



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

The North West 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

New business growth accelerates in June

Key findings:

- Marked rise in incoming new work
- Output expands for eighteenth consecutive month
- Rate of job creation little-changed from May's record high

June data highlighted another strong performance in the North West private sector economy. Production levels and employment were raised in response to a marked and accelerated increase in new business. Inflationary pressures persisted, although rates of input and output price inflation were weaker than their respective long-run averages.

Output and demand

At 57.8 in June, down from 59.0 in May, the headline Lloyds Bank North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registered above the 50.0 threshold for the eighteenth successive month. Moreover, the latest reading was consistent with a robust expansion of activity.

Underpinning the rise in business activity was a marked and faster increase in new orders. New business flows continued to expand at manufacturers and service providers. Evidence from survey participants pointed to better economic conditions and higher demand, with manufacturers also indicating that they had benefited from new export order growth and the launch of new product lines.

Employment and backlogs

Staffing levels rose further in June, marking a 14-month period of job creation. Furthermore, the pace of growth was little-changed from May's survey peak. Panellists indicated that workforce numbers were raised as part of efforts to expand capacity.

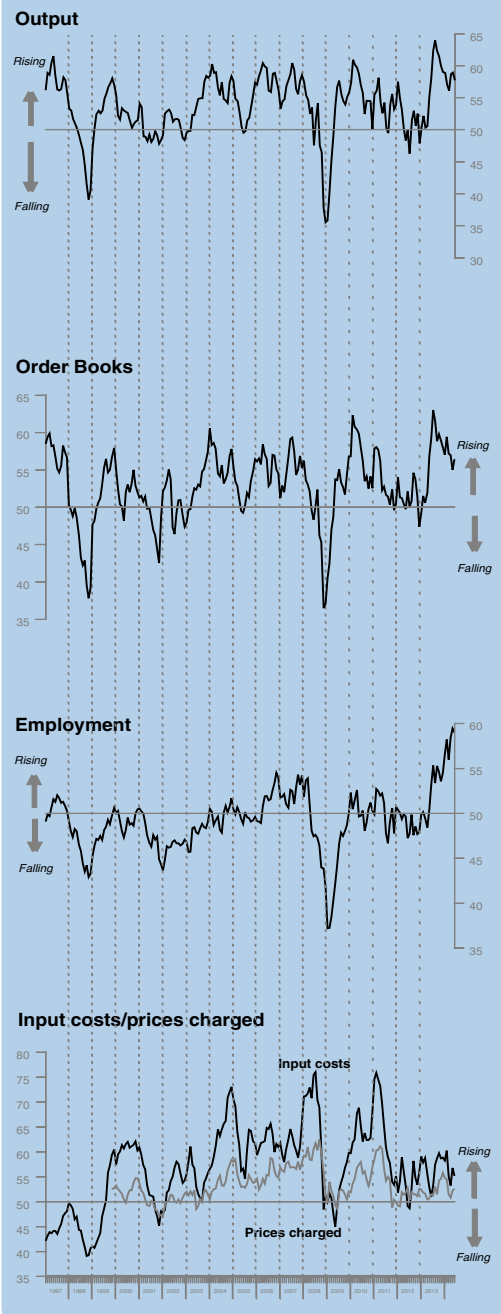
Outstanding business increased in June, as strong new business flows resulted in capacity pressures. The rise in backlogs was, however, slight and weaker than the UK-wide trend.

Input and output prices

Input prices rose for the twenty-third successive month in June. Having eased since May, the rate of inflation was weaker than the long-run series trend.

Private sector companies in the North West indicated that some additional cost burdens were passed through to clients, as selling prices were raised further. Nonetheless, the rate of charge inflation was moderate and weaker than its long-run average.

North West Business Conditions

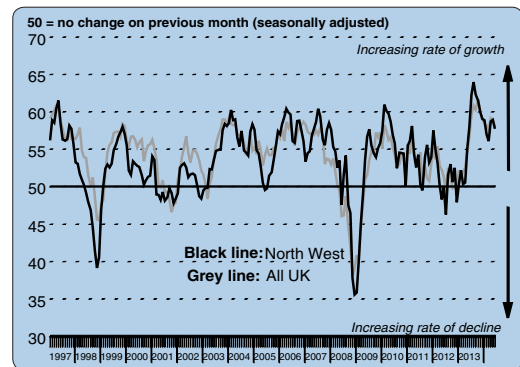




Output / Business Activity

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	30.5	56.8	12.6	58.9	61.5	61.7
	Nov	38.5	42.9	18.7	59.9	60.0	60.1
	Dec	33.0	47.3	19.8	56.6	59.1	59.1
2014	Jan	28.3	52.5	19.2	54.5	58.9	58.5
	Feb	34.0	53.0	13.0	60.5	57.0	58.2
	Mar	28.9	60.8	10.3	59.3	56.1	57.8
	Apr	38.5	43.8	17.7	60.4	58.7	59.2
	May	34.7	50.0	15.3	59.7	59.0	59.0
	Jun	33.0	53.2	13.8	59.6	57.8	58.0

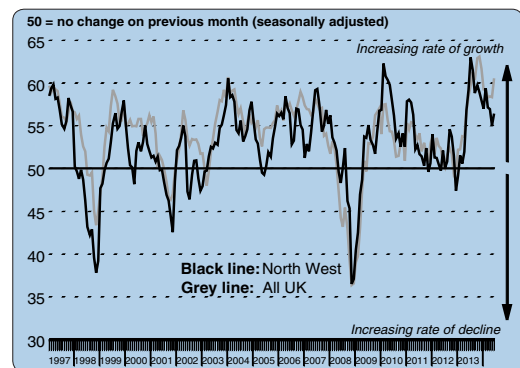


Private sector output in the North West rose for the eighteenth month running in June. Despite moderating to the weakest in three months, the overall pace of expansion was robust and well above the long-run series average. Where growth was noted, this was linked by respondents to new business gains. Services and manufacturing companies both signalled higher business activity, with growth strongest at the latter.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	31.6	48.4	20.0	55.8	59.8	62.9
	Nov	36.3	35.2	28.6	53.8	58.9	63.1
	Dec	31.1	50.0	18.9	56.1	58.0	61.7
2014	Jan	31.6	40.8	27.6	52.0	57.1	59.3
	Feb	42.4	46.5	11.1	65.7	59.4	59.3
	Mar	28.1	56.3	15.6	56.3	57.2	58.3
	Apr	34.4	47.9	17.7	58.3	57.0	58.5
	May	34.0	44.3	21.6	56.2	55.0	58.4
	Jun	34.0	48.9	17.0	58.5	56.4	60.6

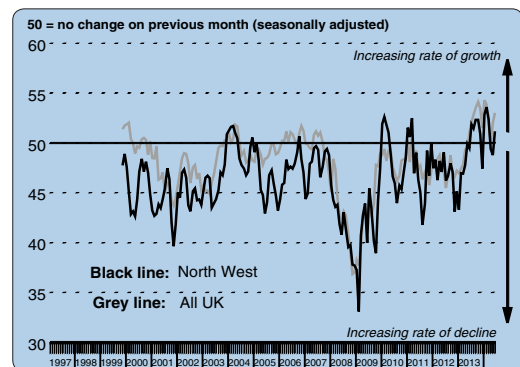


New business growth in the North West private sector remained marked in June. Although stronger than in May, the rate of expansion was below the UK economy average. Anecdotal evidence highlighted an improved economic climate and stronger demand. Manufacturers also commented on the launch of new products and higher new export orders. By sub-category, the quickest increase in new business flows was noted in manufacturing.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	17.4	67.4	15.2	51.1	52.3	54.2
	Nov	16.3	61.6	22.1	47.1	50.9	53.5
	Dec	13.6	64.8	21.6	46.0	47.5	51.5
2014	Jan	17.9	65.3	16.8	50.5	52.9	54.3
	Feb	26.5	59.2	14.3	56.1	53.6	53.9
	Mar	16.0	72.3	11.7	52.1	52.4	52.2
	Apr	9.8	72.8	17.4	46.2	49.4	49.9
	May	13.8	64.9	21.3	46.3	48.8	52.0
	Jun	18.7	69.2	12.1	53.3	51.2	53.0



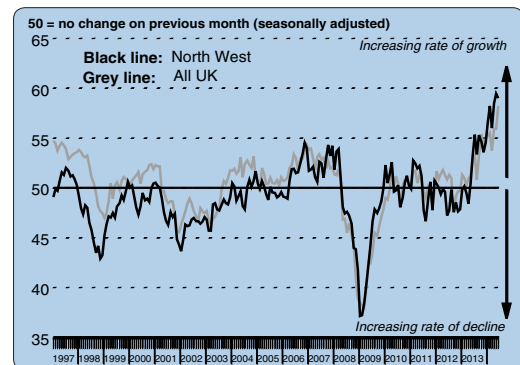
Following two consecutive monthly declines, outstanding business held by private sector companies in the North West rose in June. That said, the pace of accumulation was only slight and weaker than the UK-wide trend. Those survey participants reporting higher backlogs of work commented on strong new business inflows and capacity constraints.



Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	17.0	75.5	7.4	54.8	54.6	55.4
	Nov	16.5	75.8	7.7	54.4	53.6	54.3
	Dec	14.4	76.7	8.9	52.8	54.5	54.9
2014	Jan	17.3	76.5	6.1	55.6	56.6	55.2
	Feb	22.2	71.7	6.1	58.1	58.3	55.5
	Mar	23.2	72.6	4.2	59.5	56.0	53.8
	Apr	22.9	71.9	5.2	58.9	58.5	55.9
	May	20.6	77.3	2.1	59.3	59.5	55.9
	Jun	20.2	76.6	3.2	58.5	59.0	58.2

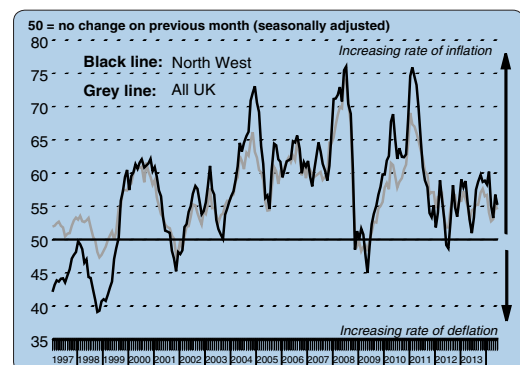


Private sector companies in the North West indicated that staffing levels continued to rise in June, stretching the current period of job creation to 14 months. Furthermore, the rate of growth was little-changed from the record-high seen in May and remained above the UK average. According to surveyed firms, workforce numbers were raised as part of efforts to expand operating capacity.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	21.9	69.8	8.3	56.8	59.7	57.1
	Nov	16.5	72.5	11.0	52.7	58.7	57.6
	Dec	15.4	80.2	4.4	55.5	58.9	56.5
2014	Jan	22.4	72.4	5.1	58.7	58.3	56.7
	Feb	24.2	70.7	5.1	59.6	60.3	54.0
	Mar	12.6	76.8	10.5	51.1	55.1	52.8
	Apr	15.6	78.1	6.3	54.7	53.3	53.1
	May	23.7	72.2	4.1	59.8	56.8	55.2
	Jun	20.2	73.4	6.4	56.9	55.2	54.6

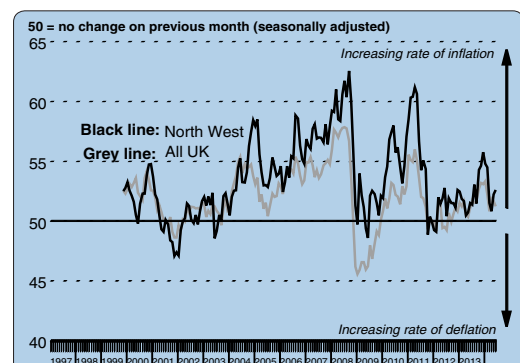


Input cost inflation in the North West private sector economy eased since May and was below the long-run survey average. Nonetheless, the latest rise in input prices across the region was more pronounced than the UK average. Panellists attributed increased average input costs to higher prices paid for raw materials. Cost inflation was noted in both the manufacturing and service sectors.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	10.5	87.4	2.1	54.2	54.3	52.7
	Nov	13.3	80.0	6.7	53.3	54.6	53.2
	Dec	9.9	89.0	1.1	54.4	55.8	53.1
2014	Jan	14.1	79.8	6.1	54.0	54.8	53.3
	Feb	16.0	79.0	5.0	55.5	54.5	52.2
	Mar	10.3	85.6	4.1	53.1	51.5	50.8
	Apr	9.3	84.5	6.2	51.5	50.8	51.9
	May	10.2	85.7	4.1	53.1	52.2	51.7
	Jun	13.7	80.0	6.3	53.7	52.6	51.2

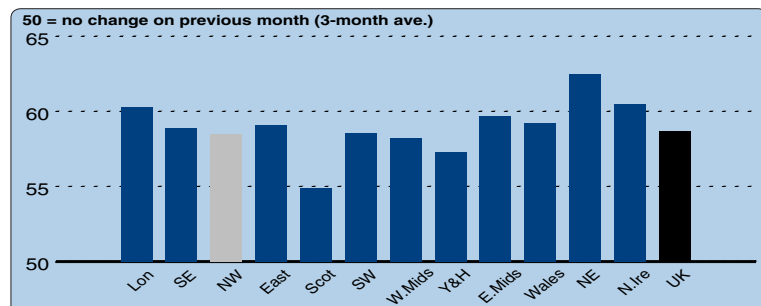


Amid evidence of higher prices paid for inputs, average tariffs set by North West companies were raised further in June. Although moderate, the rate of charge inflation was the strongest in four months and outpaced the UK overall. The latest rise in selling prices across the region was broad-based by sector, with manufacturers and service providers signalling increases.



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.

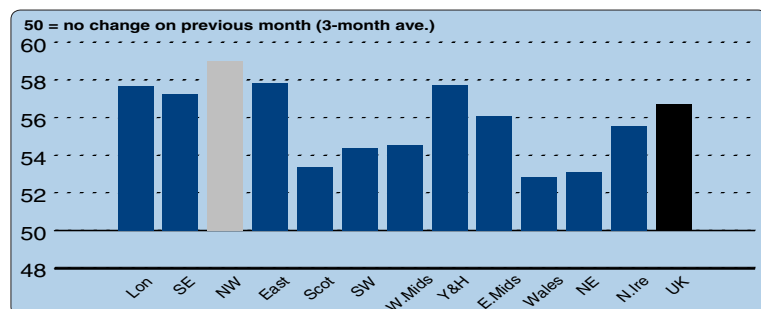


	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.3	58.4
South East	(14.9%)	60.4	58.9	58.0
North West	(9.6%)	59.7	58.5	57.8
East of England	(8.6%)	59.2	59.1	58.9
Scotland	(7.8%)	56.3	54.9	55.9
South West	(7.5%)	60.3	58.6	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 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%)	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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specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

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 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.