

Lloyds Bank Yorkshire & Humber 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 Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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:

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14th April 2014

Business activity continues to rise in March, but at slowest pace for three months

Key findings:

- Business activity increases for seventeenth month running
- Volumes of new work and employment levels grow sharply
- Input costs increase at faster pace

Business activity remained in expansion in March, with firms commenting that stronger demand and better economic conditions led to higher output. Alongside this, new orders remained in growth territory, leading to an increase in payroll numbers. Input and output prices rose in March, with both rates of inflation above the UK average.

Output and demand

The headline **Lloyds Bank Yorkshire & Humber Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registered at 55.8, down from the four-month high observed in February of 58.1.

Volumes of new orders expanded sharply again, which firms attributed to higher demand and growth from existing customers. Although, rising new business has now been recorded in 20 consecutive months, the latest expansion was the slowest since June 2013.

Employment and backlogs

Payroll numbers rose in March for the tenth month running. Continued growth in output and new orders again supported rising employment. Firms also commented that hiring new workers had been underpinned by the expectation of growth in the Yorkshire & Humber economy. March also saw growth in employment remaining above the UK average.

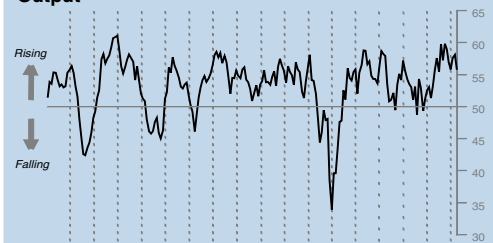
Despite the increase in new orders and business activity, levels of unfinished work declined for the second month running, and at the fastest pace since December 2012. The solid drop in backlogs suggested that firms were able to cope with the raised demand.

Input and output prices

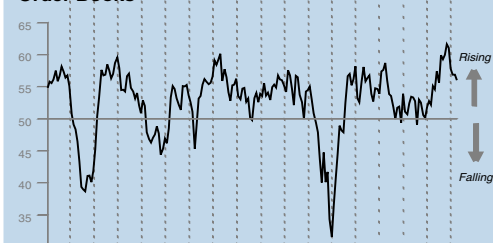
Input prices rose faster than February, which had seen input price inflation weaken to a seven-month low. The service sector was the main driver of cost inflation as manufacturers observed a fall in input prices. The passing on of higher cost burdens to clients in turn led to a moderate rise in selling prices in March.

Yorkshire & Humber Business Conditions

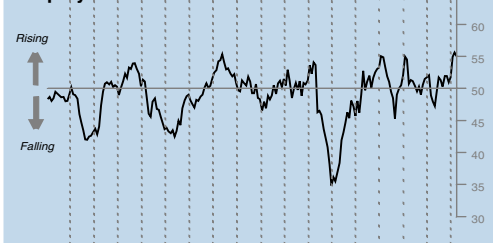
Output



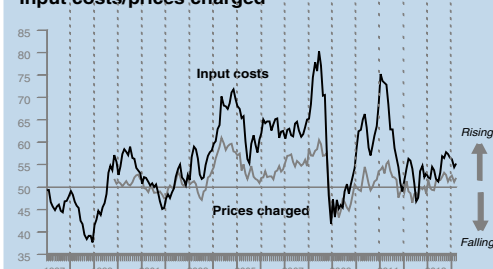
Order Books



Employment



Input costs/prices charged

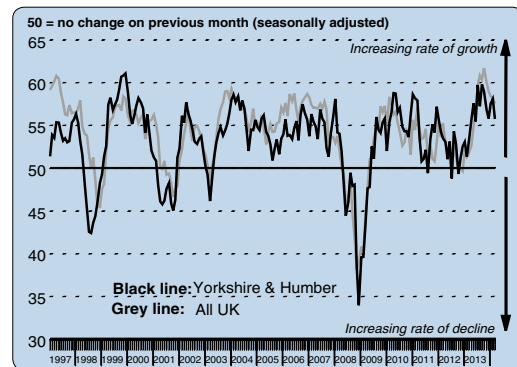




Output / Business Activity

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	37.5	51.1	11.4	63.1	59.8	59.7
	Aug	25.3	51.7	23.0	51.1	57.3	60.9
	Sep	37.9	50.6	11.5	63.2	59.8	60.4
	Oct	34.8	48.9	16.3	59.2	59.0	61.7
	Nov	30.1	51.8	18.1	56.0	56.9	60.1
2014	Dec	29.8	50.0	20.2	54.8	55.8	59.0
	Jan	27.7	55.3	17.0	55.3	57.6	58.4
	Feb	39.5	44.2	16.3	61.6	58.1	58.2
	Mar	33.0	50.0	17.0	58.0	55.8	57.6

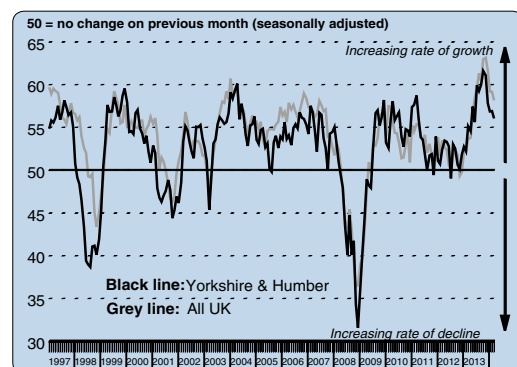


Business activity in Yorkshire & Humber continued to increase in March, with the seasonally adjusted Output Index remaining above the 50.0 no-change mark for the seventeenth month running. Firms commented on higher demand and better economic conditions leading to increased output. However, the rate of expansion slowed to the weakest in three months and was below the UK average.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	37.9	46.0	16.1	60.9	60.0	59.7
	Aug	30.2	50.0	19.8	55.2	59.3	61.4
	Sep	38.4	48.8	12.8	62.8	60.0	60.4
	Oct	40.0	42.2	17.8	61.1	61.7	63.0
	Nov	33.7	51.8	14.5	59.6	61.1	63.2
2014	Dec	33.7	41.0	25.3	54.2	57.8	61.7
	Jan	29.0	48.4	22.6	53.2	56.9	59.2
	Feb	42.4	38.8	18.8	61.8	56.9	59.2
	Mar	36.8	46.0	17.2	59.8	56.1	58.2

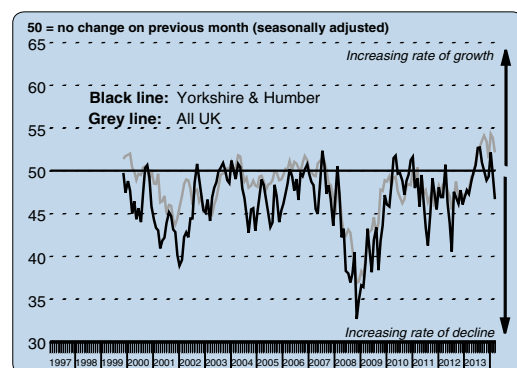


Volumes of new business increased again in March. However, the seasonally adjusted New Orders Index was the lowest since June 2013 and below the UK average. Firms commented on higher demand, often from existing customers, as being the key driver of new orders. Manufacturers saw a faster rate of growth than 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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	19.8	64.2	16.0	51.9	52.7	52.1
	Aug	16.7	65.5	17.9	49.4	52.8	52.8
	Sep	17.3	65.4	17.3	50.0	51.0	53.5
	Oct	23.8	52.4	23.8	50.0	50.1	54.2
	Nov	18.2	59.7	22.1	48.1	48.9	53.5
2014	Dec	16.9	58.4	24.7	46.1	49.4	51.5
	Jan	24.4	53.5	22.1	51.2	52.2	54.3
	Feb	19.5	55.8	24.7	47.4	49.6	53.9
	Mar	17.7	59.5	22.8	47.5	46.7	52.2



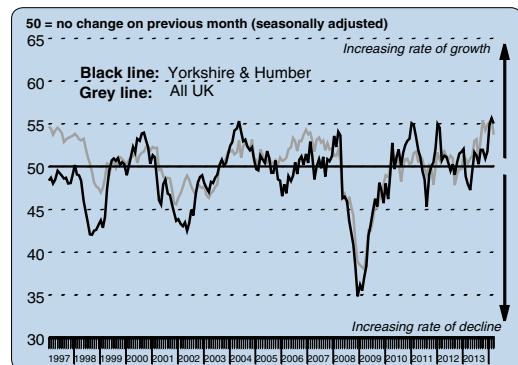
The seasonally adjusted Business Outstanding Index remained below the 50.0 no-change mark in March. This indicates that, despite an increase in incoming new orders, firms were able to cope with the rising demand. Moreover, the pace of reduction was the fastest since December 2012. Over one-fifth of respondents commented on a decline in their unfinished orders in March in comparison 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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	14.8	73.9	11.4	51.7	51.3	53.3
	Aug	12.5	72.7	14.8	48.9	50.3	50.8
	Sep	17.2	73.6	9.2	54.0	52.0	53.3
	Oct	12.0	76.1	12.0	50.0	52.0	55.4
	Nov	13.3	77.1	9.6	51.8	51.0	54.3
	Dec	13.1	78.6	8.3	52.4	51.8	54.9
2014	Jan	20.2	71.3	8.5	55.9	55.0	55.2
	Feb	23.3	70.9	5.8	58.7	55.7	55.5
	Mar	21.6	70.5	8.0	56.8	55.1	53.7

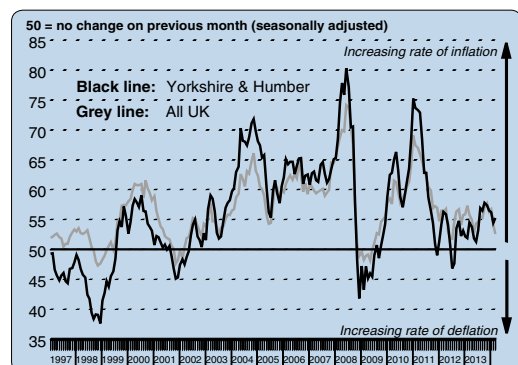


Employment levels continued to grow in March, with the rate of job creation easing only slightly from February. The rate at which Yorkshire & Humber's employment levels rose faster than above the UK average. Firms commented on hiring new workers in response to the improving business outlook. Employment growth was slightly faster for manufacturers than for service providers.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	14.9	74.7	10.3	52.3	53.2	54.6
	Aug	15.9	81.8	2.3	56.8	56.9	55.3
	Sep	19.5	73.6	6.9	56.3	56.5	55.3
	Oct	19.6	73.9	6.5	56.5	57.8	57.2
	Nov	14.5	79.5	6.0	54.2	57.4	57.8
	Dec	11.9	82.1	6.0	53.0	56.6	56.3
2014	Jan	24.5	68.1	7.4	58.5	56.3	56.7
	Feb	23.3	67.4	9.3	57.0	54.5	54.1
	Mar	21.6	71.6	6.8	57.4	55.3	52.6

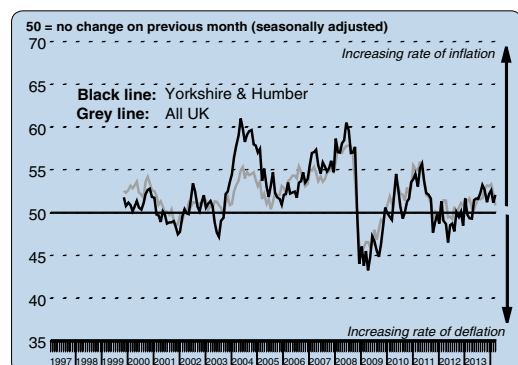


March saw input prices rise at a faster pace than the previous month, with the seasonally adjusted Input Prices Index also above the UK average. About 22% of firms commented on higher costs, while only 7% noted a reduction. Sector data suggested that services had driven the overall increase in input costs, as manufacturing input prices fell.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Jul	4.5	93.2	2.3	51.1	51.6	51.8
	Aug	8.0	88.6	3.4	52.3	52.3	51.6
	Sep	5.7	93.1	1.1	52.3	53.2	51.7
	Oct	7.6	85.9	6.5	50.5	52.7	52.7
	Nov	6.0	88.0	6.0	50.0	51.2	53.2
	Dec	6.0	90.5	3.6	51.2	52.2	53.1
2014	Jan	16.0	79.8	4.3	55.9	52.6	53.3
	Feb	10.5	81.4	8.1	51.2	51.2	52.2
	Mar	12.5	85.2	2.3	55.1	52.1	50.8

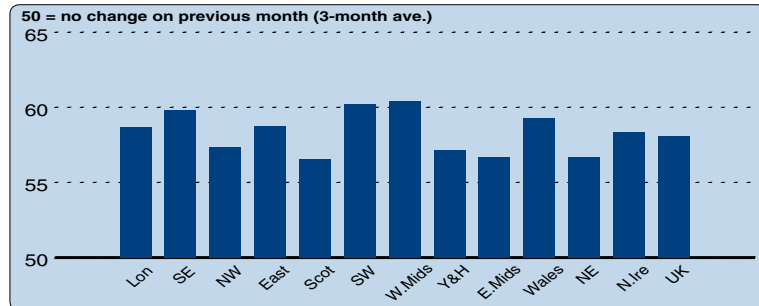


Average prices charged increased further in March, with the seasonally adjusted Output Prices Index marginally above that recorded in February. Panellists attributed the rise in selling prices to the passing on of higher cost burdens to clients. Services providers' charges increased more quickly than manufacturers' charges.



Regional Comparisons: Output

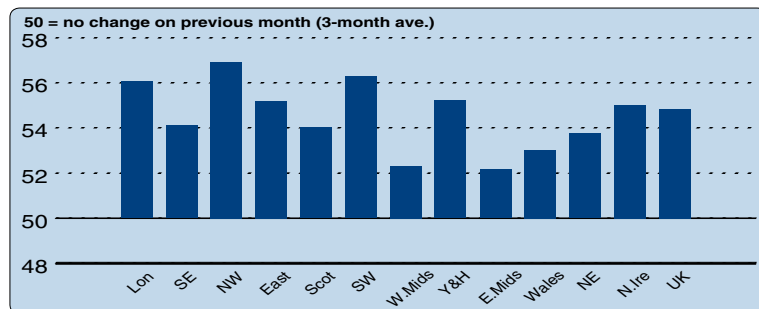
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All 12 UK regions posted strong output growth on average during the first quarter of the year, with the West Midlands recording the fastest rise. However,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