

Lloyds Bank Yorkshire & Humber 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.

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The Lloyds Bank Commercial Banking Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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:

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10th March 2014

Survey-record increase in employment recorded during February

Key findings:

- Activity and new business rise at marked rates
- Efforts to keep on top of workloads lead to sharp rise in employment
- Price pressures remain broadly contained

February's data from the Lloyds Bank Yorkshire & Humber PMI® signalled the continued strengthening of the region's private sector. Activity rose at the sharpest pace for four months, supported by another marked rise in new business. Companies were subsequently encouraged to add to their payrolls, and they did so at a record pace in February.

Output and demand

The headline **Lloyds Bank Yorkshire & Humber Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – maintained its positive start to 2014, hitting a four-month high of 58.1 in February (from 57.6 in January).

Increased sales remained the primary driver of the latest expansion of activity. Panellists commented that the recent upturn in demand was being sustained, with domestic and foreign clients both sources of growth.

Employment and backlogs

Buoyed by sustained strength in activity and new business, many companies chose to bolster payroll numbers at their units. February marked the ninth month in a row that staffing levels have risen, and the latest growth was a new survey record. A number of companies signalled that employment had been raised in line with positive projections for business activity.

Efforts to keep on top of workloads also encouraged firms to take on more staff, particularly in the manufacturing sector where output and new business rose at particularly marked rates. Latest data showed that overall levels of work outstanding were little changed across the region's private sector.

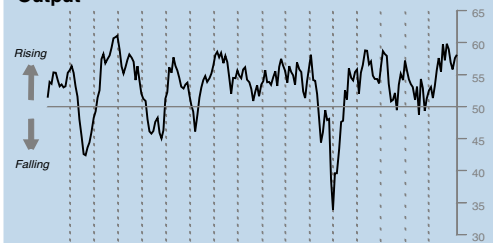
Input and output prices

On the price front, average input cost inflation continued to weaken during February, reaching a seven-month low amid reports of lower commodity prices.

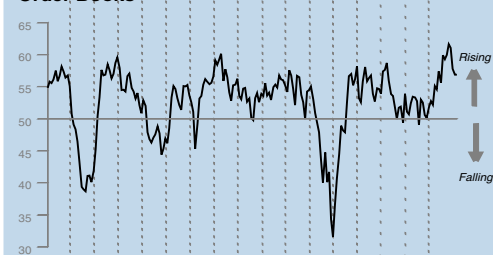
Nonetheless, there were some reports from the survey panel of suppliers taking advantage of firmer market conditions by raising their prices. Several panellists followed suit via an increase in output charges, although others signalled a desire to deploy aggressive pricing strategies to support sales.

Yorkshire & Humber Business Conditions

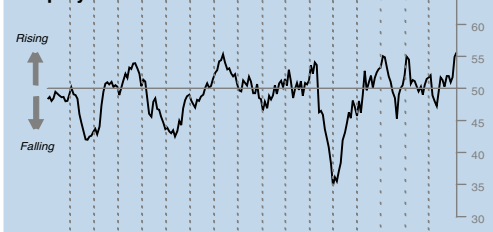
Output



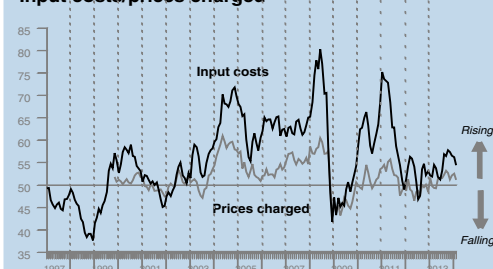
Order Books



Employment



Input costs/prices charged

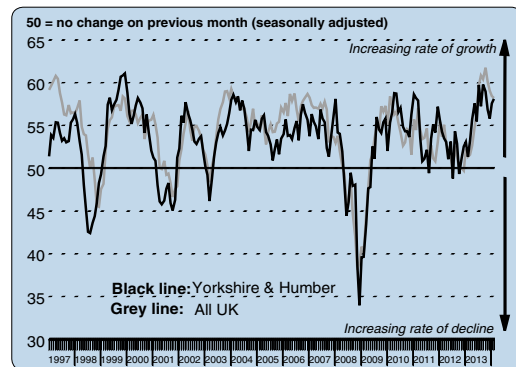




Output / Business Activity

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	25.9	49.4	24.7	50.6	55.5	56.6
	Jul	37.5	51.1	11.4	63.1	59.8	59.7
	Aug	25.3	51.7	23.0	51.1	57.3	60.9
	Sep	37.9	50.6	11.5	63.2	59.8	60.4
	Oct	34.8	48.9	16.3	59.2	59.0	61.8
	Nov	30.1	51.8	18.1	56.0	56.9	60.1
2014	Dec	29.8	50.0	20.2	54.8	55.8	59.0
	Jan	27.7	55.3	17.0	55.3	57.6	58.5
	Feb	39.5	44.2	16.3	61.6	58.1	58.2

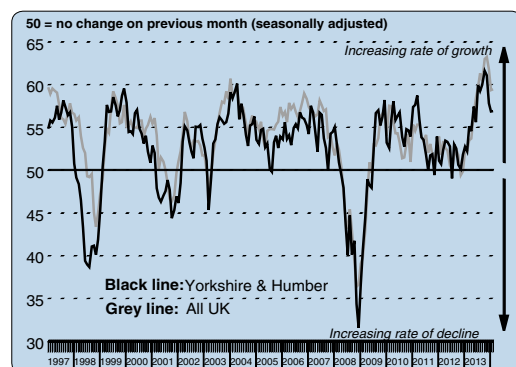


Growth of business activity in Yorkshire & Humber's private service sector was sustained in February. The degree to which activity rose was broadly similar to that seen for the UK as a whole. However, growth in Yorkshire & Humber was the sharpest seen since last October while, at the national level activity rose to the least extent for eight months. Panellists again reported increased sales as the primary driver of the latest expansion, with manufacturers performing particularly well during February.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	26.2	50.0	23.8	51.2	55.6	58.4
	Jul	37.9	46.0	16.1	60.9	60.0	59.7
	Aug	30.2	50.0	19.8	55.2	59.3	61.3
	Sep	38.4	48.8	12.8	62.8	60.0	60.4
	Oct	40.0	42.2	17.8	61.1	61.7	63.0
	Nov	33.7	51.8	14.5	59.6	61.1	63.2
2014	Dec	33.7	41.0	25.3	54.2	57.8	61.7
	Jan	29.0	48.4	22.6	53.2	56.9	59.3
	Feb	42.4	38.8	18.8	61.8	56.9	59.5

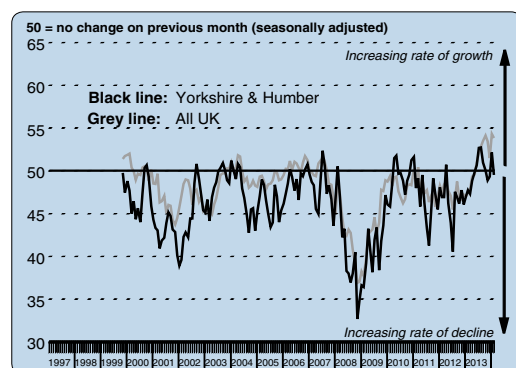


Volumes of new business placed with companies operating in the Yorkshire & Humber region continued to rise markedly in February. Growth was unchanged since January, and has now been sustained for 19 months, though remains slower than the levels seen last autumn. There were reports that the upturn in demand that has been evident during recent months was being sustained, with new work being won from both domestic and foreign clients. As was the case with activity, manufacturers tended to outperform service providers in the latest survey period.

Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	21.1	57.9	21.1	50.0	50.7	51.0
	Jul	19.8	64.2	16.0	51.9	52.7	52.1
	Aug	16.7	65.5	17.9	49.4	52.8	52.8
	Sep	17.3	65.4	17.3	50.0	51.0	53.5
	Oct	23.8	52.4	23.8	50.0	50.1	54.2
	Nov	18.2	59.7	22.1	48.1	48.9	53.5
2014	Dec	16.9	58.4	24.7	46.1	49.4	51.5
	Jan	24.4	53.5	22.1	51.2	52.2	54.3
	Feb	19.5	55.8	24.7	47.4	49.6	53.9



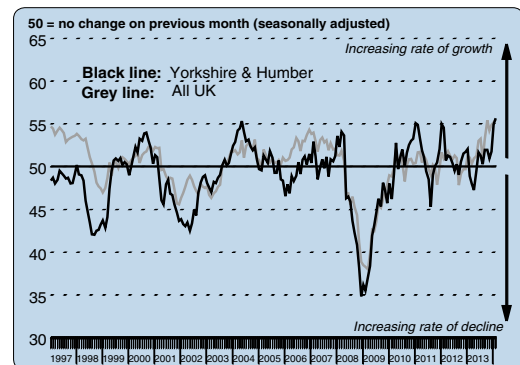
Despite markedly rising volumes of incoming new business, February's survey signalled that companies were broadly able to keep on top of their overall workloads. Backlogs of work were little changed in the region, which was in contrast to the national picture, where unfinished business continued to rise markedly. Panellists, particularly those in the services sector, commented on being generally able to complete work outstanding at a similar pace to which new business was being secured.



Employment

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	10.6	75.3	14.1	48.2	51.7	53.1
	Jul	14.8	73.9	11.4	51.7	51.3	53.3
	Aug	12.5	72.7	14.8	48.9	50.3	50.8
	Sep	17.2	73.6	9.2	54.0	52.0	53.3
	Oct	12.0	76.1	12.0	50.0	52.0	55.4
	Nov	13.3	77.1	9.6	51.8	51.0	54.3
2014	Dec	13.1	78.6	8.3	52.4	51.8	54.9
	Jan	20.2	71.3	8.5	55.9	55.0	55.3
	Feb	23.3	70.9	5.8	58.7	55.7	55.6

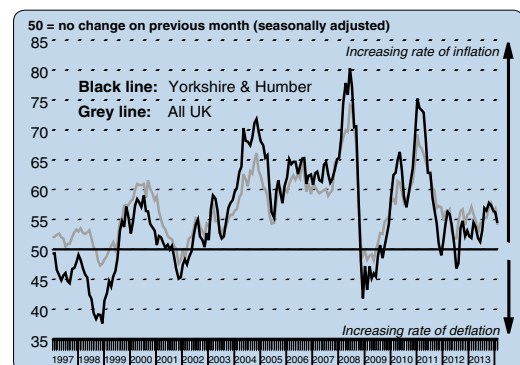


Staffing levels continued to rise in Yorkshire & Humber's private sector economy during February. Growth has now been recorded for nine months in succession. Moreover, a rise in the seasonally adjusted Employment Index pointed to an acceleration in the rate of expansion to a series record pace that was also slightly firmer than seen at the UK level. Companies commented that staff had been recruited to keep on top of workloads and also in anticipation of new business growth being sustained. Higher employment was mainly concentrated in the manufacturing sector.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	12.9	72.9	14.1	49.4	51.3	54.4
	Jul	14.9	74.7	10.3	52.3	53.2	54.6
	Aug	15.9	81.8	2.3	56.8	56.9	55.2
	Sep	19.5	73.6	6.9	56.3	56.5	55.3
	Oct	19.6	73.9	6.5	56.5	57.8	57.2
	Nov	14.5	79.5	6.0	54.2	57.4	57.8
2014	Dec	11.9	82.1	6.0	53.0	56.6	56.4
	Jan	24.5	68.1	7.4	58.5	56.3	56.8
	Feb	23.3	67.4	9.3	57.0	54.5	54.1

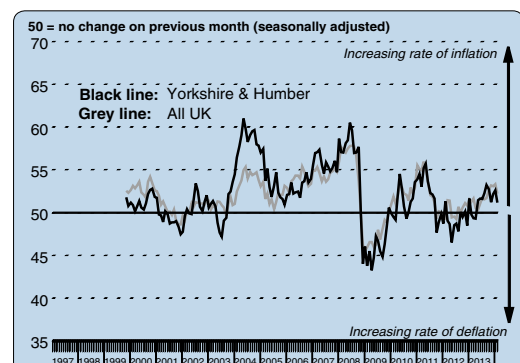


Input price inflation maintained its recent steady descent during February. After accounting for seasonal factors, the Input Prices Index fell to a seven-month low amid some reports (mainly from manufacturers) of reductions in the price of imported commodities. That said, there were reports of suppliers taking advantage of firmer market conditions and raising their prices accordingly. Some respondents added that fuel costs had risen, while service providers noted an increase in average wage levels.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jun	9.4	83.5	7.1	51.2	51.6	51.1
	Jul	4.5	93.2	2.3	51.1	51.6	51.8
	Aug	8.0	88.6	3.4	52.3	52.3	51.6
	Sep	5.7	93.1	1.1	52.3	53.2	51.7
	Oct	7.6	85.9	6.5	50.5	52.7	52.7
	Nov	6.0	88.0	6.0	50.0	51.2	53.2
2014	Dec	6.0	90.5	3.6	51.2	52.2	53.1
	Jan	16.0	79.8	4.3	55.9	52.6	53.3
	Feb	10.5	81.4	8.1	51.2	51.2	52.2

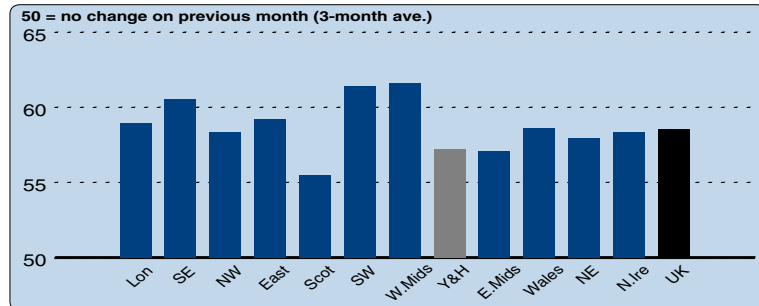


Output price pressures were largely contained during the latest survey period, as highlighted by the seasonally adjusted Output Prices Index which posted only modestly above the 50.0 no-change mark and at a three-month low. Still, inflation has now been recorded for 10 months in succession and, where output prices were increased, the majority of companies did so to pass on higher operating costs to their clients. Conversely, where a decline in output prices was registered, this was attributed to aggressive pricing strategies designed to bolster sales.



Regional Comparisons: Output

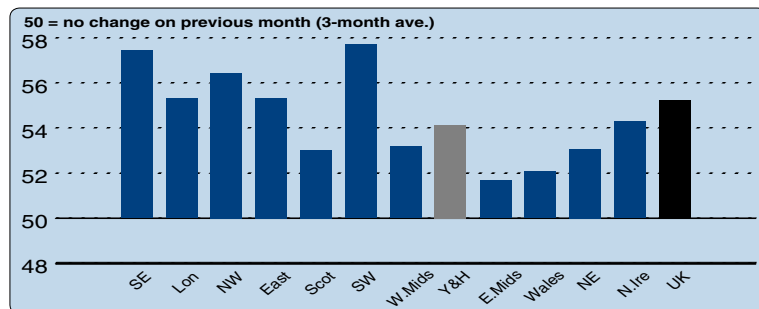
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions registered solid expansions of business activity in the three months to February. Output growth was fastest in the West Midlands and South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



	Contribution to UK Employment, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(22.8%)	54.2	57.4	56.4
London	(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' Indexes® (or PMIs®) 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 key regions including the Eurozone.

The PMIs 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.