

Lloyds Bank South 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 South 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 South East and operating in both manufacturing and service sectors.

The South 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.

For further information, please contact: economics@markit.com

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9th June 2014

Business activity growth improves in May

Key findings:

- Business activity rises at fastest rate since January
- New orders increase at accelerated pace
- Employment growth remains strong

Both business activity and new orders rose at faster rates in May, with business activity growth the sharpest since January. Employment growth remained above the UK average for the second month running. Volumes of work outstanding rose sharply in May, in line with the upturn in workloads. Meanwhile, both input prices and output charges increased at slightly faster rates than in April.

Output and demand

May saw a continued rise in business activity, as highlighted by the **Lloyds Bank South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registering at 60.8, up from 57.8 in April. This signalled the fastest rate of growth in four months.

New orders rose at faster rate in May, registering the sharpest increase since February. Panellists attributed this to higher demand and increased sales volumes due to a better economic climate. Moreover, growth in new business was fractionally faster than the UK average.

Employment and backlogs

Employment growth remained strong in May and above the UK average. Some panellists attributed the growth in employment to new contracts being won. Both manufacturers and services firms created new jobs, the former at the slightly faster rate.

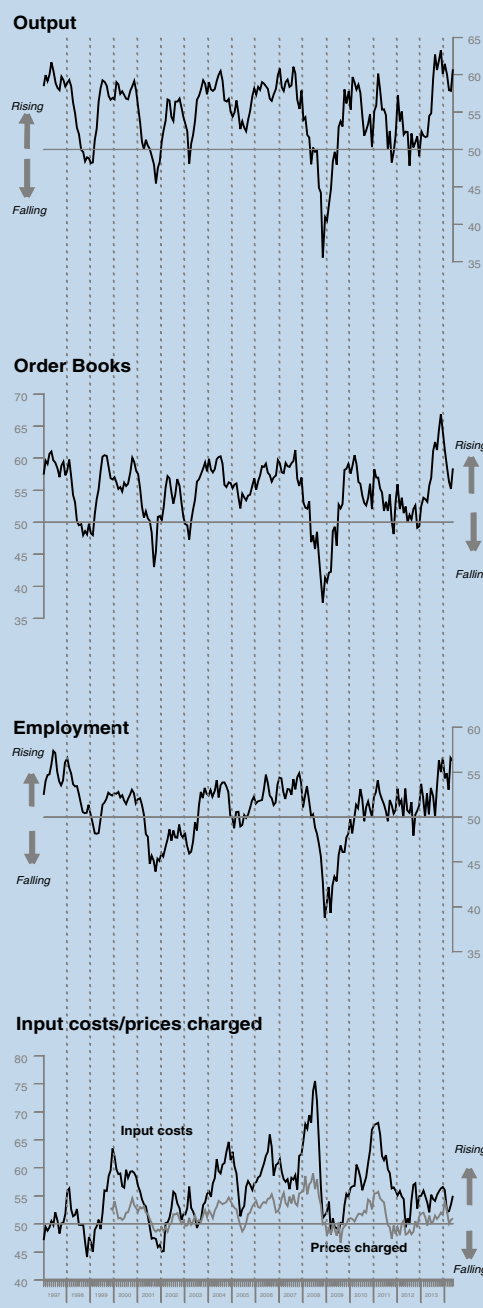
Volumes of work outstanding rose sharply in May, with the rate of growth above the UK average. Both goods producers and service providers registered rising levels of backlogs.

Input and output prices

Input prices rose faster in May than in April, with South East private sector companies attributing the latest increase in part to wage rises. The service sector saw a sharper rise in costs compared with the manufacturing sector which saw a marginal increase.

Output prices rose at a faster rate than the previous month, although the pace of inflation was slight and remained below the UK average for the third month running.

South East Business Conditions

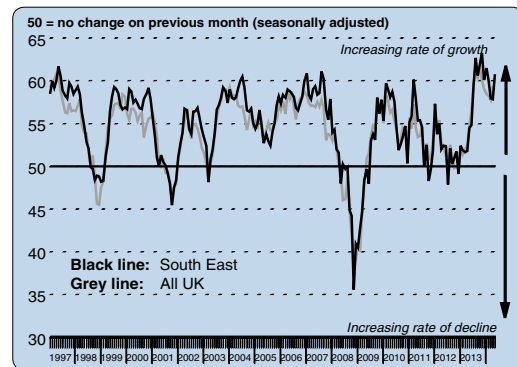




Output / Business Activity

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

	South East Companies			Index 50=no chg	S.Adj'd	All UK
	Higher %	Same %	Lower %		Index	S.Adj'd Ind
Sep	34.5	50.6	14.9	59.8	60.7	60.4
Oct	35.0	49.7	15.3	59.8	61.9	61.7
Nov	39.1	49.7	11.2	63.9	63.3	60.1
Dec	26.4	51.1	22.4	52.0	60.1	59.0
Jan	36.5	46.4	17.2	59.6	61.5	58.5
Feb	34.3	51.4	14.4	59.9	60.0	58.2
Mar	30.4	55.0	14.6	57.9	58.0	57.8
Apr	33.9	52.0	14.1	59.9	57.8	59.2
May	35.7	54.2	10.1	62.8	60.8	59.0

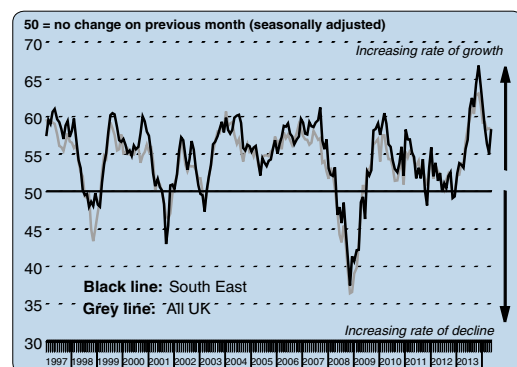


Business activity of companies in the South East improved further in May for, increasing at the fastest rate since January 2014. Over one-third of survey participants commented on higher business activity than in April, with the majority attributing this to winning new business contracts. Growth was broad-based by sector, and led by services firms.

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?

	South East Companies			Index 50=no chg	S.Adj'd	All UK
	Higher %	Same %	Lower %		Index	S.Adj'd Ind
Sep	34.9	50.9	14.2	60.4	61.3	60.4
Oct	40.1	41.2	18.7	60.7	64.4	62.9
Nov	40.2	50.9	8.9	65.7	66.9	63.1
Dec	28.5	55.8	15.7	56.4	64.2	61.7
Jan	35.4	48.1	16.4	59.5	61.4	59.3
Feb	35.4	48.3	16.3	59.6	58.5	59.3
Mar	32.9	49.4	17.6	57.6	56.4	58.3
Apr	34.7	50.6	14.8	59.9	55.2	58.5
May	33.7	56.6	9.6	62.0	58.4	58.3

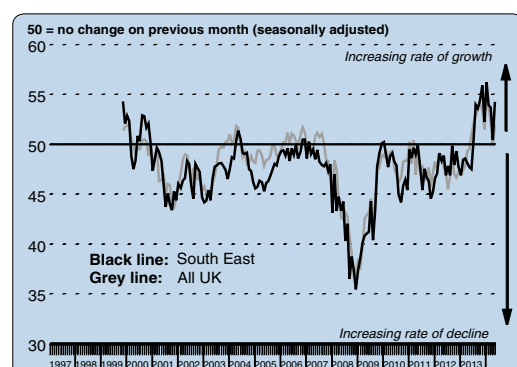


Following a similar trend to business activity, new orders increased further in May, and at the fastest rate since February 2014. Some panellists commented on higher demand and increased sales volumes due to a better economic climate. Moreover, the rate of growth in new orders was faster than the UK average for the first time in four months.

Business Outstanding

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

	South East Companies			Index 50=no chg	S.Adj'd	All UK
	Higher %	Same %	Lower %		Index	S.Adj'd Ind
Sep	21.6	61.4	17.0	52.3	53.6	53.5
Oct	23.4	57.5	19.2	52.1	54.4	54.2
Nov	22.9	63.1	14.0	54.5	55.9	53.5
Dec	17.9	65.4	16.7	50.6	52.3	51.5
Jan	23.1	62.7	14.2	54.4	56.2	54.3
Feb	25.8	55.8	18.4	53.7	54.0	53.9
Mar	23.6	60.5	15.9	53.8	53.7	52.2
Apr	20.2	61.3	18.4	50.9	50.4	49.9
May	22.9	63.4	13.7	54.6	54.3	52.0

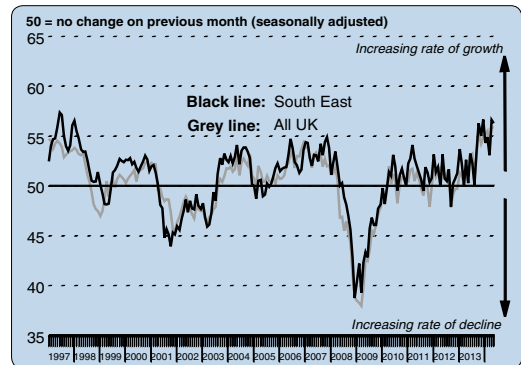


Business outstanding rose sharply in May, with around 23% of survey participants recording a rise. Moreover, the seasonally adjusted Business Outstanding Index remained above the UK equivalent for the tenth month running. Both the manufacturing and service sectors saw further increases in volumes of work outstanding.

Employment

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

	South East Companies			Index 50=no chg	S.Adj'd	All UK
	Higher %	Same %	Lower %		Index	S.Adj'd Ind
Sep	17.3	73.8	8.9	54.2	53.4	53.3
Oct	16.4	76.0	7.7	54.4	56.3	55.4
Nov	18.3	74.6	7.1	55.6	55.0	54.3
Dec	18.5	75.1	6.4	56.1	56.7	54.9
Jan	12.0	81.3	6.8	52.6	54.3	55.2
Feb	19.3	72.4	8.3	55.5	54.9	55.5
Mar	19.1	72.8	8.1	55.5	53.1	53.7
Apr	19.7	75.3	5.1	57.3	56.6	55.9
May	20.4	74.3	5.4	57.5	56.3	55.9

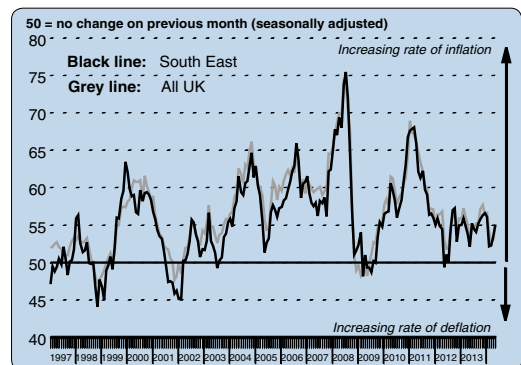


Employment growth at South East private sector companies saw remained strong and faster than the long-run series average in May. Panellists attributed the growth in employment to new contracts being won, increased workloads and greater marketing activities. Furthermore, the rate of job creation in the South East remained faster than the UK average for the second month running.

Input Prices / Costs

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

	South East Companies			Index 50=no chg	S.Adj'd	All UK
	Higher %	Same %	Lower %		Index	S.Adj'd Ind
Sep	15.4	79.9	4.7	55.3	55.2	55.3
Oct	12.6	83.6	3.8	54.4	55.8	57.1
Nov	13.7	82.7	3.6	55.1	56.3	57.7
Dec	11.0	86.0	2.9	54.1	56.6	56.5
Jan	17.7	79.2	3.1	57.3	56.1	56.6
Feb	13.8	80.7	5.5	54.1	52.2	54.1
Mar	16.2	78.0	5.8	55.2	52.3	52.8
Apr	12.4	83.6	4.0	54.2	53.5	53.1
May	15.6	80.2	4.2	55.7	55.1	55.1

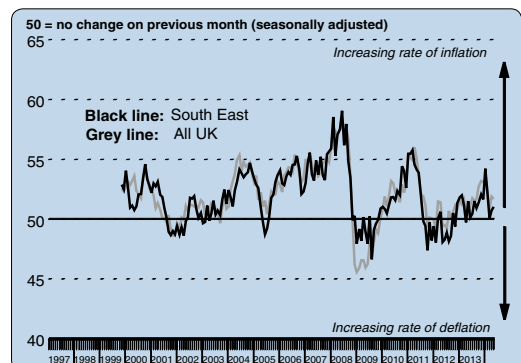


Input prices rose a faster pace in May than in the previous month, with the respective seasonally adjusted index posting well above the 50.0 no-change mark. The rate of cost inflation was the same as the UK average. South East companies attributed the rise in input prices to salary increases. In the South East, the service sector saw a sharper rise in input costs compared with the manufacturing sector which recorded only a slight increase.

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?

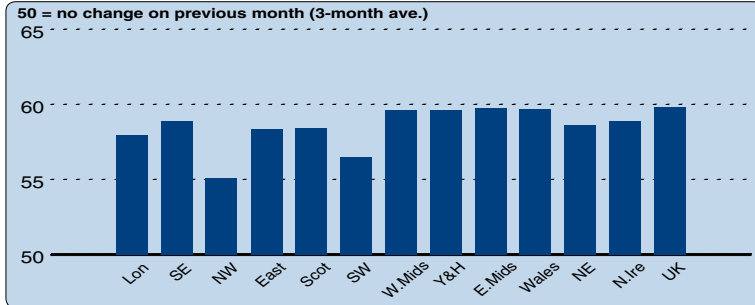
	South East Companies			Index 50=no chg	S.Adj'd	All UK
	Higher %	Same %	Lower %		Index	S.Adj'd Ind
Sep	4.2	88.7	7.1	48.5	51.0	51.7
Oct	5.0	90.6	4.4	50.3	51.4	52.7
Nov	4.1	91.1	4.7	49.7	52.1	53.2
Dec	3.5	93.1	3.5	50.0	51.6	53.1
Jan	11.0	87.4	1.6	54.7	54.2	53.3
Feb	10.5	87.3	2.2	54.1	52.3	52.2
Mar	6.9	89.0	4.0	51.4	50.1	50.8
Apr	8.5	88.1	3.4	52.5	50.7	51.9
May	9.5	85.1	5.4	52.1	51.1	51.7



Similar to input prices, output prices rose at a faster rate than in the previous month in May. That said, the rate of increase was marginal, with the vast majority of survey participants (around 85%) reporting no-change in their average charges. The seasonally adjusted Output Prices Index posted below the UK equivalent for the third month running.

Regional Comparisons: Output

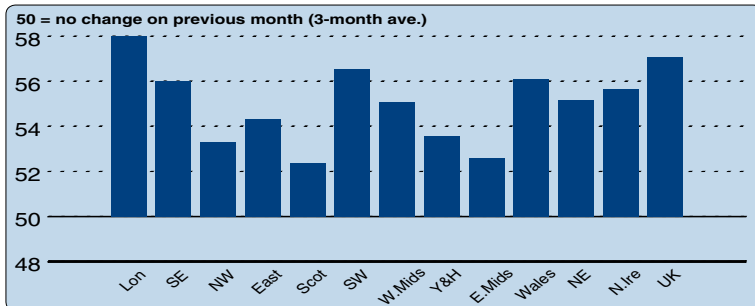
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed 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. *Purchasing Managers' Index*[®] (*PMI*[®]) surveys are 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. To learn more go to www.markit.com/economics.