



Lloyds Bank North West 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 North West 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 North West and operating in both manufacturing and service sectors.

The North West 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

The intellectual property rights to the North West PMI provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Lloyds Bank Commercial Banking use the above marks under licence. Markit is a registered trade mark of Markit Group Limited.

10th March 2014

Output growth slows again, but new orders rise sharply

Key findings:

- Incoming new business expands at substantial pace
- Marked rise of output volumes
- Record increase in staffing levels

The North West economy continued to improve in February, with a substantial and accelerated increase in new orders leading firms to step-up production levels further. There were also good news in the labour market, as the rate of job creation reached a new survey record.

Output and demand

At 57.0 in February, down from 58.9 in January, the headline Lloyds Bank North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – pointed to a marked expansion of output at private sector firms in the region. The latest reading was at a nine-month low, but still above the survey average (53.6).

Supporting the latest increase in business activity was a substantial rise in new orders. Incoming new work grew at the quickest pace in four months and one that was broadly in line with the UK average. Survey participants reported better economic conditions and stronger underlying demand.

Employment and backlogs

Reflective of sustained new business growth, private sector companies expanded their workforce numbers in February. Employment rose at a steep rate that was the highest in the history of the series and above the UK average. Job creation accelerated at both services and manufacturing firms.

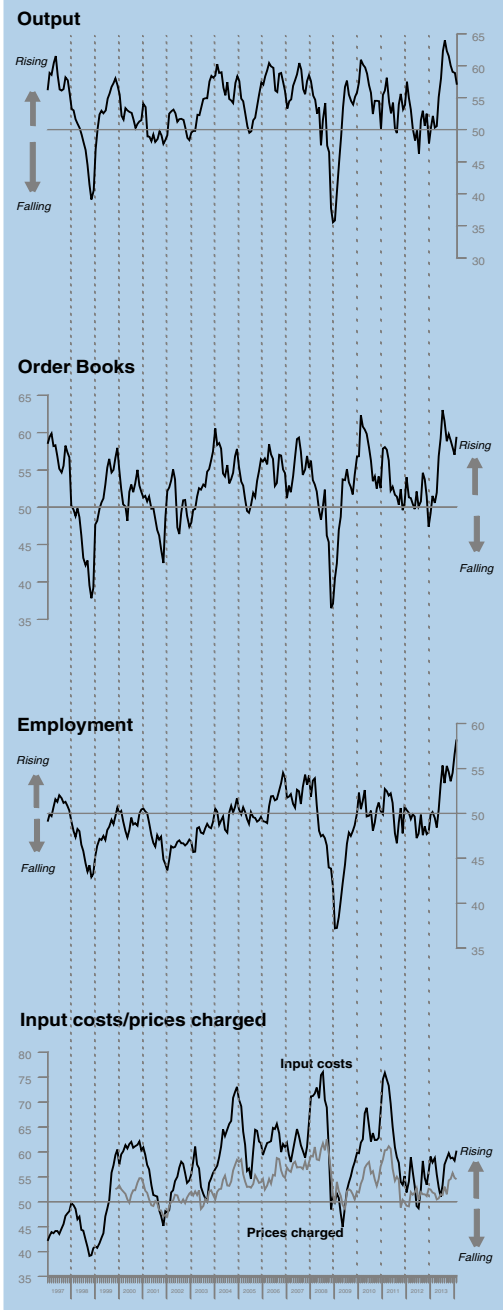
The latest increase in payroll numbers was not sufficient to prevent a second consecutive monthly rise in backlogs of work. Furthermore, unfinished business was accumulated at the quickest pace in the series history so far.

Input and output prices

February data pointed to a nineteenth consecutive monthly increase in input prices. Moreover, the rate of cost inflation climbed to a 31-month peak and was stronger than the UK-wide trend. According to panellists, this was mainly driven by higher raw material and labour costs.

Concurrently, average tariffs were raised further in February. Although solid and above the UK average, the rate of charge inflation slowed to the weakest in four months. While prices charged by manufacturers increased at a weaker rate than in January, service providers signalled a sharper rise.

North West Business Conditions

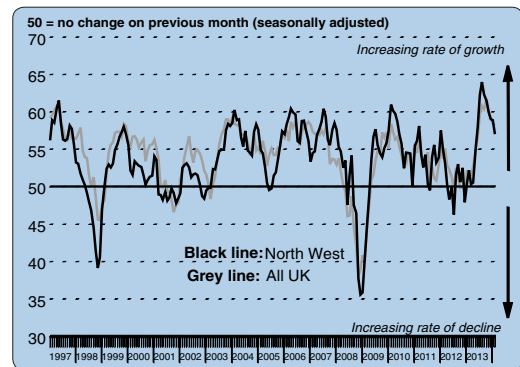




Output / Business Activity

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	38.3	47.9	13.8	62.2	58.1	56.6
	Jul	36.7	56.1	7.1	64.8	62.3	59.7
	Aug	31.6	52.6	15.8	57.9	64.0	60.9
	Sep	43.0	48.0	9.0	67.0	62.3	60.4
	Oct	30.5	56.8	12.6	58.9	61.5	61.8
	Nov	38.5	42.9	18.7	59.9	60.0	60.1
2014	Dec	33.0	47.3	19.8	56.6	59.1	59.0
	Jan	28.3	52.5	19.2	54.5	58.9	58.5
	Feb	34.0	53.0	13.0	60.5	57.0	58.2

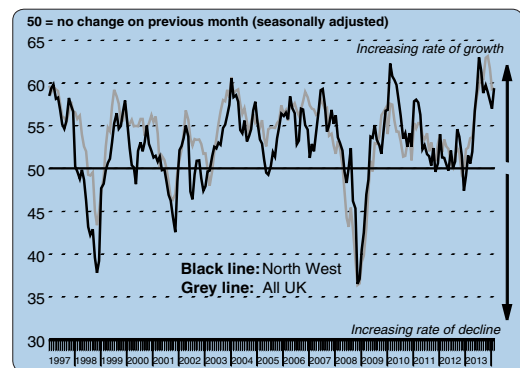


Companies operating in the North West private sector signalled output growth in February, stretching the current period of increase to fourteen months. Although the weakest since May last year, the rate of expansion was marked and above the long-run survey average. Those panellists reporting higher business activity mostly commented on new contract wins. Sector data highlighted growth across both the manufacturing and service sectors, led by the latter.

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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	38.3	46.8	14.9	61.7	59.2	58.4
	Jul	40.2	53.6	6.2	67.0	63.0	59.7
	Aug	28.7	47.9	23.4	52.7	61.6	61.3
	Sep	35.4	48.5	16.2	59.6	58.8	60.4
	Oct	31.6	48.4	20.0	55.8	59.8	63.0
	Nov	36.3	35.2	28.6	53.8	58.9	63.2
2014	Dec	31.1	50.0	18.9	56.1	58.0	61.7
	Jan	31.6	40.8	27.6	52.0	57.1	59.3
	Feb	42.4	46.5	11.1	65.7	59.4	59.5

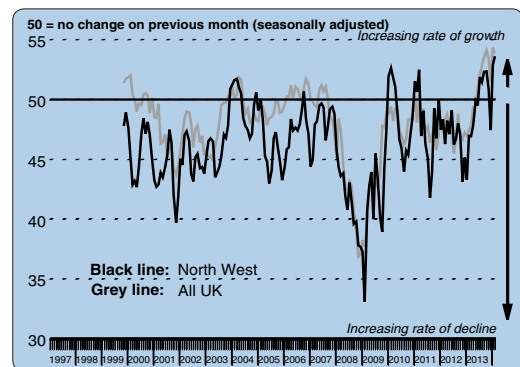


Amid evidence of strengthening demand conditions and a better economic climate, new orders received by private sector firms in the North West increased in February. Incoming new business rose at a substantial pace that was the quickest in four months and broadly in line with the UK-wide trend. Moreover, growth was broad-based by sector, with manufacturers and service providers registering higher new business levels.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	13.0	71.7	15.2	48.9	49.5	51.0
	Jul	16.1	74.2	9.7	53.2	51.9	52.1
	Aug	17.8	61.1	21.1	48.3	51.5	52.8
	Sep	20.8	61.5	17.7	51.6	52.3	53.5
	Oct	17.4	67.4	15.2	51.1	52.3	54.2
	Nov	16.3	61.6	22.1	47.1	50.9	53.5
2014	Dec	13.6	64.8	21.6	46.0	47.5	51.5
	Jan	17.9	65.3	16.8	50.5	52.9	54.3
	Feb	26.5	59.2	14.3	56.1	53.6	53.9

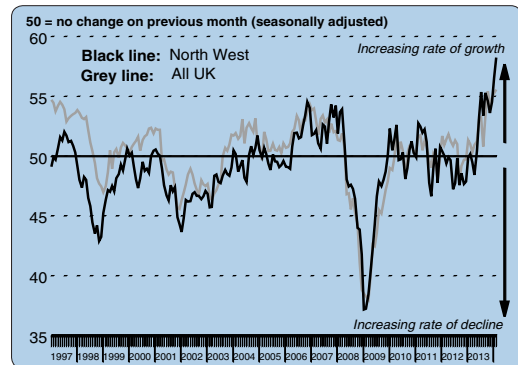


Unfinished business increased for the second month running in February. Adjusted for seasonal factors, the Business Outstanding Index climbed to its highest level in the history of the series and was consistent with a marked rate of accumulation. Anecdotal evidence highlighted pressures on operating capacity.

Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	16.0	78.7	5.3	55.3	53.2	53.1
	Jul	18.6	76.3	5.2	56.7	55.4	53.3
	Aug	19.1	75.5	5.3	56.9	53.4	50.8
	Sep	24.2	71.7	4.0	60.1	55.3	53.3
	Oct	17.0	75.5	7.4	54.8	54.6	55.4
	Nov	16.5	75.8	7.7	54.4	53.6	54.3
2014	Dec	14.4	76.7	8.9	52.8	54.5	54.9
	Jan	17.3	76.5	6.1	55.6	56.6	55.3
	Feb	22.2	71.7	6.1	58.1	58.3	55.6

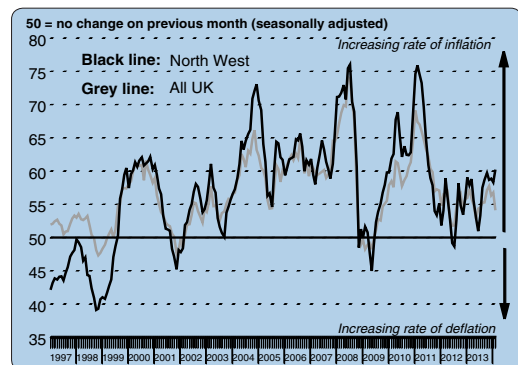


Job creation in the North West private sector economy accelerated to the strongest in the survey history during February and outpaced the UK average. Around 22% of monitored companies reported higher workforce numbers, citing robust new order growth in recent months. Faster increases in staffing levels were registered at both manufacturing and 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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	11.7	79.8	8.5	51.6	51.0	54.4
	Jul	15.5	69.1	15.5	50.0	53.3	54.6
	Aug	22.3	72.3	5.3	58.5	57.5	55.2
	Sep	22.0	72.0	6.0	58.0	58.7	55.3
	Oct	21.9	69.8	8.3	56.8	59.7	57.2
	Nov	16.5	72.5	11.0	52.7	58.7	57.8
2014	Dec	15.4	80.2	4.4	55.5	58.9	56.4
	Jan	22.4	72.4	5.1	58.7	58.3	56.8
	Feb	24.2	70.7	5.1	59.6	60.3	54.1

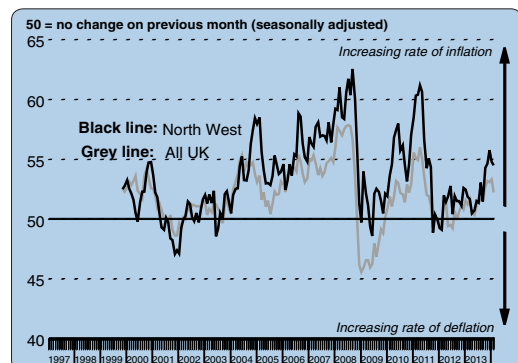


February data highlighted a sharp and accelerated increase in input prices. The rate of input cost inflation reached a 31-month high and was stronger than that seen at the UK level. Survey respondents blamed the latest rise in average input prices to higher labour and raw material costs. While purchasing prices faced by goods producers increased at a weaker rate than in January, services companies posted an accelerated rise.

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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	7.4	86.3	6.3	50.5	51.5	51.1
	Jul	5.1	90.8	4.1	50.5	51.4	51.8
	Aug	5.3	93.7	1.1	52.1	53.1	51.6
	Sep	8.0	88.0	4.0	52.0	51.5	51.7
	Oct	10.5	87.4	2.1	54.2	54.3	52.7
	Nov	13.3	80.0	6.7	53.3	54.6	53.2
2014	Dec	9.9	89.0	1.1	54.4	55.8	53.1
	Jan	14.1	79.8	6.1	54.0	54.8	53.3
	Feb	16.0	79.0	5.0	55.5	54.5	52.2

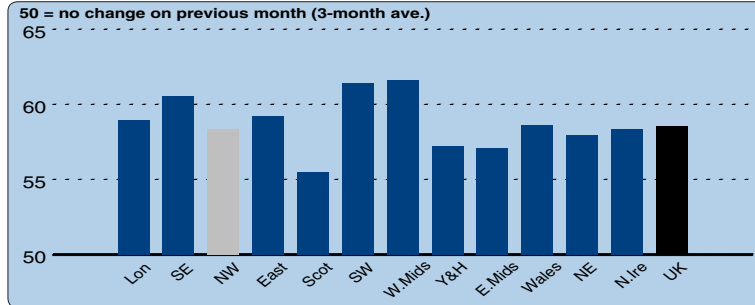


Prices charged by private sector firms in the North West rose further in February, amid reports of higher cost burdens. Despite being solid and above the UK average, the rate of charge inflation eased to the weakest in four months. Factory gate prices increased at a slower pace in the latest month, whereas service providers recorded a quicker rise.



Regional Comparisons: Output

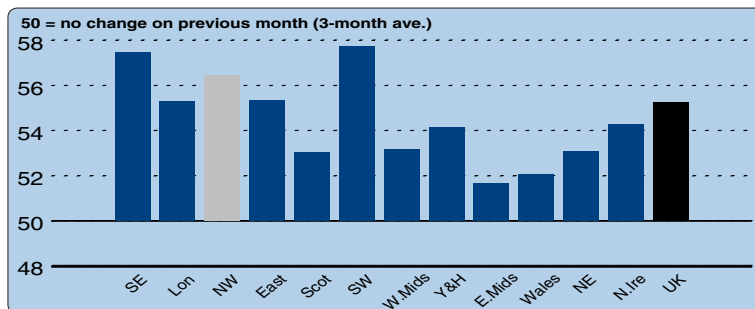
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South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

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.

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 PMI surveys 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.