



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

The North 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.

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14th July 2014

Business activity rises at a record pace in June

Key findings:

- Output rises at the fastest rate in the series history
- Growth of incoming new work accelerates to a sixth-month high
- Job creation fastest in four months

Business conditions in the North East private sector economy improved further in June, as output and new business continued to grow and at accelerated rates. Moreover, the latest expansion of activity was the sharpest in the series history. This led companies to hire additional workers for the twelfth successive month.

Output and demand

The headline Lloyds Bank Commercial Banking North East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted at 64.8 in June, up from 63.5 in May, indicating a further improvement in business activity and one that remained above the long-run series average. Evidence from survey participants highlighted greater volumes of new business and new clients won.

The rate of new business growth was marked. Moreover, the latest rise in new orders was the fastest in six months. Panellists commented on stronger client demand, alongside improved domestic and foreign demand. As with the trend for output, new work rose at both manufacturers and service providers.

Employment and backlogs

Employment increased for the twelfth month in a row in June. Although the rate of job creation remained below the UK average, the pace of growth was the fastest in four months. The expansion in payroll numbers, however, was mainly centred on the service sector as manufacturers noted a fall in employment.

Backlogs of work rose in June. That said, the rate of accumulation was modest overall and weaker than the UK average.

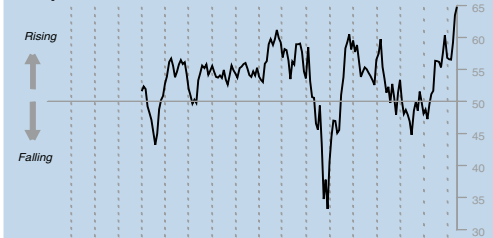
Input and output prices

Private sector firms in the North East registered a further rise in average input costs in June. Moreover, the rate of inflation was the strongest since February.

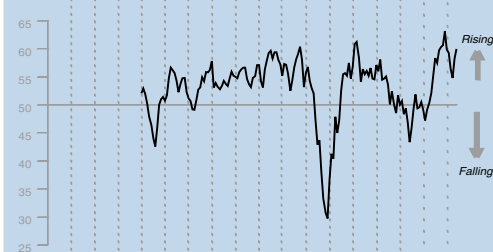
After a broad stagnation in May, output charges set by North East private sector companies rose in June. The rate of increase, however, was only fractional and slower than the UK private sector economy as a whole.

North East Business Conditions

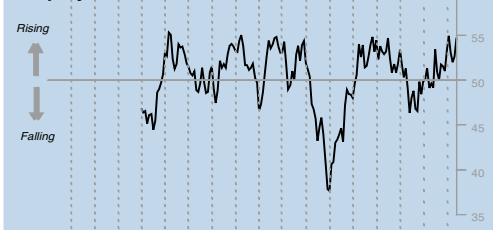
Output



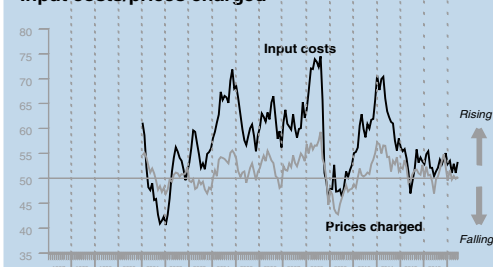
Order Books



Employment



Input costs/prices charged

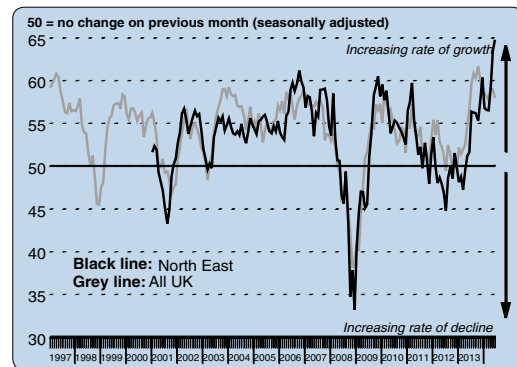




Output / Business Activity

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

		North East Companies			Index	S.Adj'd	All UK
		Higher %	Same %	Lower %	50=no chg	Index	S.Adj'd Ind
2013	Oct	23.4	63.8	12.8	55.3	55.3	61.7
	Nov	25.0	59.1	15.9	54.5	57.6	60.1
	Dec	28.9	53.3	17.8	55.6	60.4	59.1
2014	Jan	21.6	56.9	21.6	50.0	56.8	58.5
	Feb	36.2	51.1	12.8	61.7	56.6	58.2
	Mar	30.6	57.1	12.2	59.2	56.6	57.8
	Apr	38.0	46.0	16.0	61.0	59.2	59.2
	May	35.4	56.3	8.3	63.5	63.5	59.0
	Jun	35.3	62.7	2.0	66.7	64.8	58.0

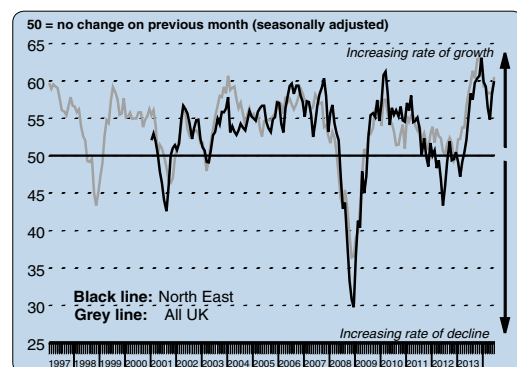


The seasonally adjusted Business Activity Index signalled the sharpest expansion of North East private sector output in the series history during June. Growth was linked by panellists to greater volumes of new business, with more than one-third of surveyed firms noting an increased level of business activity since May. Moreover, the rate of output growth in the region was stronger than that recorded across the UK private sector economy as a whole.

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 East Companies			Index	S.Adj'd	All UK
		Higher %	Same %	Lower %	50=no chg	Index	S.Adj'd Ind
2013	Oct	38.3	40.4	21.3	58.5	60.4	62.9
	Nov	31.8	50.0	18.2	56.8	60.7	63.1
	Dec	34.8	54.3	10.9	62.0	63.1	61.7
2014	Jan	29.4	51.0	19.6	54.9	59.9	59.3
	Feb	45.7	37.0	17.4	64.1	59.3	59.3
	Mar	34.7	44.9	20.4	57.1	56.4	58.3
	Apr	29.2	50.0	20.8	54.2	54.8	58.5
	May	40.4	53.2	6.4	67.0	58.3	58.4
	Jun	37.3	49.0	13.7	61.8	60.0	60.6

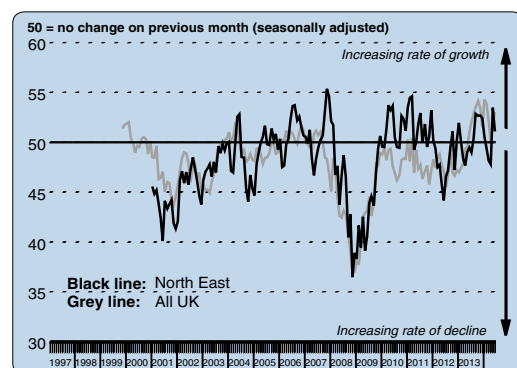


Private sector firms in the North East reported a further marked intake of new business in June, with the rate of growth accelerating to a sixth-month high. Incoming new business increased at both services and manufacturing firms. According to a number of surveyed firms, stronger client demand boosted new business in the latest survey period. The rate at which new orders increased was slightly slower than across the UK private sector as a whole during the latest survey period.

Business Outstanding

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

		North East Companies			Index	S.Adj'd	All UK
		Higher %	Same %	Lower %	50=no chg	Index	S.Adj'd Ind
2013	Oct	21.4	61.9	16.7	52.4	52.7	54.2
	Nov	18.4	68.4	13.2	52.6	52.7	53.5
	Dec	17.9	64.1	17.9	50.0	52.4	51.5
2014	Jan	15.6	66.7	17.8	48.9	50.6	54.3
	Feb	15.0	70.0	15.0	50.0	49.4	53.9
	Mar	17.1	65.9	17.1	50.0	48.2	52.2
	Apr	14.3	69.0	16.7	48.8	47.8	49.9
	May	23.8	69.0	7.1	58.3	53.5	52.0
	Jun	20.0	57.8	22.2	48.9	51.1	53.0

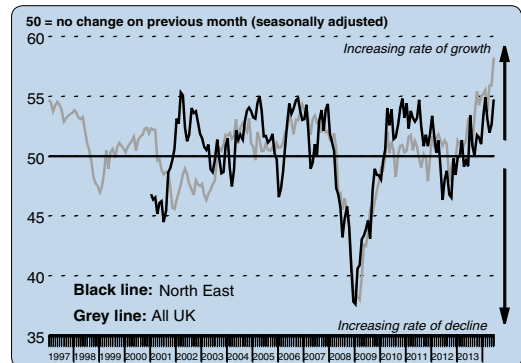


Backlogs of work at North East private sector companies increased for the second successive month in June. The rate of accumulation, however, eased from the previous month and was moderate overall. Moreover, the rate of expansion was below the UK private sector economy average in June.

Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	17.0	72.3	10.6	53.2	51.8	55.4
	Nov	9.1	79.5	11.4	48.9	51.6	54.3
	Dec	6.5	84.8	8.7	48.9	51.0	54.9
2014	Jan	17.3	78.8	3.8	56.7	53.3	55.2
	Feb	19.1	72.3	8.5	55.3	54.9	55.5
	Mar	8.2	87.8	4.1	52.0	53.1	53.8
	Apr	12.0	78.0	10.0	51.0	52.0	55.9
	May	12.5	79.2	8.3	52.1	52.7	55.9
	Jun	17.6	74.5	7.8	54.9	54.7	58.2

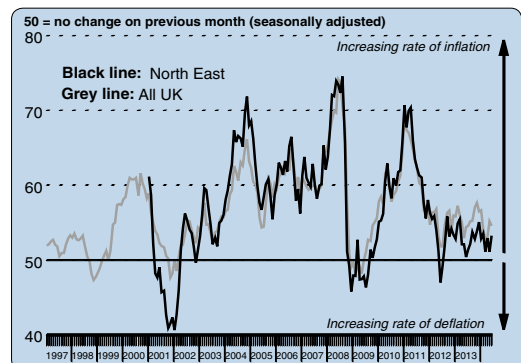


After adjusting for seasonality, the Employment Index signalled an expansion of payroll numbers in the North East private sector economy during June. The rate of job creation was the strongest recorded in the past four months. The growth in payroll numbers was mainly centred on the service sector, which registered a sharp rise in employment, while manufacturers noted a fall in employment. The pace of growth, however, remained below the UK average for the tenth successive month.

Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	8.7	89.1	2.2	53.3	52.8	57.1
	Nov	7.0	90.7	2.3	52.3	53.9	57.6
	Dec	11.1	84.4	4.4	53.3	55.1	56.5
2014	Jan	6.0	86.0	8.0	49.0	52.9	56.7
	Feb	17.4	73.9	8.7	54.3	53.5	54.0
	Mar	8.3	83.3	8.3	50.0	51.2	52.8
	Apr	18.8	79.2	2.1	58.3	53.0	53.1
	May	10.6	80.9	8.5	51.1	51.1	55.2
	Jun	14.0	80.0	6.0	54.0	53.3	54.6

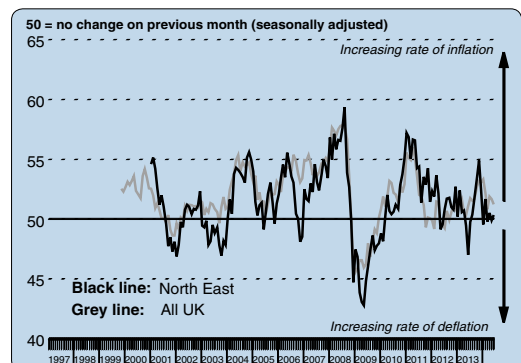


Average input costs faced by the North East private sector firms increased again in June, extending the current sequence of inflation to 23 months. Notably, it was the strongest rate of inflation in the North East private sector since February, with 14% of firms noting a rise in prices in comparison to the previous month. Sector data for the North East indicated that higher cost burdens at service providers drove inflation, as manufacturers signalled reduced input costs.

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?

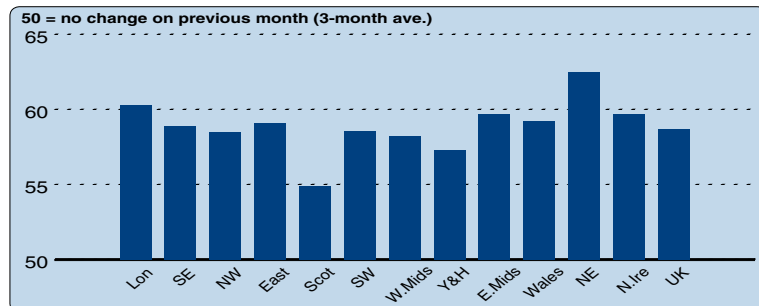
		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	10.9	87.0	2.2	54.3	53.5	52.7
	Nov	9.3	90.7	0.0	54.7	54.9	53.2
	Dec	2.2	95.6	2.2	50.0	52.4	53.1
2014	Jan	2.0	88.2	9.8	46.1	49.6	53.3
	Feb	4.3	93.5	2.2	51.1	51.7	52.2
	Mar	2.0	95.9	2.0	50.0	49.8	50.8
	Apr	10.4	85.4	4.2	53.1	50.5	51.9
	May	6.3	85.4	8.3	49.0	49.9	51.7
	Jun	3.9	94.1	2.0	51.0	50.4	51.2



Firms operating in the North East private sector raised their selling prices in June following broad stagnation in the previous month. The rate of increase, however, was only slight, with the seasonally adjusted Output Prices Index posting only fractionally above the 50.0 no-change mark. Moreover, the pace of growth was slower than that recorded in the UK private sector economy as a whole.

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.

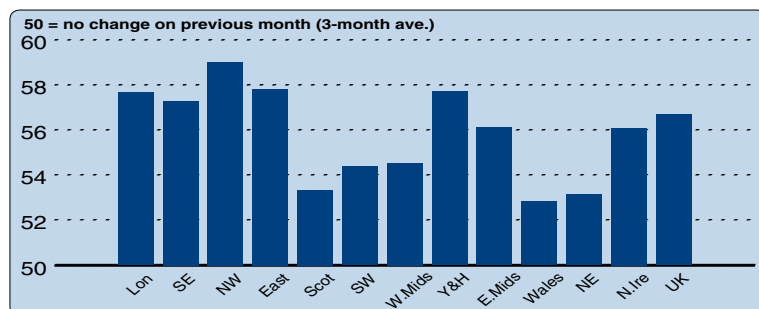


	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.3	58.4
South East	(14.9%)	60.4	58.9	58.0
North West	(9.6%)	59.7	58.5	57.8
East of England	(8.6%)	59.2	59.1	58.9
Scotland	(7.8%)	56.3	54.9	55.9
South West	(7.5%)	60.3	58.6	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 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 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® (*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 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.