

# Lloyds Bank London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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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14th April 2014

## London economy maintains sharp rate of growth in March

### Key findings:

- Service sector continues to drive expansion
- London is second-fastest growing UK region
- Employment growth weakens

London's private sector economy maintained a sharp rate of growth in March, according to the latest PMI® survey data. Among 12 UK regions monitored, only Wales posted faster increases in output and new business than the capital in the latest period. Backlogs and employment continued to rise, albeit at weaker rates, while London posted weaker cost inflationary pressure than any other region except the South West.

### Output and demand

The headline Lloyds Bank Commercial Banking London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – was unchanged at 59.5 in March, above the neutral threshold of 50.0 for the seventeenth consecutive month. That signalled a further marked rise in private sector output in London, and the second-highest pace of growth across the UK. Over the first quarter of 2014 as a whole, however, the Index averaged 58.7, the lowest quarterly trend since Q2 2013.

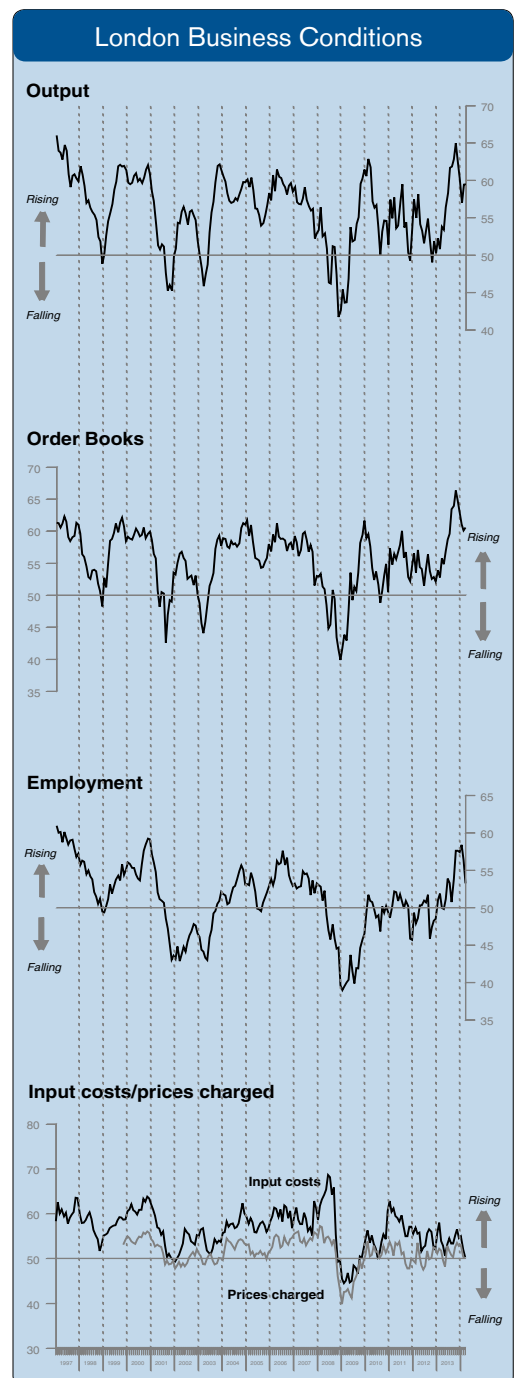
New business growth remained substantial in March, and was stronger than any other UK region monitored except Wales. London's service providers drove new business growth, as manufacturing new orders fell.

### Employment and backlogs

Continued strong growth in output and new orders led to further increases in employment and backlogs in March. The rates of growth were, however, weaker than in February, with the rate of job creation the slowest since August 2013. That said, the current sequence of workforce growth in the capital is the longest observed in six years.

### Input and output prices

Average input prices paid by private sector firms in London rose at the slowest pace since November 2009. Manufacturing was a source of weak cost pressures, with input prices declining sharply. Among 12 regions covered, only the South West registered a slower rate of input price inflation than London in March. Meanwhile, prices charged for final goods and services in the capital were broadly flat over the month.

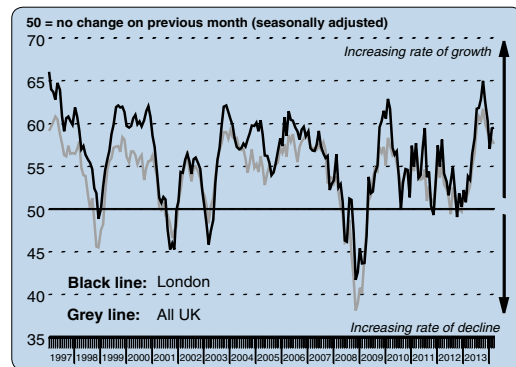




Output / Business Activity

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	28.4	56.9	14.7	56.9	61.8	59.7
	Aug	26.7	57.4	15.8	55.4	61.9	60.9
	Sep	38.1	52.4	9.5	64.3	62.9	60.4
	Oct	42.2	49.5	8.3	67.0	65.0	61.7
	Nov	33.6	55.5	10.9	61.4	62.6	60.1
	Dec	31.2	53.2	15.6	57.8	60.3	59.0
2014	Jan	26.7	54.3	19.0	53.9	57.0	58.4
	Feb	36.6	54.5	8.9	63.8	59.5	58.2
	Mar	28.3	67.9	3.8	62.3	59.5	57.6

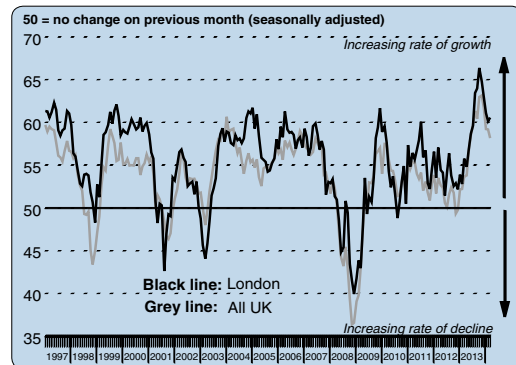


Private sector output in London continued to grow at a sharp rate in March. The seasonally adjusted Business Activity Index was unchanged from February's 59.5 which, although lower than the figures shown throughout the second half of 2013, remained well above the long-run survey average of 56.1. Moreover, London continued to expand at a sharper rate than the UK as a whole, in line with the trend shown in 12 of the past 13 months. Service sector growth remained elevated, and faster than that seen at manufacturing firms.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	31.8	50.5	17.8	57.0	59.6	59.7
	Aug	32.3	57.6	10.1	61.1	63.5	61.4
	Sep	38.8	53.4	7.8	65.5	64.0	60.4
	Oct	40.0	50.5	9.5	65.2	66.4	63.0
	Nov	31.8	57.0	11.2	60.3	64.8	63.2
	Dec	31.2	48.6	20.2	55.5	63.0	61.7
2014	Jan	34.2	52.6	13.2	60.5	61.1	59.2
	Feb	36.6	50.0	13.4	61.6	60.1	59.2
	Mar	32.7	60.6	6.7	63.0	60.6	58.2

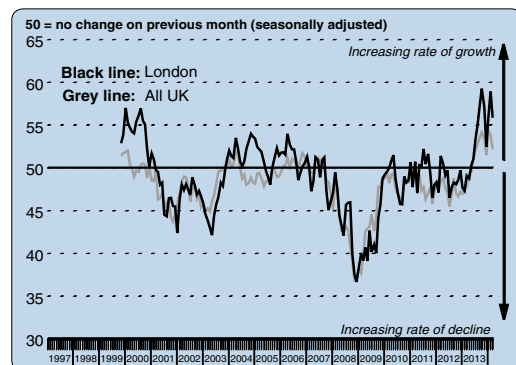


The volume of incoming new work in London's private sector continued to increase sharply in March. The rate of growth picked up from February's seven-month low, and remained stronger than the UK average. The seasonally adjusted Incoming New Business Index was also well above its long-run trend level of 55.5 during the latest period. Anecdotal evidence linked new business expansion to increased client activity, new product launches, marketing drives and improving business confidence. New business has risen continuously since September 2010.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	20.6	61.9	17.5	51.5	53.4	52.1
	Aug	17.6	72.5	9.9	53.8	55.1	52.8
	Sep	20.2	72.3	7.4	56.4	57.3	53.5
	Oct	23.2	69.7	7.1	58.1	59.3	54.2
	Nov	13.1	76.8	10.1	51.5	57.2	53.5
	Dec	17.3	66.3	16.3	50.5	52.5	51.5
2014	Jan	20.0	70.0	10.0	55.0	56.1	54.3
	Feb	31.0	61.0	8.0	61.5	58.9	53.9
	Mar	15.8	73.7	10.5	52.6	55.9	52.2



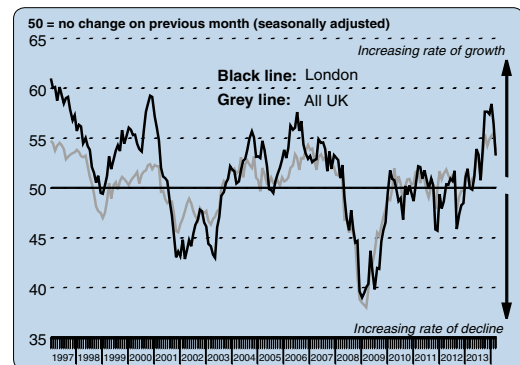
Backlogs at private sector companies in London continued to rise sharply in March. The seasonally adjusted Business Outstanding Index fell to a three-month low, but remained above its long-run average and the All-UK figure for March. Firms linked higher levels of incomplete work to new business volumes and improving business and consumer confidence. Growth of outstanding business in the service sector remained substantial. The current sequence of growth in backlogs in the capital now stretches to 11 months.



Employment

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	15.6	76.1	8.3	53.7	53.4	53.3
	Aug	6.9	76.5	16.7	45.1	50.8	50.8
	Sep	26.7	66.7	6.7	60.0	53.9	53.3
	Oct	21.3	72.2	6.5	57.4	57.7	55.4
	Nov	23.6	70.0	6.4	58.6	57.7	54.3
	Dec	15.6	77.1	7.3	54.1	57.4	54.9
2014	Jan	19.0	75.9	5.2	56.9	58.5	55.2
	Feb	19.6	71.4	8.9	55.4	56.4	55.5
	Mar	17.9	73.6	8.5	54.7	53.3	53.7

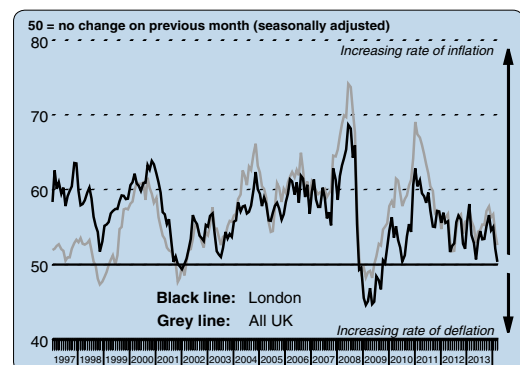


Private sector employment in London rose for the eleventh consecutive month in March, the longest sequence of jobs growth in six years. Recruitment was attributed to higher workloads, economic recovery and a positive future business outlook. That said, the rate of job creation slowed for the second month running from January's 13-year peak, to the weakest since August 2013. It was also slower than the UK average for the first time in ten months. Sector data indicated that service providers continued to expand workforces at a faster rate than manufacturers.

Input Prices / Costs

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	12.8	86.2	0.9	56.0	54.5	54.6
	Aug	10.9	82.2	6.9	52.0	53.4	55.3
	Sep	12.5	83.7	3.8	54.3	53.4	55.3
	Oct	11.2	86.9	1.9	54.7	55.1	57.2
	Nov	13.8	84.4	1.8	56.0	56.6	57.8
	Dec	6.5	92.5	0.9	52.8	54.6	56.3
2014	Jan	16.7	80.7	2.6	57.0	55.0	56.7
	Feb	17.9	76.8	5.4	56.3	52.1	54.1
	Mar	10.4	85.8	3.8	53.3	50.3	52.6

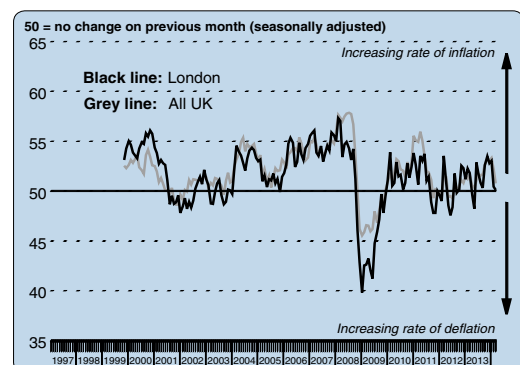


Input price inflation slowed further to a fractional pace in March. The seasonally adjusted Input Prices Index fell to a 52-month low, and was only slightly above the no-change mark of 50.0 during the month. A number of firms reported higher prices for alcoholic beverages during the month. Among the 12 UK regions monitored, London posted the second-weakest rate of input price inflation in March, just ahead of the South West. Manufacturing input prices in the capital fell again.

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?

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	3.7	93.5	2.8	50.5	51.7	51.8
	Aug	5.0	88.1	6.9	49.0	50.8	51.6
	Sep	1.9	93.2	4.9	48.5	50.4	51.7
	Oct	6.5	90.7	2.8	51.9	52.6	52.7
	Nov	6.4	90.0	3.6	51.4	53.5	53.2
	Dec	6.5	91.7	1.9	52.3	52.8	53.1
2014	Jan	9.6	87.0	3.5	53.0	53.0	53.3
	Feb	7.1	90.2	2.7	52.2	50.5	52.2
	Mar	6.6	92.5	0.9	52.8	50.1	50.8

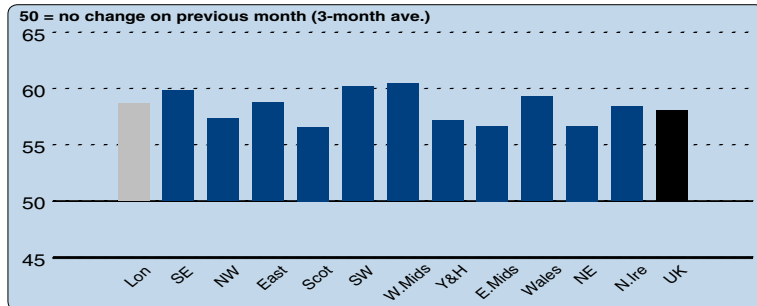


Prices charged by private sector companies in London were little-changed since February. The seasonally adjusted Output Prices Index was broadly in line with the no-change mark of 50.0, following a nine-month sequence of rising charges. The majority of UK regions covered registered faster increases in output prices than London, the exceptions being the South East and North East. By sector, prices charged by service providers rose modestly, while a slight fall in factory gate prices was indicated.



Regional Comparisons: Output

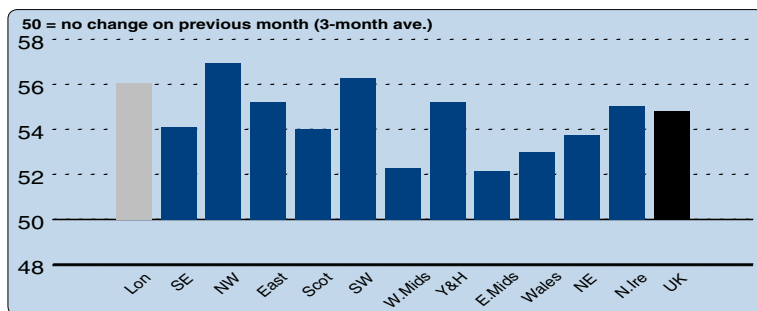
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However, 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
<b>UK</b>	<b>(100.0%)</b>	<b>58.3</b>	<b>58.1</b>	<b>57.6</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). 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
<b>UK</b>	<b>(100.0%)</b>	<b>53.5</b>	<b>54.8</b>	<b>53.7</b>

PMI Survey Methodology

PMI surveys

Purchasing Managers' Index (or PMI) 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

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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. 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.