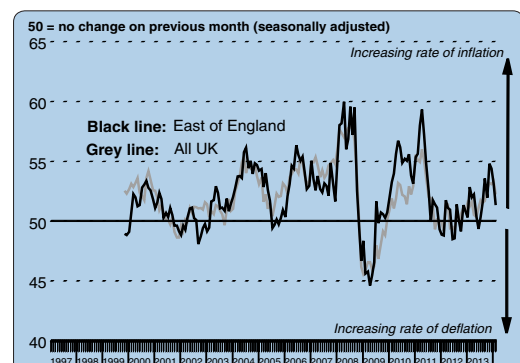


The seasonally adjusted Input Prices Index registered above the 50.0 no-change mark in February, signalling ongoing cost pressure in the East of England private sector. However, the rate of inflation eased since January and was below the series average. Around 16% of survey respondents recorded higher input costs, while only 4% reported a reduction. Some panellists linked higher input prices to increased staff costs and higher utility bills.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	6.1	85.1	8.8	48.7	49.4	51.1
	Jul	4.8	91.3	3.8	50.5	50.4	51.8
	Aug	6.5	86.1	7.4	49.5	51.6	51.6
	Sep	12.8	84.4	2.8	55.0	53.6	51.7
	Oct	7.5	85.8	6.6	50.5	52.0	52.7
	Nov	6.4	90.0	3.6	51.4	54.8	53.2
2014	Dec	6.8	89.8	3.4	51.7	54.4	53.1
	Jan	12.5	79.5	8.0	52.2	53.2	53.3
	Feb	7.4	87.0	5.6	50.9	51.4	52.2

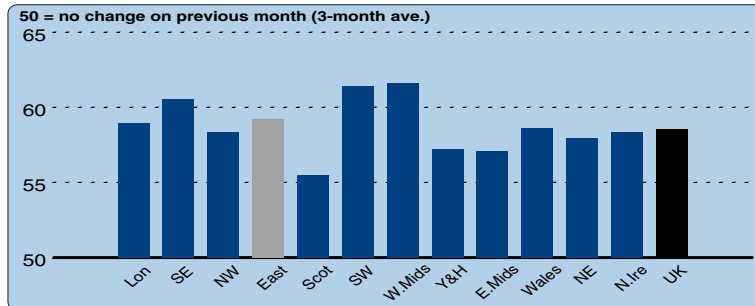


East of England private sector companies raised their selling prices further in February, extending the current sequence of risings charges to eight months. The pace of charge inflation eased, however, to the weakest since last July and was below the overall UK average. Increased input costs was the primary factor for the latest rise in output prices, according to panel members.



Regional Comparisons: Output

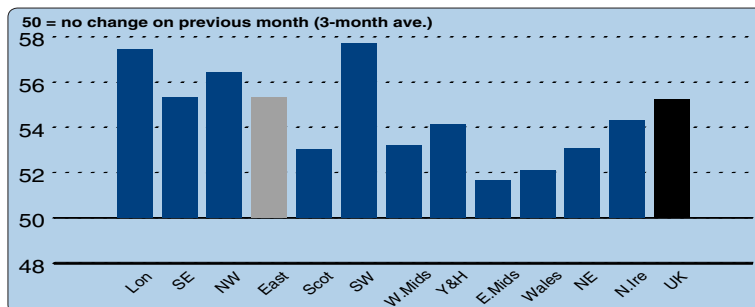
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South West, while Scotland posted the slowest pace of expansion.



	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	59.4	58.9	59.5
South East	(14.9%)	58.5	60.5	60.0
North West	(9.6%)	58.3	58.3	57.0
East of England	(8.6%)	57.0	59.2	58.1
Scotland	(7.8%)	55.4	55.5	55.2
South West	(7.5%)	58.1	61.4	59.0
West Midlands	(7.2%)	57.4	61.6	62.2
Yorks & Humber	(6.9%)	57.2	57.2	58.1
East Midlands	(5.9%)	57.3	57.1	55.7
Wales	(3.5%)	57.5	58.6	59.2
North East	(3.1%)	54.6	58.0	56.6
N.Ireland	(2.2%)	55.3	58.3	58.1
UK	(100.0%)	57.9	58.6	58.2

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). Higher staffing levels were recorded across all 12 UK regions on average in the three months to February. The South West registered the strongest pace of job creation, while the weakest rise in workforce numbers was in the East Midlands.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	54.2	57.4	56.4
South East	(14.9%)	53.3	55.3	54.9
North West	(9.6%)	53.6	56.5	58.3
East of England	(8.6%)	53.6	55.3	56.2
Scotland	(7.8%)	52.6	53.0	55.2
South West	(7.5%)	54.3	57.7	55.7
West Midlands	(7.2%)	54.0	53.2	52.8
Yorks & Humber	(6.9%)	51.3	54.1	55.7
East Midlands	(5.9%)	51.3	51.7	52.7
Wales	(3.5%)	52.3	52.1	52.5
North East	(3.1%)	51.4	53.1	54.9
N.Ireland	(2.2%)	51.1	54.3	53.4
UK	(100.0%)	53.2	55.2	55.6

PMI Survey Methodology

PMI surveys

Purchasing Managers' Index (or PMI) surveys are monthly survey 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

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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.

The PMIs 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.