

Lloyds Bank South 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.

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The Lloyds Bank Commercial Banking South 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 South East and operating in both manufacturing and service sectors.

The South 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.

For further information, please contact: economics@markit.com

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14th April 2014

Activity growth remains strong in March

Key findings:

- Activity and new orders remain in expansion but at a slower pace than in February
- Employment levels continue to rise
- Output prices broadly stable in March

Private sector companies in the South East reported further solid increases in output and new orders in March, although the rates of growth eased since February. Meanwhile, employment levels rose, however again at a slower pace than seen in February. Inflation of both input costs and output prices remained weak.

Output and demand

March saw a continued rise in business activity, as highlighted by the **Lloyds Bank South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posting 58.0 from 60.0 in February. Although growth was the slowest in nine months, it was nevertheless strong in context of historical survey data. Companies commented on an increase in new business from clients that had led to higher business activity.

New orders continued to rise in March. However, the latest data pointed to a slight decline in growth, with the rate easing for the fourth month running to the lowest seen since May 2013. Firms which posted an increase commented on new clients and key projects having been won.

Employment and backlogs

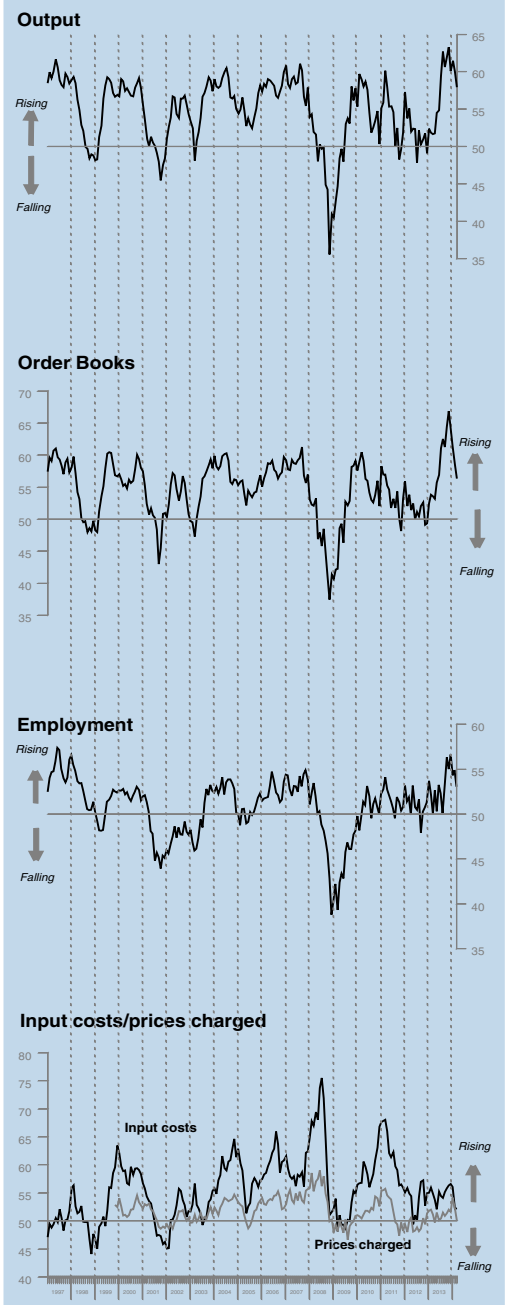
Employment levels rose further in March, with almost one-in-five companies hiring additional workers. The rate of job creation eased slightly from the previous month and remained below the UK average for the third month running. Firms that hired new workers commented on enhancing employment numbers to cope with higher activity levels and increased product development.

New order growth imparted further pressure on operating capacity, therefore leading to a rise in backlogs of work in March. Although the rise in the level of unfinished work was slower than in February, it was solid nonetheless.

Input and output prices

Input costs and output prices continued to rise in March. Panellists commented on an increase in raw material prices as one of the main contributors. However, costs and charges each increased only slightly during the month. The rate of inflation in output prices was negligible and the slowest in the current 11-month sequence of rising charges.

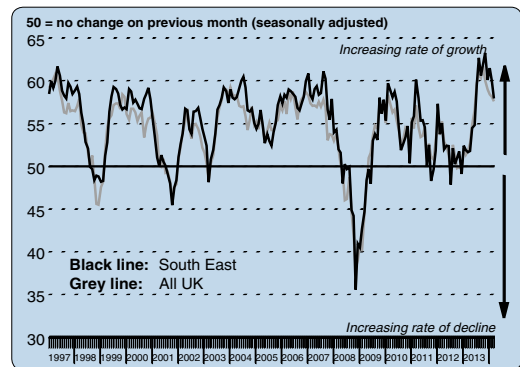
South East Business Conditions



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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	36.4	50.0	13.6	61.4	59.5	59.7
	Aug	39.1	43.0	17.9	60.6	62.7	60.9
	Sep	34.5	50.6	14.9	59.8	60.7	60.4
	Oct	35.0	49.7	15.3	59.8	61.9	61.7
	Nov	39.1	49.7	11.2	63.9	63.3	60.1
2014	Dec	26.4	51.1	22.4	52.0	60.1	59.0
	Jan	36.5	46.4	17.2	59.6	61.5	58.4
	Feb	34.3	51.4	14.4	59.9	60.0	58.2
	Mar	30.4	55.0	14.6	57.9	58.0	57.6

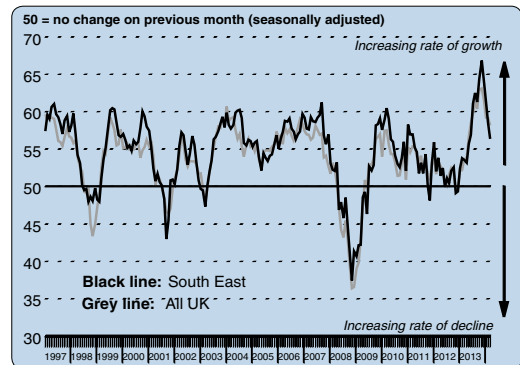


Private sector companies in the South East reported continued growth in activity in March, with the seasonally adjusted Output Index staying firmly above the 50.0 no-change mark and the UK average. Companies commented on an increase in new business from clients encouraging business activity. That said, growth eased slightly from the previous month, and was the weakest since June 2013.

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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	37.2	49.2	13.7	61.7	61.1	59.7
	Aug	38.1	46.0	15.9	61.1	62.6	61.4
	Sep	34.9	50.9	14.2	60.4	61.3	60.4
	Oct	40.1	41.2	18.7	60.7	64.4	63.0
	Nov	40.2	50.9	8.9	65.7	66.9	63.2
	Dec	28.5	55.8	15.7	56.4	64.2	61.7
2014	Jan	35.4	48.1	16.4	59.5	61.4	59.2
	Feb	35.4	48.3	16.3	59.6	58.5	59.2
	Mar	32.9	49.4	17.6	57.6	56.4	58.2

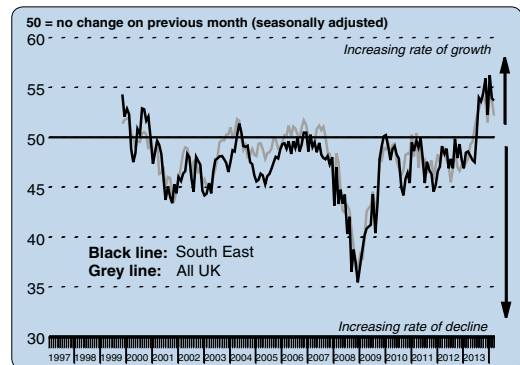


Incoming new business continued to rise in March, with the seasonally adjusted Incoming New Business Index remaining above the 50 no-change mark for the fifteenth month in a row. Anecdotal evidence suggested that key projects and new clients had been won leading to the continued expansion. However, March saw a slight decline in growth, with the rate easing for the fourth month running to the lowest seen since May 2013.

Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	21.4	62.5	16.1	52.7	50.5	52.1
	Aug	25.6	58.5	15.9	54.9	54.0	52.8
	Sep	21.6	61.4	17.0	52.3	53.6	53.5
	Oct	23.4	57.5	19.2	52.1	54.4	54.2
	Nov	22.9	63.1	14.0	54.5	55.9	53.5
	Dec	17.9	65.4	16.7	50.6	52.3	51.5
2014	Jan	23.1	62.7	14.2	54.4	56.2	54.3
	Feb	25.8	55.8	18.4	53.7	54.0	53.9
	Mar	23.6	60.5	15.9	53.8	53.7	52.2



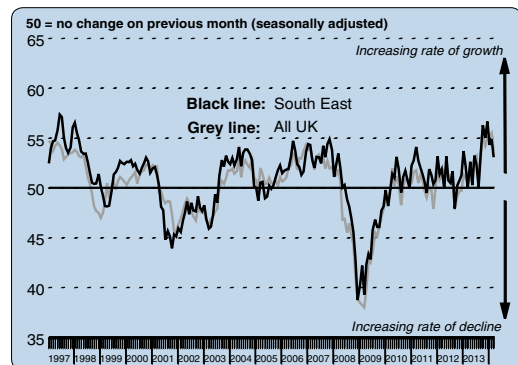
The level of unfinished orders rose again in March, with the seasonally adjusted Business Outstanding Index remaining above the UK average. South East private companies commented on the time it took to train up new staff and increasing new business. Although solid, the rise in the level of unfinished work was marginally slower in March compared to the previous month.



Employment

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	15.2	75.0	9.8	52.7	52.3	53.3
	Aug	18.4	72.1	9.5	54.5	50.1	50.8
	Sep	17.3	73.8	8.9	54.2	53.4	53.3
	Oct	16.4	76.0	7.7	54.4	56.3	55.4
	Nov	18.3	74.6	7.1	55.6	55.0	54.3
	Dec	18.5	75.1	6.4	56.1	56.7	54.9
2014	Jan	12.0	81.3	6.8	52.6	54.3	55.2
	Feb	19.3	72.4	8.3	55.5	54.9	55.5
	Mar	19.1	72.8	8.1	55.5	53.1	53.7

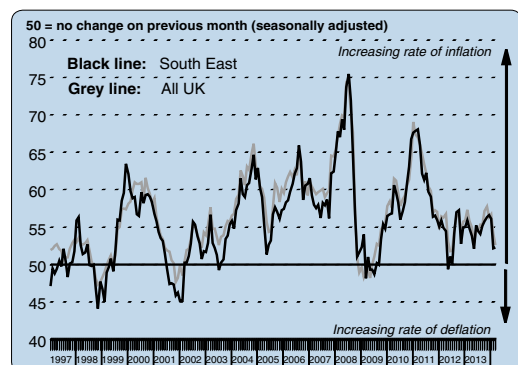


South East companies recorded continued growth in employment during March, with around 19% of firms noting increased staffing levels. Firms commented on employing new workers to cope with higher activity levels and increased product development. However, the rate of job creation slowed to the weakest in seven months. Employment grew solidly across both monitored sectors.

Input Prices / Costs

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	13.1	80.9	6.0	53.6	54.5	54.6
	Aug	10.6	84.4	5.0	52.8	54.1	55.3
	Sep	15.4	79.9	4.7	55.3	55.2	55.3
	Oct	12.6	83.6	3.8	54.4	55.8	57.2
	Nov	13.7	82.7	3.6	55.1	56.3	57.8
	Dec	11.0	86.0	2.9	54.1	56.6	56.3
2014	Jan	17.7	79.2	3.1	57.3	56.1	56.7
	Feb	13.8	80.7	5.5	54.1	52.2	54.1
	Mar	16.2	78.0	5.8	55.2	52.3	52.6

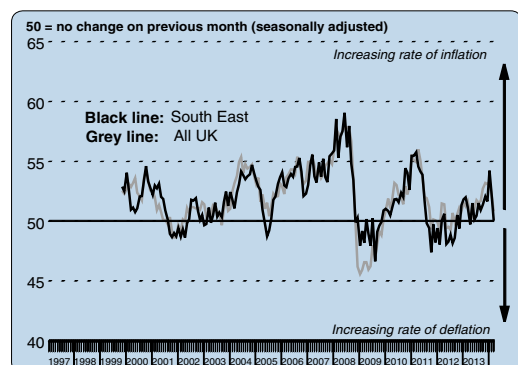


Input prices continued to rise in March, with around 16% of panellists registering increased input costs. That said, input price inflation remained only modest and was little-changed from February's nine-month low. Panellists that registered higher prices suggested that a rise in raw material costs was one of the main contributors. The increase in costs in the region was broadly in line with the UK average.

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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	7.6	85.3	7.1	50.3	50.5	51.8
	Aug	4.5	91.0	4.5	50.0	51.5	51.6
	Sep	4.2	88.7	7.1	48.5	51.0	51.7
	Oct	5.0	90.6	4.4	50.3	51.4	52.7
	Nov	4.1	91.1	4.7	49.7	52.1	53.2
	Dec	3.5	93.1	3.5	50.0	51.6	53.1
2014	Jan	11.0	87.4	1.6	54.7	54.2	53.3
	Feb	10.5	87.3	2.2	54.1	52.3	52.2
	Mar	6.9	89.0	4.0	51.4	50.1	50.8

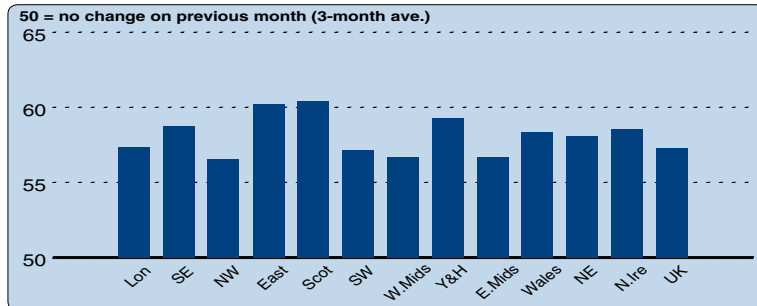


South East private sector companies recorded a negligible increase in prices charges in March, with the seasonally adjusted Output Prices Index only marginally above the 50.0 no-change mark. The rise in prices charged was the slowest in the current 11-month sequence of increasing selling prices. Firms that commented on a rise in selling prices mentioned the impact of an increase rise in raw material prices. Consequently, inflation was led by the manufacturing sector.



Regional Comparisons: Output

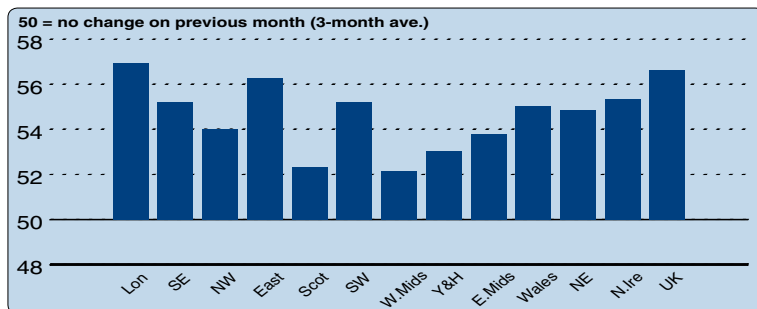
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However,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

Markit Economics is a specialist compiler of business surveys and economic indices. Purchasing Managers' Index® (PMI®) surveys are 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. To learn more go to www.markit.com/economics.