



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.

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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 April 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.

For further information, please contact:

economics@markit.com

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12th May 2014

Activity growth accelerates to four-month high in April

Key findings:

- Sharper expansion of business activity...
- ...but new order growth eases to 11-month low
- Input price inflation remains muted

North East private sector firms signalled a robust and accelerated pace of business activity growth in April, that was supported by a further expansion of new business. That said, the rate of new order growth eased to the weakest since May 2013. Employment levels also increased at a slower pace in April, and moderately overall. Meanwhile, input cost inflation remained slower than the series average, despite quickening from the previous month.

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 59.2 in April, up from 56.6 in March, and signalled a sharp expansion of business activity. Furthermore, it was the strongest expansion of output in the region in 2014 so far, and in line with the UK-wide trend.

Latest data also signalled an increased amount of new work in April, which was linked by panellists to stronger demand conditions. Although the pace of new order growth was the slowest in 11 months, it was solid overall. That said, new business rose at a slower pace than across the UK private sector economy as a whole. Sector data for the region indicated that manufacturers registered a sharper rise in total new work than service providers.

Employment and backlogs

Staffing levels at North East private sector companies rose for the tenth month running in April. That said, the rate of job creation eased to a moderate pace that was the weakest since December. In contrast, employment growth accelerated to a sharp pace across the UK private sector economy as a whole.

Backlogs of work fell for the third successive month in April, partly due to increased workforce numbers. Moreover, the pace of depletion quickened to the strongest in a year.

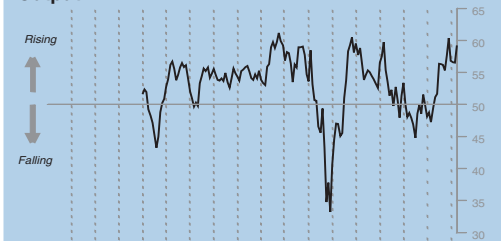
Input and output prices

Input costs faced by North East private sector firms rose again during April, and at a quicker pace than in March. That said, inflation remained weaker than the long-run series average.

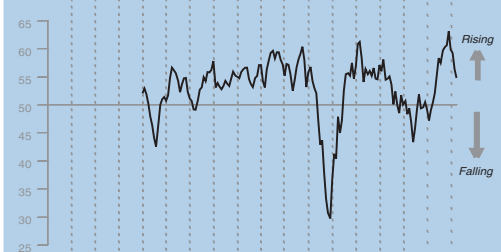
After a fractional reduction in March, output charges in the North East private sector increased in April, albeit only marginally.

North East Business Conditions

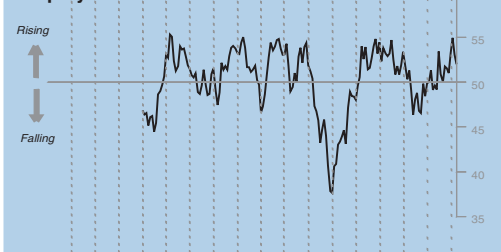
Output



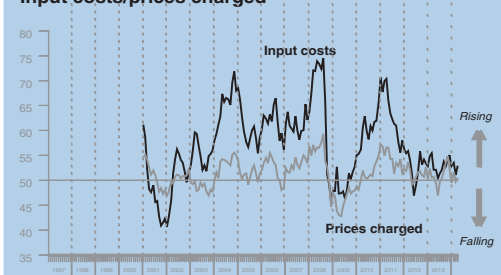
Order Books



Employment



Input costs/prices charged

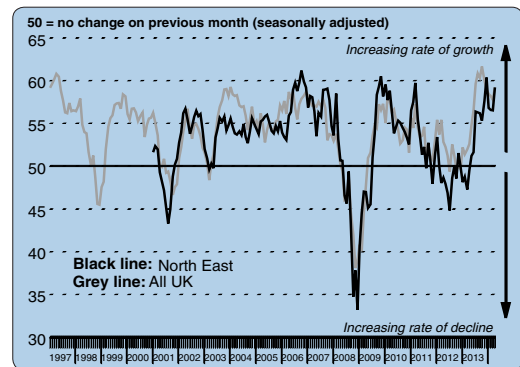




Output / Business Activity

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

| | | North East Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2013 | Aug | 27.9 | 53.5 | 18.6 | 54.7 | 56.3 | 60.9 |
| | Sep | 31.1 | 60.0 | 8.9 | 61.1 | 56.2 | 60.3 |
| | 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 | 58.5 |
| | Feb | 36.2 | 51.1 | 12.8 | 61.7 | 56.6 | 58.2 |
| | Mar | 30.6 | 57.1 | 12.2 | 59.2 | 56.6 | 57.8 |
| | Apr | 38.0 | 46.0 | 16.0 | 61.0 | 59.2 | 59.2 |

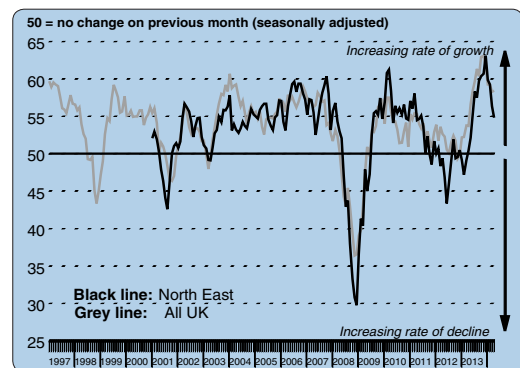


Latest data signalled a further increase in North East private sector output during April, thereby extending the current sequence of growth to one year. After adjusting for seasonality, the rate of expansion accelerated to a sharp pace that was in line with the UK private sector economy average. Sector data indicated that output growth was stronger at manufacturing companies, though service providers also registered a marked rise in activity. A number of monitored companies suggested that output rose in line with higher volumes of new business.

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 | Aug | 23.8 | 57.1 | 19.0 | 52.4 | 57.5 | 61.3 |
| | 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 | 63.1 |
| | 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 | 59.3 |
| | Feb | 45.7 | 37.0 | 17.4 | 64.1 | 59.3 | 59.3 |
| | Mar | 34.7 | 44.9 | 20.4 | 57.1 | 56.4 | 58.3 |
| | Apr | 29.2 | 50.0 | 20.8 | 54.2 | 54.8 | 58.5 |

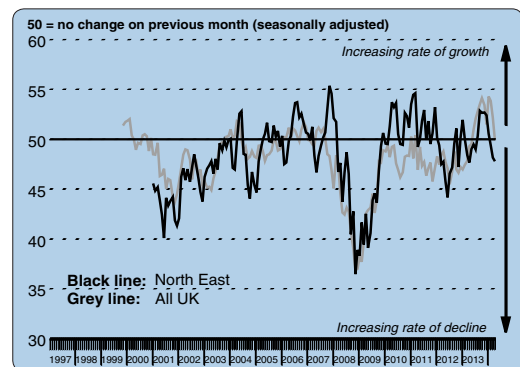


North East private sector companies continued to signal an increased amount of new business in April. Though solid, the rate of growth was the weakest in 11 months. Furthermore, new business increased at a slower pace than across the UK private sector economy as a whole. As was the case with output, new order growth was stronger at manufacturers than at service providers in the region. Reports from panellists mentioned that improving demand conditions helped to boost sales in the latest survey period.

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 | 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 |
| | Apr | 14.3 | 69.0 | 16.7 | 48.8 | 47.8 | 49.9 |

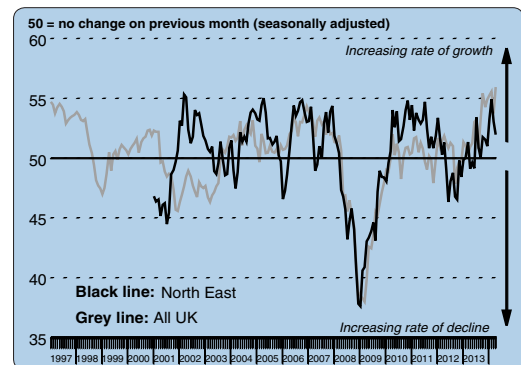


The seasonally adjusted Business Outstanding Index signalled that volumes of unfinished work at North East private sector firms declined for the third successive month in April. Furthermore, the rate of depletion quickened to a moderate pace that was the fastest in 12 months. Meanwhile, backlogs of work were broadly unchanged across the UK private sector economy as a whole. Sector data for the North East indicated divergent trends, with outstanding work falling at manufacturing firms but increasing 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 | 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 | 55.3 |
| | Feb | 19.1 | 72.3 | 8.5 | 55.3 | 54.9 | 55.6 |
| | Mar | 8.2 | 87.8 | 4.1 | 52.0 | 53.1 | 53.8 |
| | Apr | 12.0 | 78.0 | 10.0 | 51.0 | 52.0 | 55.9 |

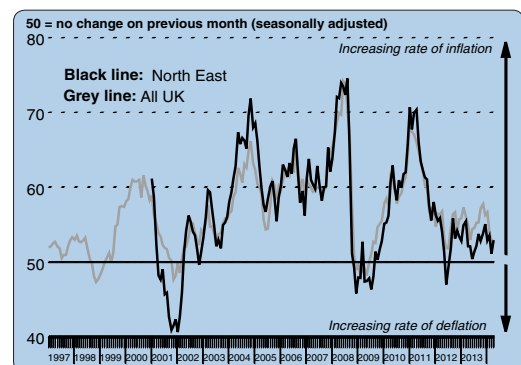


Private sector firms operating in the North East raised their staffing levels in April, extending the current sequence of job creation to ten months. After adjusting for seasonal variation, however, the pace of employment growth eased further from February's peak and was modest overall. Furthermore, payrolls expanded at a slower rate than across the UK private sector economy as a whole. Sector data indicated that job creation in the region was largely centred on service providers, with a number of panellists citing planned company expansions.

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 | Aug | 11.9 | 85.7 | 2.4 | 54.8 | 52.2 | 55.2 |
| | 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 | 52.8 |
| | Apr | 18.8 | 79.2 | 2.1 | 58.3 | 53.0 | 53.0 |

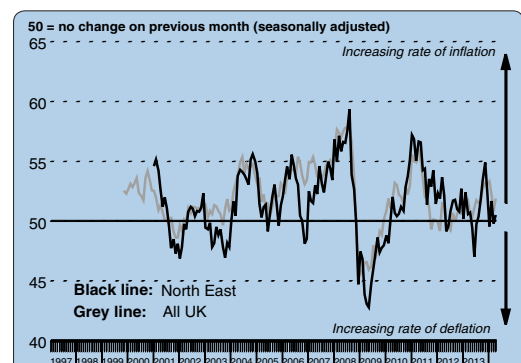


Average input costs faced by North East private sector businesses rose for the twenty-first consecutive month in April. After adjusting for seasonality, the rate of input price inflation was in line with the UK private sector economy average and moderate overall. Notably, inflation in the region remained weaker than the long-run series average. According to anecdotal evidence, higher raw material prices and increased staffing costs raised cost burdens in the latest survey period.

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 | 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 |
| | Apr | 10.4 | 85.4 | 4.2 | 53.1 | 50.5 | 51.9 |

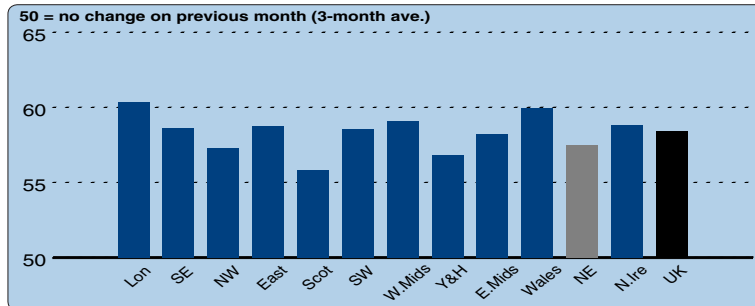


Following a fractional reduction in March, the seasonally adjusted Output Prices Index signalled that average tariffs set by North East private sector companies increased in April. That said, the rate of output charge inflation was only slight and slower than the UK private sector economy average. Both manufacturing firms and service providers in the region raised their selling prices in April, with reports from panellists suggesting that tariffs rose in line with increased input costs.



Regional Comparisons: Output

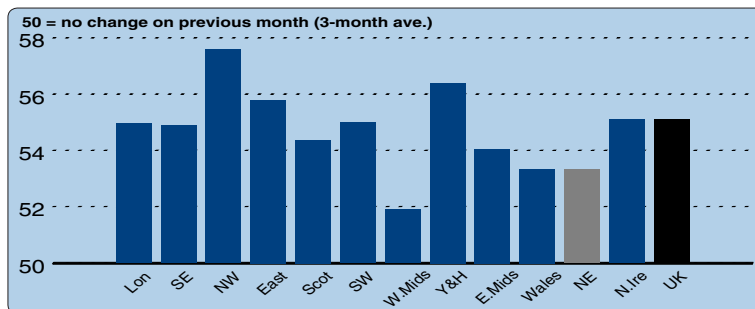
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity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