



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.

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 North East 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 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.

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9th June 2014

Private sector output expands at survey-record pace in May

Key findings:

- Sharp expansion of new order intakes
- Backlogs of work rise at quickest rate in over three years
- Input price inflation eases to marginal pace

May data signalled an accelerated and robust expansion of North East private sector business activity that was the strongest on record. Growth was supported by a further increase in new work, which rose at the sharpest rate since February. Staffing levels also expanded in May, though growth remained modest overall, while backlogs of work rose solidly. On the price front, input cost inflation eased to a marginal pace that was the weakest in 11 months.

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 63.5 in May, up from 59.2 in April, and signalled the sharpest expansion of business activity since data collection began in 2001. Moreover, business activity growth was faster than across the UK private sector economy as a whole.

New order growth also accelerated in May. Furthermore, the rate of expansion quickened to a three-month high and was in line with the UK-wide trend. Reports from panellists suggested that improved client confidence boosted new business. Sector data indicated that new work rose sharply at both manufacturers and service providers in the region.

Employment and backlogs

North East private sector employment continued to increase in May. The pace of job creation remained relatively subdued, however, despite accelerating from the previous month. Meanwhile, staffing levels expanded robustly across the UK private sector economy as whole.

Outstanding business increased for the first time in four months during May. Furthermore the pace of accumulation was the strongest since March 2011.

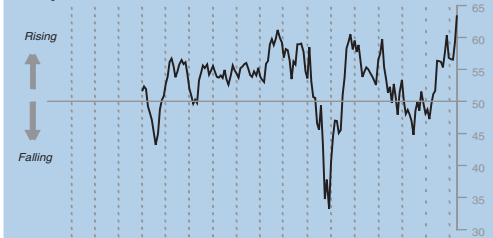
Input and output prices

Private sector firms in the North East registered a further rise in average input costs in May. That said, the rate of inflation eased to a marginal pace that was much slower than the UK private sector economy average.

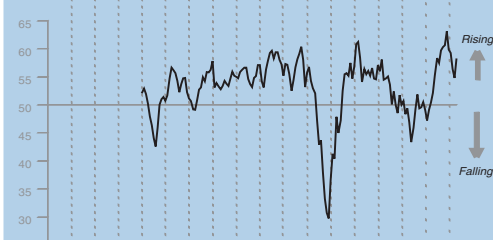
After a slight increase in April, output charges set by North East private sector companies were broadly unchanged in May.

North East Business Conditions

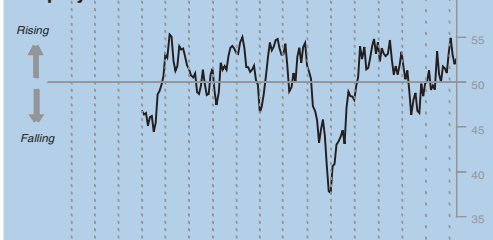
Output



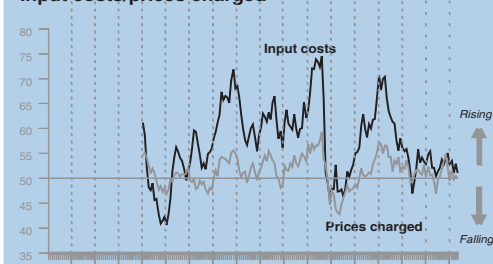
Order Books



Employment



Input costs/prices charged

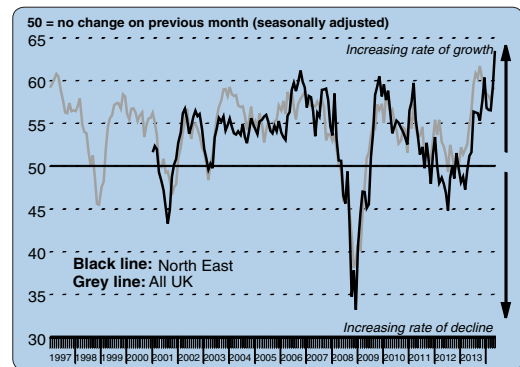




Output / Business Activity

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	Sep	31.1	60.0	8.9	61.1	56.2	60.4
	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
	May	35.4	56.3	8.3	63.5	63.5	59.0

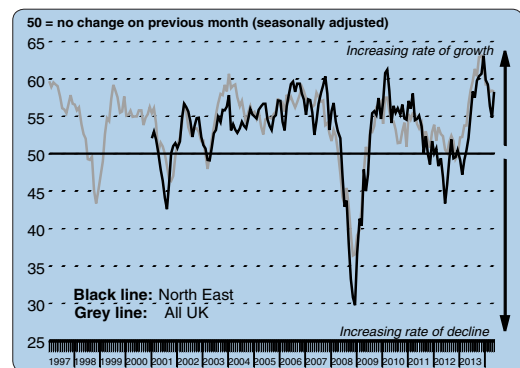


The seasonally adjusted Output Index signalled the sharpest expansion of North East private sector output since data collection began in 2001 during May. More than 35% of survey panellists recorded an expansion of output, with a number of companies suggesting output rose in line with increased new orders. Furthermore, output rose at a faster pace than across the UK private sector economy as a whole. Sector data indicated that both manufacturers and service providers in the region saw a sharp increase in activity, with service sector firms signalling the stronger rate of expansion.

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	Sep	36.4	47.7	15.9	60.2	59.8	60.4
	Oct	38.3	40.4	21.3	58.5	60.4	62.9
	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
	May	40.4	53.2	6.4	67.0	58.3	58.3

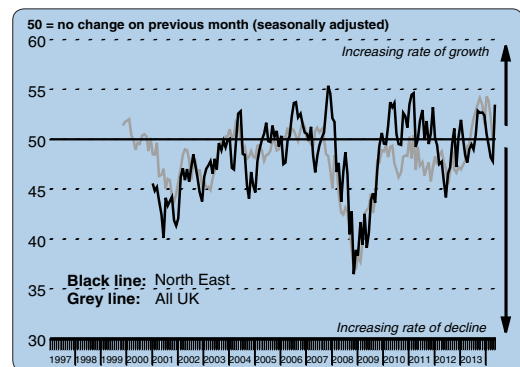


North East private sector companies signalled a further rise in total new business in May. Adjusted for seasonal factors, the New Orders Index indicated that the rate of increase accelerated to a sharp pace that was in line with the UK private sector economy average. Of the 40% of surveyed companies that reported increased new work, a number of firms commented that improved client confidence boosted new order intakes. As was the case with activity, new work rose sharply across both the manufacturing and service sectors in the region.

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	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
	May	23.8	69.0	7.1	58.3	53.5	52.0



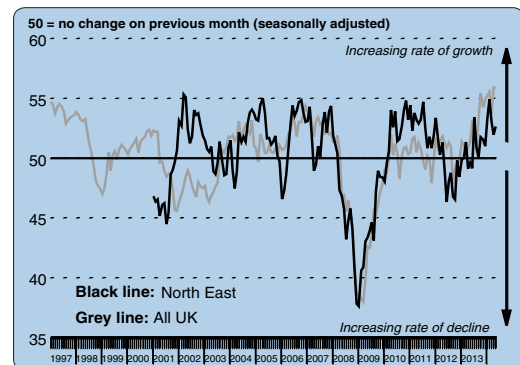
Outstanding business at North East private sector firms rose during May, ending a three-month sequence of backlog depletion. The rate of accumulation was the strongest since March 2011 and solid overall. Furthermore, unfinished work increased at a faster pace than across the UK private sector economy as a whole. Anecdotal evidence mentioned that a further rise in new business led to increased backlogs. According to sector data, service providers in the region signalled a steep rise in outstanding business, while backlogs fell slightly at manufacturers.



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	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	55.2
	Feb	19.1	72.3	8.5	55.3	54.9	55.5
	Mar	8.2	87.8	4.1	52.0	53.1	53.7
	Apr	12.0	78.0	10.0	51.0	52.0	55.9
	May	12.5	79.2	8.3	52.1	52.7	55.9

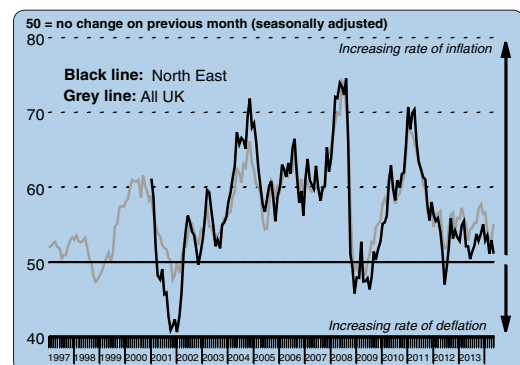


North East private sector employment increased for the eleventh successive month in May. The rate of job creation accelerated from April's four-month low but remained modest overall. Moreover, staffing levels expanded at a slower rate than across the UK private sector economy as a whole. A number of monitored companies mentioned raising workforce numbers in line with higher activity requirements. Sector data signalled divergent trends, however, with employment rising at service providers but falling at manufacturers.

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	Sep	11.6	83.7	4.7	53.5	53.8	55.3
	Oct	8.7	89.1	2.2	53.3	52.8	57.1
	Nov	7.0	90.7	2.3	52.3	53.9	57.7
	Dec	11.1	84.4	4.4	53.3	55.1	56.5
2014	Jan	6.0	86.0	8.0	49.0	52.9	56.6
	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	53.1
	May	10.6	80.9	8.5	51.1	51.1	55.1

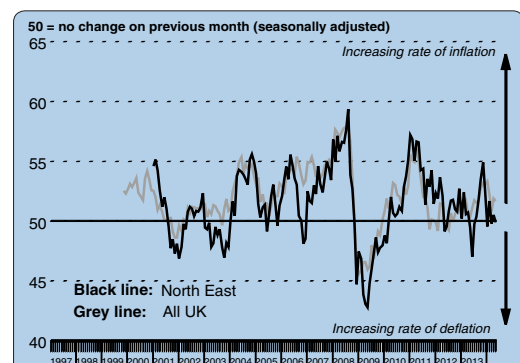


Average input costs faced by North East private sector companies continued to increase in May, thereby extending the current sequence of inflation to 22 months. That said, the rate of inflation eased to a marginal pace that was the weakest since June 2013. Furthermore, average input costs rose at a slower rate than across the UK private sector economy as a whole. Sector data for the North East indicated that higher cost burdens at service providers drove inflation, as manufacturers signalled reduced input 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	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
	May	6.3	85.4	8.3	49.0	49.9	51.7

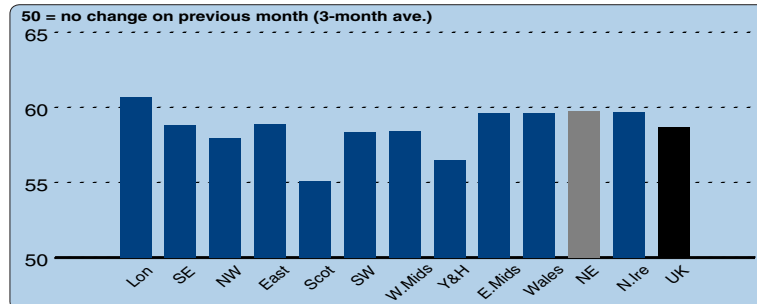


Following a slight rise in April, output charges set by North East private sector firms were broadly unchanged in May. This was signalled by the seasonally adjusted Output Prices Index posting only fractionally below the 50.0 no-change mark. In contrast, selling prices rose at a moderate pace across the UK private sector economy as a whole. According to anecdotal evidence, increased competitive market pressures restricted the pricing power of firms in the latest survey period.



Regional Comparisons: Output

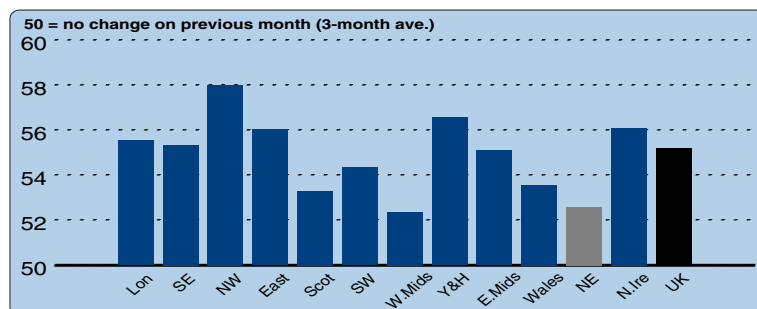
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed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