

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 April 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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12th May 2014

Employment growth fastest since series began in 1997

Key findings:

- Employment levels grow at fastest pace in series history
- Business activity continues to expand in April
- Volumes of new business increase at fastest rate in 2014 so far

Business activity remained in expansion in April, with firms commenting that stronger demand and better economic conditions led to higher output. Alongside this, new orders remained in growth territory, leading to the fastest increase in payroll numbers since the series began in January 1997. Input and output prices rose in April, although both rates of inflation were below 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 56.4 in April, up from 55.8 reported in March.

Volumes of new orders expanded sharply again, which firms attributed to higher demand. Some firms noted that successful monetary initiatives led to new business gains. That said, Yorkshire & Humber saw a weaker overall rise in new business than the UK as a whole.

Employment and backlogs

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

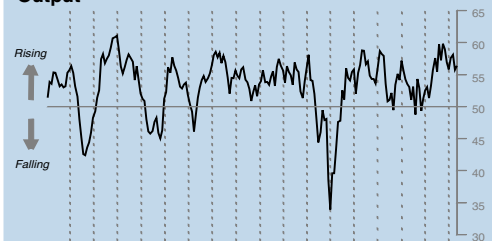
Despite an increase in new orders, levels of unfinished work declined for the third month running. The solid drop in backlogs suggested that firms were largely able to cope with the stronger demand.

Input and output prices

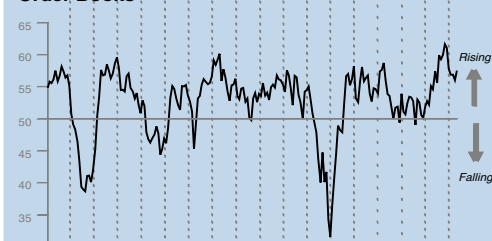
Input prices continued to rise in April, although at the lowest rate seen since June 2013. The service sector was the main driver of cost inflation as manufacturers observed a fall in input prices. The passing on of higher cost burdens to clients in turn led to a moderate rise in selling prices in April. That said, selling prices rose at the slowest rate in the current sequence of inflation, which began in May 2013.

Yorkshire & Humber Business Conditions

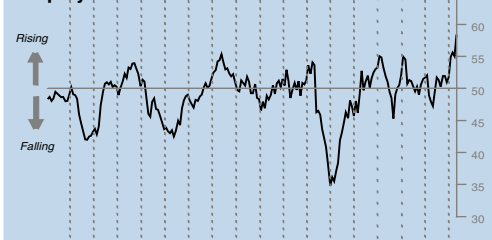
Output



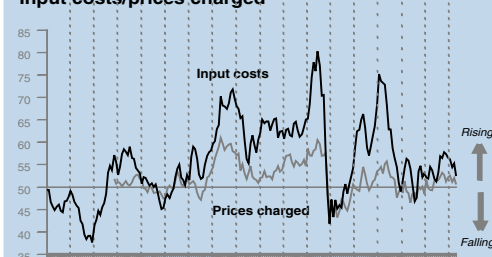
Order Books



Employment



Input costs/prices charged

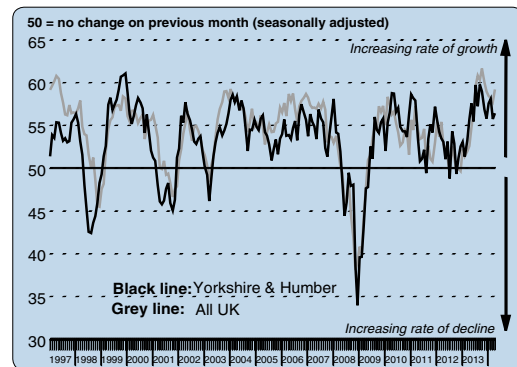




Output / Business Activity

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	Aug	25.3	51.7	23.0	51.1	57.3	60.9
	Sep	37.9	50.6	11.5	63.2	59.8	60.3
	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
	Dec	29.8	50.0	20.2	54.8	55.8	59.0
2014	Jan	27.7	55.3	17.0	55.3	57.6	58.5
	Feb	39.5	44.2	16.3	61.6	58.1	58.2
	Mar	33.0	50.0	17.0	58.0	55.8	57.8
	Apr	31.9	50.5	17.6	57.1	56.4	59.2

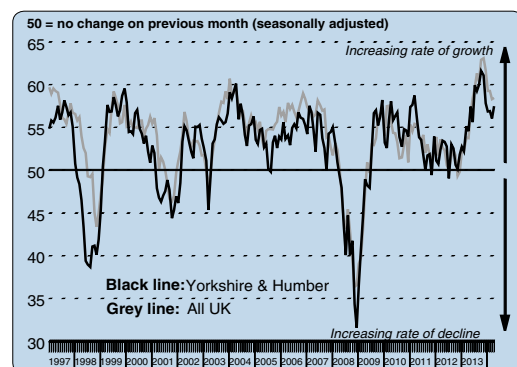


Business activity in Yorkshire & Humber continued to increase in April, with the seasonally adjusted Output Index posting above the 50.0 no-change mark for the eighteenth month running. Firms commented on increased new orders and new clients leading to a rise in business activity. However, the Yorkshire & Humber index posted below the UK average in April for the ninth month running.

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	Aug	30.2	50.0	19.8	55.2	59.3	61.3
	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	63.1
	Dec	33.7	41.0	25.3	54.2	57.8	61.7
2014	Jan	29.0	48.4	22.6	53.2	56.9	59.3
	Feb	42.4	38.8	18.8	61.8	56.9	59.3
	Mar	36.8	46.0	17.2	59.8	56.1	58.3
	Apr	34.4	51.1	14.4	60.0	57.5	58.5

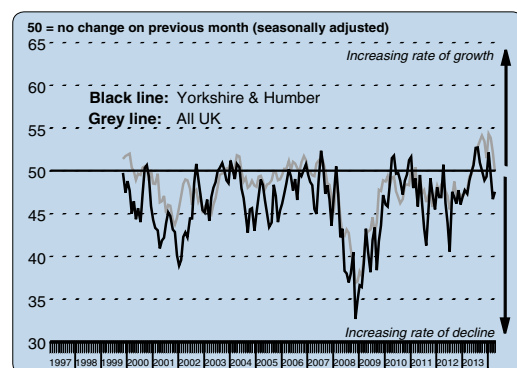


Volumes of new business increased at a faster rate in April, with the seasonally adjusted Incoming New Business Index posting the highest reading in 2014 so far. Panellists partly attributed growth to an increased customer base, reflecting better underlying economic conditions. That said, the rate of expansion in Yorkshire & Humber remained below the UK average. Manufacturers posted a stronger rise in incoming new business 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	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
	Dec	16.9	58.4	24.7	46.1	49.4	51.5
2014	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
	Apr	17.3	64.2	18.5	49.4	47.6	49.9



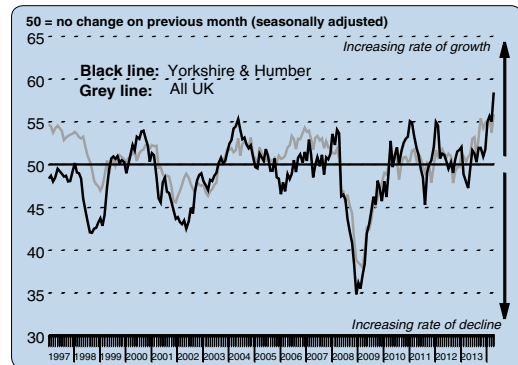
The seasonally adjusted Business Outstanding Index remained below the 50.0 no-change mark in April for the third month running. This indicated that, firms were generally able to cope with the rising demand. In the Yorkshire & Humber region, manufacturers saw levels of business outstanding fall at a faster pace than service providers.



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	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	55.3
	Feb	23.3	70.9	5.8	58.7	55.7	55.6
	Mar	21.6	70.5	8.0	56.8	55.1	53.8
	Apr	24.2	68.1	7.7	58.2	58.5	55.9

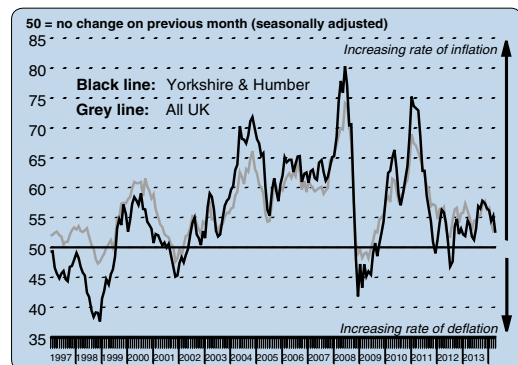


Employment levels continued to grow in April, with the rate of job creation the highest since the series began in January 1997. The rate at which Yorkshire & Humber's employment levels rose was also faster than above the UK average. Firms commented on hiring new workers in response to the improving business outlook and in order to cope with higher demand. Employment growth was slightly faster for service providers than for manufacturers.

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	Aug	15.9	81.8	2.3	56.8	56.9	55.2
	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	52.8
	Apr	12.1	79.1	8.8	51.6	52.5	53.0

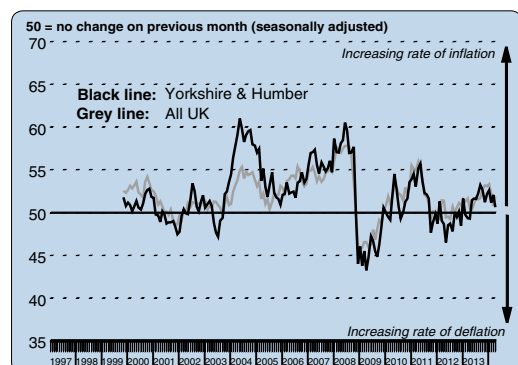


Input prices continued to rise, as has been the case in each month since September 2012. However, the rate of inflation eased and was the slowest since June 2013. Sector data suggested that overall cost inflation was concentrated in the service sector, as manufacturing input prices decreased.

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	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
	Apr	4.4	94.5	1.1	51.6	50.6	51.9

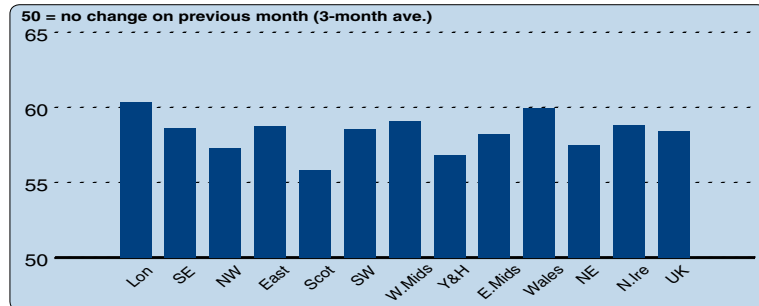


Average prices charged increased in April for the twelfth month running. That said, the seasonally adjusted Output Prices Index signalled the lowest level of selling price inflation in this sequence. Service providers indicated faster rises in average prices charged than manufacturers.



Regional Comparisons: Output

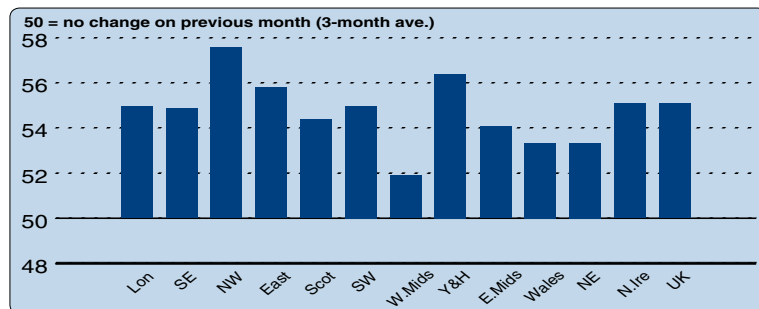
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). London was the best performing region on average during the three months to April, with Wales and the West Midlands close behind. Growth of business activity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



	Contribution to UK Employment, 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' 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.