



# Lloyds Bank East of England 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 East of England PMI® (Purchasing Managers' Index®)

is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in May 2014 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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9th June 2014

## Solid output growth maintained in May

### Key findings:

- Output and new orders increase sharply, albeit at weaker rates
- Rate of job creation close to April's record-high
- Input costs increase at slowest pace in eight months

May data signalled further increases in activity and new orders at East of England companies, but the rates of growth eased since the previous month. Meanwhile, workforce numbers continued to rise sharply and the rate of input cost inflation eased to an eight-month low.

### Output and demand

East of England private sector companies reported a further sharp increase in activity, as highlighted by the headline **Lloyds Bank East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posting well above the neutral 50.0 threshold. At 58.6, down slightly from April's 59.9, the latest reading was indicative of robust output growth. Anecdotal evidence suggested that a rise in order intakes and increased construction sector demand were the main drivers behind the latest expansion.

New orders also rose at a slower pace in May, with the latest increase the weakest in nearly one year. The rate of growth in new work was nevertheless strong overall and well above the long-run series average. Some survey participants attributed increased new business to improved consumer confidence.

### Employment and backlogs

The latest survey data signalled a further rise in employment at East of England companies, with the rate of job creation down only fractionally from April's record high. More than one-in-five surveyed companies hired additional workers, while only 6% shed staff.

Meanwhile, backlogs of work were depleted for a second straight month during May, signalling ongoing spare capacity in the East of England private sector. However, the rate at which work outstanding fell eased since April and was only marginal overall.

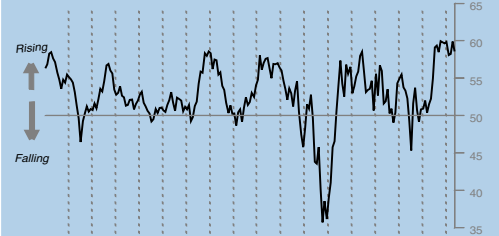
### Input and output prices

Average cost burdens increased further during May, but the rate of cost inflation eased to an eight-month low. Where companies signalled rising input prices, they linked this to increased raw material prices and higher staff costs.

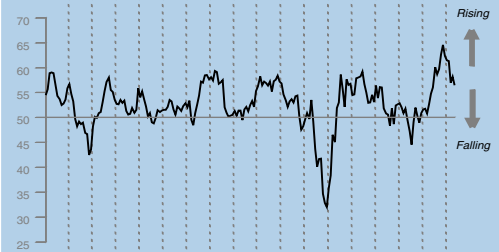
Output prices rose at a faster pace than in April. Sector data suggested that manufacturers and service providers both raised their charges.

### East of England Business Conditions

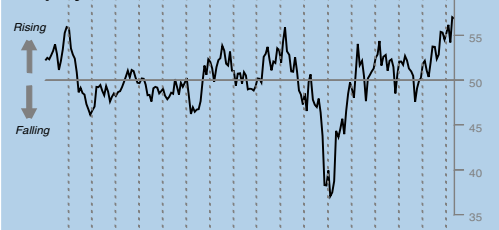
#### Output



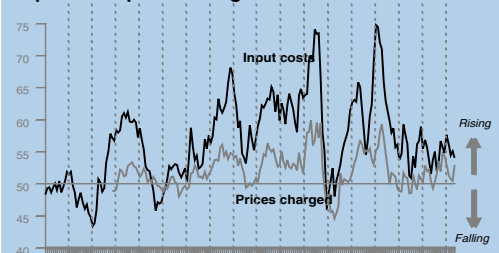
#### Order Books



#### Employment



#### Input costs/prices charged

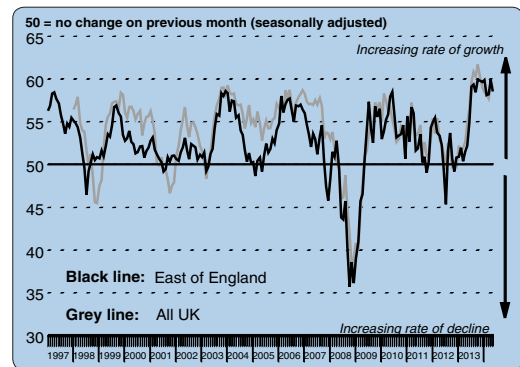




## Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	32.1	52.3	15.6	58.3	58.5	60.4
	Oct	29.6	59.3	11.1	59.3	60.0	61.7
	Nov	34.5	53.6	11.8	61.4	59.8	60.1
	Dec	30.3	52.1	17.6	56.3	59.7	59.0
2014	Jan	33.3	48.2	18.4	57.5	59.9	58.5
	Feb	33.9	55.0	11.0	61.5	58.1	58.2
	Mar	35.8	53.8	10.4	62.7	58.2	57.8
	Apr	38.6	51.8	9.6	64.5	59.9	59.2
	May	25.2	63.6	11.2	57.0	58.6	59.0

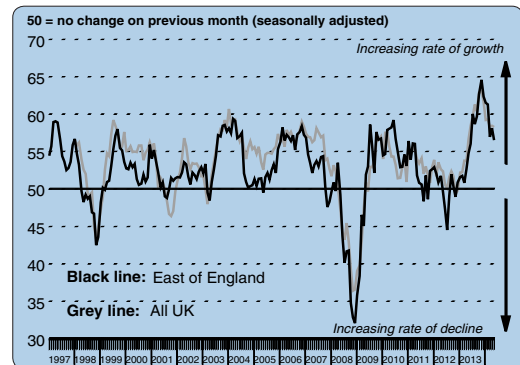


May data signalled a continuation of strong output growth at East of England private sector companies. Around one quarter of the survey panel reported increased activity, while only 11% indicated contraction. The pace of expansion eased slightly since April's near-record high, but was amongst the sharpest seen in the survey history. Sector data suggested that robust growth was reported across both the manufacturing and service sectors, with companies attributing this to higher order intakes and increased consumer spending.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	32.4	52.8	14.8	58.8	59.7	60.4
	Oct	33.3	50.9	15.7	58.8	62.7	62.9
	Nov	33.3	52.8	13.9	59.7	64.6	63.1
	Dec	26.7	55.2	18.1	54.3	62.4	61.7
2014	Jan	41.6	41.6	16.8	62.4	61.5	59.3
	Feb	41.7	47.2	11.1	65.3	61.3	59.3
	Mar	33.3	52.4	14.3	59.5	57.0	58.3
	Apr	39.5	46.5	14.0	62.7	58.2	58.5
	May	25.2	61.7	13.1	56.1	56.5	58.3

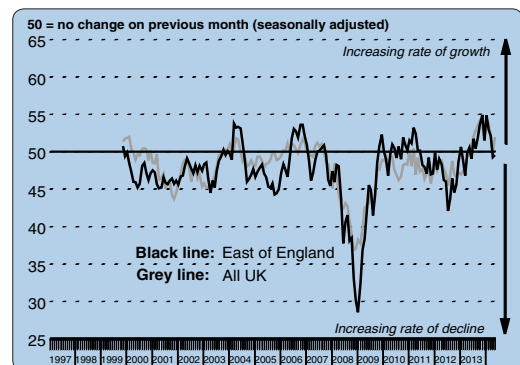


East of England private sector companies reported a further increase in order intakes in May. However, the rate of growth in new work eased sharply since April and was the weakest in nearly one year. Nevertheless, the latest index reading was consistent with solid new business growth. According to anecdotal evidence, much of the latest rise in new work was driven by improved consumer confidence and higher demand from the construction sector.

## Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	17.2	67.7	15.2	51.0	51.9	53.5
	Oct	18.6	64.7	16.7	51.0	53.6	54.2
	Nov	18.1	65.7	16.2	51.0	55.0	53.5
	Dec	12.4	64.6	23.0	44.7	51.5	51.5
2014	Jan	21.5	60.7	17.8	51.9	54.9	54.3
	Feb	18.1	68.6	13.3	52.4	53.0	53.9
	Mar	22.5	59.8	17.6	52.5	52.1	52.2
	Apr	13.9	66.7	19.4	47.2	49.3	49.9
	May	15.5	68.9	15.5	50.0	49.6	52.0



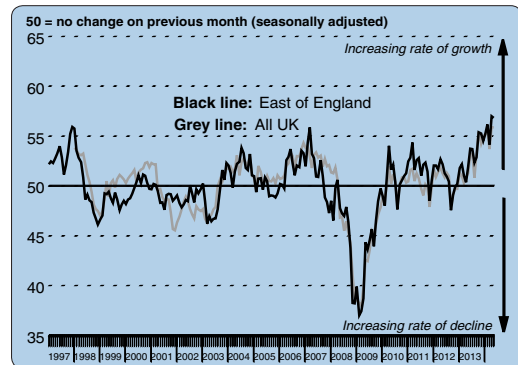
The seasonally adjusted Business Outstanding Index posted below the 50.0 no-change mark for the second month running in May, signalling ongoing spare capacity in the East of England private sector. That said, the rate at which backlogs were depleted was only marginal. The latest index reading contrasted with the trend observed at the overall UK level, where work-in-hand accumulated during May.



## Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	16.8	72.0	11.2	52.8	52.9	53.3
	Oct	17.0	76.4	6.6	55.2	55.4	55.4
	Nov	21.3	71.3	7.4	56.9	55.3	54.3
	Dec	16.9	74.6	8.5	54.2	54.5	54.9
2014	Jan	17.9	70.5	11.6	53.1	55.3	55.2
	Feb	20.2	75.2	4.6	57.8	56.2	55.5
	Mar	20.0	74.3	5.7	57.1	54.2	53.7
	Apr	22.1	71.7	6.2	58.0	57.0	55.9
	May	21.0	73.3	5.7	57.6	56.9	55.9

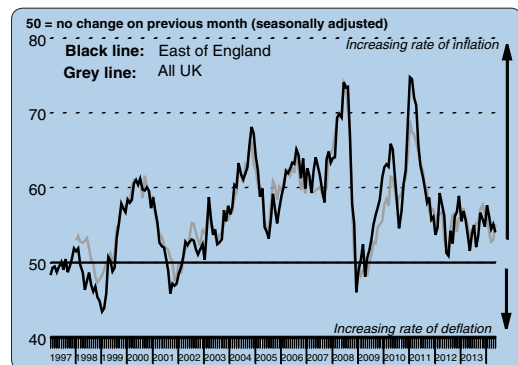


Employment continued to expand during May, with more than one-in-five surveyed companies hiring additional workers. The rate of job creation was down only fractionally from April's record high and remained above the overall UK average for the fifth month running. Increased business activity was one of the main reasons for the latest rise in workforce numbers, according to panel respondents.

## Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	11.9	85.3	2.8	54.6	53.5	55.3
	Oct	13.9	83.3	2.8	55.6	56.7	57.1
	Nov	10.0	83.6	6.4	51.8	55.8	57.7
	Dec	8.4	89.1	2.5	52.9	54.8	56.5
2014	Jan	19.3	75.4	5.3	57.0	57.7	56.6
	Feb	15.6	80.7	3.7	56.0	56.2	54.1
	Mar	14.2	80.2	5.7	54.2	54.5	52.8
	Apr	21.1	75.4	3.5	58.8	55.1	53.1
	May	11.3	87.7	0.9	55.2	54.1	55.1

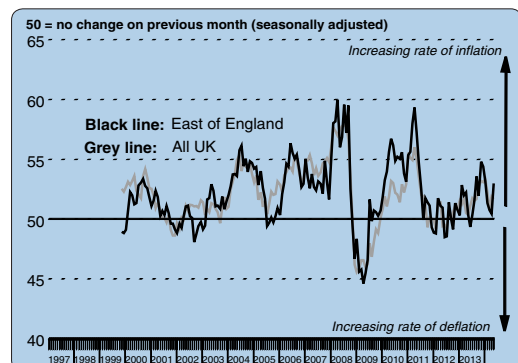


Input prices in the East of England private sector rose further during May, but the rate of inflation eased since April. This was highlighted by the seasonally adjusted Input Prices Index falling since the previous month. Around 11% of the survey panel signalled higher cost burdens, while only 1% reported lower input prices. Much of the latest rise in costs was attributed by panellists to increased raw material prices and higher staff costs.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	12.8	84.4	2.8	55.0	53.6	51.7
	Oct	7.5	85.8	6.6	50.5	52.0	52.7
	Nov	6.4	90.0	3.6	51.4	54.8	53.2
	Dec	6.8	89.8	3.4	51.7	54.4	53.1
2014	Jan	12.5	79.5	8.0	52.2	53.2	53.3
	Feb	7.4	87.0	5.6	50.9	51.4	52.2
	Mar	13.2	84.9	1.9	55.7	50.8	50.8
	Apr	10.6	84.1	5.3	52.7	50.4	51.9
	May	9.3	88.8	1.9	53.7	53.0	51.7

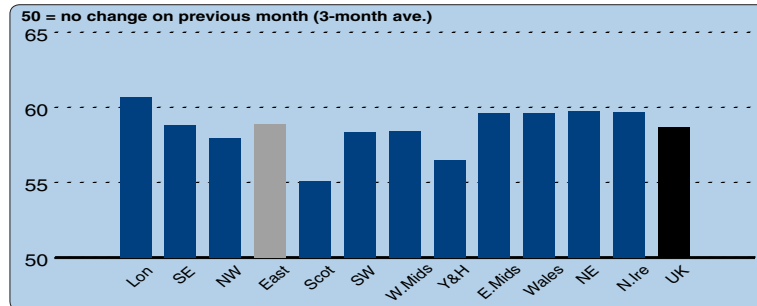


In response to higher input costs, East of England private sector companies raised their output prices during May. The rate of charge inflation accelerated since April and was the sharpest in four months. While around 9% of survey participants indicated higher charges, only 2% signalled a reduction. Manufacturers and service providers both reported higher output prices compared to one month previously.



## Regional Comparisons: Output

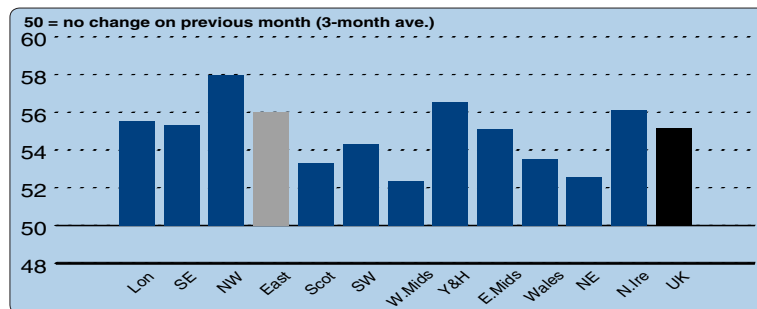
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed closely by the North East.



	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.7	60.4
South East	(14.9%)	60.1	58.9	60.8
North West	(9.6%)	59.8	57.9	59.0
East of England	(8.6%)	58.8	58.9	58.6
Scotland	(7.8%)	56.4	55.1	54.0
South West	(7.5%)	59.9	58.4	58.4
West Midlands	(7.2%)	59.2	58.4	60.2
Yorks & Humber	(6.9%)	57.4	56.5	57.3
East Midlands	(5.9%)	58.9	59.6	60.0
Wales	(3.5%)	58.5	59.6	58.2
North East	(3.1%)	57.2	59.8	63.5
N.Ireland	(2.2%)	57.9	59.7	60.6
<b>UK</b>	<b>(100.0%)</b>	<b>59.2</b>	<b>58.7</b>	<b>59.0</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). Increased staffing levels were again recorded in all 12 UK regions on average in the three months to May. Job creation was strongest in the North West, Yorkshire & Humber and Northern Ireland respectively.



	Share of UK GVA, 2012 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	55.5	55.5	58.2
South East	(14.9%)	54.4	55.3	56.3
North West	(9.6%)	55.7	58.0	59.5
East of England	(8.6%)	54.8	56.0	56.9
Scotland	(7.8%)	53.1	53.3	52.7
South West	(7.5%)	55.3	54.3	53.8
West Midlands	(7.2%)	54.0	52.4	54.2
Yorks & Humber	(6.9%)	53.4	56.6	56.2
East Midlands	(5.9%)	52.4	55.1	55.8
Wales	(3.5%)	52.8	53.5	53.1
North East	(3.1%)	52.0	52.6	52.7
N.Ireland	(2.2%)	53.1	56.1	56.4
<b>UK</b>	<b>(100.0%)</b>	<b>54.3</b>	<b>55.2</b>	<b>55.9</b>

## PMI Survey Methodology

### PMI surveys

Purchasing Managers' Index (or PMI) surveys are monthly survey 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<sup>®</sup> (PMI<sup>®</sup>) series, which is now available for 32 countries and also for key regions including the Eurozone.

The PMIs 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.