



# Lloyds Bank South East 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 South East 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 South East and operating in both manufacturing and service sectors.

The South East 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](mailto:economics@markit.com)

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10th March 2014

## Robust output growth sustained in February

### Key findings:

- Output and new orders rise at marked, albeit, weaker rates
- Further solid increase in staffing levels
- Rate of input price inflation eases to nine-month low

Private sector companies in the South East reported further solid increases in output and new orders in February, although the rates of growth eased since January. Meanwhile, employment levels rose markedly and input prices increased at a slower pace.

### Output and demand

February saw a further sharp rise in business activity, as highlighted by the **Lloyds Bank South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posting 60.0. Although slowing to a seven-month low, the pace of expansion remained sharp and was among the steepest seen in the survey history. Panel respondents linked higher output to increased consumer confidence, improved business conditions and rising order intakes.

New orders also rose at a robust but slower pace in February. The rate of growth in new work eased to the weakest since last June, but remained above the series average. Anecdotal evidence suggested that increased consumer confidence and stronger client demand from UK and overseas markets had contributed to the overall rise in new business.

### Employment and backlogs

Employment levels rose further in February, with almost one-in-five companies hiring additional workers. The rate of job creation picked up slightly since January, but remained slightly below the overall UK average.

Concurrently, new order growth had imparted further pressure on operating capacity, resulting in an accumulation of backlogs of work. The rate at which work outstanding rose eased since the preceding month.

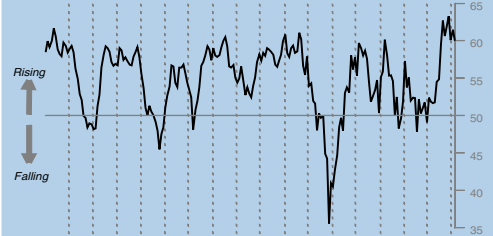
### Input and output prices

February data signalled a further rise in average input prices in the South East. The rate of cost inflation eased, however, to the weakest in nine months. Sector data suggested that the latest increase was largely driven by the service sector.

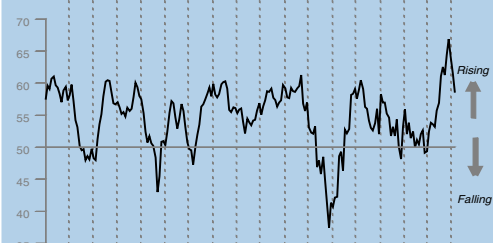
In response to increased input costs, companies raised their output charges during February. Around 11% of the survey panel signalled higher selling prices, while only 2% reported a reduction.

### South East Business Conditions

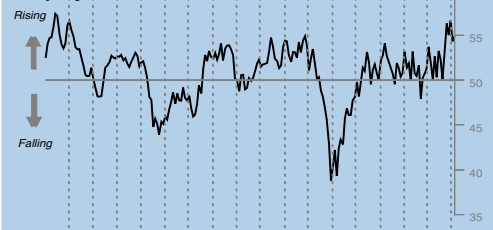
#### Output



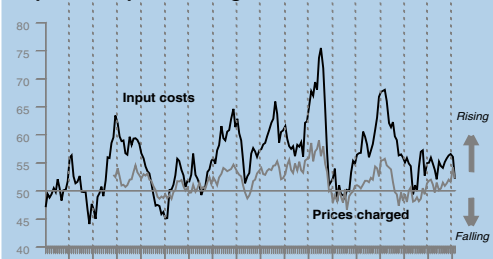
#### Order Books



#### Employment



#### Input costs/prices charged

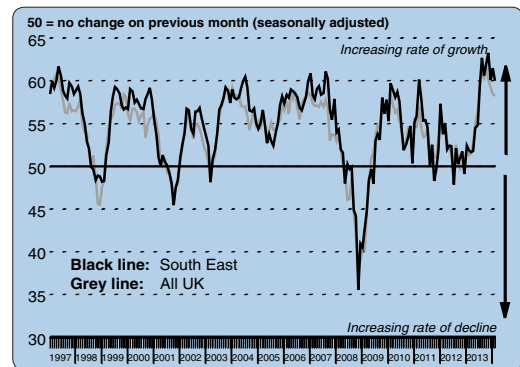




## Output / Business Activity

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	28.1	53.9	18.0	55.1	54.8	56.6
	Jul	36.4	50.0	13.6	61.4	59.5	59.7
	Aug	39.1	43.0	17.9	60.6	62.7	60.9
	Sep	34.5	50.6	14.9	59.8	60.7	60.4
	Oct	35.0	49.7	15.3	59.8	61.9	61.8
	Nov	39.1	49.7	11.2	63.9	63.3	60.1
2014	Dec	26.4	51.1	22.4	52.0	60.1	59.0
	Jan	36.5	46.4	17.2	59.6	61.5	58.5
	Feb	34.3	51.4	14.4	59.9	60.0	58.2

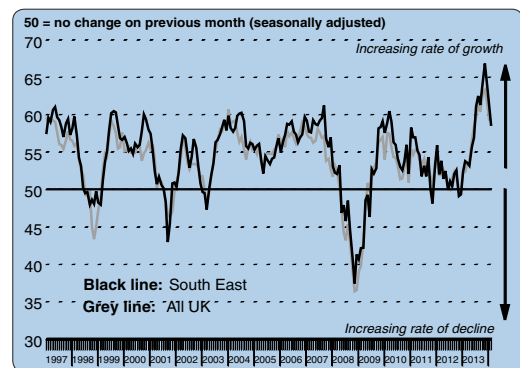


Private sector companies in the South East reported a further robust rise in activity in February, extending the current sequence of growth to 14 months. Despite easing to a seven-month low, the pace of expansion remained sharp and was above the overall UK average. More than one-in-three panellists indicated higher activity, commenting on increased consumer confidence, improved business conditions and larger inflows of new work. Sector data suggested that growth was broad-based with both manufacturers and service providers reporting higher 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	34.3	47.8	18.0	58.1	57.0	58.4
	Jul	37.2	49.2	13.7	61.7	61.1	59.7
	Aug	38.1	46.0	15.9	61.1	62.6	61.3
	Sep	34.9	50.9	14.2	60.4	61.3	60.4
	Oct	40.1	41.2	18.7	60.7	64.4	63.0
	Nov	40.2	50.9	8.9	65.7	66.9	63.2
2014	Dec	28.5	55.8	15.7	56.4	64.2	61.7
	Jan	35.4	48.1	16.4	59.5	61.4	59.3
	Feb	35.4	48.3	16.3	59.6	58.5	59.5

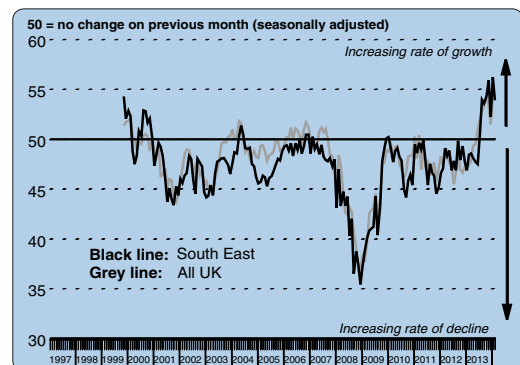


The seasonally adjusted New Orders Index registered well above the neutral 50.0 mark in February, signalling a sharp rise in order intakes at South East companies. The rate of growth in new work slowed for a third month running to the weakest since last June, but remained strong in the context of historical data. Increased customer confidence and strong demand from both domestic and foreign markets had all contributed to the latest rise, according to survey participants.

## Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	18.1	63.1	18.8	49.7	47.5	51.0
	Jul	21.4	62.5	16.1	52.7	50.5	52.1
	Aug	25.6	58.5	15.9	54.9	54.0	52.8
	Sep	21.6	61.4	17.0	52.3	53.6	53.5
	Oct	23.4	57.5	19.2	52.1	54.4	54.2
	Nov	22.9	63.1	14.0	54.5	55.9	53.5
2014	Dec	17.9	65.4	16.7	50.6	52.3	51.5
	Jan	23.1	62.7	14.2	54.4	56.2	54.3
	Feb	25.8	55.8	18.4	53.7	54.0	53.9



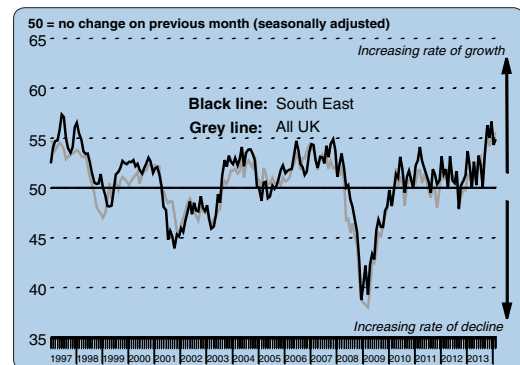
February saw a further rise in work outstanding at companies in the South East, stretching the ongoing period of increasing work-in-hand to eight months. The rate of backlog accumulation eased since the preceding month and was broadly in line with the overall UK average. Anecdotal evidence suggested that companies struggled to process large inflows of new business.



## Employment

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	17.3	73.2	9.5	53.9	53.3	53.1
	Jul	15.2	75.0	9.8	52.7	52.3	53.3
	Aug	18.4	72.1	9.5	54.5	50.1	50.8
	Sep	17.3	73.8	8.9	54.2	53.4	53.3
	Oct	16.4	76.0	7.7	54.4	56.3	55.4
	Nov	18.3	74.6	7.1	55.6	55.0	54.3
2014	Dec	18.5	75.1	6.4	56.1	56.7	54.9
	Jan	12.0	81.3	6.8	52.6	54.3	55.3
	Feb	19.3	72.4	8.3	55.5	54.9	55.6

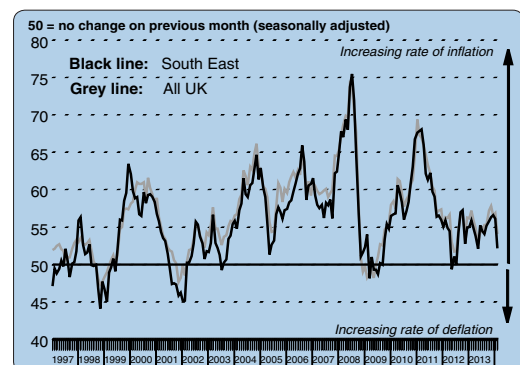


Employment levels in the South East continued to increase in February, with almost one-in-five companies hiring additional workers. Workforce numbers have increased continuously since April 2013 and the latest rate of job creation was among the sharpest in that sequence. Sector data suggested that staffing levels rose in both the manufacturing and service sectors with companies commenting on increased new work.

## Input Prices / Costs

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	14.0	80.4	5.6	54.2	55.2	54.4
	Jul	13.1	80.9	6.0	53.6	54.5	54.6
	Aug	10.6	84.4	5.0	52.8	54.1	55.2
	Sep	15.4	79.9	4.7	55.3	55.2	55.3
	Oct	12.6	83.6	3.8	54.4	55.8	57.2
	Nov	13.7	82.7	3.6	55.1	56.3	57.8
2014	Dec	11.0	86.0	2.9	54.1	56.6	56.4
	Jan	17.7	79.2	3.1	57.3	56.1	56.8
	Feb	13.8	80.7	5.5	54.1	52.2	54.1

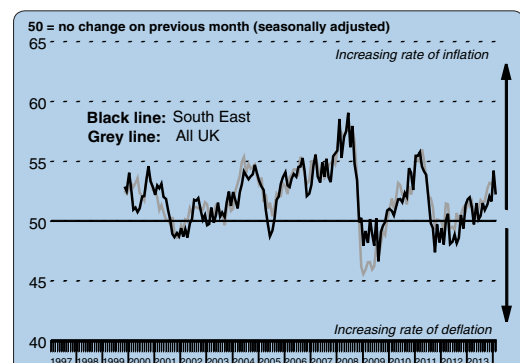


Input costs in the South East increased again in February, with almost 14% of the survey panel reporting higher cost burdens. The rate of cost inflation eased, however, to the slowest in nine months and was below the overall UK average. Where higher input prices were reported, survey participants attributed this to increased staff costs and higher raw material and energy prices.

## 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	5.1	87.6	7.3	48.9	50.2	51.1
	Jul	7.6	85.3	7.1	50.3	50.5	51.8
	Aug	4.5	91.0	4.5	50.0	51.5	51.6
	Sep	4.2	88.7	7.1	48.5	51.0	51.7
	Oct	5.0	90.6	4.4	50.3	51.4	52.7
	Nov	4.1	91.1	4.7	49.7	52.1	53.2
2014	Dec	3.5	93.1	3.5	50.0	51.6	53.1
	Jan	11.0	87.4	1.6	54.7	54.2	53.3
	Feb	10.5	87.3	2.2	54.1	52.3	52.2

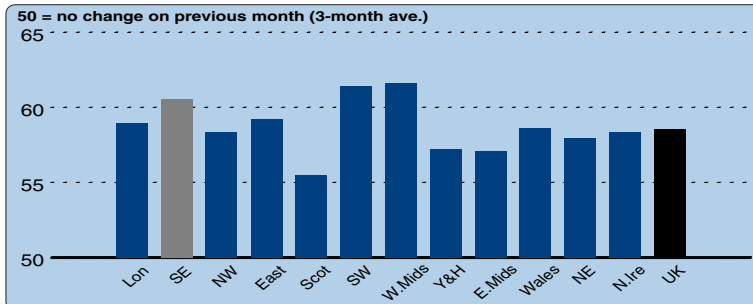


Average selling prices in the South East rose further during February, as highlighted by the seasonally adjusted Output Prices Index posting above the crucial 50.0 threshold. Charges have now risen for ten months in succession, with the latest rate of output price inflation easing since January. Anecdotal evidence suggested that companies raised their charges in response to higher input costs.



## Regional Comparisons: Output

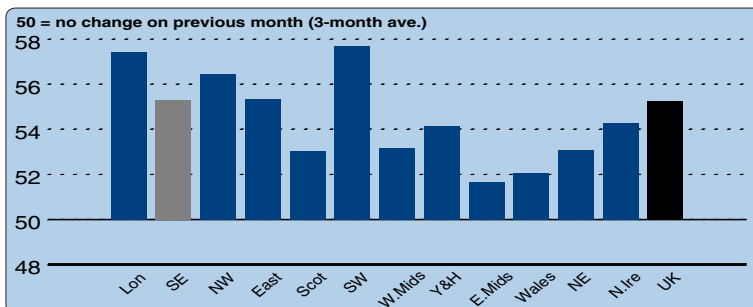
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South 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
<b>UK</b>	<b>(100.0%)</b>	<b>57.9</b>	<b>58.6</b>	<b>58.2</b>

## 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, 2010 (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
<b>UK</b>	<b>(100.0%)</b>	<b>53.2</b>	<b>55.2</b>	<b>55.6</b>

## PMI Survey Methodology

### PMI surveys

*Purchasing Managers' Index*® (*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. *Purchasing Managers' Index*® (*PMI*®) surveys are 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).