



Lloyds Bank North West 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 West 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 West and operating in both manufacturing and service sectors.

The North West 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

Employment growth hits survey high

Key findings:

- May data points to strong net job creation
- Output increases at fastest pace in five months...
- ...despite slower growth of new business

Economic conditions in the North West improved further in May, with sustained output growth feeding through to the jobs market. Although the weakest in 13 months, the rate of expansion in new orders was also still strong. Growth of both output and employment accelerated over the month.

Output and demand

Registering a five-month high of 59.0 in May (April: 58.7), the headline Lloyds Bank North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – was consistent with a marked pace of increase that was equal to the UK average. Panellists reported improved economic conditions, capacity expansion and new order growth.

For the sixteenth month running, new business received by private sector companies in the North West rose in May. Anecdotal evidence highlighted improved confidence among clients, new product launches and higher demand. Despite moderating to the slowest since April 2013 and being weaker than the UK average, the pace of expansion was strong in the context of historical data.

Employment and backlogs

Workforce numbers increased further in May, amid reports of sustained demand growth and efforts to reduce backlogs. Moreover, the rate of job creation accelerated to the strongest since the survey began in 1997 and outstripped the UK average.

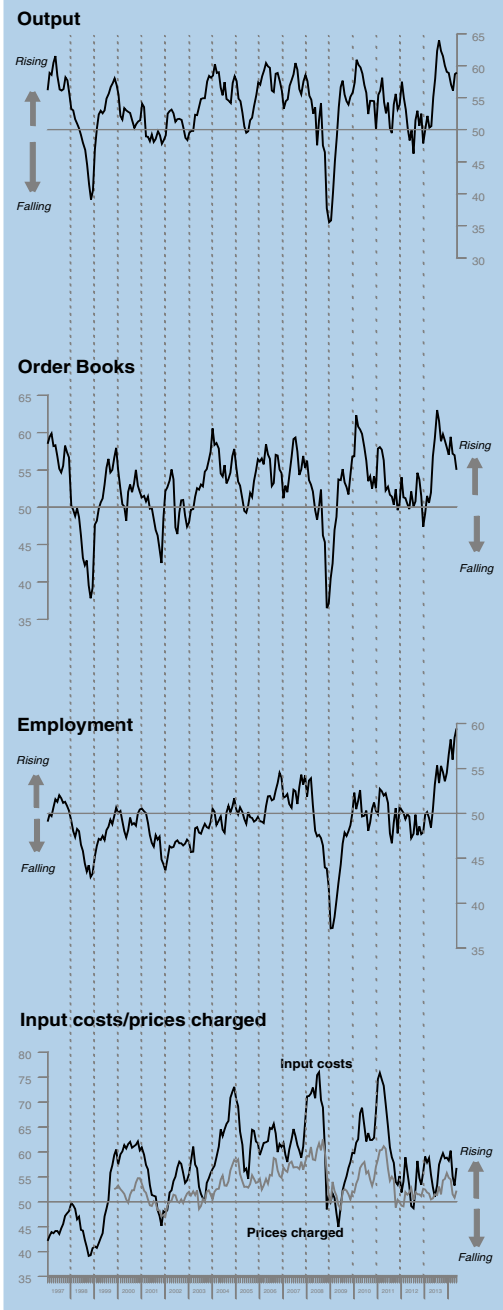
Business outstanding decreased for the second successive month in May. The rate of depletion was moderate, but picked up pace since April. Panellists mainly linked the latest decline in backlogs to employment growth and capacity expansion.

Input and output prices

Input cost inflation hit a three-month high in May and surpassed the UK average. The rise in input prices was centred on the service sector, with companies reporting higher raw material, wage and utility costs.

Prices charged by private sector companies in the North West were raised for the twenty-seventh month in succession during May. The rate of inflation outpaced the UK average and accelerated to the strongest since February.

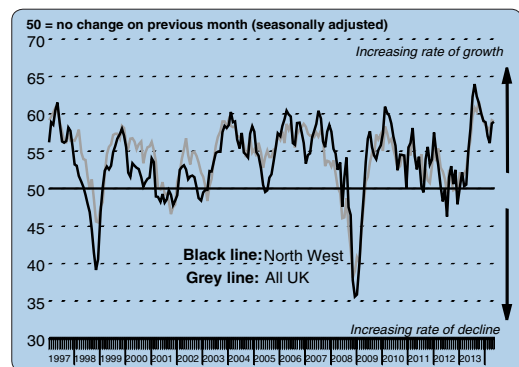
North West Business Conditions



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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	43.0	48.0	9.0	67.0	62.3	60.4
	Oct	30.5	56.8	12.6	58.9	61.5	61.7
	Nov	38.5	42.9	18.7	59.9	60.0	60.1
	Dec	33.0	47.3	19.8	56.6	59.1	59.0
2014	Jan	28.3	52.5	19.2	54.5	58.9	58.5
	Feb	34.0	53.0	13.0	60.5	57.0	58.2
	Mar	28.9	60.8	10.3	59.3	56.1	57.8
	Apr	38.5	43.8	17.7	60.4	58.7	59.2
	May	34.7	50.0	15.3	59.7	59.0	59.0

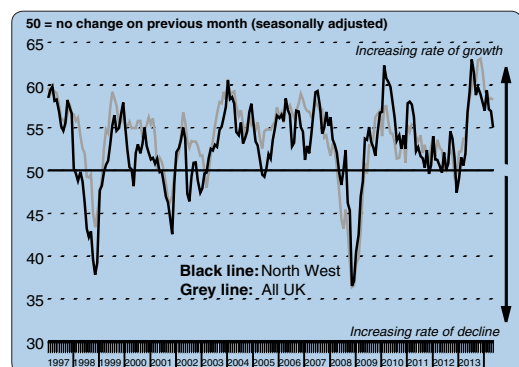


Growth of private sector output in the North West accelerated to a five-month high in May, with the overall pace of expansion being among the strongest in the history of the survey and in line with the UK average. Moreover, the latest increase in business activity was broad-based by sector, with both manufacturers and service providers recording rises. Anecdotal evidence highlighted new order growth, improved economic conditions and capacity 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	35.4	48.5	16.2	59.6	58.8	60.4
	Oct	31.6	48.4	20.0	55.8	59.8	62.9
	Nov	36.3	35.2	28.6	53.8	58.9	63.1
	Dec	31.1	50.0	18.9	56.1	58.0	61.7
2014	Jan	31.6	40.8	27.6	52.0	57.1	59.3
	Feb	42.4	46.5	11.1	65.7	59.4	59.3
	Mar	28.1	56.3	15.6	56.3	57.2	58.3
	Apr	34.4	47.9	17.7	58.3	57.0	58.5
	May	34.0	44.3	21.6	56.2	55.0	58.3

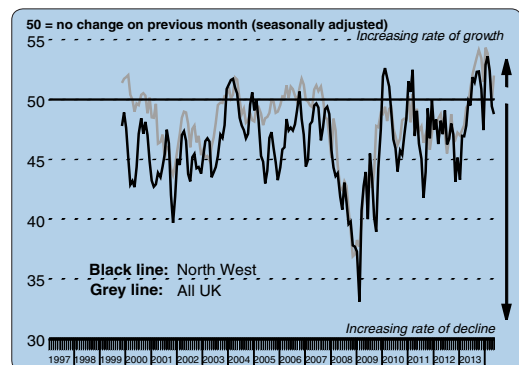


Incoming new work continued to rise in May, marking a 16-month period of expansion. Around one-third of survey participants reported higher new business, citing strengthening demand conditions, improved client confidence and the launch of new products. That said, the pace of growth eased to the slowest since April 2013 and was weaker than the UK average.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	20.8	61.5	17.7	51.6	52.3	53.5
	Oct	17.4	67.4	15.2	51.1	52.3	54.2
	Nov	16.3	61.6	22.1	47.1	50.9	53.5
	Dec	13.6	64.8	21.6	46.0	47.5	51.5
2014	Jan	17.9	65.3	16.8	50.5	52.9	54.3
	Feb	26.5	59.2	14.3	56.1	53.6	53.9
	Mar	16.0	72.3	11.7	52.1	52.4	52.2
	Apr	9.8	72.8	17.4	46.2	49.4	49.9
	May	13.8	64.9	21.3	46.3	48.8	52.0



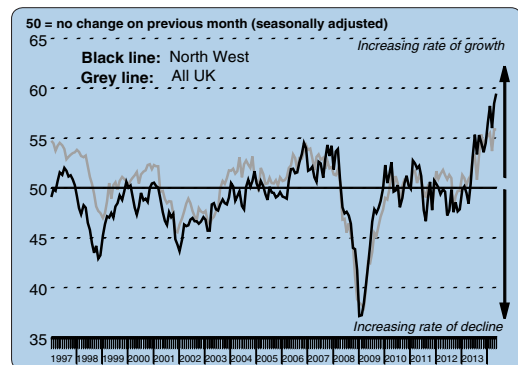
May data indicated that unfinished business fell further. Those panellists signalling lower work-in-hand commented on improved capacity, net job creation and overtime being worked by current employees. Although moderate, the pace of depletion accelerated since the previous month. The decrease in backlogs across the region contrasted with growth at the UK-wide level.



Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	24.2	71.7	4.0	60.1	55.3	53.3
	Oct	17.0	75.5	7.4	54.8	54.6	55.4
	Nov	16.5	75.8	7.7	54.4	53.6	54.3
	Dec	14.4	76.7	8.9	52.8	54.5	54.9
2014	Jan	17.3	76.5	6.1	55.6	56.6	55.2
	Feb	22.2	71.7	6.1	58.1	58.3	55.5
	Mar	23.2	72.6	4.2	59.5	56.0	53.7
	Apr	22.9	71.9	5.2	58.9	58.5	55.9
	May	20.6	77.3	2.1	59.3	59.5	55.9

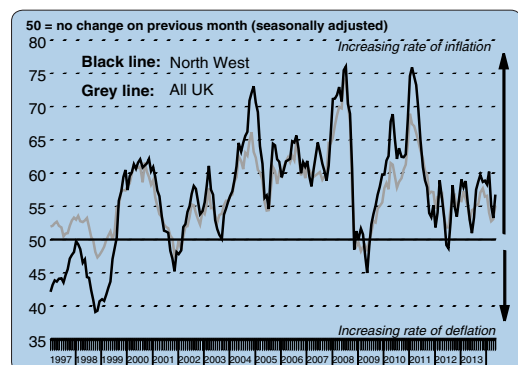


Employment growth in the North West private sector economy accelerated to the strongest in the history of the series during May and surpassed the UK-wide trend. Over one-fifth of monitored companies reported higher staffing levels, compared with around 2% that noted a reduction. Survey participants indicated that workforce numbers had been raised in response to sustained demand growth and attempts to reduce backlogs.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	22.0	72.0	6.0	58.0	58.7	55.3
	Oct	21.9	69.8	8.3	56.8	59.7	57.1
	Nov	16.5	72.5	11.0	52.7	58.7	57.7
	Dec	15.4	80.2	4.4	55.5	58.9	56.5
2014	Jan	22.4	72.4	5.1	58.7	58.3	56.6
	Feb	24.2	70.7	5.1	59.6	60.3	54.1
	Mar	12.6	76.8	10.5	51.1	55.1	52.8
	Apr	15.6	78.1	6.3	54.7	53.3	53.1
	May	23.7	72.2	4.1	59.8	56.8	55.1

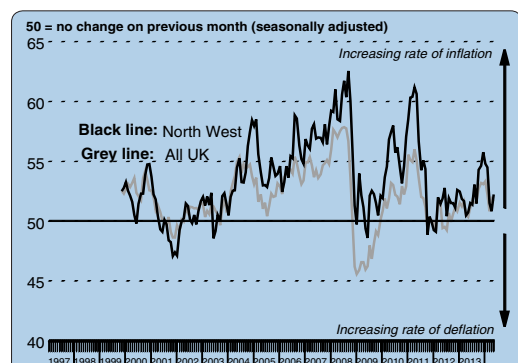


Input price inflation quickened to the strongest in three months during May. Furthermore, the latest rise in average input costs was more pronounced than seen at the UK level. While higher input prices were noted in the service sector, a reduction was signalled by manufacturers. Services companies reported rising raw material, wage and utility bills.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	8.0	88.0	4.0	52.0	51.5	51.7
	Oct	10.5	87.4	2.1	54.2	54.3	52.7
	Nov	13.3	80.0	6.7	53.3	54.6	53.2
	Dec	9.9	89.0	1.1	54.4	55.8	53.1
2014	Jan	14.1	79.8	6.1	54.0	54.8	53.3
	Feb	16.0	79.0	5.0	55.5	54.5	52.2
	Mar	10.3	85.6	4.1	53.1	51.5	50.8
	Apr	9.3	84.5	6.2	51.5	50.8	51.9
	May	10.2	85.7	4.1	53.1	52.2	51.7

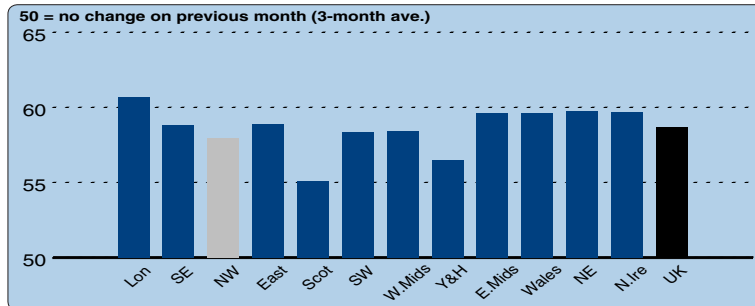


Companies operating in the North West private sector indicated that output prices continued to increase in May, thereby stretching the current period of inflation to 27 months. Moreover, the rate of charge inflation surpassed the UK average and was at a three-month high. Manufacturing and services companies reported higher average tariffs, with the faster rise noted at the latter.



Regional Comparisons: Output

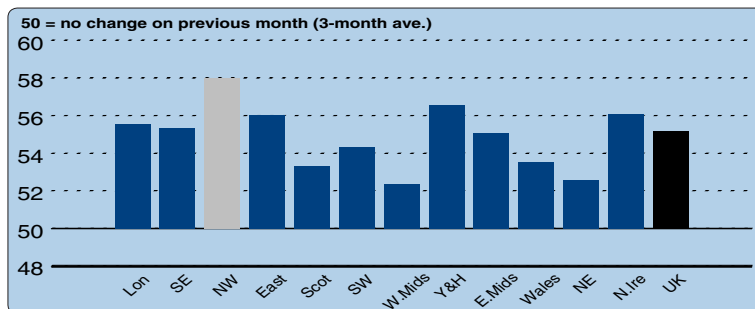
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed 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*®) 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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specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

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.

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.