

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 April 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

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12th May 2014

London tops UK regional growth rankings in April

Key findings:

- Fastest rise in business activity in five months
- Stronger growth in both services and manufacturing sectors
- Workforce growth picks up since March

London started the second quarter of 2014 with the leading private sector growth rate of all 12 UK regions, according to the latest PMI® survey data. Total business activity across manufacturing and services increased at the strongest rate since last November, backed by a further marked increase in new business. As a result, the rate of job creation accelerated from March's recent low. Cost pressures remained historically weak, despite picking up since March, and manufacturing input prices continued to fall. In contrast, prices charged for goods and services rose at the fastest rate in three months.

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 – rose to 62.0 in April, from 59.5 in March. That signalled the strongest rise in private sector output in the capital since last November, and was the fourth-highest reading in over four years. Moreover, London registered stronger growth than all other UK regions in the latest period.

Growth was supported by a faster intake of new business in April, the strongest rise in 2014 so far. New business growth was largely driven by the service sector, as manufacturing new orders merely stabilised.

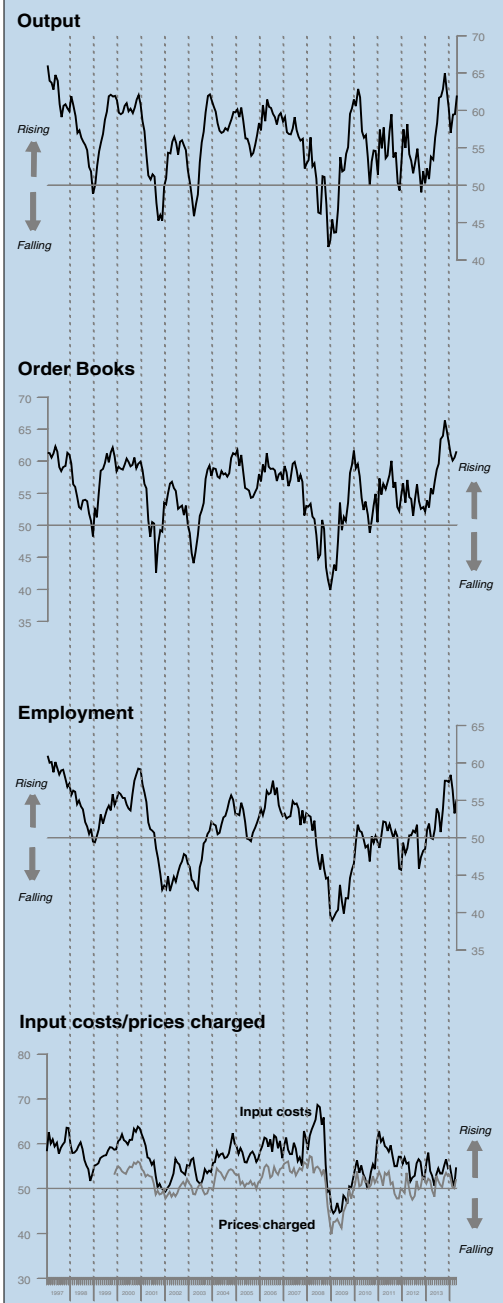
Employment and backlogs

Private sector employment in London rose for the twelfth consecutive month in April. The rate of job creation picked up since March, and was strong in the context of historic survey data. Workforce growth was solid at both manufacturers and service providers during the month. The volume of outstanding business also rose for the twelfth month running, but at the weakest rate since June 2013.

Input and output prices

Input prices continued to rise on average in April, but the rate of inflation remained historically weak despite accelerating since March. This partly reflected a further drop in manufacturing input prices. Meanwhile, output prices increased at the fastest rate in three months, driven by the service sector.

London Business Conditions

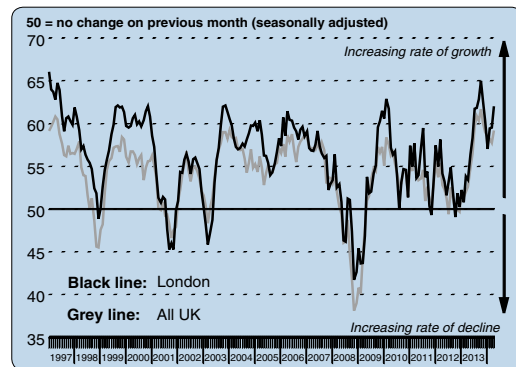




Output / Business Activity

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	26.7	57.4	15.8	55.4	61.9	60.9
	Sep	38.1	52.4	9.5	64.3	62.9	60.3
	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	58.5
	Feb	36.6	54.5	8.9	63.8	59.5	58.2
	Mar	28.3	67.9	3.8	62.3	59.5	57.8
	Apr	37.1	50.5	12.4	62.4	62.0	59.2

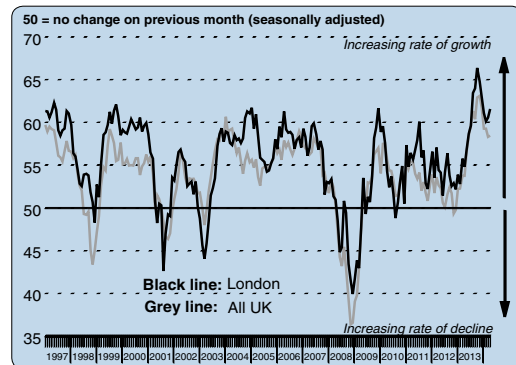


Private sector output in London rose for the eighteenth month running in April. Moreover, the rate of expansion accelerated to the fastest since last November, with 37% of survey respondents reporting growth. Firms linked higher output to new clients, improving confidence and a better economic outlook. Among 12 UK regions monitored by the survey, London posted the fastest rate of expansion in business activity in April. Growth in the service sector accelerated and remained sharper than the increase in manufacturing output. Goods production nevertheless rose at a stronger rate.

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	Aug	32.3	57.6	10.1	61.1	63.5	61.3
	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	63.1
	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	59.3
	Feb	36.6	50.0	13.4	61.6	60.1	59.3
	Mar	32.7	60.6	6.7	63.0	60.6	58.3
	Apr	37.9	49.5	12.6	62.6	61.6	58.5

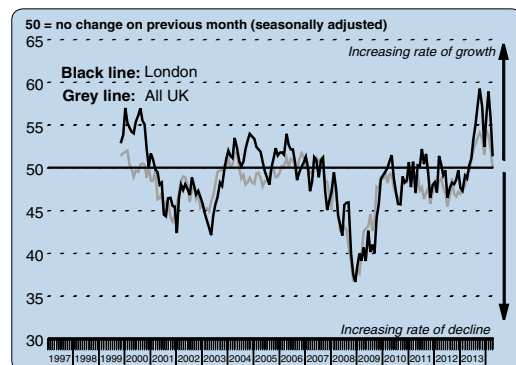


The volume of incoming new business in London's private sector economy rose at the fastest rate of the year so far in April. Growth remained weaker than the record rates registered during the second half of 2013, but was still historically sharp and second only to Northern Ireland in the UK regional league table. New business growth was centred on the dominant service sector, while manufacturing new orders were broadly stable.

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	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
	Apr	18.8	71.9	9.4	54.7	51.4	49.9



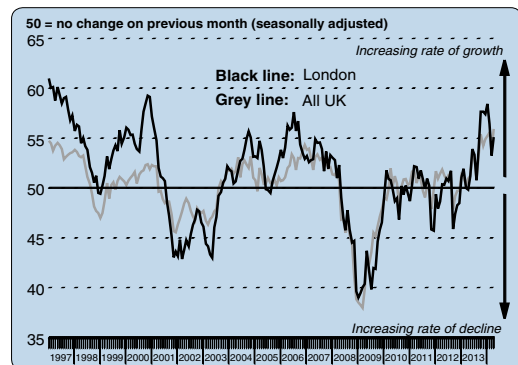
The seasonally adjusted Business Outstanding Index remained above the no-change mark of 50.0 in April, signalling ongoing growth of backlogs at private sector companies in London. This contrasted with a broadly flat trend across the UK as a whole. Higher backlogs were mainly linked to new business. London was the top-ranked English region in April, but registered slower growth in backlogs than Northern Ireland, Wales and Scotland. The overall increase in outstanding business in the capital was the slowest since June 2013.



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
2013	Aug	6.9	76.5	16.7	45.1	50.8
	Sep	26.7	66.7	6.7	60.0	53.9
	Oct	21.3	72.2	6.5	57.4	57.7
	Nov	23.6	70.0	6.4	58.6	57.7
	Dec	15.6	77.1	7.3	54.1	57.4
2014	Jan	19.0	75.9	5.2	56.9	58.5
	Feb	19.6	71.4	8.9	55.4	56.4
	Mar	17.9	73.6	8.5	54.7	53.3
	Apr	19.0	75.2	5.7	56.7	55.1

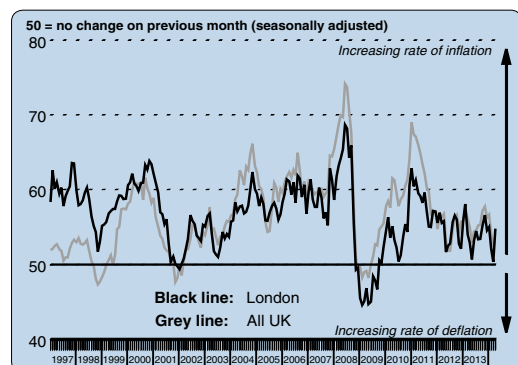


Private sector employment in London rose for the twelfth successive month in April, the longest sequence of workforce growth for six years. The rate of job creation strengthened from March's seven-month low, and remained sharp in the context of historic survey data. Firms recruited more staff to support sales pushes and expected business growth. Service providers and manufacturers both registered solid increases in workforces. That said, employment growth in the capital was slightly weaker than the UK-wide trend, and the second-slowest in the past seven months.

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
2013	Aug	10.9	82.2	6.9	52.0	53.4
	Sep	12.5	83.7	3.8	54.3	53.4
	Oct	11.2	86.9	1.9	54.7	55.1
	Nov	13.8	84.4	1.8	56.0	56.6
	Dec	6.5	92.5	0.9	52.8	54.6
2014	Jan	16.7	80.7	2.6	57.0	55.0
	Feb	17.9	76.8	5.4	56.3	52.1
	Mar	10.4	85.8	3.8	53.3	50.3
	Apr	14.3	84.8	1.0	56.7	54.8

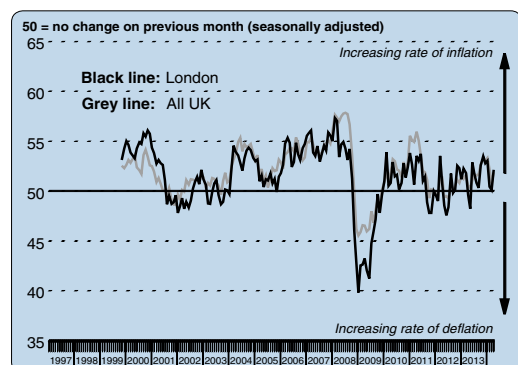


The rate of inflation of average input prices in London's private sector economy rebounded in April, having slowed to a marginal pace at the end of the first quarter. The seasonally adjusted Input Prices Index was greater than the UK average, but remained below its historic trend level of 56.6. Sector data showed that manufacturing input prices continued to fall. Anecdotal evidence linked cost inflation in the service sector mainly to salary pressures.

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
2013	Aug	5.0	88.1	6.9	49.0	50.8
	Sep	1.9	93.2	4.9	48.5	50.4
	Oct	6.5	90.7	2.8	51.9	52.6
	Nov	6.4	90.0	3.6	51.4	53.5
	Dec	6.5	91.7	1.9	52.3	52.8
2014	Jan	9.6	87.0	3.5	53.0	53.0
	Feb	7.1	90.2	2.7	52.2	50.5
	Mar	6.6	92.5	0.9	52.8	50.1
	Apr	12.4	84.8	2.9	54.8	52.2

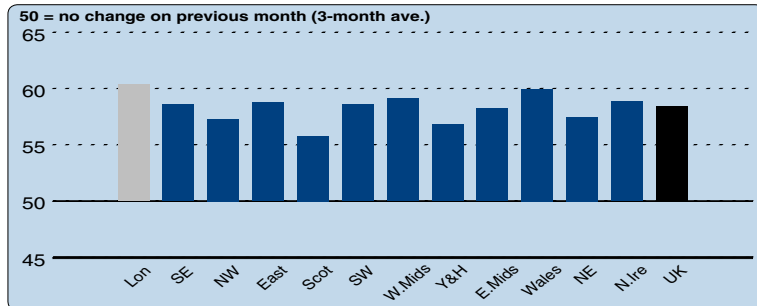


Output price inflation in the London private sector economy strengthened in April, having eased to near-stagnation in March. The current sequence of rising charges now stretches to 11 months. The seasonally adjusted Output Prices Index was also slightly higher than its long-run average of 51.5. Service providers registered a stronger rise in tariffs than manufacturers, where factory gate prices increased only fractionally.



Regional Comparisons: Output

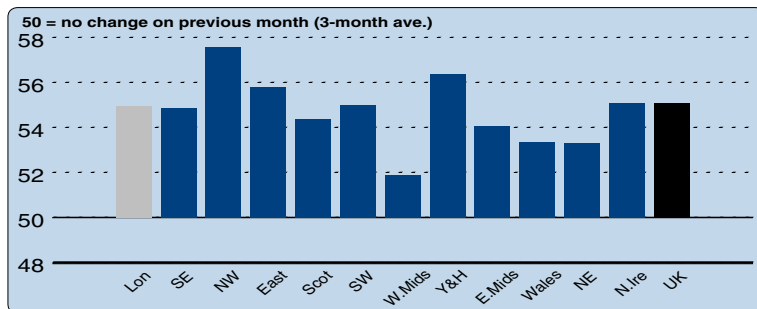
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity was slowest in Scotland.



	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.6	60.3	62.0
South East	(14.9%)	59.6	58.6	57.8
North West	(9.6%)	59.4	57.3	58.7
East of England	(8.6%)	58.3	58.8	59.9
Scotland	(7.8%)	56.4	55.8	54.8
South West	(7.5%)	59.5	58.5	57.8
West Midlands	(7.2%)	58.7	59.1	56.9
Yorks & Humber	(6.9%)	57.5	56.8	56.4
East Midlands	(5.9%)	58.5	58.2	60.6
Wales	(3.5%)	58.4	60.0	60.2
North East	(3.1%)	56.2	57.5	59.2
N.Ireland	(2.2%)	57.0	58.8	61.9
UK	(100.0%)	58.9	58.4	59.2

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). All 12 UK regions recorded an increase in private sector payroll numbers. Job creation remained strongest in the North West on average during the three months to April, while the West Midlands posted the weakest rise in staffing levels.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	54.9	55.0	55.1
South East	(14.9%)	53.9	54.9	56.6
North West	(9.6%)	55.0	57.6	58.5
East of England	(8.6%)	54.4	55.8	57.0
Scotland	(7.8%)	53.1	54.4	53.3
South West	(7.5%)	55.1	55.0	55.0
West Midlands	(7.2%)	53.8	51.9	52.2
Yorks & Humber	(6.9%)	52.8	56.4	58.5
East Midlands	(5.9%)	51.9	54.1	56.6
Wales	(3.5%)	52.6	53.4	53.3
North East	(3.1%)	51.7	53.3	52.0
N.Ireland	(2.2%)	52.4	55.1	55.3
UK	(100.0%)	53.9	55.1	55.9

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

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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.