

# 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.

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 South 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 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](mailto:economics@markit.com)

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12th May 2014

## Strongest growth in employment since December 2013

### Key findings:

- Employment growth strengthens from March
- Business activity continues to rise sharply, albeit at weaker pace
- Input costs and output prices increase

Private sector companies in the South East reported continued growth in output and incoming new business in April. That said, respective rates of expansion slowed further. However, employment recorded stronger growth than in March, with staffing levels rising more quickly than the UK average.

### Output and demand

April 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 57.8 from 58.0 in March. Although growth was the slowest in ten months, it was nevertheless strong in the context of historical survey data. Companies commented that an increase in new business from clients had contributed to higher business activity.

New orders continued to rise in April. However, the latest data pointed to a slight easing in the rate of growth, to the lowest seen since April 2013. Firms that posted an increase in new work commented on new clients and key projects having been won.

### Employment and backlogs

South East companies recorded stronger growth in employment during April, with around one-fifth of firms noting increased staffing levels. Panellists commented on hiring new workers to cope with the increased demand and to try to reduce backlogs of work. The rate of job creation was the fastest in 2014 so far.

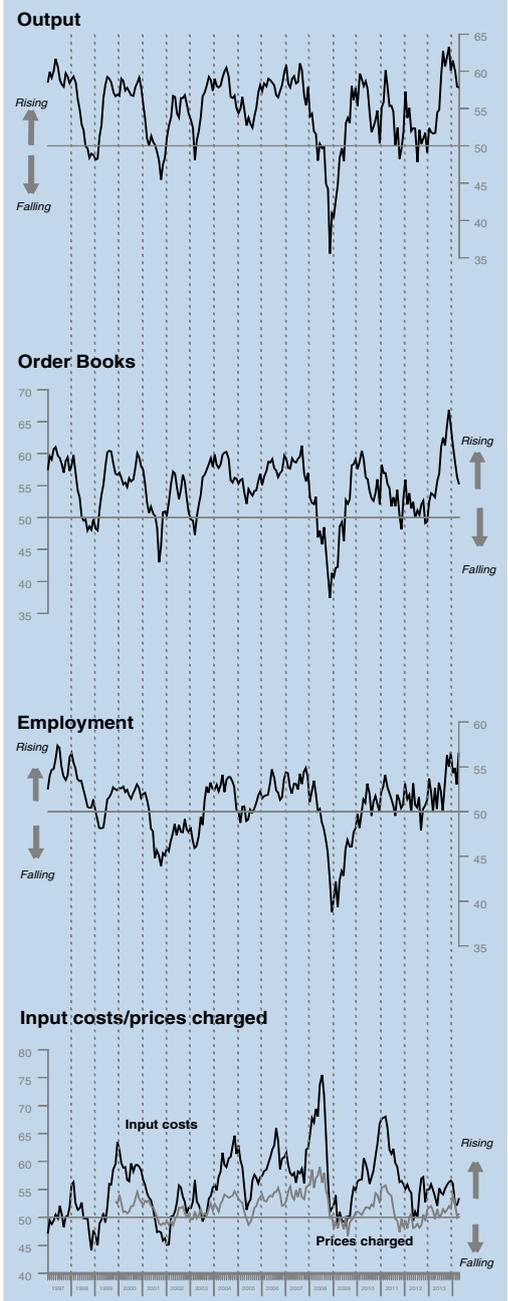
The level of unfinished business rose again in April, although only slightly and at the slowest rate in the current ten-month run of accumulation. Some of the anecdotal evidence attributed higher backlogs to increased pressure on working capacity amid rising order intakes.

### Input and output prices

Input price inflation quickened to a three-month high in April but remained relatively muted. Panellists attributed higher input prices to increased energy costs and higher demand.

Following the trend in input prices, output prices also rose. However, the rate of charge inflation remained only marginal. Companies that recorded an increase in charges partly attributed this to higher labour costs.

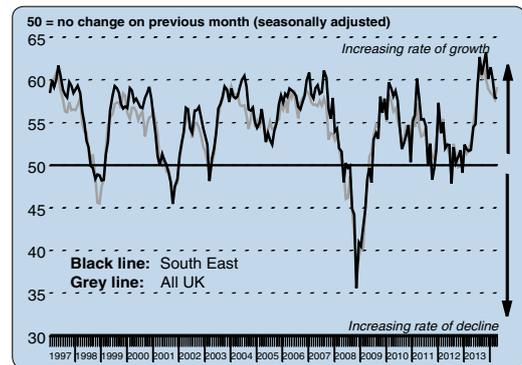
## South East Business Conditions



**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	Aug	39.1	43.0	17.9	60.6	62.7	60.9
	Sep	34.5	50.6	14.9	59.8	60.7	60.3
	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
	Dec	26.4	51.1	22.4	52.0	60.1	59.0
2014	Jan	36.5	46.4	17.2	59.6	61.5	58.5
	Feb	34.3	51.4	14.4	59.9	60.0	58.2
	Mar	30.4	55.0	14.6	57.9	58.0	57.8
	Apr	33.9	52.0	14.1	59.9	57.8	59.2

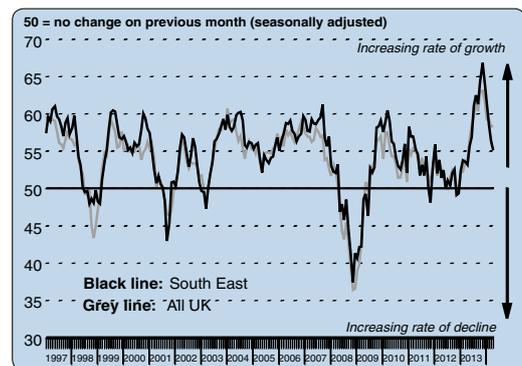


Private sector companies in the South East reported higher activity in April, with the seasonally adjusted Output Index staying firmly above the 50.0 no-change mark. Panellists commented that new contracts and clients had contributed to growth. That said, the rate of expansion eased for the third month running to the lowest since June 2013. The rise in the region was also slower than 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Aug	38.1	46.0	15.9	61.1	62.6	61.3
	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	63.1
	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	59.3
	Feb	35.4	48.3	16.3	59.6	58.5	59.3
	Mar	32.9	49.4	17.6	57.6	56.4	58.3
	Apr	34.7	50.6	14.8	59.9	55.2	58.5

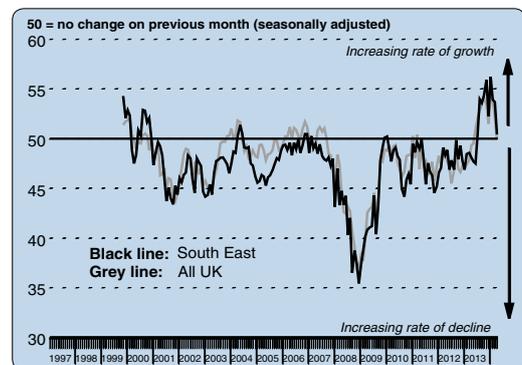


Incoming new work continued to rise in April, with the seasonally adjusted Incoming New Business Index registering above the 50 no-change mark for the sixteenth month in a row. Firms attributed the rise in new work to an increase in new clients, new products and a more positive economic climate. However, similar to the trend for activity, new orders grew at a weaker pace that was the slowest since April 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	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
	Apr	20.2	61.3	18.4	50.9	50.4	49.9

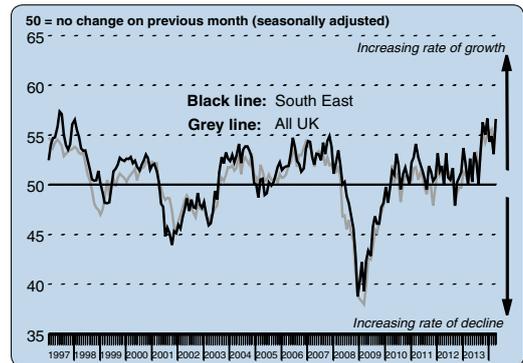


The level of unfinished work at South East private sector firms rose again in April, contrasting with a slight decline at the UK level. Anecdotal evidence partly attributed this to increased workloads having put pressure on working capacity. That said, backlogs of work rose only marginally and at the weakest pace in the current ten-month sequence of accumulation.

## 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	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	55.3
	Feb	19.3	72.4	8.3	55.5	54.9	55.6
	Mar	19.1	72.8	8.1	55.5	53.1	53.8
	Apr	19.7	75.3	5.1	57.3	56.6	55.9

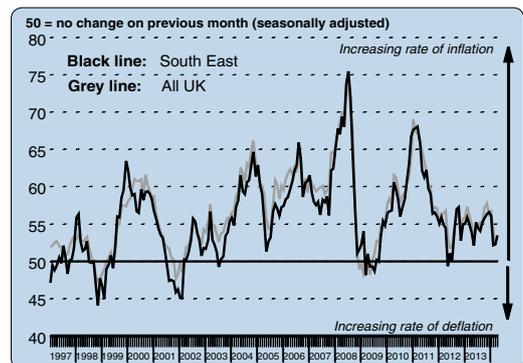


South East private sector companies recorded stronger growth in employment during April, with around 20% of firms noting increased staffing levels. Firms commented on hiring new workers due to increased workloads and to try to keep on top of backlogs of work. Employment growth in the South East was faster than the UK average for the first time in four months.

## 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	Aug	10.6	84.4	5.0	52.8	54.1	55.2
	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	52.8
	Apr	12.4	83.6	4.0	54.2	53.5	53.0

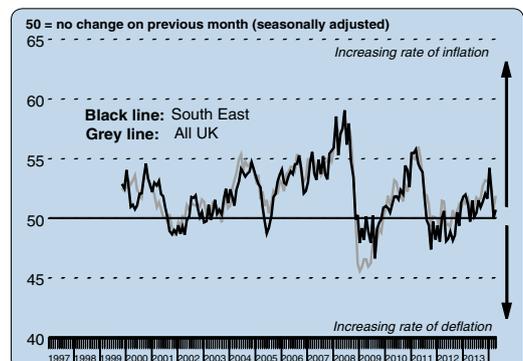


Inflation of input prices rose to a three-month high in April, with around 12% of panellists registering increased input costs. Panellists commented on increased energy costs and higher demand causing average input prices to increase. That said, the rate of cost inflation remained below the series average.

## 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	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
	Apr	8.5	88.1	3.4	52.5	50.7	51.9

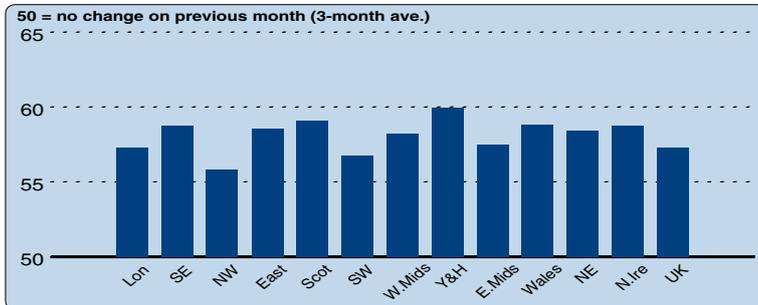


South East private sector companies recorded an increase in prices charged in April, with the seasonally adjusted Output Prices Index above the 50.0 no-change mark for the twelfth month running. The rise in prices charged was only slight, however, and weaker than the UK average. Some of the anecdotal evidence attributed rising output prices to higher labour costs and increased in purchasing costs.



Regional Comparisons: Output

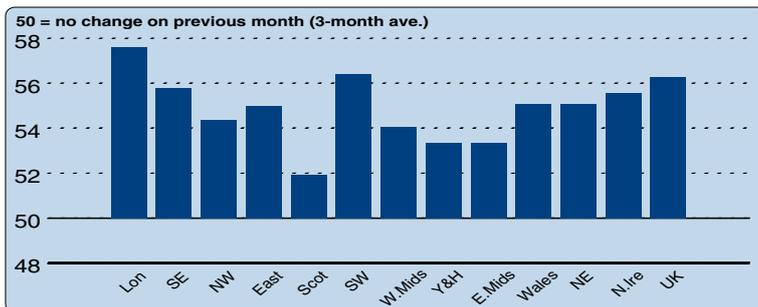
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity 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
<b>UK</b>	<b>(100.0%)</b>	<b>58.9</b>	<b>58.4</b>	<b>59.2</b>

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
<b>UK</b>	<b>(100.0%)</b>	<b>53.9</b>	<b>55.1</b>	<b>55.9</b>

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

Lloyds Bank Commercial Banking

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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](http://www.markit.com/economics).