



# Lloyds Bank Yorkshire & Humber 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 Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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

## Output increases at fastest rate in three months

### Key findings:

- Business activity rises at a robust pace in May
- Input price growth eases to 21-month low
- Employment levels rise for twelfth month running

Business activity expanded in May for the nineteenth month running. Incoming new business also continued to increase in May, but at a slower pace. Meanwhile, job creation was maintained, driven by rising workloads.

### Output and demand

The headline **Lloyds Bank Yorkshire & Humber Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registered at 57.3 in May, up from 56.4 in April, highlighting improved business conditions in the Yorkshire & Humber region. Firms attributed this to increased new orders and greater investment spending among clients.

Volumes of incoming new business continued to rise in May, with panellists commenting on a strong increase in new contracts won. Moreover, the rise in new business remained above the series average.

### Employment and backlogs

Employment levels continued to rise for the twelfth month running, although at a slower pace than April's survey-record high. Around one quarter of survey participants commented on higher payroll numbers compared to April, with anecdotal evidence attributing growth in employment levels to strange client demand.

Yorkshire & Humber's manufacturing and service companies saw volumes of work outstanding rise for the first time in four months.

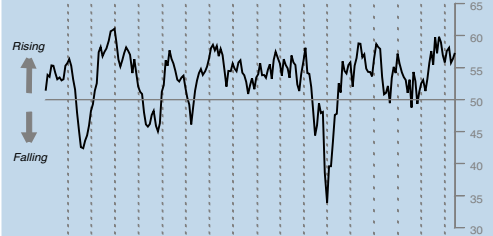
### Input and output prices

Yorkshire & Humber companies reported higher input prices in May, but the pace of inflation eased to a 21-month low. According to sector data, higher input prices were mainly driven by the service sector as the manufacturing sector recorded a decline in input prices.

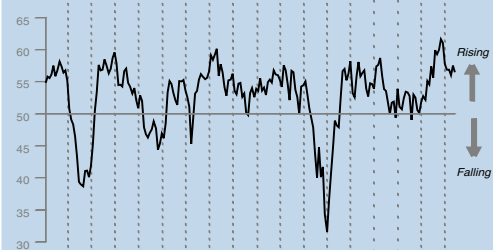
Output prices remained at the same level in May as the previous month. This ended a 12-month period of rising output charges in the region.

### Yorkshire & Humber Business Conditions

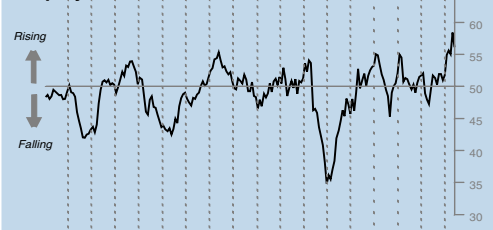
#### Output



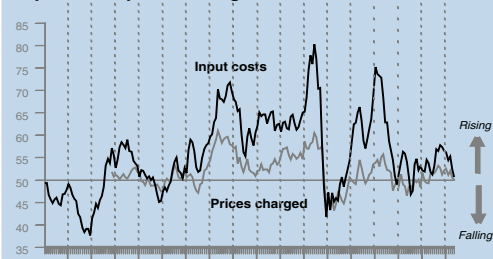
#### Order Books



#### Employment



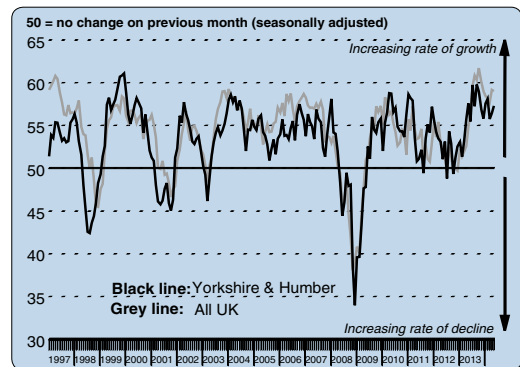
#### Input costs/prices charged



**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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	37.9	50.6	11.5	63.2	59.8	60.4
	Oct	34.8	48.9	16.3	59.2	59.0	61.7
	Nov	30.1	51.8	18.1	56.0	56.9	60.1
	Dec	29.8	50.0	20.2	54.8	55.8	59.0
2014	Jan	27.7	55.3	17.0	55.3	57.6	58.5
	Feb	39.5	44.2	16.3	61.6	58.1	58.2
	Mar	33.0	50.0	17.0	58.0	55.8	57.8
	Apr	31.9	50.5	17.6	57.1	56.4	59.2
	May	30.0	51.1	18.9	55.6	57.3	59.0

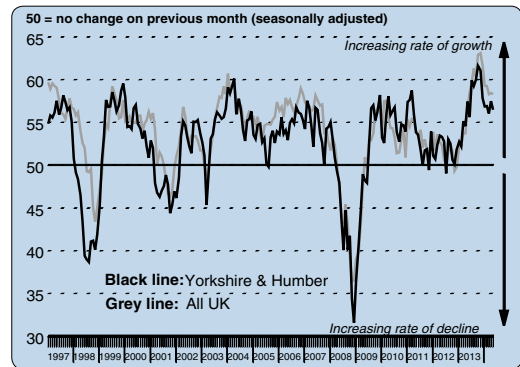


Business activity in Yorkshire & Humber grew at a faster pace in May, with the seasonally adjusted Output Index posting above the 50.0 no-change mark for the nineteenth month running. Firms attributed this to increased new orders and greater investment spending on new clients. Exactly 30% of survey participants commented on increased output since April.

**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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	38.4	48.8	12.8	62.8	60.0	60.4
	Oct	40.0	42.2	17.8	61.1	61.7	62.9
	Nov	33.7	51.8	14.5	59.6	61.1	63.1
	Dec	33.7	41.0	25.3	54.2	57.8	61.7
2014	Jan	29.0	48.4	22.6	53.2	56.9	59.3
	Feb	42.4	38.8	18.8	61.8	56.9	59.3
	Mar	36.8	46.0	17.2	59.8	56.1	58.3
	Apr	34.4	51.1	14.4	60.0	57.5	58.5
	May	32.6	46.1	21.3	55.6	56.5	58.3

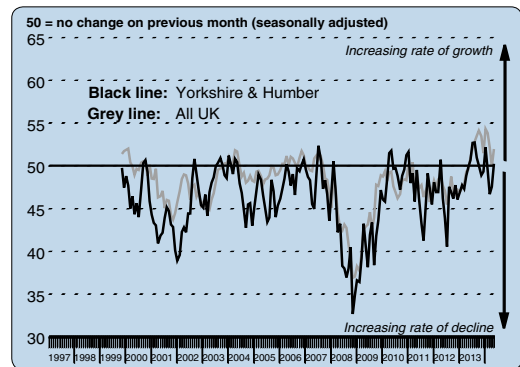


Volumes of incoming new business continued to increase in May, albeit at a slightly slower pace than in April, with one in three panellists seeing rising new orders in comparison to the previous month. That said, the rate of growth remained above the series average in May, with the anecdotal evidence attributing the continued rise to new contracts and improving economic conditions.

**Business Outstanding**

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	17.3	65.4	17.3	50.0	51.0	53.5
	Oct	23.8	52.4	23.8	50.0	50.1	54.2
	Nov	18.2	59.7	22.1	48.1	48.9	53.5
	Dec	16.9	58.4	24.7	46.1	49.4	51.5
2014	Jan	24.4	53.5	22.1	51.2	52.2	54.3
	Feb	19.5	55.8	24.7	47.4	49.6	53.9
	Mar	17.7	59.5	22.8	47.5	46.7	52.2
	Apr	17.3	64.2	18.5	49.4	47.6	49.9
	May	13.4	67.1	19.5	47.0	50.2	52.0



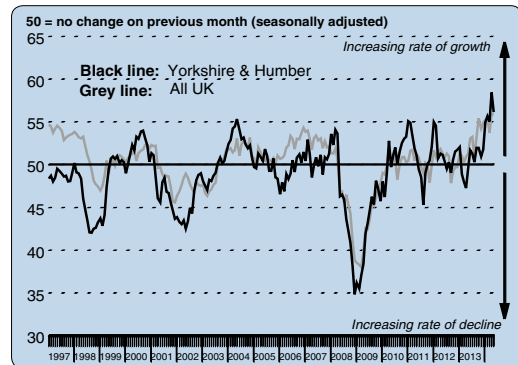
Yorkshire & Humber's manufacturing and service companies saw volumes of work outstanding increase in May, with the seasonally adjusted Business Outstanding Index posting above the 50.0 no-change mark for the first time in four months. However, the latest index reading signalled only a marginal pace of expansion.



Employment

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	17.2	73.6	9.2	54.0	52.0	53.3
	Oct	12.0	76.1	12.0	50.0	52.0	55.4
	Nov	13.3	77.1	9.6	51.8	51.0	54.3
	Dec	13.1	78.6	8.3	52.4	51.8	54.9
2014	Jan	20.2	71.3	8.5	55.9	55.0	55.2
	Feb	23.3	70.9	5.8	58.7	55.7	55.5
	Mar	21.6	70.5	8.0	56.8	55.1	53.7
	Apr	24.2	68.1	7.7	58.2	58.5	55.9
	May	24.4	66.7	8.9	57.8	56.2	55.9

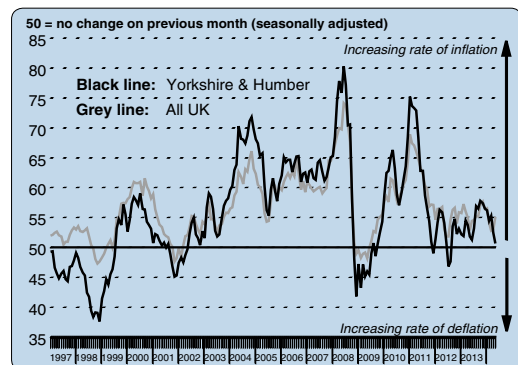


Employment levels continued to rise for the twelfth month running in May, albeit at a slower pace than April. Around one quarter of survey participants commented on higher payroll numbers, with panellists attributing growth in employment levels to improving business confidence and increased output.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	19.5	73.6	6.9	56.3	56.5	55.3
	Oct	19.6	73.9	6.5	56.5	57.8	57.1
	Nov	14.5	79.5	6.0	54.2	57.4	57.7
	Dec	11.9	82.1	6.0	53.0	56.6	56.5
2014	Jan	24.5	68.1	7.4	58.5	56.3	56.6
	Feb	23.3	67.4	9.3	57.0	54.5	54.1
	Mar	21.6	71.6	6.8	57.4	55.3	52.8
	Apr	12.1	79.1	8.8	51.6	52.5	53.1
	May	12.2	75.6	12.2	50.0	50.7	55.1

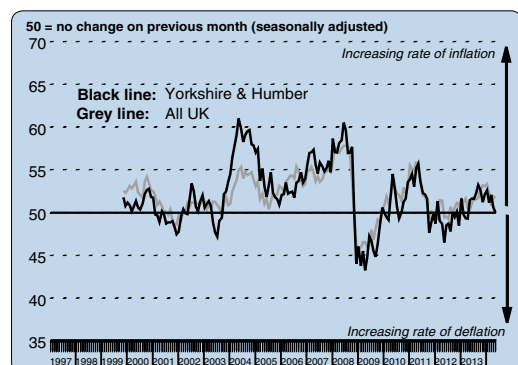


Yorkshire & Humber companies reported higher input prices in May, but the rate of inflation eased sharply to the slowest since August 2012. Yorkshire & Humber service providers recorded higher input prices whilst manufacturing companies indicated a decline in cost burdens.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Sep	5.7	93.1	1.1	52.3	53.2	51.7
	Oct	7.6	85.9	6.5	50.5	52.7	52.7
	Nov	6.0	88.0	6.0	50.0	51.2	53.2
	Dec	6.0	90.5	3.6	51.2	52.2	53.1
2014	Jan	16.0	79.8	4.3	55.9	52.6	53.3
	Feb	10.5	81.4	8.1	51.2	51.2	52.2
	Mar	12.5	85.2	2.3	55.1	52.1	50.8
	Apr	4.4	94.5	1.1	51.6	50.6	51.9
	May	4.4	93.3	2.2	51.1	50.0	51.7

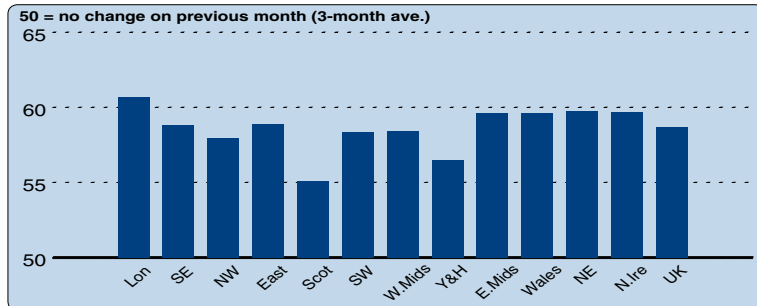


Average prices charged by Yorkshire & Humber companies were unchanged in May, which ended a 12-month period of output price inflation. Over 93% of survey respondents commented on selling prices remaining at the same level. A number of firms linked this to a moderation in input cost inflation at their units.



Regional Comparisons: Output

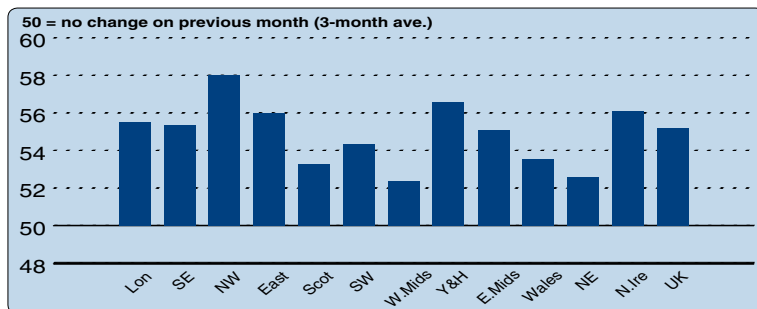
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Strong rates of output growth were recorded across all 12 UK regions during the three months to May. London remained the best performing region, followed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



	Contribution to UK Employment, 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' Indexes® (or PMIs®) 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 PMIs 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.