

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 May 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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9th June 2014

London maintains sharp growth rate in May

Key findings:

- Growth of both activity and new business remain historically strong
- Jobs growth second-fastest in thirteen-and-a-half years
- Input prices rise at strongest rate in six months

London remained among the leading UK regions mid-way through the second quarter, according to the latest PMI® survey data. Business activity increased at an historically sharp rate, albeit one that was slightly weaker than that registered in April. Notably, employment rose at the second-fastest rate since December 2000, with only the North West registering a stronger pace of job creation among the 12 UK regions covered. Cost pressures in the capital edged higher, but remained below the survey's long-run average.

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 – eased from 62.0 in April to 60.4 in May, signalling ongoing sharp output growth in London's private sector economy. The rate of expansion was weaker than in April, but the second-fastest in the past six months. Both manufacturers and service providers posted sharp increases in output in the latest period.

Growth of new business supported the latest rise in total activity. The rate of expansion in new work was unchanged from April's four-month high, and remained historically strong.

Employment and backlogs

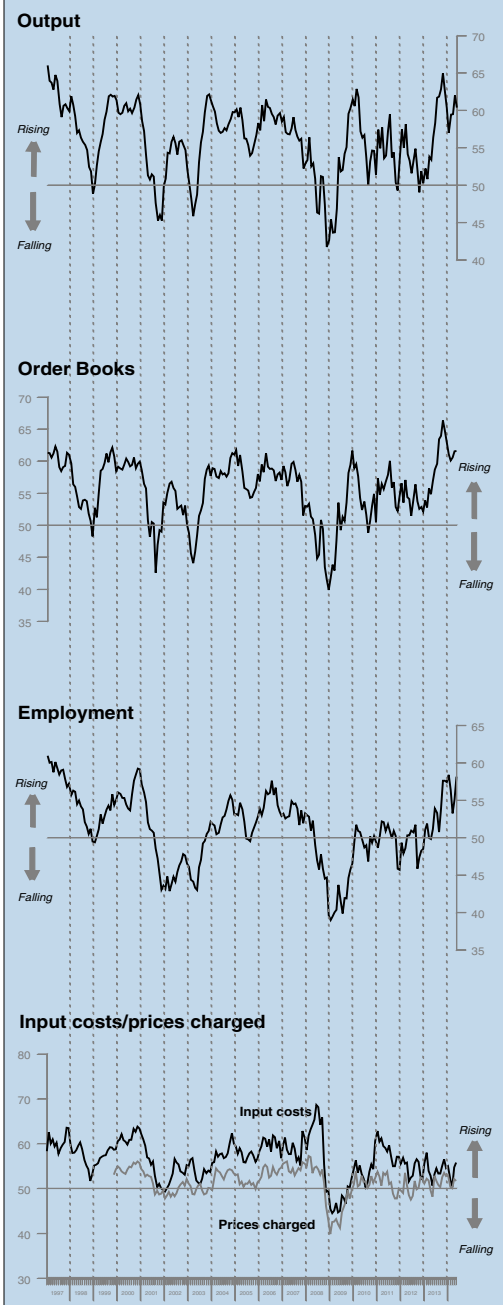
Backlogs of work in London rose for the thirteenth month running in May, the longest sequence of growth in nine years. Moreover, the rate of expansion accelerated from April's weak pace.

The volume of incomplete work rose despite further strong workforce growth in May. The rate of job creation in the capital accelerated further, almost matching January's 157-month record. Employment rose sharply in both the services and manufacturing sectors.

Input and output prices

London-based private sector firms faced the fastest increase in input prices in six months in May, partly linked to salary pressures. That said, the rate of inflation remained weaker than the long-run average. Input prices at manufacturers fell further during the month. Output charges rose for the twelfth successive month, and at a moderate rate.

London Business Conditions

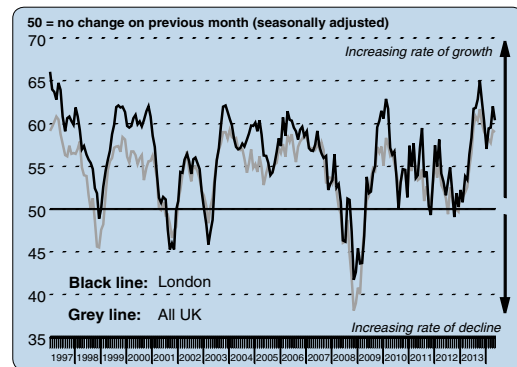




Output / Business Activity

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	Sep	38.1	52.4	9.5	64.3	62.9	60.4
	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
	May	31.5	55.6	13.0	59.3	60.4	59.0

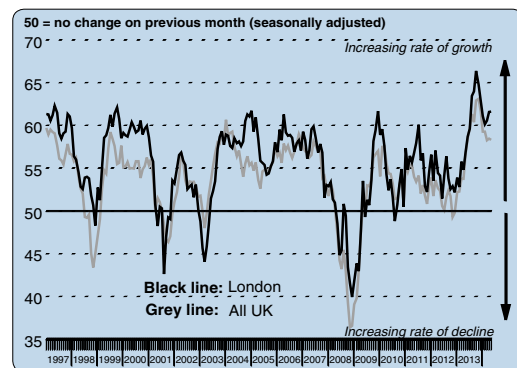


Private sector output in London continued to rise at a marked pace in May. The seasonally adjusted Business Activity Index signalled a weaker rate of growth than in April, but was still the second-highest over the past six months and well above the long-run trend level of 56.1. Growth in London remained stronger than the UK average, as has been the case 14 times in the past 15 months. Anecdotal evidence linked higher activity to increased client confidence, new projects and an improving economic outlook. Output rose sharply in both the services and manufacturing sectors.

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	Sep	38.8	53.4	7.8	65.5	64.0	60.4
	Oct	40.0	50.5	9.5	65.2	66.4	62.9
	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
	May	29.0	64.5	6.5	61.2	61.6	58.3

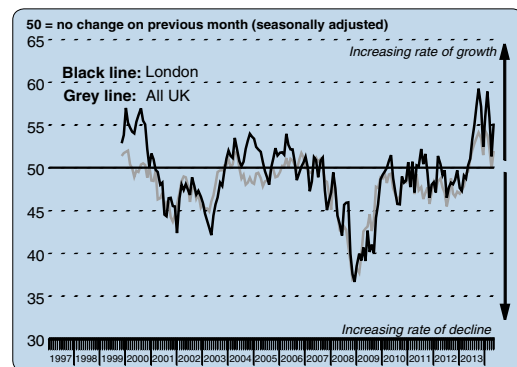


Incoming new business in London's private sector economy rose for the forty-fifth successive month in May, and the rate of expansion was unchanged from April's strong pace. Growth of new work has stabilised at a sharp rate since easing to a seven-month low in February. Firms mentioned new business opportunities and new product releases. London registered stronger new business growth than all other UK regions except Northern Ireland in the latest period, with both manufacturing and services posting sharp rates of expansion.

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	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
	May	15.5	76.3	8.2	53.6	55.2	52.0

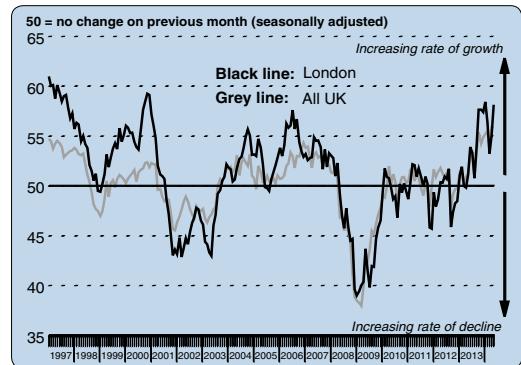


Reflecting ongoing strong growth in new business, the volume of outstanding work held at private sector companies in London rose further in May. The current sequence of backlog growth now extends to 13 months, the longest recorded in nine years. The rate of expansion accelerated in the latest period and was the second-strongest among 12 UK regions monitored, behind Northern Ireland.

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	S.Adj'd Ind
2013	Sep	26.7	66.7	6.7	60.0	53.9	53.3
	Oct	21.3	72.2	6.5	57.4	57.7	55.4
	Nov	23.6	70.0	6.4	58.6	57.7	54.3
	Dec	15.6	77.1	7.3	54.1	57.4	54.9
2014	Jan	19.0	75.9	5.2	56.9	58.5	55.2
	Feb	19.6	71.4	8.9	55.4	56.4	55.5
	Mar	17.9	73.6	8.5	54.7	53.3	53.7
	Apr	19.0	75.2	5.7	56.7	55.1	55.9
	May	20.4	76.9	2.8	58.8	58.2	55.9

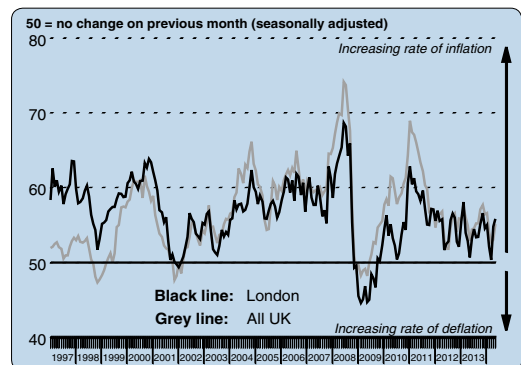


Private sector companies in London expanded workforces at a faster pace in May, to cope with higher business requirements and an improving economic outlook. The rate of job creation almost matched January's peak, and was the second-highest in nearly thirteen-and-a-half years. The current 13-month period of rising employment in the capital is the longest in over six years. Sector data indicated strong rates of workforce growth at both service providers and manufacturers. Among 12 UK regions covered, only the North West posted a faster rate of employment growth than London in the latest period.

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	S.Adj'd Ind
2013	Sep	12.5	83.7	3.8	54.3	53.4	55.3
	Oct	11.2	86.9	1.9	54.7	55.1	57.1
	Nov	13.8	84.4	1.8	56.0	56.6	57.7
	Dec	6.5	92.5	0.9	52.8	54.6	56.5
2014	Jan	16.7	80.7	2.6	57.0	55.0	56.6
	Feb	17.9	76.8	5.4	56.3	52.1	54.1
	Mar	10.4	85.8	3.8	53.3	50.3	52.8
	Apr	14.3	84.8	1.0	56.7	54.8	53.1
	May	14.8	81.5	3.7	55.6	55.9	55.1

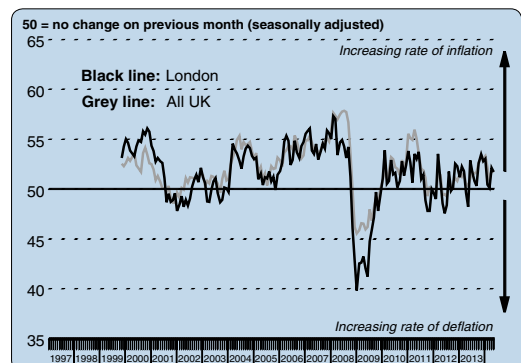


Input price inflation accelerated further from March's weak rate in May. The seasonally adjusted Input Prices Index rose to a six-month high, but remained below its long-run average of 56.6. A number of survey respondents reported growing wage pressures during the month. The overall increase in average input costs reflected inflation in the dominant service sector, as manufacturing input prices continued to fall sharply. Input price inflation in London remained higher than the UK average in May.

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	S.Adj'd Ind
2013	Sep	1.9	93.2	4.9	48.5	50.4	51.7
	Oct	6.5	90.7	2.8	51.9	52.6	52.7
	Nov	6.4	90.0	3.6	51.4	53.5	53.2
	Dec	6.5	91.7	1.9	52.3	52.8	53.1
2014	Jan	9.6	87.0	3.5	53.0	53.0	53.3
	Feb	7.1	90.2	2.7	52.2	50.5	52.2
	Mar	6.6	92.5	0.9	52.8	50.1	50.8
	Apr	12.4	84.8	2.9	54.8	52.2	51.9
	May	9.3	87.0	3.7	52.8	51.7	51.7

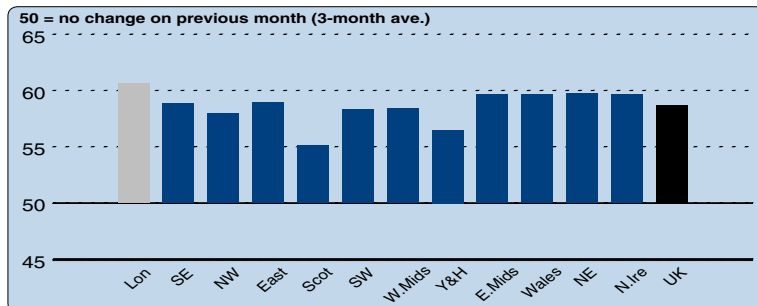


Private sector companies in London raised their charges for goods and services for the twelfth month in succession in May. Higher tariffs were partly linked to improving demand conditions. The rate of output price inflation was only modest, however, and broadly in line with the long-run average for the series (since November 1999). Sector data signalled higher output prices in both manufacturing and services.



Regional Comparisons: Output

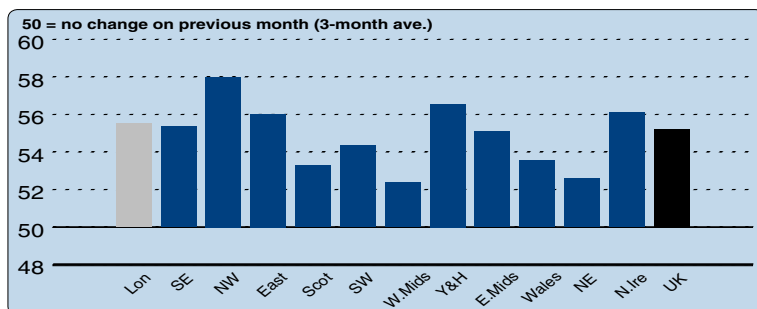
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed 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
UK	(100.0%)	59.2	58.7	59.0

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
UK	(100.0%)	54.3	55.2	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.