



Lloyds Bank London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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

Strong output growth continues across London in February

Key findings:

- Business activity rises for sixteenth successive month
- Robust job creation continues
- Input price inflation hits nine-month low

February data indicated a strong expansion of business activity across the capital, supported by a further increase in new orders. A robust pace of job creation continued over the latest survey period, in part reflecting a sharp and accelerated rise in backlogs of work. Meanwhile, input cost inflation slowed and was the weakest since May 2013.

Output and demand

The headline Lloyds Bank Commercial Banking London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – picked up to 59.5 in February, from 57.0 during the previous month. The latest reading was also above the equivalent figure for the UK as a whole (58.2).

Higher levels of business activity have now been recorded for sixteen months running, and the latest increase was driven by a sharp expansion of incoming new business. That said, the pace of new order growth continued to moderate from the peak seen in October 2013. Companies that reported a rise in new work generally cited stronger underlying economic conditions and improving confidence among clients.

Employment and backlogs

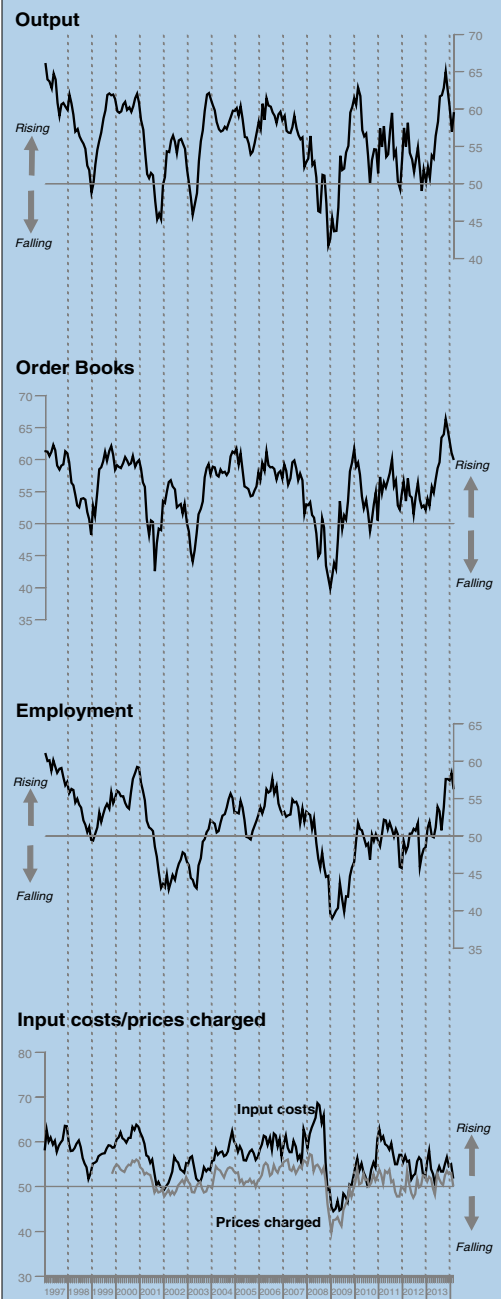
Staffing levels across the London private sector economy increased for the tenth successive month and at a robust pace in February. Job creation was spurred by ongoing pressures on operating capacity during the latest survey period. This was highlighted by outstanding business rising at the fastest rate since October 2013.

Input and output prices

Average cost burdens increased moderately in February. The latest increase in input prices was the slowest since May 2013. Companies that reported a rise in their costs generally cited higher staff salaries and greater utility bills.

Prices charged by London private sector companies rose only marginally in February, largely reflecting higher cost burdens. The rate of prices charged inflation was the weakest since September 2013.

London Business Conditions

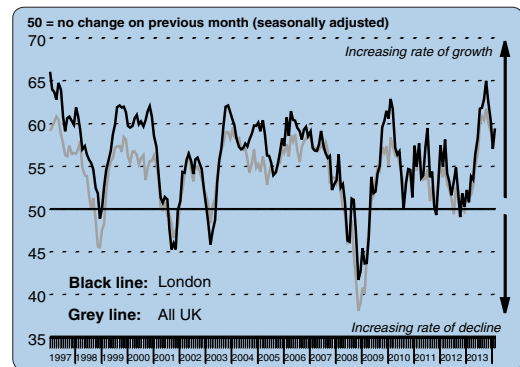




Output / Business Activity

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	27.7	62.4	9.9	58.9	58.3	56.6
	Jul	28.4	56.9	14.7	56.9	61.8	59.7
	Aug	26.7	57.4	15.8	55.4	61.9	60.9
	Sep	38.1	52.4	9.5	64.3	62.9	60.4
	Oct	42.2	49.5	8.3	67.0	65.0	61.8
	Nov	33.6	55.5	10.9	61.4	62.6	60.1
2014	Dec	31.2	53.2	15.6	57.8	60.3	59.0
	Jan	26.7	54.3	19.0	53.9	57.0	58.5
	Feb	36.6	54.5	8.9	63.8	59.5	58.2

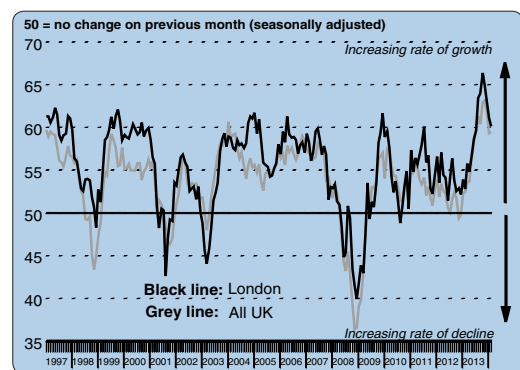


At 59.5 in February, up from 57.0 in January the seasonally adjusted Business Activity Index signalled a sharp and accelerated expansion of London private sector business activity. The latest reading signalled that output growth across the capital was faster than the average for the UK as a whole. Anecdotal evidence from survey respondents suggested that stronger demand and improved underlying economic conditions had supported business activity in the latest survey period.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	30.6	60.2	9.2	60.7	58.7	58.4
	Jul	31.8	50.5	17.8	57.0	59.6	59.7
	Aug	32.3	57.6	10.1	61.1	63.5	61.3
	Sep	38.8	53.4	7.8	65.5	64.0	60.4
	Oct	40.0	50.5	9.5	65.2	66.4	63.0
	Nov	31.8	57.0	11.2	60.3	64.8	63.2
2014	Dec	31.2	48.6	20.2	55.5	63.0	61.7
	Jan	34.2	52.6	13.2	60.5	61.1	59.3
	Feb	36.6	50.0	13.4	61.6	60.1	59.5

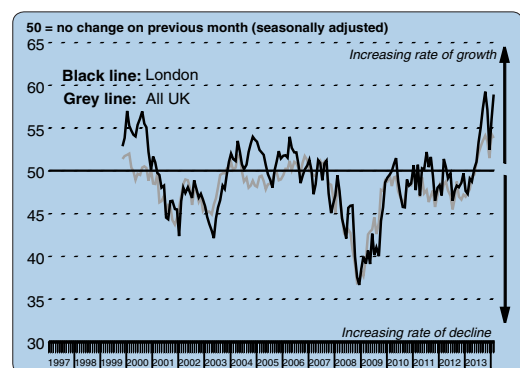


February data signalled a further sharp increase in new work received by London private sector companies. The seasonally adjusted Incoming New Business Index posted 60.1, down slightly from 61.1 in January. Although the latest reading was the lowest since July 2013, the index still signalled a steep improvement in new order books and a faster pace of expansion than the UK average.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	12.0	77.2	10.9	50.5	51.1	51.0
	Jul	20.6	61.9	17.5	51.5	53.4	52.1
	Aug	17.6	72.5	9.9	53.8	55.1	52.8
	Sep	20.2	72.3	7.4	56.4	57.3	53.5
	Oct	23.2	69.7	7.1	58.1	59.3	54.2
	Nov	13.1	76.8	10.1	51.5	57.2	53.5
2014	Dec	17.3	66.3	16.3	50.5	52.5	51.5
	Jan	20.0	70.0	10.0	55.0	56.1	54.3
	Feb	31.0	61.0	8.0	61.5	58.9	53.9



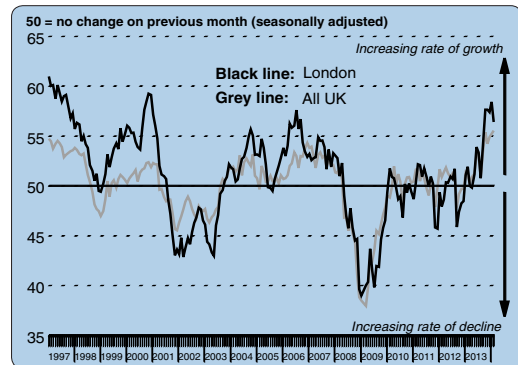
Volumes of work outstanding rose for the tenth successive month in February, suggesting ongoing pressures on capacity at some companies operating in London. At 58.9, up from 56.1 in January, the seasonally adjusted Business Outstanding Index indicated a robust and accelerated pace of expansion. The latest accumulation of unfinished work was the steepest since October 2013 and much faster than the UK-wide trend.



Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	10.9	82.2	6.9	52.0	53.9	53.1
	Jul	15.6	76.1	8.3	53.7	53.4	53.3
	Aug	6.9	76.5	16.7	45.1	50.8	50.8
	Sep	26.7	66.7	6.7	60.0	53.9	53.3
	Oct	21.3	72.2	6.5	57.4	57.7	55.4
	Nov	23.6	70.0	6.4	58.6	57.7	54.3
2014	Dec	15.6	77.1	7.3	54.1	57.4	54.9
	Jan	19.0	75.9	5.2	56.9	58.5	55.3
	Feb	19.6	71.4	8.9	55.4	56.4	55.6

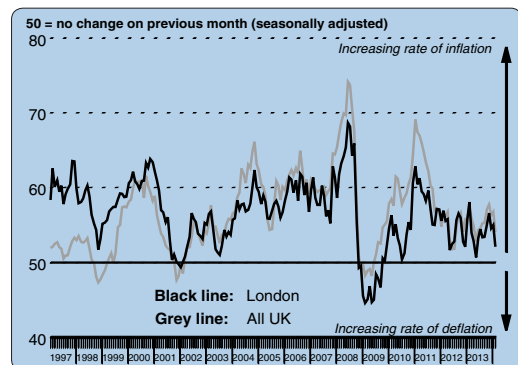


Higher levels of new work and a further accumulation of unfinished business encouraged companies to take on additional staff in February. At 56.4, the seasonally adjusted Employment Index dipped from 58.5 in January, but still pointed to a robust expansion of workforce numbers that was sharper than the average across the UK as a whole. Increased staffing levels have been recorded in each month since May 2013.

Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	9.9	85.1	5.0	52.5	53.2	54.4
	Jul	12.8	86.2	0.9	56.0	54.5	54.6
	Aug	10.9	82.2	6.9	52.0	53.4	55.2
	Sep	12.5	83.7	3.8	54.3	53.4	55.3
	Oct	11.2	86.9	1.9	54.7	55.1	57.2
	Nov	13.8	84.4	1.8	56.0	56.6	57.8
2014	Dec	6.5	92.5	0.9	52.8	54.6	56.4
	Jan	16.7	80.7	2.6	57.0	55.0	56.8
	Feb	17.9	76.8	5.4	56.3	52.1	54.1

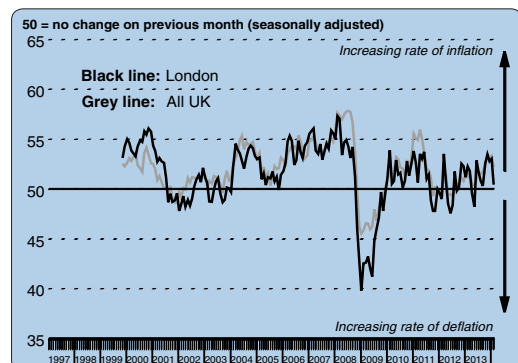


London private sector companies indicated a moderation in input cost inflation during February. At 52.1, down from 55.0 in January, the seasonally adjusted Input Prices Index signalled the slowest pace of inflation since May 2013. Moreover, the latest index reading was lower than the equivalent figure for the UK as a whole (54.1). A number of panel members that reported a rise in input prices noted increased utility bills and staff salaries at their units.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	7.9	87.1	5.0	51.5	52.9	51.1
	Jul	3.7	93.5	2.8	50.5	51.7	51.8
	Aug	5.0	88.1	6.9	49.0	50.8	51.6
	Sep	1.9	93.2	4.9	48.5	50.4	51.7
	Oct	6.5	90.7	2.8	51.9	52.6	52.7
	Nov	6.4	90.0	3.6	51.4	53.5	53.2
2014	Dec	6.5	91.7	1.9	52.3	52.8	53.1
	Jan	9.6	87.0	3.5	53.0	53.0	53.3
	Feb	7.1	90.2	2.7	52.2	50.5	52.2

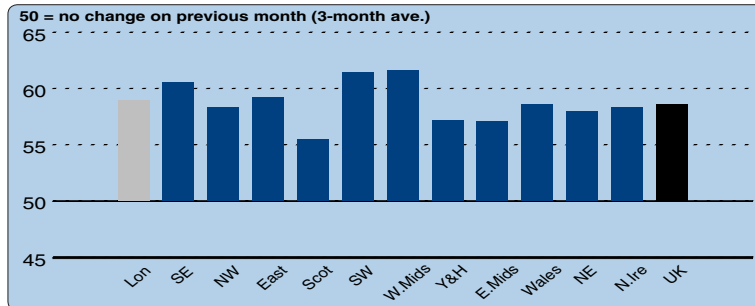


Average prices charged by London private sector companies increased in February, which extended the current period of inflation to nine months. However, the seasonally adjusted Output Prices Index dipped from 53.0 in January to 50.5 in February, to signal that the pace of inflation was the weakest since September 2013. Companies that reported a rise in average tariffs generally commented on higher cost burdens at their units.



Regional Comparisons: Output

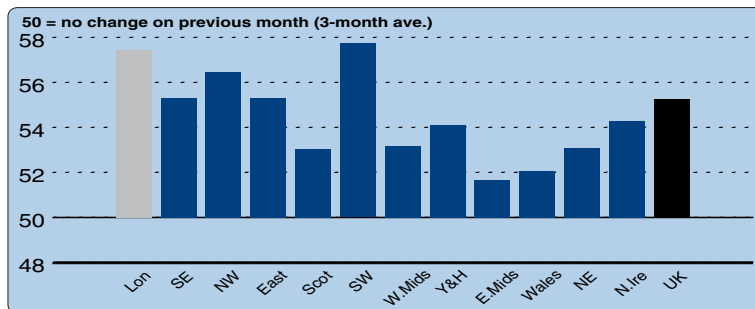
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South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