



Lloyds Bank East Midlands 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 East Midlands PMI® (Purchasing Managers' Index®) is produced for Lloyds Bank Commercial Banking by Markit.

The report features original survey data collected in June 2014 from a representative panel of companies based in the East Midlands and operating in both manufacturing and service sectors.

The East Midlands 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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14th July 2014

New order growth hits five-month high

Key findings:

- Sharper rises in new orders and employment
- Backlogs of work accumulate
- Slowest increase in output prices since September 2012

The Lloyds Bank Commercial Banking East Midlands PMI® report indicated that the region's economic recovery remained well on track in June. Output continued to rise sharply, while new orders and employment each increased at faster rates. Meanwhile, inflationary pressures remained muted, with companies increasing their output prices at the slowest pace since September 2012.

Output and demand

The headline Lloyds Bank East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 58.4 in June, down from 60.0 in May, but still signalling a sharp increase in private sector activity. Output has now risen in each month throughout the past year-and-a-half.

New business growth accelerated sharply in June and was the steepest since the start of the year. Panellists reported higher new orders from both domestic and export markets. Both the manufacturing and service sectors posted increases in new orders.

Employment and backlogs

Higher new orders led to an accumulation of backlogs of work in June, the first since March. Moreover, the rate at which outstanding business increased was solid and the sharpest since December 2000.

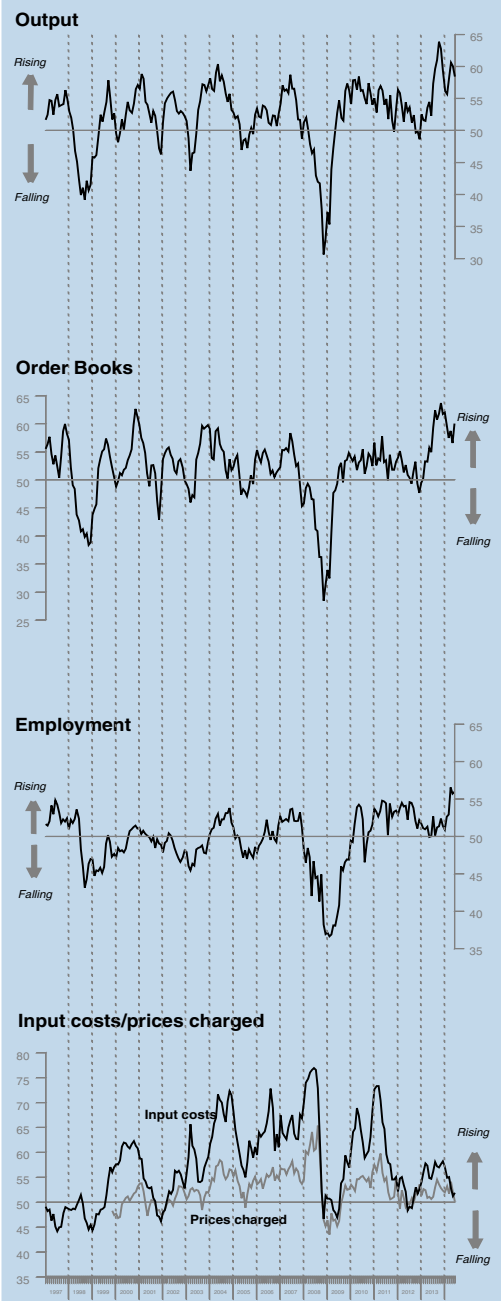
With output requirements increasing, companies in the East Midlands raised their staffing levels for the thirteenth consecutive month in June. Furthermore, the rate of job creation was the second-fastest in the series history, only slightly weaker than April's record. Marked rises in employment were recorded at both manufacturers and services companies.

Input and output prices

Although input prices increased again in June, the rate of inflation was much slower than the series average. The rise in costs at East Midlands firms was also weaker than the UK average. Where input prices increased, this was largely a reflection of higher staff costs in the service sector.

The rate at which output prices increased in the East Midlands private sector was only marginal in June and the slowest in 21 months. The rate of charge inflation has now eased in two successive months, with the latest rise being slower than that seen across the UK as a whole.

East Midlands Business Conditions

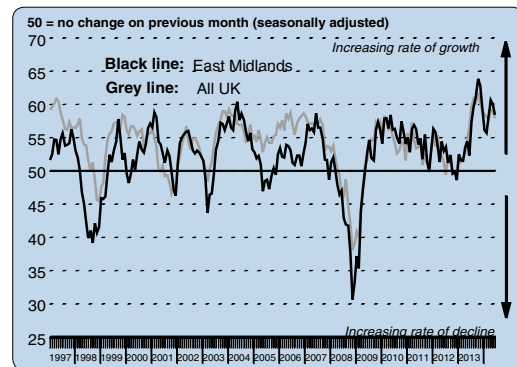




Output / Business Activity

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	41.6	48.3	10.1	65.7	63.9	61.7
	Nov	39.3	46.1	14.6	62.4	62.8	60.1
	Dec	26.1	53.3	20.7	52.7	59.4	59.1
2014	Jan	28.1	49.0	22.9	52.6	56.2	58.5
	Feb	32.6	48.9	18.5	57.1	55.7	58.2
	Mar	38.9	54.4	6.7	66.1	58.2	57.8
	Apr	35.8	51.6	12.6	61.6	60.6	59.2
	May	33.7	54.1	12.2	60.7	60.0	59.0
	Jun	36.2	48.9	14.9	60.6	58.4	58.0

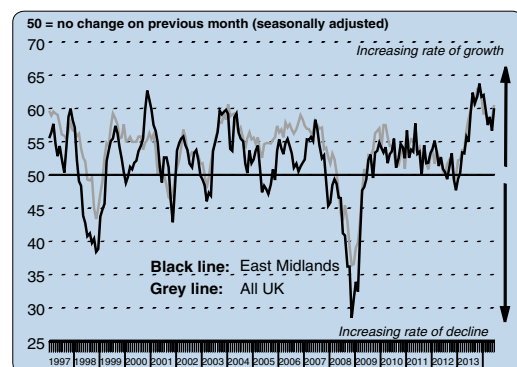


The East Midlands private sector posted another monthly rise in activity during June. The rate of expansion remained sharp, despite slowing slightly from the previous month. The increase in output in the region was marginally quicker than seen across the UK economy as a whole. Where a rise in activity was recorded, this was mainly linked to improving client demand. Strong growth of output was seen in both the manufacturing and service 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?

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	35.2	52.3	12.5	61.4	61.9	62.9
	Nov	43.8	41.6	14.6	64.6	63.7	63.1
	Dec	34.8	43.5	21.7	56.5	61.8	61.7
2014	Jan	37.9	44.2	17.9	60.0	62.0	59.3
	Feb	42.4	40.2	17.4	62.5	59.8	59.3
	Mar	36.0	50.6	13.5	61.2	57.5	58.3
	Apr	34.0	54.3	11.7	61.2	58.8	58.5
	May	37.1	45.4	17.5	59.8	56.6	58.4
	Jun	34.1	50.5	15.4	59.3	60.1	60.6

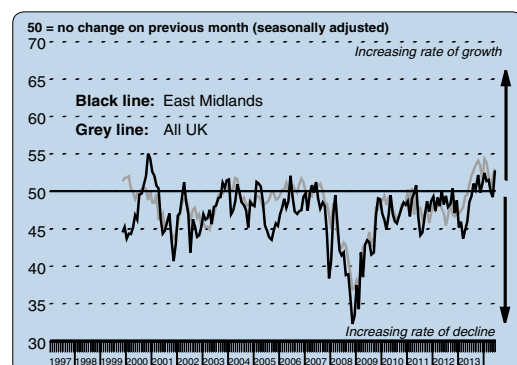


New orders increased at a substantial pace in June, with the rate of growth quickening to the sharpest since January. That said, the rise in new business in the East Midlands was slightly weaker than the UK average. New orders have now expanded in each of the past 17 months. Panellists reported higher new business from both domestic and export markets. Both manufacturing firms and service providers posted increases in new orders.

Business Outstanding

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	18.5	65.4	16.0	51.2	52.2	54.2
	Nov	17.1	63.4	19.5	48.8	49.8	53.5
	Dec	20.2	64.3	15.5	52.4	51.0	51.5
2014	Jan	19.5	66.7	13.8	52.9	52.5	54.3
	Feb	18.6	62.8	18.6	50.0	51.4	53.9
	Mar	20.2	71.4	8.3	56.0	51.5	52.2
	Apr	17.4	66.3	16.3	50.6	50.0	49.9
	May	18.7	67.0	14.3	52.2	49.2	52.0
	Jun	23.3	59.3	17.4	52.9	52.8	53.0

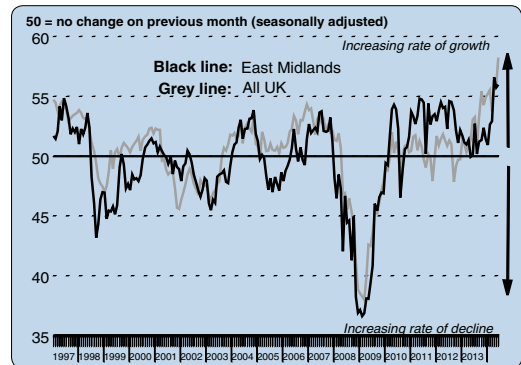


Increased new order levels were behind an accumulation of outstanding business in June. Backlogs of work rose for the first time in three months, and at a solid pace that was the fastest since December 2000. Growth of outstanding business at East Midlands companies was broadly the same as that recorded across the UK as a whole. Sector data suggested that the overall rise in backlogs was centred on services companies.

Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	13.5	73.0	13.5	50.0	51.4	55.4
	Nov	19.1	69.7	11.2	53.9	52.4	54.3
	Dec	9.8	81.5	8.7	50.5	51.4	54.9
2014	Jan	10.4	82.3	7.3	51.6	50.9	55.2
	Feb	16.3	75.0	8.7	53.8	52.7	55.5
	Mar	22.2	71.1	6.7	57.8	52.9	53.8
	Apr	24.2	71.6	4.2	60.0	56.6	55.9
	May	17.3	78.6	4.1	56.6	55.8	55.9
	Jun	18.1	75.5	6.4	55.9	56.0	58.2

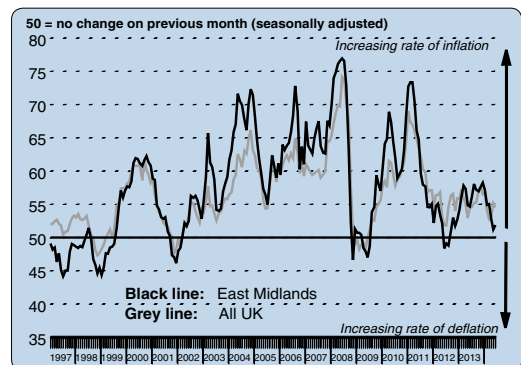


Companies in the East Midlands continued to increase employment at a sharp pace during June. Furthermore, the rate of job creation was the second-fastest in the series history, only slightly weaker than April's record. However, the increase in staffing levels was slower than that registered at the UK level. Anecdotal evidence suggested that rising output requirements had been the main driver of employment growth in June.

Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	20.2	76.4	3.4	58.4	57.0	57.1
	Nov	15.7	73.0	11.2	52.2	57.7	57.6
	Dec	13.0	82.6	4.3	54.3	58.3	56.5
2014	Jan	18.8	77.1	4.2	57.3	57.1	56.7
	Feb	18.5	75.0	6.5	56.0	55.0	54.0
	Mar	16.7	81.1	2.2	57.2	55.1	52.8
	Apr	14.7	77.9	7.4	53.7	52.8	53.1
	May	8.2	85.7	6.1	51.0	51.2	55.2
	Jun	13.8	78.7	7.4	53.2	51.9	54.6

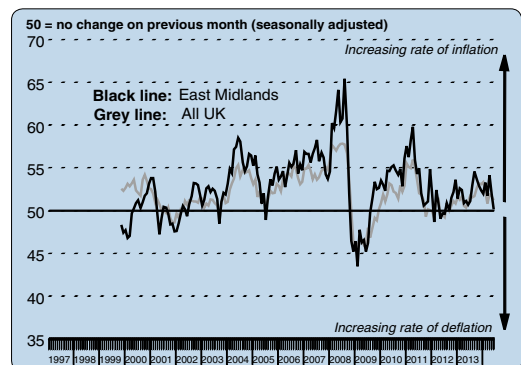


June data pointed to a slight increase in input prices at East Midlands private sector firms. Although quickening marginally from the previous month, the rate of inflation was much weaker than the series average. The rise in costs in the region was also slower than the UK average. Data indicated that where input prices increased, this was largely the result of higher services input prices. Services panellists reported that staff costs had risen during the month.

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?

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	7.9	91.0	1.1	53.4	53.6	52.7
	Nov	6.7	89.9	3.4	51.7	52.9	53.2
	Dec	8.7	89.1	2.2	53.3	52.4	53.1
2014	Jan	8.3	88.5	3.1	52.6	52.0	53.3
	Feb	9.8	88.0	2.2	53.8	53.3	52.2
	Mar	6.7	92.2	1.1	52.8	51.8	50.8
	Apr	13.8	85.1	1.1	56.4	54.2	51.9
	May	5.2	89.7	5.2	50.0	52.0	51.7
	Jun	5.3	92.6	2.1	51.6	50.2	51.2

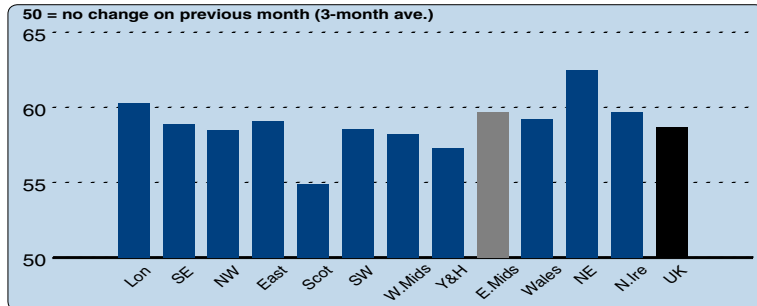


Output prices rose only marginally in June, with the rate of inflation easing to the slowest since September 2012. The UK as a whole also saw a modest rise in charges, albeit one that was faster than in the East Midlands. Where output prices increased, this was linked to the passing on of higher input prices to clients. Highlighting the weakness of the latest rise, around 93% of respondents reported no change in output prices.



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). All UK regions posted sharp rises in business activity on average over the second quarter of 2014, with the fastest rate of expansion seen in the North East.

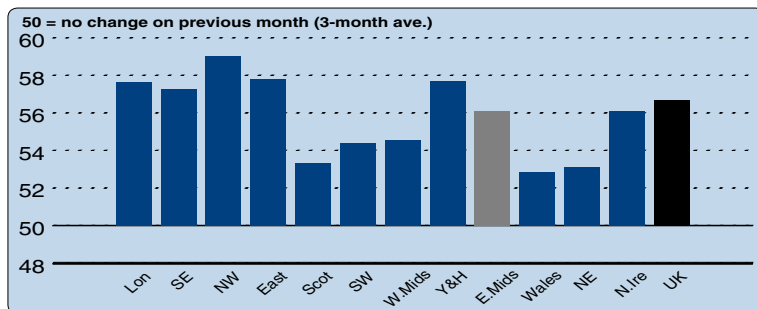


	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.3	58.4
South East	(14.9%)	60.4	58.9	58.0
North West	(9.6%)	59.7	58.5	57.8
East of England	(8.6%)	59.2	59.1	58.9
Scotland	(7.8%)	56.3	54.9	55.9
South West	(7.5%)	60.3	58.6	59.4
West Midlands	(7.2%)	59.3	58.2	57.6
Yorks & Humber	(6.9%)	57.7	57.3	58.1
East Midlands	(5.9%)	59.4	59.7	58.4
Wales	(3.5%)	58.7	59.2	59.3
North East	(3.1%)	58.3	62.5	64.8
N.Ireland*	(2.2%)	57.9	59.7	60.6
UK	(100.0%)	59.4	58.7	58.0

* Northern Ireland data only available to May 2014.

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 payroll numbers were recorded across all UK regions on average during the second quarter of 2014. Companies in the North West posted the steepest rise in staffing levels, followed by the East of England.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	56.0	57.7	59.7
South East	(14.9%)	54.8	57.3	58.9
North West	(9.6%)	56.2	59.0	59.0
East of England	(8.6%)	55.3	57.8	59.6
Scotland	(7.8%)	53.3	53.4	54.0
South West	(7.5%)	55.3	54.4	54.4
West Midlands	(7.2%)	54.3	54.5	57.2
Yorks & Humber	(6.9%)	53.9	57.7	58.5
East Midlands	(5.9%)	52.8	56.1	56.0
Wales	(3.5%)	52.7	52.8	52.0
North East	(3.1%)	52.5	53.1	54.7
N.Ireland*	(2.2%)	53.1	56.1	56.4
UK	(100.0%)	54.7	56.7	58.2

* Northern Ireland data only available to May 2014.

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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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 PMIs 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.