



Lloyds Bank North West 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 West 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 West and operating in both manufacturing and service sectors.

The North West 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

Output growth slows again in March

Key findings:

- Business Activity Index drops slightly to 56.1, from 57.0 in February
- Softer expansion of new orders
- Input and output price inflation both ease

March data indicated that the North West private sector economy continued its solid start to 2014, with output and new orders expanding markedly. This fed through to the labour market, with employment rising for the eleventh successive month. Nonetheless, rates of output and jobs growth eased since February.

Output and demand

Adjusted for seasonal factors, the headline Lloyds Bank North West Business Activity Index – an index that measures the combined output of the region's manufacturing and service sectors – fell slightly from 57.0 in the previous month to 56.1 in March. The latest reading was the lowest since May 2013, but still consistent with a marked rate of growth that remained above the series average.

Anecdotal evidence highlighted better economic conditions and strong underlying demand. Incoming new orders expanded for the fourteenth consecutive month in March. Despite easing since February, the growth rate was robust and above its long-run average. Services and manufacturing companies posted higher new business, with the former experiencing the faster rise.

Employment and backlogs

Supported by sustained new business growth and business expansion plans, private sector companies in the North West continued to hire additional workers in March. Although the slowest in three months, the rate of job creation was sharp and surpassed the UK-wide trend.

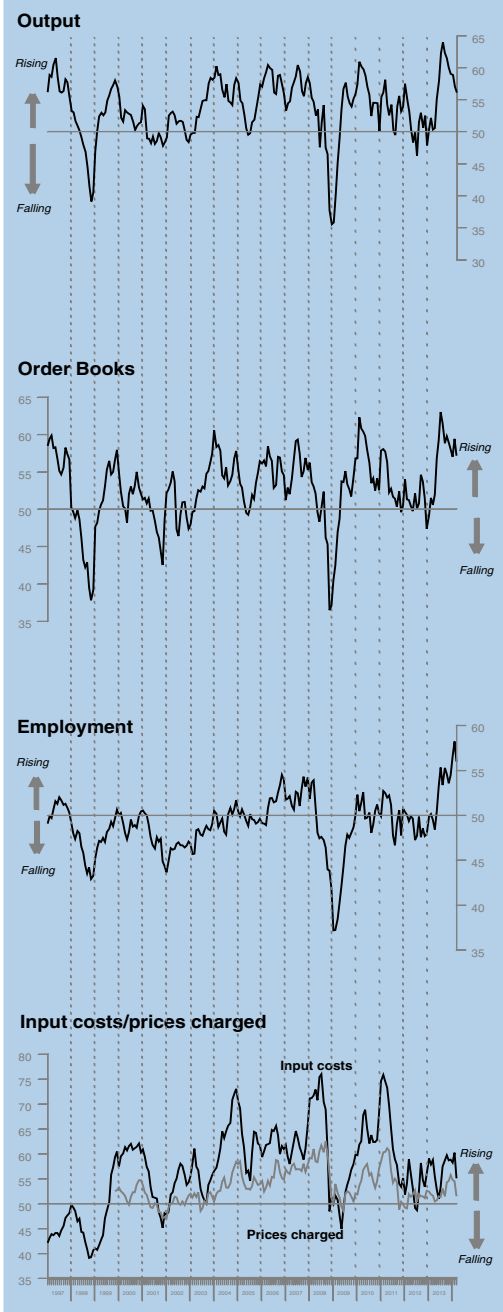
Unfinished business rose for the third successive month in March, amid evidence of pressures on operating capacity. The rate of backlog accumulation was, however, moderate and the weakest in that sequence.

Input and output prices

Input prices in the North West private sector rose in March, with survey participants reporting higher labour and raw material costs. That said, the rate of cost inflation softened to the slowest since July last year.

March data indicated that output prices increased further. Survey respondents reported the pass through of rising cost burdens. Nonetheless, the rate of charge inflation was marginal overall and the weakest in six months. Selling prices increased at both manufacturers and service providers.

North West Business Conditions

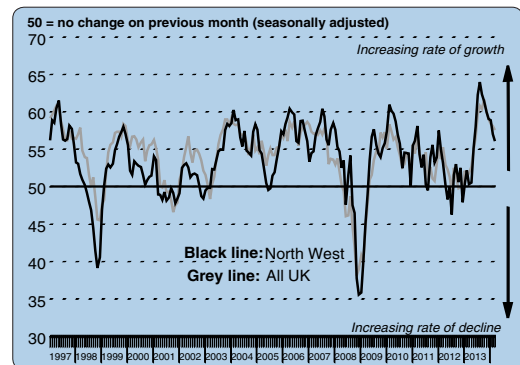




Output / Business Activity

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

| | | North West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jul | 36.7 | 56.1 | 7.1 | 64.8 | 62.3 | 59.7 |
| | Aug | 31.6 | 52.6 | 15.8 | 57.9 | 64.0 | 60.9 |
| | Sep | 43.0 | 48.0 | 9.0 | 67.0 | 62.3 | 60.4 |
| | Oct | 30.5 | 56.8 | 12.6 | 58.9 | 61.5 | 61.7 |
| | Nov | 38.5 | 42.9 | 18.7 | 59.9 | 60.0 | 60.1 |
| | Dec | 33.0 | 47.3 | 19.8 | 56.6 | 59.1 | 59.0 |
| 2014 | Jan | 28.3 | 52.5 | 19.2 | 54.5 | 58.9 | 58.4 |
| | Feb | 34.0 | 53.0 | 13.0 | 60.5 | 57.0 | 58.2 |
| | Mar | 28.9 | 60.8 | 10.3 | 59.3 | 56.1 | 57.6 |

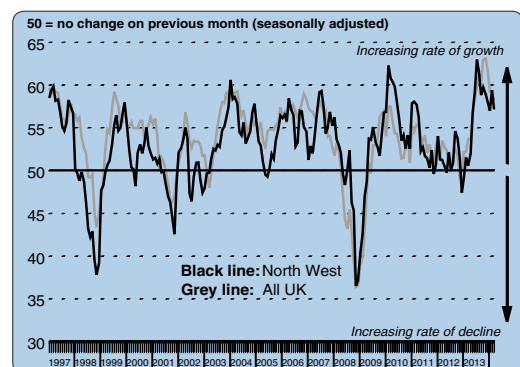


Output growth in the North West private sector eased for the seventh consecutive month in March. Nonetheless, the seasonally adjusted Business Activity Index registered well above the series long-run average and was consistent with a marked rate of expansion. Almost 29% of panellists signalled higher output, citing new business wins and better economic conditions. Business activity rose at both manufacturing and services companies, with the fastest increase noted at the latter.

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 West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jul | 40.2 | 53.6 | 6.2 | 67.0 | 63.0 | 59.7 |
| | Aug | 28.7 | 47.9 | 23.4 | 52.7 | 61.6 | 61.4 |
| | Sep | 35.4 | 48.5 | 16.2 | 59.6 | 58.8 | 60.4 |
| | Oct | 31.6 | 48.4 | 20.0 | 55.8 | 59.8 | 63.0 |
| | Nov | 36.3 | 35.2 | 28.6 | 53.8 | 58.9 | 63.2 |
| | Dec | 31.1 | 50.0 | 18.9 | 56.1 | 58.0 | 61.7 |
| 2014 | Jan | 31.6 | 40.8 | 27.6 | 52.0 | 57.1 | 59.2 |
| | Feb | 42.4 | 46.5 | 11.1 | 65.7 | 59.4 | 59.2 |
| | Mar | 28.1 | 56.3 | 15.6 | 56.3 | 57.2 | 58.2 |

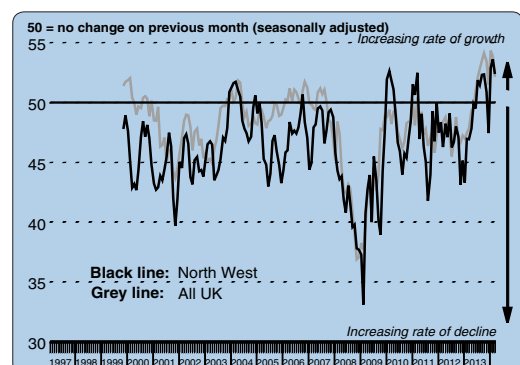


Incoming new business rose for the fourteenth consecutive month in March. Despite easing since February, the rate of expansion was robust and stronger than its long-run average. Where growth of new orders was noted, this was attributed by survey participants to sustained demand growth and an improved economic climate. Service providers continued to record faster increases in new work than their manufacturing counterparts.

Business Outstanding

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

| | | North West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jul | 16.1 | 74.2 | 9.7 | 53.2 | 51.9 | 52.1 |
| | Aug | 17.8 | 61.1 | 21.1 | 48.3 | 51.5 | 52.8 |
| | Sep | 20.8 | 61.5 | 17.7 | 51.6 | 52.3 | 53.5 |
| | Oct | 17.4 | 67.4 | 15.2 | 51.1 | 52.3 | 54.2 |
| | Nov | 16.3 | 61.6 | 22.1 | 47.1 | 50.9 | 53.5 |
| | Dec | 13.6 | 64.8 | 21.6 | 46.0 | 47.5 | 51.5 |
| 2014 | Jan | 17.9 | 65.3 | 16.8 | 50.5 | 52.9 | 54.3 |
| | Feb | 26.5 | 59.2 | 14.3 | 56.1 | 53.6 | 53.9 |
| | Mar | 16.0 | 72.3 | 11.7 | 52.1 | 52.4 | 52.2 |



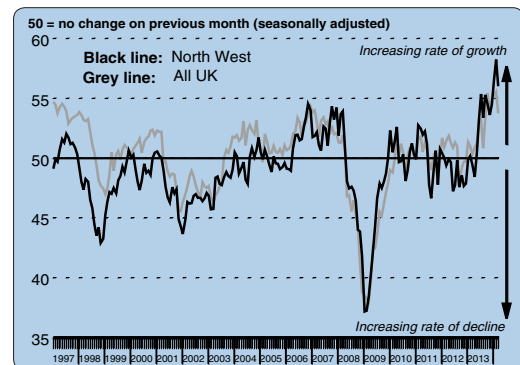
March data indicated that business outstanding rose further, marking a three-month period of accumulation. The rate of expansion was, however, moderate and the weakest in that sequence. Companies reported softer pressures on operating capacity. Work-in-hand rose at services companies, but continued to drop in the manufacturing sector.



Employment

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

| | | North West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jul | 18.6 | 76.3 | 5.2 | 56.7 | 55.4 | 53.3 |
| | Aug | 19.1 | 75.5 | 5.3 | 56.9 | 53.4 | 50.8 |
| | Sep | 24.2 | 71.7 | 4.0 | 60.1 | 55.3 | 53.3 |
| | Oct | 17.0 | 75.5 | 7.4 | 54.8 | 54.6 | 55.4 |
| | Nov | 16.5 | 75.8 | 7.7 | 54.4 | 53.6 | 54.3 |
| | Dec | 14.4 | 76.7 | 8.9 | 52.8 | 54.5 | 54.9 |
| 2014 | Jan | 17.3 | 76.5 | 6.1 | 55.6 | 56.6 | 55.2 |
| | Feb | 22.2 | 71.7 | 6.1 | 58.1 | 58.3 | 55.5 |
| | Mar | 23.2 | 72.6 | 4.2 | 59.5 | 56.0 | 53.7 |

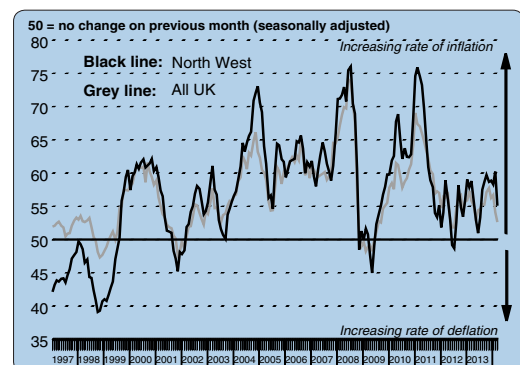


Private sector companies signalled higher workforce numbers in March, thereby stretching the current sequence of job creation to 11 months. The rate of expansion eased from February's survey record, but was nonetheless sharp and stronger than the UK-wide trend. Anecdotal evidence highlighted new order growth and business expansion plans. Both manufacturing and service providers registered employment growth, with the quicker rise noted at the latter.

Input Prices / Costs

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

| | | North West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jul | 15.5 | 69.1 | 15.5 | 50.0 | 53.3 | 54.6 |
| | Aug | 22.3 | 72.3 | 5.3 | 58.5 | 57.5 | 55.3 |
| | Sep | 22.0 | 72.0 | 6.0 | 58.0 | 58.7 | 55.3 |
| | Oct | 21.9 | 69.8 | 8.3 | 56.8 | 59.7 | 57.2 |
| | Nov | 16.5 | 72.5 | 11.0 | 52.7 | 58.7 | 57.8 |
| | Dec | 15.4 | 80.2 | 4.4 | 55.5 | 58.9 | 56.3 |
| 2014 | Jan | 22.4 | 72.4 | 5.1 | 58.7 | 58.3 | 56.7 |
| | Feb | 24.2 | 70.7 | 5.1 | 59.6 | 60.3 | 54.1 |
| | Mar | 12.6 | 76.8 | 10.5 | 51.1 | 55.1 | 52.6 |

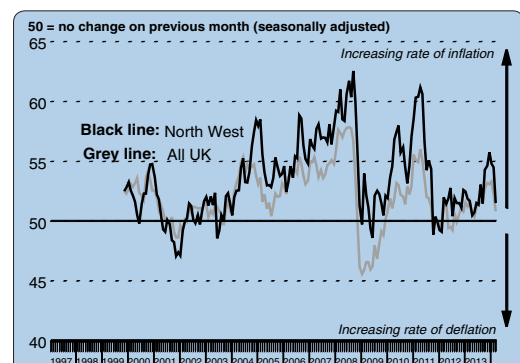


Input price inflation in the North West private sector economy moderated in March. Although solid, the latest rise in input costs was the weakest recorded since July last year. Nonetheless, input cost inflation in the region remained above the national average. Monitored companies reported increased labour and raw material costs. By sector, the fastest rise in input prices was noted at services firms.

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?

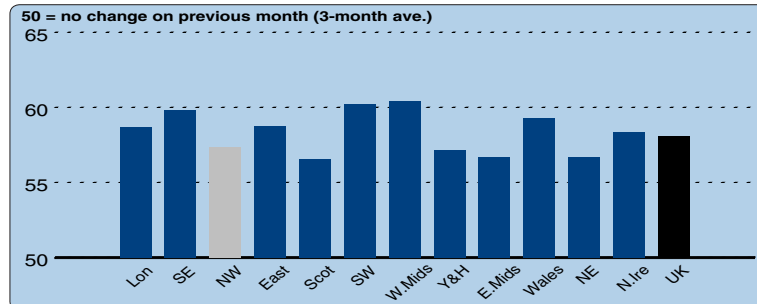
| | | North West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Jul | 5.1 | 90.8 | 4.1 | 50.5 | 51.4 | 51.8 |
| | Aug | 5.3 | 93.7 | 1.1 | 52.1 | 53.1 | 51.6 |
| | Sep | 8.0 | 88.0 | 4.0 | 52.0 | 51.5 | 51.7 |
| | Oct | 10.5 | 87.4 | 2.1 | 54.2 | 54.3 | 52.7 |
| | Nov | 13.3 | 80.0 | 6.7 | 53.3 | 54.6 | 53.2 |
| | Dec | 9.9 | 89.0 | 1.1 | 54.4 | 55.8 | 53.1 |
| 2014 | Jan | 14.1 | 79.8 | 6.1 | 54.0 | 54.8 | 53.3 |
| | Feb | 16.0 | 79.0 | 5.0 | 55.5 | 54.5 | 52.2 |
| | Mar | 10.3 | 85.6 | 4.1 | 53.1 | 51.5 | 50.8 |



Companies operating in the North West private sector reported higher selling prices in March, marking a 25-month sequence of charge inflation. However, the seasonally adjusted Output Prices Index dipped to its lowest level since September 2013 and was indicative of a marginal rate of increase. Survey participants reported the pass through of additional cost burdens, but also mentioned that competitive pressures weighed on pricing power.

Regional Comparisons: Output

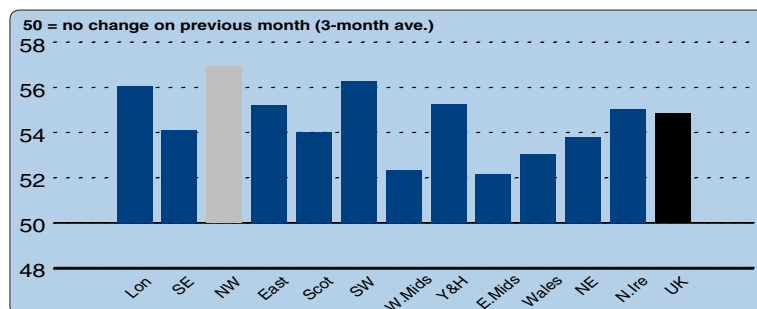
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However,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