



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

The North 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.

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14th April 2014

## Business activity growth remains strong in March

### Key findings:

- New order growth eases to nine-month low
- Solid expansion of staffing levels
- Weakest increase in input costs since mid-2013

Business activity in the North East private sector rose for the eleventh successive month in March, and at a strong pace that was unchanged from February. Growth was supported by greater volumes of new business. That said, the pace of new order growth eased further from December's record-high and was the weakest in nine months. Employment in the region also rose and at a solid pace, which led to a modest reduction of outstanding business. Meanwhile, input price inflation eased to a nine-month low.

### Output and demand

The headline Lloyds Bank Commercial Banking North East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 56.6 in March, unchanged from February, and signalled a strong expansion of business activity. That said, the rate of growth was the joint-weakest since October 2013 and slower than the UK private sector economy average.

Total new orders also rose in March, though the rate of increase eased to the slowest in nine months. Furthermore, growth of new work was weaker than across the UK private sector economy as a whole. According to sector data, service providers in the region saw a stronger expansion of new business than manufacturers.

### Employment and backlogs

North East private sector firms raised their staffing levels for the ninth successive month in March. The rate of job creation was solid, despite easing to a three-month low. However, payrolls expanded at a slower rate than across the UK private sector economy as a whole. As was the case with new orders, growth of employment was largely centred on service providers in the region.

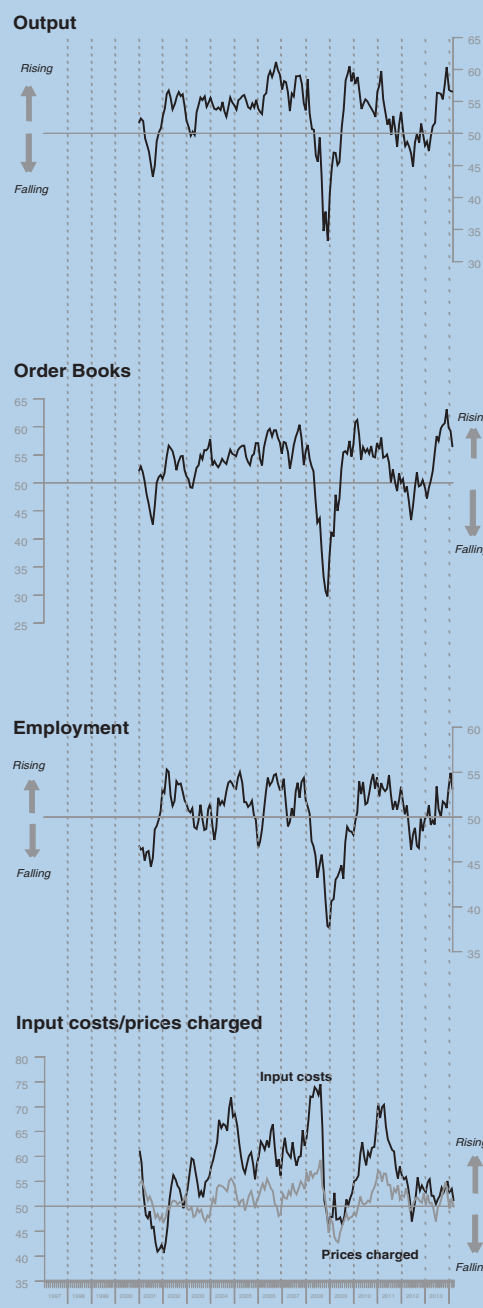
Higher staffing levels helped to reduce backlogs of work at private sector firms in the North East during March. Furthermore, the rate of backlog depletion was the strongest in 11 months.

### Input and output prices

Average input costs in the North East private sector economy increased again during March. However, the rate of inflation eased to a nine-month low, amid reports of a stronger sterling exchange rate.

Following a modest increase in February, private sector companies in the North East cut their selling prices in March, albeit fractionally.

## North East Business Conditions

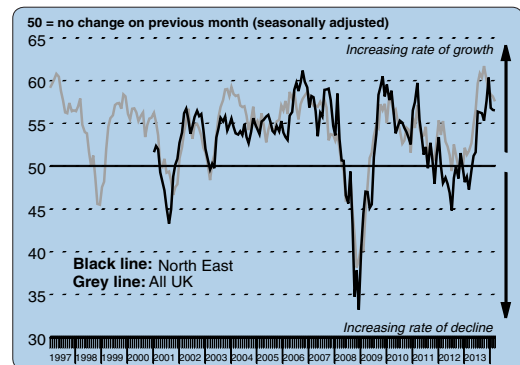




## Output / Business Activity

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	33.3	58.3	8.3	62.5	56.4	59.7
	Aug	27.9	53.5	18.6	54.7	56.3	60.9
	Sep	31.1	60.0	8.9	61.1	56.2	60.4
	Oct	23.4	63.8	12.8	55.3	55.3	61.7
	Nov	25.0	59.1	15.9	54.5	57.6	60.1
	Dec	28.9	53.3	17.8	55.6	60.4	59.0
2014	Jan	21.6	56.9	21.6	50.0	56.8	58.4
	Feb	36.2	51.1	12.8	61.7	56.6	58.2
	Mar	30.6	57.1	12.2	59.2	56.6	57.6

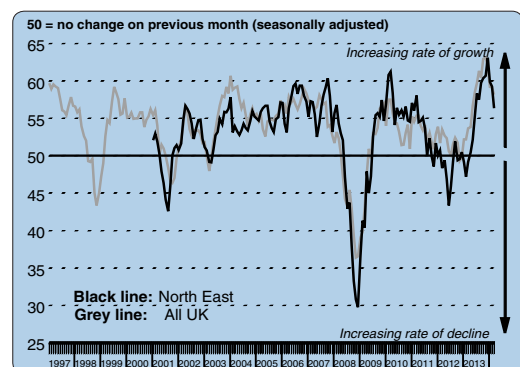


Latest data signalled a further expansion of business activity across the North East private sector economy during March, thereby extending the current sequence of growth to 11 months. The rate of increase was unchanged from the previous month and strong overall. However, activity growth in the region was slower than the UK private sector economy average. A number of monitored companies in the North East suggested that higher volumes of new business boosted activity levels in the latest survey period.

## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	31.3	54.2	14.6	58.3	58.4	59.7
	Aug	23.8	57.1	19.0	52.4	57.5	61.4
	Sep	36.4	47.7	15.9	60.2	59.8	60.4
	Oct	38.3	40.4	21.3	58.5	60.4	63.0
	Nov	31.8	50.0	18.2	56.8	60.7	63.2
	Dec	34.8	54.3	10.9	62.0	63.1	61.7
2014	Jan	29.4	51.0	19.6	54.9	59.9	59.2
	Feb	45.7	37.0	17.4	64.1	59.3	59.2
	Mar	34.7	44.9	20.4	57.1	56.4	58.2

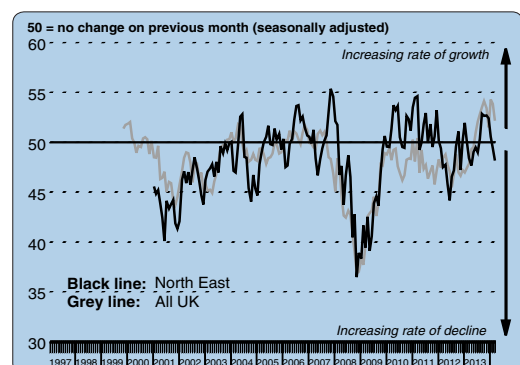


The seasonally adjusted New Orders Index signalled an increased amount of new work placed at North East private sector companies for the twelfth successive month in March. Though strong, the rate of new order growth eased further from December's record-high to the weakest since June 2013. Moreover, new business in the region increased at a slower pace than across the UK private sector economy as a whole. Sector data for the North East suggested that growth of new orders was largely centred on service providers.

## Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	9.3	86.0	4.7	52.3	49.0	52.1
	Aug	13.2	71.1	15.8	48.7	50.4	52.8
	Sep	23.1	61.5	15.4	53.8	52.9	53.5
	Oct	21.4	61.9	16.7	52.4	52.7	54.2
	Nov	18.4	68.4	13.2	52.6	52.7	53.5
	Dec	17.9	64.1	17.9	50.0	52.4	51.5
2014	Jan	15.6	66.7	17.8	48.9	50.6	54.3
	Feb	15.0	70.0	15.0	50.0	49.4	53.9
	Mar	17.1	65.9	17.1	50.0	48.2	52.2



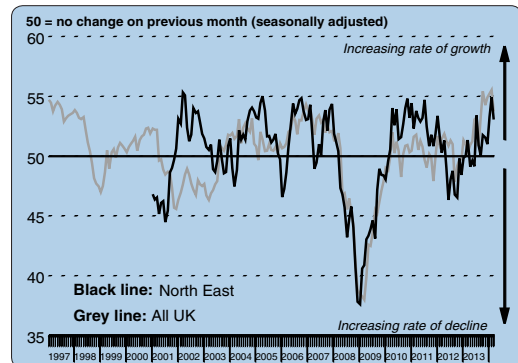
March data signalled that outstanding business in the North East private sector economy decreased for the second month running and at a moderate pace. Furthermore, it was the quickest reduction of work-in-hand since April 2013, and contrasted with a modest rise in backlogs across the UK private sector economy as a whole. Sector data for the North East indicated that unfinished work fell at goods producers but increased at service providers.



## Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	21.3	70.2	8.5	56.4	53.4	53.3
	Aug	20.9	72.1	7.0	57.0	50.9	50.8
	Sep	15.6	68.9	15.6	50.0	50.1	53.3
	Oct	17.0	72.3	10.6	53.2	51.8	55.4
	Nov	9.1	79.5	11.4	48.9	51.6	54.3
	Dec	6.5	84.8	8.7	48.9	51.0	54.9
2014	Jan	17.3	78.8	3.8	56.7	53.3	55.2
	Feb	19.1	72.3	8.5	55.3	54.9	55.5
	Mar	8.2	87.8	4.1	52.0	53.1	53.7

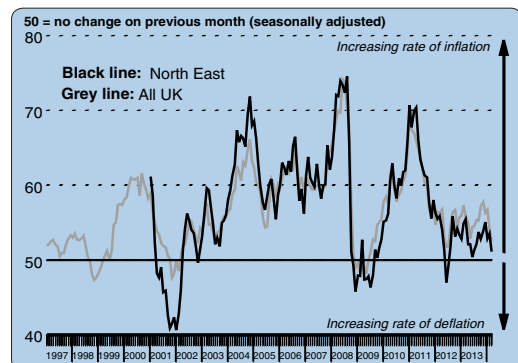


Adjusted for seasonal factors, the Employment Index signalled a further expansion of workforce numbers in the North East private sector economy during March. Despite easing to a three-month low, the rate of job creation was solid and remained stronger than the series average. However, employment growth was slower than across the UK private sector economy as a whole. Sector data suggested that service providers in the region predominantly drove the expansion of payroll numbers in the latest survey period.

## Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	10.6	78.7	10.6	50.0	51.4	54.6
	Aug	11.9	85.7	2.4	54.8	52.2	55.3
	Sep	11.6	83.7	4.7	53.5	53.8	55.3
	Oct	8.7	89.1	2.2	53.3	52.8	57.2
	Nov	7.0	90.7	2.3	52.3	53.9	57.8
	Dec	11.1	84.4	4.4	53.3	55.1	56.3
2014	Jan	6.0	86.0	8.0	49.0	52.9	56.7
	Feb	17.4	73.9	8.7	54.3	53.5	54.1
	Mar	8.3	83.3	8.3	50.0	51.2	52.6

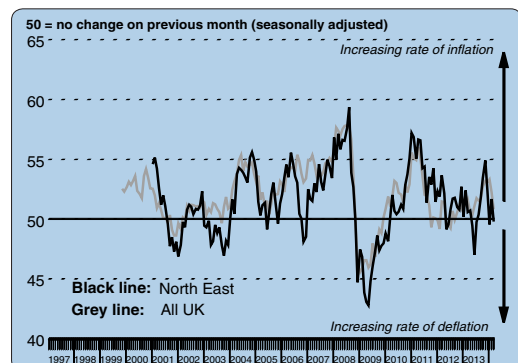


Average input costs faced by private sector businesses in the North East increased for the twentieth successive month in March. That said, the rate of input price inflation eased to a modest pace that was the weakest since last June. Moreover, growth of cost burdens was slower than across the UK private sector economy as a whole. According to anecdotal evidence, higher raw material costs were the main source of inflation in the latest survey period, while other companies suggested that a stronger sterling exchange rate helped to dampen overall growth of costs.

## 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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	8.5	85.1	6.4	51.1	49.8	51.8
	Aug	7.1	88.1	4.8	51.2	50.4	51.6
	Sep	6.8	88.6	4.5	51.1	51.8	51.7
	Oct	10.9	87.0	2.2	54.3	53.5	52.7
	Nov	9.3	90.7	0.0	54.7	54.9	53.2
	Dec	2.2	95.6	2.2	50.0	52.4	53.1
2014	Jan	2.0	88.2	9.8	46.1	49.6	53.3
	Feb	4.3	93.5	2.2	51.1	51.7	52.2
	Mar	2.0	95.9	2.0	50.0	49.8	50.8

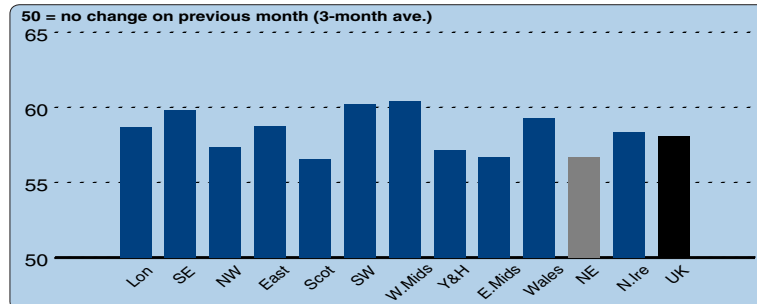


Following a modest increase in February, selling prices charged by North East private sector firms fell during March. That said, the rate of discounting was only fractional. Meanwhile, output charges increased across the UK private sector economy as a whole, albeit marginally. While some survey respondents in the region lowered their charges in response to increased market competition, others raised their tariffs to reflect higher input costs.



## Regional Comparisons: Output

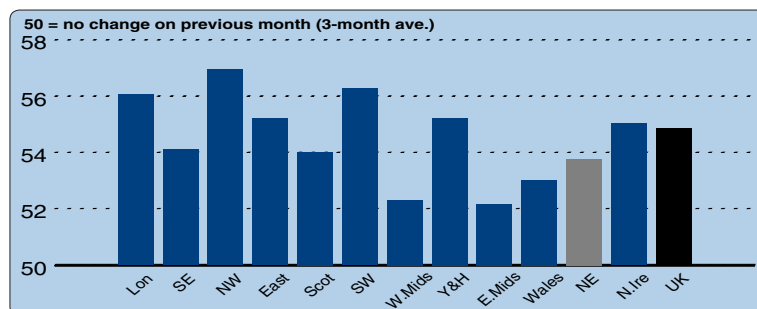
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However,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

The *PMI* surveys 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.