

Lloyds Bank London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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

June data signals sustained strong growth in London

Key findings:

- New orders and business activity continue to grow at sharp rates
- Employment expansion fastest in 17 years
- Output prices fall for the first time since May 2013

Jobs growth in London was the fastest since May 1997 as business activity and output continued to post strong rates of expansion during June. Despite input costs in the capital continuing to rise, output prices in the London private sector fell for the first time in 13 months. That said, the rate of decline was slight overall.

Output and demand

The headline Lloyds Bank Commercial Banking London Business Activity Index - a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors - registered at 58.4 in June, down from 60.4 in May. The latest reading indicated sustained strong growth in the region, albeit at a slower pace than in the previous month. Output in the manufacturing sector rose at a faster pace than that of the service sector, with both sectors posting strong levels of growth.

The level of new business continued to expand and support the rise in output during June. The pace of growth picked up from the previous month and was the quickest so far this year.

Employment and backlogs

Hiring at London private sector firms accelerated to the highest level in 17 years, as firms ramped up job creation in order to meet an expected rise in demand and business activity. Employment grew strongly in both the manufacturing and services sectors.

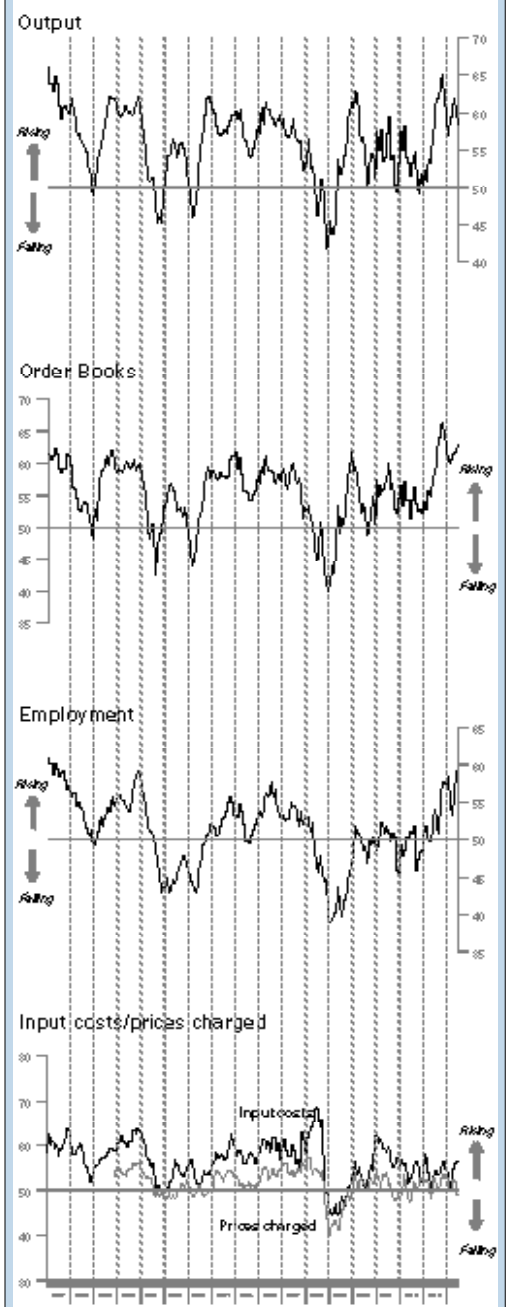
Despite this, backlogs of work continued to accumulate during June as firms struggled to cope with the burgeoning level of demand in the economy. The level of backlog increase was solid overall, with the pace of accumulation quickening slightly from the previous month.

Input and output prices

Average cost burdens in the London private sector continued to expand during the month, with the pace of inflation quickening to a seven-month high. The increase was mainly driven by the service sector, although the manufacturing sector also posted an increase in input prices. Companies stated that higher staff costs was the main contributor to the expansion.

Despite the increase in input costs, output prices in the London private sector fell during June, ending a one-year period of inflation.

London Business Conditions

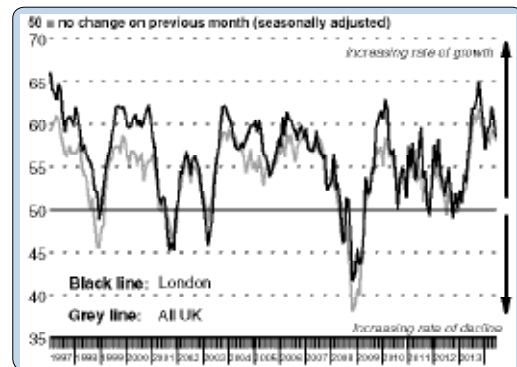




Output / Business Activity

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	42.2	49.5	8.3	67.0	65.0	61.7
	Nov	33.6	55.5	10.9	61.4	62.6	60.1
	Dec	31.2	53.2	15.6	57.8	60.3	59.1
2014	Jan	26.7	54.3	19.0	53.9	57.0	58.5
	Feb	36.6	54.5	8.9	63.8	59.5	58.2
	Mar	28.3	67.9	3.8	62.3	59.5	57.8
	Apr	37.1	50.5	12.4	62.4	62.0	59.2
	May	31.5	55.6	13.0	59.3	60.4	59.0
	Jun	33.9	51.8	14.3	59.8	58.4	58.0

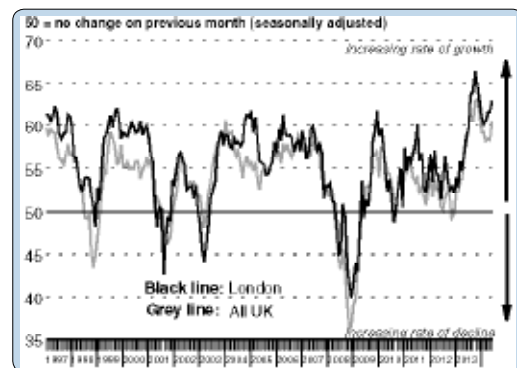


Output at London private sector companies continued to rise strongly during June. The pace of expansion slowed from May, and was the slowest since January. That said, the rate of increase remained strong and above the UK average, with just under 34% of panellists indicating greater output than in the previous month. Surveyed companies generally pointed to a higher number of clients and projects when explaining the 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	40.0	50.5	9.5	65.2	66.4	62.9
	Nov	31.8	57.0	11.2	60.3	64.8	63.1
	Dec	31.2	48.6	20.2	55.5	63.0	61.7
2014	Jan	34.2	52.6	13.2	60.5	61.1	59.3
	Feb	36.6	50.0	13.4	61.6	60.1	59.3
	Mar	32.7	60.6	6.7	63.0	60.6	58.3
	Apr	37.9	49.5	12.6	62.6	61.6	58.5
	May	29.0	64.5	6.5	61.2	61.6	58.4
	Jun	33.3	55.0	11.7	60.8	63.0	60.6

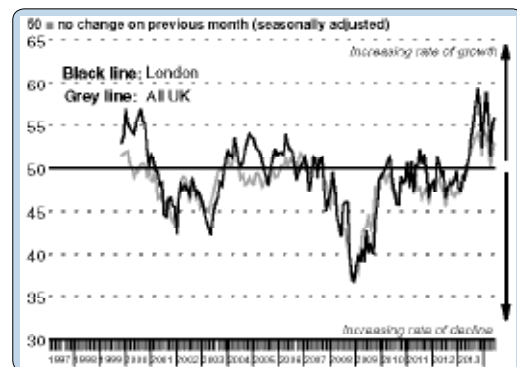


The level of new orders at London private sector firms continued to expand during June, as highlighted by the seasonally adjusted New Orders Index posting above the neutral 50.0 mark. The pace of growth picked up slightly from the previous month and was the quickest since December. Anecdotal evidence pointed to a higher level of business confidence amongst clients as the driving force behind the rise. There was some evidence that greater exports were also a contributing factor.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	23.2	69.7	7.1	58.1	59.3	54.2
	Nov	13.1	76.8	10.1	51.5	57.2	53.5
	Dec	17.3	66.3	16.3	50.5	52.5	51.5
2014	Jan	20.0	70.0	10.0	55.0	56.1	54.3
	Feb	31.0	61.0	8.0	61.5	58.9	53.9
	Mar	15.8	73.7	10.5	52.6	55.9	52.2
	Apr	18.8	71.9	9.4	54.7	51.4	49.9
	May	15.5	76.3	8.2	53.6	55.2	52.0
	Jun	17.2	71.7	11.1	53.0	56.0	53.0

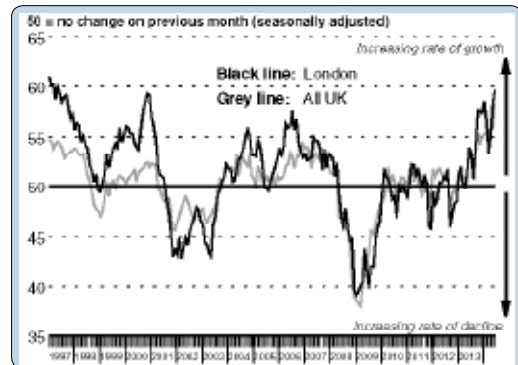


The seasonally adjusted Business Outstanding Index posted above the 50.0 no-change mark for the fourteenth month in a row, signalling higher levels of outstanding work held at London private sector firms during June. The pace of backlog accumulation quickened to a four-month high, with surveyed firms citing the ongoing strong growth in new business as the primary factor behind the rise.

Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	21.3	72.2	6.5	57.4	57.7	55.4
	Nov	23.6	70.0	6.4	58.6	57.7	54.3
	Dec	15.6	77.1	7.3	54.1	57.4	54.9
2014	Jan	19.0	75.9	5.2	56.9	58.5	55.2
	Feb	19.6	71.4	8.9	55.4	56.4	55.5
	Mar	17.9	73.6	8.5	54.7	53.3	53.8
	Apr	19.0	75.2	5.7	56.7	55.1	55.9
	May	20.4	76.9	2.8	58.8	58.2	55.9
	Jun	24.1	69.6	6.3	58.9	59.7	58.2

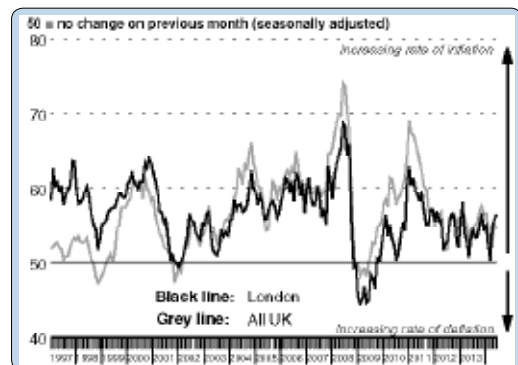


Payroll numbers at London private sector companies continued to grow during June. The rate of expansion was the quickest since May 1997 as firms sought to prepare for an expected increase in business activity in the coming months. The current sequence of growth is the longest in a little over six years, with strong increases recorded in both the manufacturing and service sectors.

Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	11.2	86.9	1.9	54.7	55.1	57.1
	Nov	13.8	84.4	1.8	56.0	56.6	57.6
	Dec	6.5	92.5	0.9	52.8	54.6	56.5
2014	Jan	16.7	80.7	2.6	57.0	55.0	56.7
	Feb	17.9	76.8	5.4	56.3	52.1	54.0
	Mar	10.4	85.8	3.8	53.3	50.3	52.8
	Apr	14.3	84.8	1.0	56.7	54.8	53.1
	May	14.8	81.5	3.7	55.6	55.9	55.2
	Jun	14.3	82.1	3.6	55.4	56.4	54.6

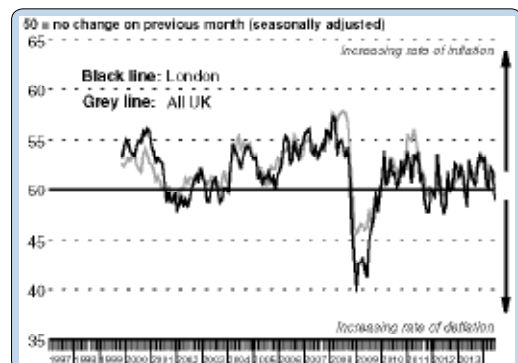


Average cost burdens at London private sector firms continued to grow during June, and the pace of increase was the fastest in seven months. Where an increase was reported, firms often cited growing wage pressures as the primary force driving input price inflation. As has been the case in recent months, service sector inflation was the main driver of the overall increase. Input prices in London rose at a faster pace than the UK average.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	6.5	90.7	2.8	51.9	52.6	52.7
	Nov	6.4	90.0	3.6	51.4	53.5	53.2
	Dec	6.5	91.7	1.9	52.3	52.8	53.1
2014	Jan	9.6	87.0	3.5	53.0	53.0	53.3
	Feb	7.1	90.2	2.7	52.2	50.5	52.2
	Mar	6.6	92.5	0.9	52.8	50.1	50.8
	Apr	12.4	84.8	2.9	54.8	52.2	51.9
	May	9.3	87.0	3.7	52.8	51.7	51.7
	Jun	5.4	92.0	2.7	51.3	48.9	51.2

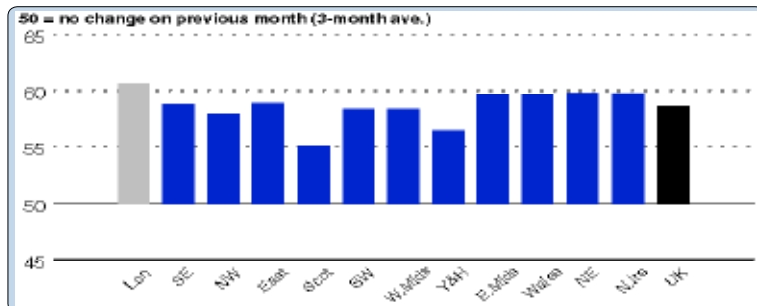


Output prices in the London private sector fell for the first time since May 2013, as highlighted by the seasonally adjusted Output Prices index posting below the neutral 50.0 no-change mark this contrasted with a rise in charges at the UK level. That said, the decline was only moderate overall and the vast majority of the survey (92%) indicated no change when compared to May.



Regional Comparisons: Output

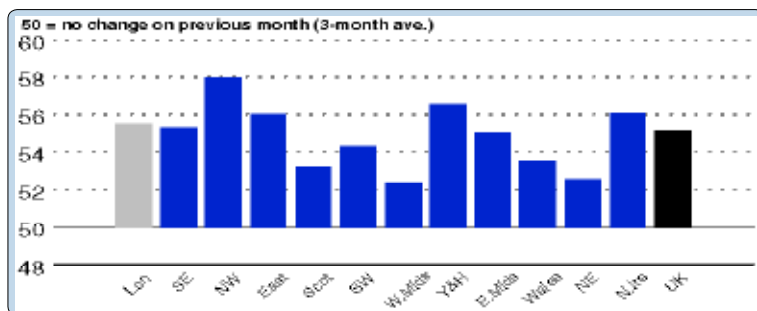
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). All UK regions posted sharp rises in business activity on average over the second quarter of 2014, with the fastest rate of expansion seen in the North East.



	Share of UK GVA, 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 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.



	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) 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. 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.