



Lloyds Bank East of England 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 East of England PMI® (Purchasing Managers' Index®)

is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in March 2014 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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.

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14th April 2014

New orders rise at slowest pace in nine months

Key findings:

- New order intakes increase at much slower pace
- Robust output growth sustained
- Input and output prices rise at weaker rates

East of England companies reported a further sharp rise in activity in March, but new order growth slowed to a nine-month low. Meanwhile, input costs rose at a slower pace, and the rate of output charge inflation was only marginal.

Output and demand

The headline **Lloyds Bank East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 58.2 in March, broadly unchanged from 58.1 in February. Activity in the region has now risen for 16 consecutive months and the rate of expansion remained well above the series average, as both manufacturers and service providers reported growth. Moreover, the expansion in East of England output was quicker than that seen at the overall UK level.

New orders also increased in March, although at the slowest pace since June last year. Growth of new business has eased in each month since last November's survey-record high. Nevertheless the rate of growth in new work was still sharp and above the long-run trend. Anecdotal evidence suggested that demand strengthened in both domestic and foreign markets.

Employment and backlogs

Private sector employment increased further during March, with 20% of companies hiring additional workers. Despite easing from February's record high, the rate of job creation was sharp and remained above the overall UK average.

Meanwhile, work outstanding rose again in March, as some companies struggled to process large inflows of new work. However, the rate of backlog accumulation was the weakest in 2014 so far.

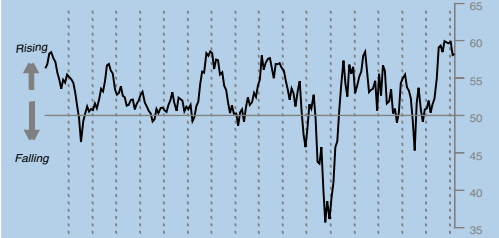
Input and output prices

Cost inflation in the East of England eased further in March and was the weakest since September last year. Around 14% of the survey panel reported higher input costs, while the vast majority signalled no change. Where a rise was reported, companies commented on increased pricing power at suppliers and higher commodity prices.

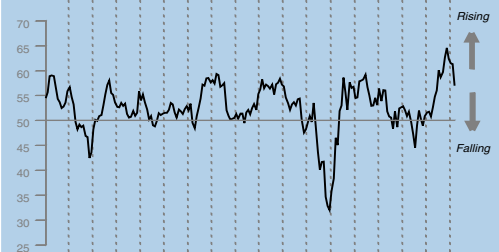
In line with a weaker increase in input costs, charge inflation eased during the latest survey period. Selling prices rose at the slowest pace in eight months and the rate of inflation was only marginal overall.

East of England Business Conditions

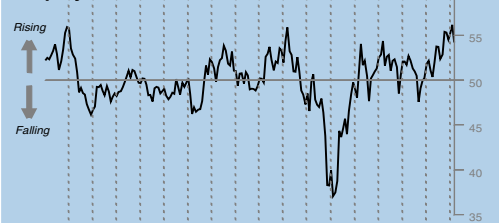
Output



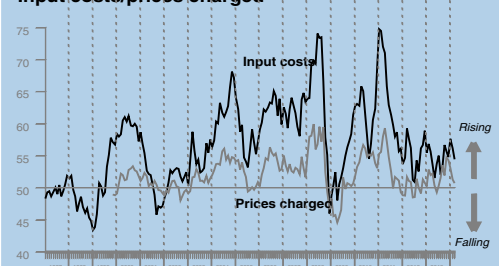
Order Books



Employment



Input costs/prices charged

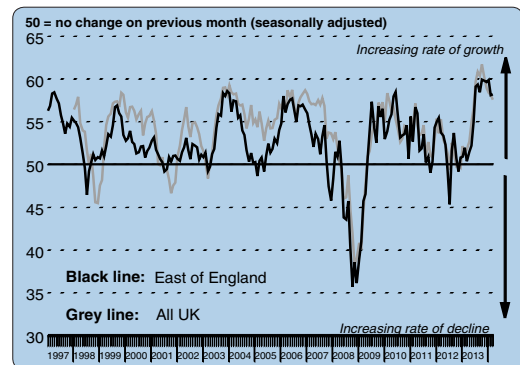




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	31.1	54.7	14.2	58.5	59.1	59.7
	Aug	26.6	55.0	18.3	54.1	59.4	60.9
	Sep	32.1	52.3	15.6	58.3	58.5	60.4
	Oct	29.6	59.3	11.1	59.3	60.0	61.7
	Nov	34.5	53.6	11.8	61.4	59.8	60.1
Dec	30.3	52.1	17.6	56.3	59.7	59.0	
2014	Jan	33.3	48.2	18.4	57.5	59.9	58.4
	Feb	33.9	55.0	11.0	61.5	58.1	58.2
	Mar	35.8	53.8	10.4	62.7	58.2	57.6

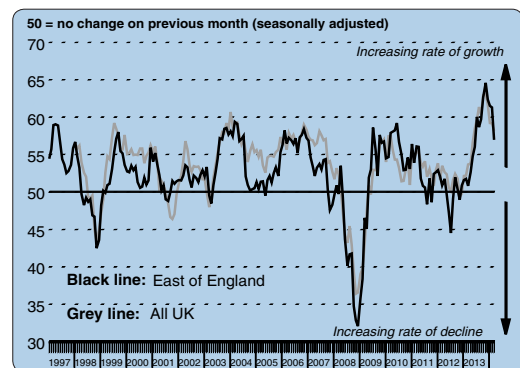


East of England companies reported a further rise in activity in March, extending the current sequence of growth to 16 months. The pace of expansion was broadly unchanged since February and indicative of a sharp increase in output. Increased new orders remained the main boost for activity growth in March, according to panel members. Sector data suggested that the rise in activity was broad-based with both manufacturers and service providers reporting expansions.

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 of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	36.8	41.5	21.7	57.5	60.1	59.7
	Aug	25.9	54.6	19.4	53.2	58.7	61.4
	Sep	32.4	52.8	14.8	58.8	59.7	60.4
	Oct	33.3	50.9	15.7	58.8	62.7	63.0
	Nov	33.3	52.8	13.9	59.7	64.6	63.2
Dec	26.7	55.2	18.1	54.3	62.4	61.7	
2014	Jan	41.6	41.6	16.8	62.4	61.5	59.2
	Feb	41.7	47.2	11.1	65.3	61.3	59.2
	Mar	33.3	52.4	14.3	59.5	57.0	58.2

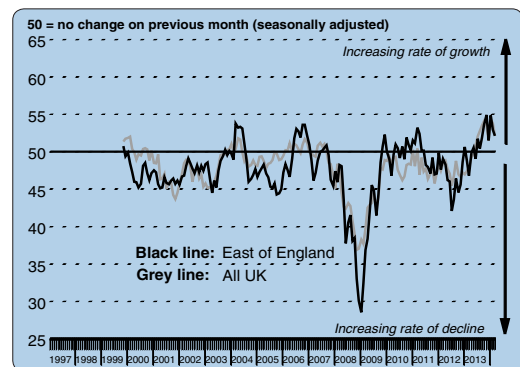


The seasonally adjusted New Orders Index registered above the no-change mark of 50.0 in March, signalling a further rise in order intakes. Despite easing to a nine-month low, the rate of growth in new work remained well above the series average and was indicative of a sharp rise in new business. Anecdotal evidence suggested that the rise was driven by stronger demand from both domestic and foreign markets.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	19.8	63.4	16.8	51.5	51.8	52.1
	Aug	12.7	67.6	19.6	46.6	50.4	52.8
	Sep	17.2	67.7	15.2	51.0	51.9	53.5
	Oct	18.6	64.7	16.7	51.0	53.6	54.2
	Nov	18.1	65.7	16.2	51.0	55.0	53.5
Dec	12.4	64.6	23.0	44.7	51.5	51.5	
2014	Jan	21.5	60.7	17.8	51.9	54.9	54.3
	Feb	18.1	68.6	13.3	52.4	53.0	53.9
	Mar	22.5	59.8	17.6	52.5	52.1	52.2



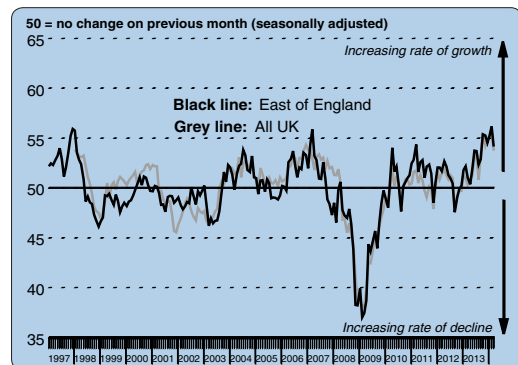
New order growth imparted further pressure on operating capacity at East of England companies, resulting in a rise in work outstanding in March. Work-in-hand has now risen for nine months in succession, although the latest increase was the slowest since December. Sector data suggested that a decline in backlogs at manufacturers was more than offset by a rise at service providers.



Employment

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

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	19.0	70.5	10.5	54.3	53.7
	Aug	16.8	74.8	8.4	54.2	52.4
	Sep	16.8	72.0	11.2	52.8	52.9
	Oct	17.0	76.4	6.6	55.2	55.4
	Nov	21.3	71.3	7.4	56.9	55.3
	Dec	16.9	74.6	8.5	54.2	54.5
2014	Jan	17.9	70.5	11.6	53.1	55.3
	Feb	20.2	75.2	4.6	57.8	56.2
	Mar	20.0	74.3	5.7	57.1	54.2

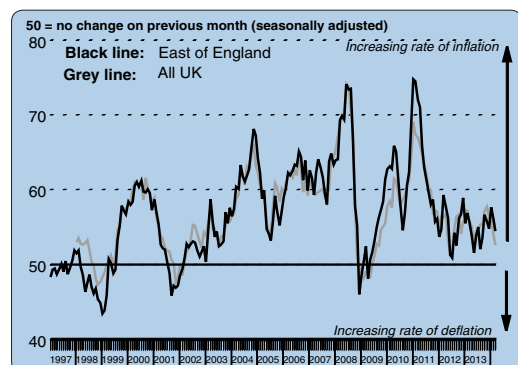


Following the trend observed in each month since December 2012, employment in the East of England rose in March. Exactly 20% of companies hired additional workers, while only 6% shed staff. Although easing to a six-month low, the rate of job creation was stronger than that recorded at the overall UK level. Much of the rise in payroll numbers was attributed to increased demand, according to panellists.

Input Prices / Costs

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

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	11.3	83.0	5.7	52.8	55.0
	Aug	13.0	78.7	8.3	52.3	52.1
	Sep	11.9	85.3	2.8	54.6	53.5
	Oct	13.9	83.3	2.8	55.6	56.7
	Nov	10.0	83.6	6.4	51.8	55.8
	Dec	8.4	89.1	2.5	52.9	54.8
2014	Jan	19.3	75.4	5.3	57.0	57.7
	Feb	15.6	80.7	3.7	56.0	56.2
	Mar	14.2	80.2	5.7	54.2	54.5

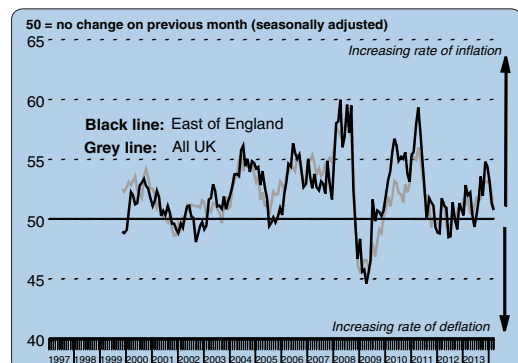


Input costs in the East of England continued to rise in March, as highlighted by the seasonally adjusted Input Prices Index posting above the crucial 50.0 threshold. The rate of cost inflation eased since the preceding month and was below the series average. Where higher costs were reported, some companies linked this to increased pricing power at suppliers and higher commodity 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?

		East of England Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	4.8	91.3	3.8	50.5	50.4
	Aug	6.5	86.1	7.4	49.5	51.6
	Sep	12.8	84.4	2.8	55.0	53.6
	Oct	7.5	85.8	6.6	50.5	52.0
	Nov	6.4	90.0	3.6	51.4	54.8
	Dec	6.8	89.8	3.4	51.7	54.4
2014	Jan	12.5	79.5	8.0	52.2	53.2
	Feb	7.4	87.0	5.6	50.9	51.4
	Mar	13.2	84.9	1.9	55.7	50.8

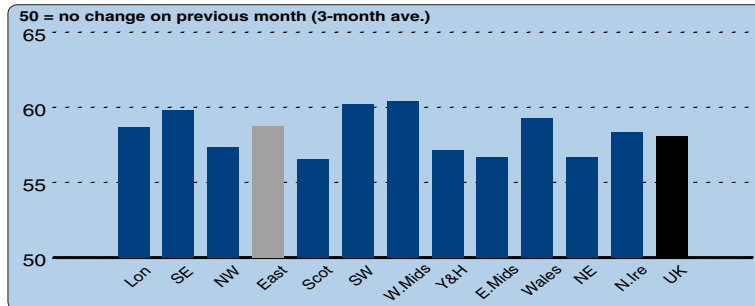


East of England private sector companies raised their output charges in March, stretching the current sequence of rising selling prices to nine months. However, the rate of charge inflation eased for the fourth month in a row and was the weakest since July last year. While 13% of the survey panel indicated higher output prices, the vast majority reported no change since the previous month.



Regional Comparisons: Output

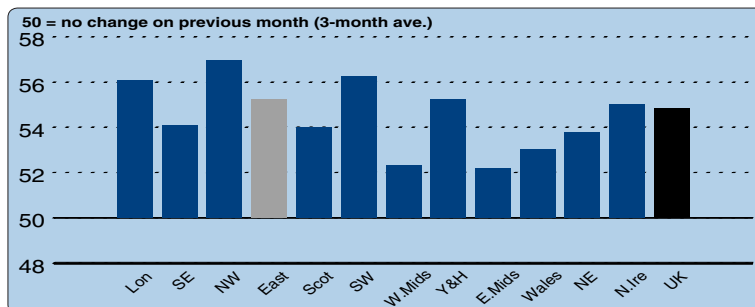
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However, in the majority of UK regions the pace of expansion during Q1 2014 was slower than in the final quarter of 2013.



	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	59.9	58.7	59.5
South East	(14.9%)	59.1	59.8	58.0
North West	(9.6%)	58.8	57.4	56.1
East of England	(8.6%)	57.6	58.8	58.2
Scotland	(7.8%)	56.2	56.6	56.4
South West	(7.5%)	58.9	60.2	58.8
West Midlands	(7.2%)	58.1	60.4	58.2
Yorks & Humber	(6.9%)	57.4	57.2	55.8
East Midlands	(5.9%)	57.9	56.7	58.2
Wales	(3.5%)	58.1	59.3	60.5
North East	(3.1%)	55.4	56.7	56.6
N.Ireland	(2.2%)	55.9	58.4	56.6
UK	(100.0%)	58.3	58.1	57.6

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). Increased private sector staffing levels were recorded across all 12 UK regions during the three months to March. The rate of job creation was strongest in the North West, followed by the South West.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	54.5	56.1	53.3
South East	(14.9%)	53.5	54.1	53.1
North West	(9.6%)	54.1	56.9	56.0
East of England	(8.6%)	53.8	55.2	54.2
Scotland	(7.8%)	52.9	54.0	53.9
South West	(7.5%)	54.7	56.3	54.3
West Midlands	(7.2%)	53.9	52.3	50.7
Yorks & Humber	(6.9%)	51.9	55.2	55.1
East Midlands	(5.9%)	51.4	52.2	52.9
Wales	(3.5%)	52.5	53.0	54.2
North East	(3.1%)	51.5	53.8	53.1
N.Ireland	(2.2%)	51.8	55.0	56.6
UK	(100.0%)	53.5	54.8	53.7

PMI Survey Methodology

PMI surveys

Purchasing Managers' Index (or PMI) surveys are monthly survey 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.