



Lloyds Bank East Midlands 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.

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The Lloyds Bank Commercial Banking East Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East Midlands 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 March 2014

Growth of activity continues, but rate of expansion slows further

Key findings:

- Rate of growth in activity eases for fourth month running
- Further sharp increase in new business
- Rate of job creation quickens

The Lloyds Bank Commercial Banking East Midlands PMI® report pointed to ongoing growth of activity and new business in the region's private sector during February, although rates of expansion eased during the month. Backlogs of work and employment also continued to rise, while cost inflationary pressures weakened.

Output and demand

The headline Lloyds Bank East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 55.7 in February to signal a further sharp increase in activity. However, the index dipped from 56.2 in January and indicated the slowest rise in activity since June 2013. The rate of growth in the East Midlands was also weaker than the UK economy average.

Where activity increased, this was largely attributed by panellists to higher new orders. New business continued to rise at a substantial pace in February, although as was the case with activity the rate of expansion eased over the month. Respondents indicated that new order growth reflected improving economic conditions. The increase in new business across the East Midlands was broadly in line with the UK average.

Employment and backlogs

Growth of new orders imparted some capacity pressure on companies in the East Midlands, leading to a third successive monthly accumulation of backlogs of work.

In response, companies increased their staffing levels in February, and at the fastest pace since July 2013. That said, the rate of job creation in the East Midlands was still slower than the UK average.

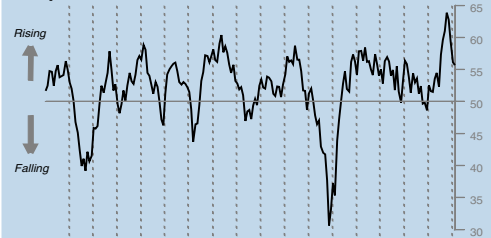
Input and output prices

The rate of input cost inflation eased for the second consecutive month in February. That said, cost burdens still rose at a solid pace in the region, and one that was sharper than the average for the UK as a whole. Panellists reported that higher supplier charges had been behind the rise in average costs.

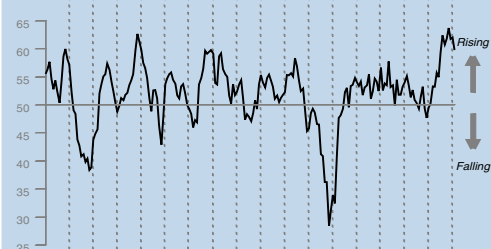
The passing on of higher input costs to clients contributed to a nineteenth successive monthly rise in output prices in the East Midlands private sector. Moreover, the rate of inflation quickened to the fastest since October last year and was steeper than the UK average.

East Midlands Business Conditions

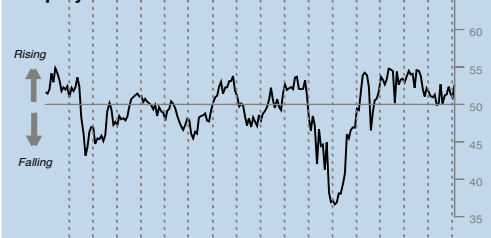
Output



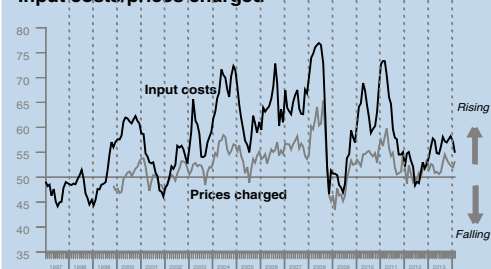
Order Books



Employment



Input costs/prices charged

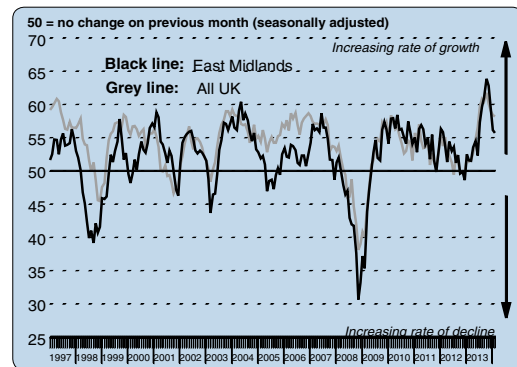




Output / Business Activity

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

| | | East Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jun | 22.2 | 63.3 | 14.4 | 53.9 | 52.3 | 56.6 |
| | Jul | 36.4 | 44.3 | 19.3 | 58.5 | 57.3 | 59.7 |
| | Aug | 33.3 | 46.7 | 20.0 | 56.7 | 59.6 | 60.9 |
| | Sep | 47.8 | 42.2 | 10.0 | 68.9 | 61.0 | 60.4 |
| | Oct | 41.6 | 48.3 | 10.1 | 65.7 | 63.9 | 61.8 |
| | Nov | 39.3 | 46.1 | 14.6 | 62.4 | 62.8 | 60.1 |
| | Dec | 26.1 | 53.3 | 20.7 | 52.7 | 59.4 | 59.0 |
| 2014 | Jan | 28.1 | 49.0 | 22.9 | 52.6 | 56.2 | 58.5 |
| | Feb | 32.6 | 48.9 | 18.5 | 57.1 | 55.7 | 58.2 |

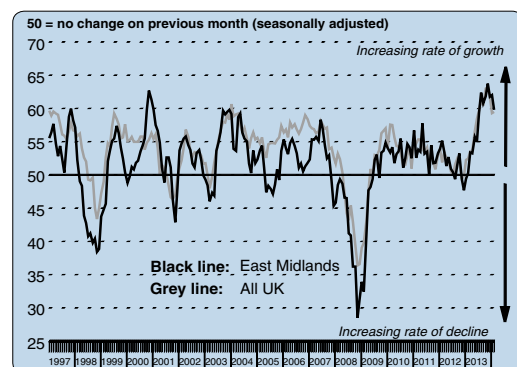


East Midlands private-sector firms recorded a further marked increase in business activity during February. That said, the rate of expansion eased for the fourth successive month and was slower than that recorded across the UK as a whole. Where growth of output was recorded, this was mainly linked to rising volumes of new business. Both monitored sectors recorded solid expansions in activity.

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 Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jun | 30.0 | 47.8 | 22.2 | 53.9 | 55.0 | 58.4 |
| | Jul | 36.4 | 45.5 | 18.2 | 59.1 | 59.3 | 59.7 |
| | Aug | 32.6 | 46.1 | 21.3 | 55.6 | 62.4 | 61.3 |
| | Sep | 41.6 | 44.9 | 13.5 | 64.0 | 60.8 | 60.4 |
| | Oct | 35.2 | 52.3 | 12.5 | 61.4 | 61.9 | 63.0 |
| | Nov | 43.8 | 41.6 | 14.6 | 64.6 | 63.7 | 63.2 |
| | Dec | 34.8 | 43.5 | 21.7 | 56.5 | 61.8 | 61.7 |
| 2014 | Jan | 37.9 | 44.2 | 17.9 | 60.0 | 62.0 | 59.3 |
| | Feb | 42.4 | 40.2 | 17.4 | 62.5 | 59.8 | 59.5 |

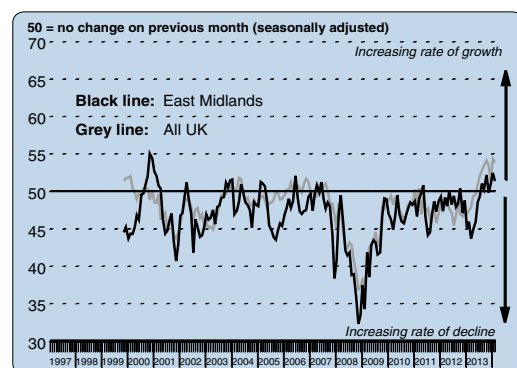


New orders at East Midlands companies rose sharply in February, extending the current sequence of growth to 13 months. Although the rate of expansion slowed from the start of the year, it was still one of the sharpest in the series history and broadly in line with the UK average. Respondents indicated that improving market conditions had helped them to secure new orders during the month. Services companies posted a faster rise in new orders than manufacturing firms.

Business Outstanding

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

| | | East Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jun | 17.9 | 63.1 | 19.0 | 49.4 | 48.6 | 51.0 |
| | Jul | 20.5 | 59.0 | 20.5 | 50.0 | 49.4 | 52.1 |
| | Aug | 13.4 | 64.6 | 22.0 | 45.7 | 51.1 | 52.8 |
| | Sep | 14.5 | 68.7 | 16.9 | 48.8 | 50.3 | 53.5 |
| | Oct | 18.5 | 65.4 | 16.0 | 51.2 | 52.2 | 54.2 |
| | Nov | 17.1 | 63.4 | 19.5 | 48.8 | 49.8 | 53.5 |
| | Dec | 20.2 | 64.3 | 15.5 | 52.4 | 51.0 | 51.5 |
| 2014 | Jan | 19.5 | 66.7 | 13.8 | 52.9 | 52.5 | 54.3 |
| | Feb | 18.6 | 62.8 | 18.6 | 50.0 | 51.4 | 53.9 |



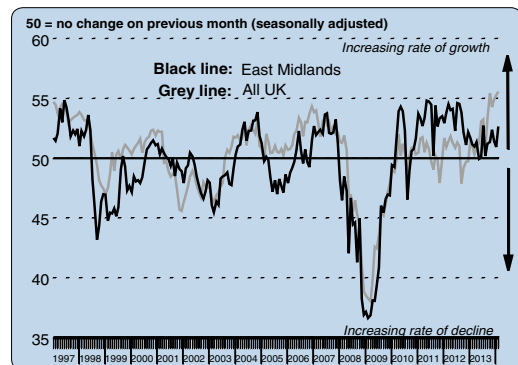
Backlogs of work increased for the third successive month in February. The rate of accumulation was modest, however, and slower than the national average. According to panellists, strong new order growth had imparted capacity pressure on firms during the month. Sector data suggested that the overall increase in outstanding business was centred on the service sector.



Employment

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

| | | East Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jun | 10.0 | 80.0 | 10.0 | 50.0 | 50.1 | 53.1 |
| | Jul | 17.0 | 75.0 | 8.0 | 54.5 | 52.7 | 53.3 |
| | Aug | 17.8 | 71.1 | 11.1 | 53.3 | 50.2 | 50.8 |
| | Sep | 16.7 | 72.2 | 11.1 | 52.8 | 51.2 | 53.3 |
| | Oct | 13.5 | 73.0 | 13.5 | 50.0 | 51.4 | 55.4 |
| | Nov | 19.1 | 69.7 | 11.2 | 53.9 | 52.4 | 54.3 |
| Dec | 9.8 | 81.5 | 8.7 | 50.5 | 51.4 | 54.9 | |
| 2014 | Jan | 10.4 | 82.3 | 7.3 | 51.6 | 50.9 | 55.3 |
| | Feb | 16.3 | 75.0 | 8.7 | 53.8 | 52.7 | 55.6 |

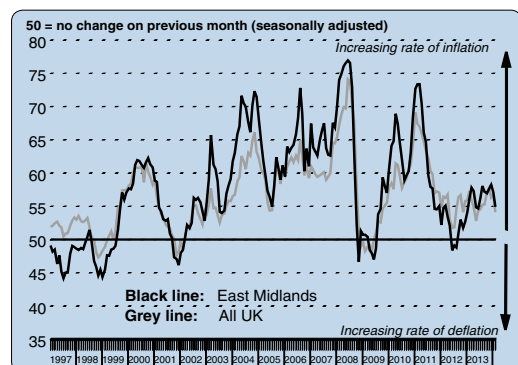


February data pointed to an acceleration in the rate of job creation at East Midlands companies, with the latest rise in employment being the strongest since July 2013. Staffing levels have now increased in each of the past nine months, although the latest rise was still slower than the UK economy average. Panellists largely attributed higher employment to increasing workloads. The overall expansion in payroll numbers was mainly reflective of job creation at services companies.

Input Prices / Costs

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

| | | East Midlands Companies | | | | All UK | |
|------|------|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jun | 15.6 | 80.0 | 4.4 | 55.6 | 54.7 | 54.4 |
| | Jul | 17.0 | 78.4 | 4.5 | 56.3 | 56.2 | 54.6 |
| | Aug | 16.7 | 80.0 | 3.3 | 56.7 | 58.1 | 55.2 |
| | Sep | 14.4 | 83.3 | 2.2 | 56.1 | 57.2 | 55.3 |
| | Oct | 20.2 | 76.4 | 3.4 | 58.4 | 57.0 | 57.2 |
| | Nov | 15.7 | 73.0 | 11.2 | 52.2 | 57.7 | 57.8 |
| Dec | 13.0 | 82.6 | 4.3 | 54.3 | 58.3 | 56.4 | |
| 2014 | Jan | 18.8 | 77.1 | 4.2 | 57.3 | 57.1 | 56.8 |
| | Feb | 18.5 | 75.0 | 6.5 | 56.0 | 55.0 | 54.1 |

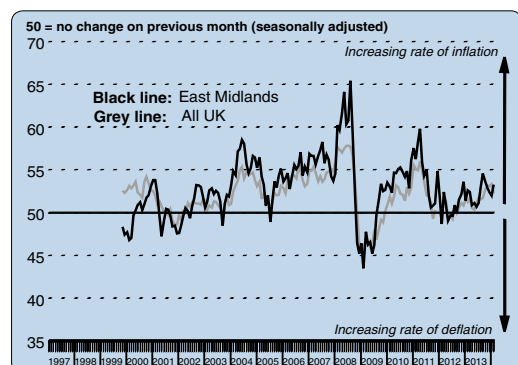


Although input costs continued to increase in February, the rate of inflation slowed for the second month running and was the weakest since June last year. That said, the rise in input prices in the East Midlands was faster than that seen across the UK economy as a whole. Some respondents indicated that suppliers had raised their charges during the month, but others reported that exchange rate fluctuations had led to reduced prices for imported goods.

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 Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jun | 2.2 | 97.8 | 0.0 | 51.1 | 50.7 | 51.1 |
| | Jul | 6.8 | 90.9 | 2.3 | 52.3 | 51.1 | 51.8 |
| | Aug | 4.4 | 93.3 | 2.2 | 51.1 | 53.0 | 51.6 |
| | Sep | 6.7 | 93.3 | 0.0 | 53.3 | 54.6 | 51.7 |
| | Oct | 7.9 | 91.0 | 1.1 | 53.4 | 53.6 | 52.7 |
| | Nov | 6.7 | 89.9 | 3.4 | 51.7 | 52.9 | 53.2 |
| Dec | 8.7 | 89.1 | 2.2 | 53.3 | 52.4 | 53.1 | |
| 2014 | Jan | 8.3 | 88.5 | 3.1 | 52.6 | 52.0 | 53.3 |
| | Feb | 9.8 | 88.0 | 2.2 | 53.8 | 53.3 | 52.2 |

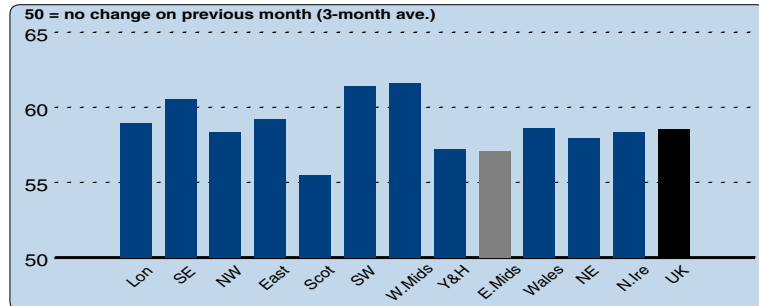


East Midlands companies continued to raise their output prices in February, amid reports from panellists of higher input costs being passed on to clients. The rate of inflation quickened to the sharpest in four months and was slightly faster than that seen at the UK level. Both monitored sectors recorded rising selling prices, with the sharper increase seen at manufacturing firms.



Regional Comparisons: Output

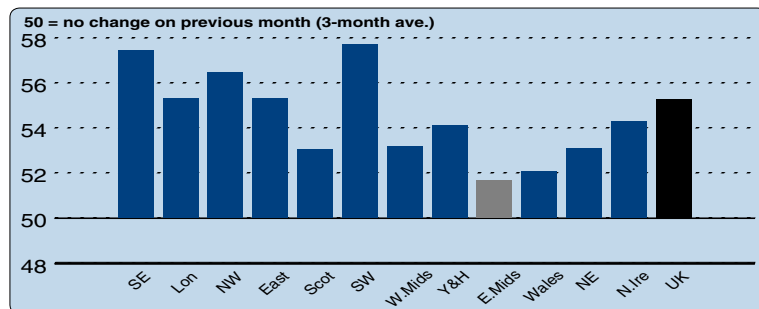
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South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



| | Share of UK GVA, 2010 (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.



| | Contribution to UK Employment, 2008 (National Statistics) | PMI Employment Index | | |
|-----------------|-----------------------------------------------------------|----------------------|-----------------|--------------|
| | | Last 12 months | Latest 3 months | Latest month |
| South East | (14.6%) | 51.4 | 52.0 | 52.3 |
| London | (12.3%) | 50.3 | 52.8 | 53.4 |
| North West | (10.9%) | 49.9 | 53.0 | 55.4 |
| East of England | (9.6%) | 51.0 | 53.1 | 53.7 |
| Scotland | (8.7%) | 51.0 | 52.2 | 52.1 |
| South West | (8.6%) | 50.3 | 53.2 | 54.1 |
| West Midlands | (8.6%) | 51.9 | 53.8 | 54.9 |
| Yorks & Humber | (8.2%) | 50.2 | 50.9 | 51.3 |
| East Midlands | (7.3%) | 51.8 | 50.9 | 52.7 |
| Wales | (4.6%) | 50.9 | 52.4 | 53.2 |
| North East | (3.9%) | 49.4 | 50.7 | 53.4 |
| N.Ireland | (2.7%) | 48.1 | 49.0 | 51.0 |
| UK | (100.0%) | 50.7 | 52.5 | 53.2 |

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

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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.