

Lloyds Bank East Midlands 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 Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East Midlands 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

Growth in activity quickens for first time in five months

Key findings:

- Sharpest rise in output in three months
- Rate of job creation quickens
- Output prices increase at slowest pace since July 2013

The Lloyds Bank Commercial Banking East Midlands PMI® report signalled a quickening in the rate of activity growth in the region, ending a recent period of softening expansion. The rate of job creation also picked up, while new orders continued to rise sharply. Input costs increased at a broadly similar pace to that seen in February, whereas output price inflation slowed to the weakest since last July.

Output and demand

The headline Lloyds Bank East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to 58.2 in March from 55.7 in the previous month. The reading signalled a sharp increase in activity that was the strongest in 2014 so far. The acceleration in the rate of expansion ended a four-month sequence of softening growth. The rise in activity in the region was stronger than the UK economy average.

Anecdotal evidence suggested that buoyant market conditions had contributed to growth of activity, and this also helped companies to secure new clients during the month. As a result, new business continued to rise at a substantial pace in March, albeit one that was the slowest since June 2013.

Employment and backlogs

Employment increased for the tenth month in a row during March, with the rate of job creation quickening marginally. Staffing levels rose across both monitored sectors, but more quickly at service providers than at manufacturers.

Sustained growth of new orders contributed to a fourth successive monthly increase in outstanding business at East Midlands companies. The pace of accumulation was broadly unchanged from the previous month.

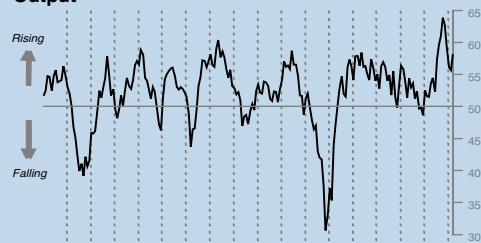
Input and output prices

The rate of input cost inflation was largely stable in March, remaining below the series average. Where input prices increased, this was linked by panellists to higher energy and fuel costs.

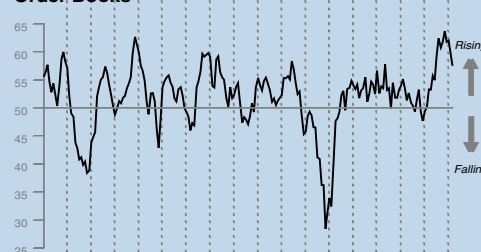
Output prices continued to increase, extending the current sequence of rising selling prices to 20 months. That said, the rate of inflation was only modest, having slowed to the weakest since July 2013. East Midlands companies posted a slightly faster pace of increase in output prices than the UK average.

East Midlands Business Conditions

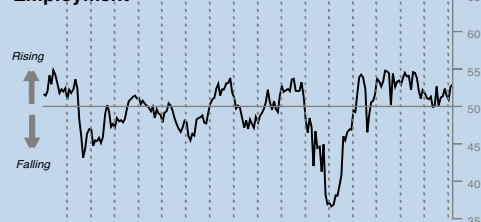
Output



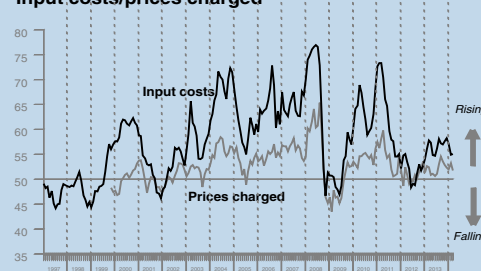
Order Books



Employment



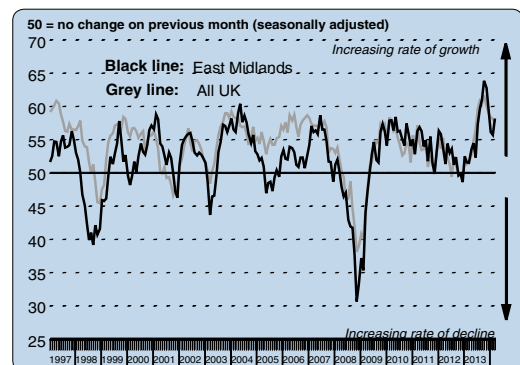
Input costs/prices charged



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 Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	36.4	44.3	19.3	58.5	57.3
	Aug	33.3	46.7	20.0	56.7	59.6
	Sep	47.8	42.2	10.0	68.9	61.0
	Oct	41.6	48.3	10.1	65.7	63.9
	Nov	39.3	46.1	14.6	62.4	62.8
	Dec	26.1	53.3	20.7	52.7	59.4
2014	Jan	28.1	49.0	22.9	52.6	56.2
	Feb	32.6	48.9	18.5	57.1	55.7
	Mar	38.9	54.4	6.7	66.1	58.2

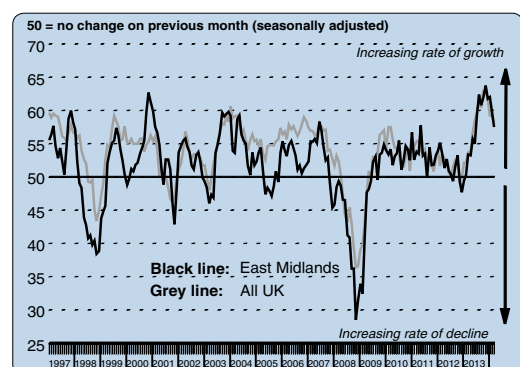


March data pointed to a pick-up in the rate of expansion in business activity at East Midlands companies, with the latest rise in output the strongest in 2014 so far. The sharp increase in activity in the region was also faster than the UK average. Panellists partly linked the latest rise in activity to buoyant market conditions. Output rose sharply across both the manufacturing and service sectors.

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 Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	36.4	45.5	18.2	59.1	59.3
	Aug	32.6	46.1	21.3	55.6	62.4
	Sep	41.6	44.9	13.5	64.0	60.8
	Oct	35.2	52.3	12.5	61.4	63.0
	Nov	43.8	41.6	14.6	64.6	63.7
	Dec	34.8	43.5	21.7	56.5	61.8
2014	Jan	37.9	44.2	17.9	60.0	59.2
	Feb	42.4	40.2	17.4	62.5	59.2
	Mar	36.0	50.6	13.5	61.2	57.5

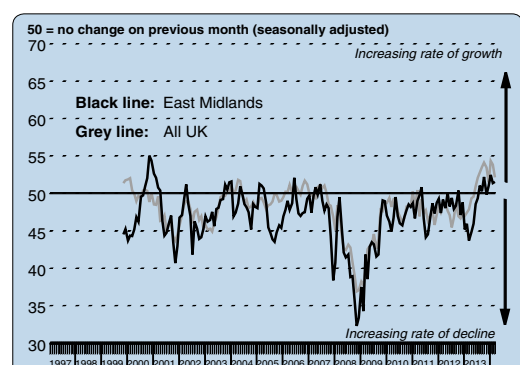


New business in the East Midlands private sector continued to rise in March, extending the current sequence of growth to 14 months. That said, the rate of expansion slowed for the second successive month and was the weakest since June 2013. The increase in new business in the region was slightly slower than the UK economy average. A number of respondents reported having secured new clients during the month.

Business Outstanding

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	20.5	59.0	20.5	50.0	49.4
	Aug	13.4	64.6	22.0	45.7	51.1
	Sep	14.5	68.7	16.9	48.8	50.3
	Oct	18.5	65.4	16.0	51.2	52.2
	Nov	17.1	63.4	19.5	48.8	49.8
	Dec	20.2	64.3	15.5	52.4	51.0
2014	Jan	19.5	66.7	13.8	52.9	52.5
	Feb	18.6	62.8	18.6	50.0	51.4
	Mar	20.2	71.4	8.3	56.0	51.5



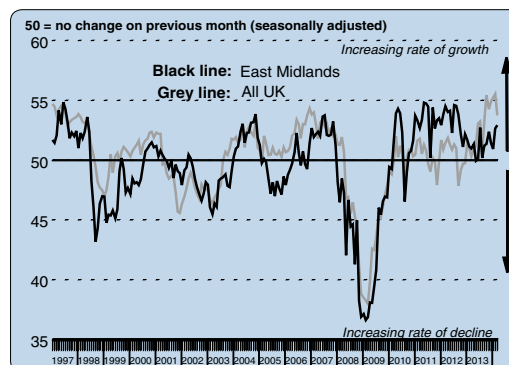
Increasing new business led to capacity pressure on companies in March. Consequently, backlogs of work increased for the fourth consecutive month. The rate of accumulation was broadly unchanged from the previous month, remaining slightly slower than seen at the UK level. Outstanding business rose across both monitored sectors, but at a faster pace 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 Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	17.0	75.0	8.0	54.5	52.7
	Aug	17.8	71.1	11.1	53.3	50.2
	Sep	16.7	72.2	11.1	52.8	51.2
	Oct	13.5	73.0	13.5	50.0	51.4
	Nov	19.1	69.7	11.2	53.9	52.4
	Dec	9.8	81.5	8.7	50.5	51.4
2014	Jan	10.4	82.3	7.3	51.6	50.9
	Feb	16.3	75.0	8.7	53.8	52.7
	Mar	22.2	71.1	6.7	57.8	52.9

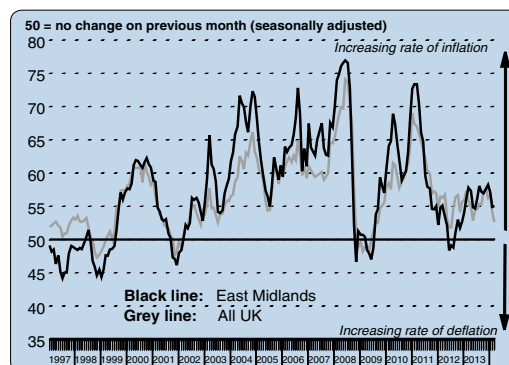


East Midlands companies recorded a further increase in staffing levels during March, with anecdotal evidence suggesting that this reflected growth of activity. The latest rise in employment was solid, with the rate of job creation quickening for the second month running to the strongest since September 2012. Services companies took on staff at a faster pace than their manufacturing counterparts.

Input Prices / Costs

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	17.0	78.4	4.5	56.3	56.2
	Aug	16.7	80.0	3.3	56.7	58.1
	Sep	14.4	83.3	2.2	56.1	57.2
	Oct	20.2	76.4	3.4	58.4	57.0
	Nov	15.7	73.0	11.2	52.2	57.7
	Dec	13.0	82.6	4.3	54.3	58.3
2014	Jan	18.8	77.1	4.2	57.3	57.1
	Feb	18.5	75.0	6.5	56.0	55.0
	Mar	16.7	81.1	2.2	57.2	55.1

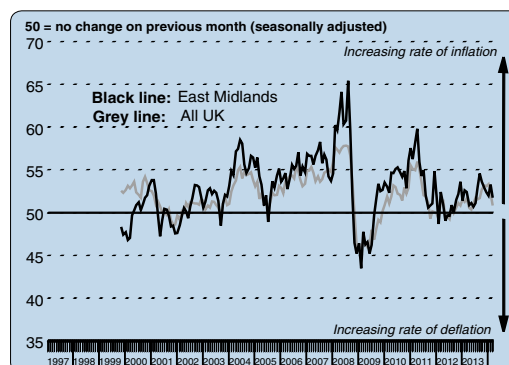


March data pointed to a further increase in input prices at East Midlands companies. The rate of inflation was broadly unchanged over the month, remaining slower than the series average. That said, the rise in input prices was faster than that seen across the UK as a whole. Some panellists indicated that higher energy and fuel costs had been behind the latest increase in cost burdens.

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?

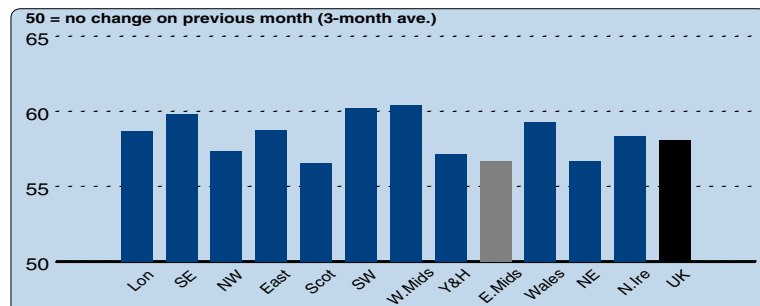
East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2013	Jul	6.8	90.9	2.3	52.3	51.1
	Aug	4.4	93.3	2.2	51.1	53.0
	Sep	6.7	93.3	0.0	53.3	54.6
	Oct	7.9	91.0	1.1	53.4	53.6
	Nov	6.7	89.9	3.4	51.7	52.9
	Dec	8.7	89.1	2.2	53.3	52.4
2014	Jan	8.3	88.5	3.1	52.6	52.0
	Feb	9.8	88.0	2.2	53.8	53.3
	Mar	6.7	92.2	1.1	52.8	51.8



Panellists passed on part of the latest rise in input prices to their clients in March, resulting in an increase in output prices in the region. That said, the rate of inflation slowed to the weakest since July last year. The UK posted a slight rise in selling prices that was slower than that seen in the East Midlands. Output prices in the region increased across both monitored sectors, with inflation faster at manufacturing firms than service providers.

Regional Comparisons: Output

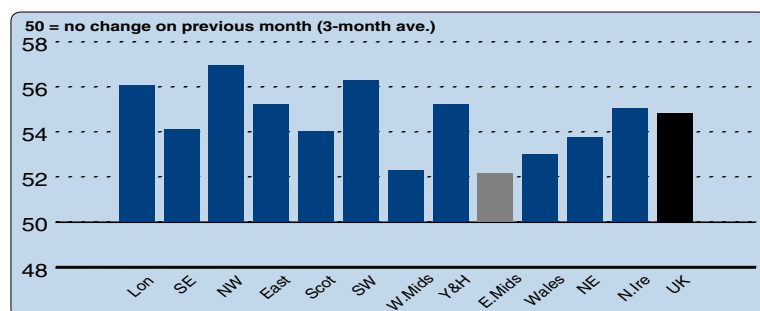
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However, 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, 2010 (National Statistics)	Last 12 months	PMI Output Index 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.



	Contribution to UK Employment, 2008 (National Statistics)	Last 12 months	PMI Employment Index 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 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. 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.