



# Lloyds Bank South 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 South 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 South East and operating in both manufacturing and service sectors.

The South 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.

For further information, please contact: [economics@markit.com](mailto:economics@markit.com)

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14th July 2014

## Series-record growth in employment

### Key findings:

- Payroll numbers rise for fifteenth month running
- New business increases at marked and accelerated pace
- Output growth remains strong

Business activity in the South East continued to improve in June, with the pace of growth in line with the UK average. New business rose at a marked pace, and one that was faster than in the previous month. Notably, employment rose at the fastest rate in the series history, with job creation above the UK average for the third month running. Cost pressures edged lower and remained below the survey's long-run average.

### Output and demand

June saw a continued rise in business activity, as highlighted by the **Lloyds Bank South East Business Activity Index** - a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors - registering at 58.0 in June. Although business activity growth eased from May (60.8), the pace of expansion was the same as the UK average and above the long-run trend of 55.0. Both manufacturers and service providers posted sharp increases in output in the latest period.

Growth of new business supported the latest rise in total activity. The rate of expansion in new work accelerated for the second month running and was the strongest recorded since December 2013.

### Employment and backlogs

Backlogs of work in the South East rose for the twelfth month running in June, the longest sequence of growth in the series to date. The rate of increase eased slightly from May's strong pace, however.

The volume of incomplete work rose despite further strong workforce growth in June. The rate of job creation in the South East accelerated further and was the fastest recorded in the series history. Employment rose sharply in both the service and manufacturing sectors.

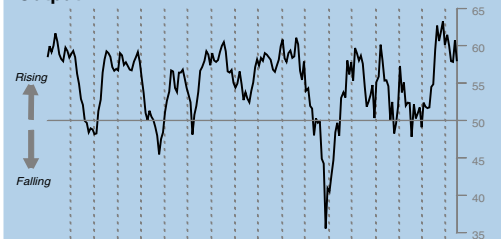
### Input and output prices

Input prices rose in June, which some panellists attributed to higher raw material prices. However the rate of inflation was below the UK average for the second month running. According to the sector data, services firms saw a sharp rise in input prices, while manufacturers saw only a slight increase.

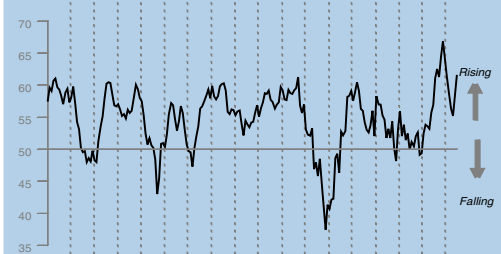
Selling prices rose for the fourteenth month in succession in June. That said, the rate of output inflation was only modest.

## South East Business Conditions

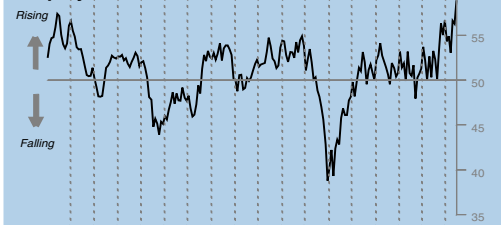
### Output



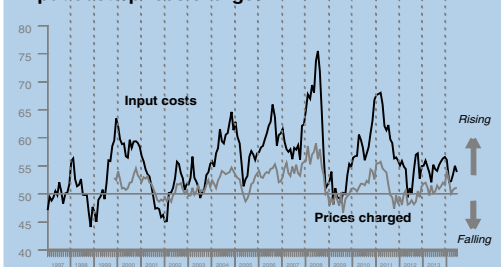
### Order Books



### Employment



### Input costs/prices charged

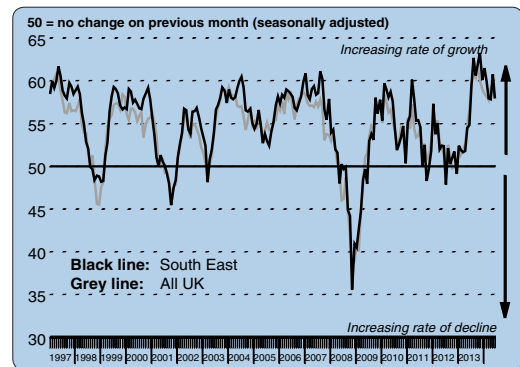




## Output / Business Activity

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	35.0	49.7	15.3	59.8	61.9	61.7
	Nov	39.1	49.7	11.2	63.9	63.3	60.1
	Dec	26.4	51.1	22.4	52.0	60.1	59.1
2014	Jan	36.5	46.4	17.2	59.6	61.5	58.5
	Feb	34.3	51.4	14.4	59.9	60.0	58.2
	Mar	30.4	55.0	14.6	57.9	58.0	57.8
	Apr	33.9	52.0	14.1	59.9	57.8	59.2
	May	35.7	54.2	10.1	62.8	60.8	59.0
	Jun	30.9	57.1	12.0	59.4	58.0	58.0

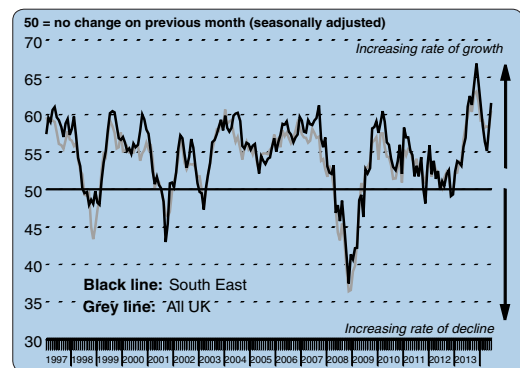


Private sector output in the South East continued to rise at a marked pace in June. The seasonally adjusted Business Activity Index signalled a weaker rate of growth than in May, but was still well above the long-run trend of 55.0. Growth in the South East was in line with the UK average. Anecdotal evidence linked higher activity to increased market confidence, new projects and new customers. Output rose sharply 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	40.1	41.2	18.7	60.7	64.4	62.9
	Nov	40.2	50.9	8.9	65.7	66.9	63.1
	Dec	28.5	55.8	15.7	56.4	64.2	61.7
2014	Jan	35.4	48.1	16.4	59.5	61.4	59.3
	Feb	35.4	48.3	16.3	59.6	58.5	59.3
	Mar	32.9	49.4	17.6	57.6	56.4	58.3
	Apr	34.7	50.6	14.8	59.9	55.2	58.5
	May	33.7	56.6	9.6	62.0	58.4	58.4
	Jun	36.0	52.0	12.0	62.0	61.6	60.6

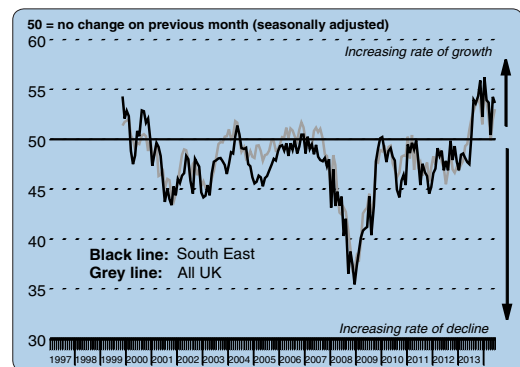


Incoming new business in the South East's private sector economy rose for the eighteenth successive month in June. Moreover, the rate of expansion was the fastest since December 2013, with more than one-third of survey participants noting a rise in new orders in comparison to May. Firms mentioned increased sales and an improvement in market conditions. The South East registered stronger new business growth than all other UK regions except London and the West Midlands in the latest period, with both manufacturing and service sectors posting marked rates of expansion.

## Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	23.4	57.5	19.2	52.1	54.4	54.2
	Nov	22.9	63.1	14.0	54.5	55.9	53.5
	Dec	17.9	65.4	16.7	50.6	52.3	51.5
2014	Jan	23.1	62.7	14.2	54.4	56.2	54.3
	Feb	25.8	55.8	18.4	53.7	54.0	53.9
	Mar	23.6	60.5	15.9	53.8	53.7	52.2
	Apr	20.2	61.3	18.4	50.9	50.4	49.9
	May	22.9	63.4	13.7	54.6	54.3	52.0
	Jun	19.4	64.4	16.3	51.6	53.6	53.0



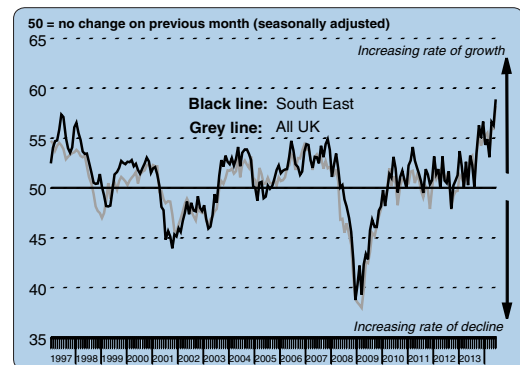
In accordance with ongoing strong growth in new business, the volume of outstanding work in the South East rose in June. The current sequence of backlog growth now extends to 12 months, the longest recorded in the series to date. The rate of expansion eased from the previous month, however, with only the service sector registering a rise in unfinished work while manufacturers posted a fall for the first time in eleven months.



## Employment

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	16.4	76.0	7.7	54.4	56.3	55.4
	Nov	18.3	74.6	7.1	55.6	55.0	54.3
	Dec	18.5	75.1	6.4	56.1	56.7	54.9
2014	Jan	12.0	81.3	6.8	52.6	54.3	55.2
	Feb	19.3	72.4	8.3	55.5	54.9	55.5
	Mar	19.1	72.8	8.1	55.5	53.1	53.8
	Apr	19.7	75.3	5.1	57.3	56.6	55.9
	May	20.4	74.3	5.4	57.5	56.3	55.9
	Jun	22.3	72.0	5.7	58.3	58.9	58.2

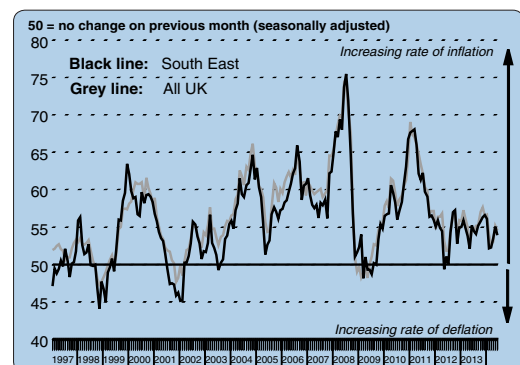


South East private sector companies reported growth in payroll numbers for the fifteenth successive month in June. Surveyed companies attributed job creation to higher overall demand and attempts to expand capacity to cope with expected growth in the future. Moreover, employment growth ticked up from the previous month and was the fastest recorded in the series history.

## Input Prices / Costs

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	12.6	83.6	3.8	54.4	55.8	57.1
	Nov	13.7	82.7	3.6	55.1	56.3	57.6
	Dec	11.0	86.0	2.9	54.1	56.6	56.5
2014	Jan	17.7	79.2	3.1	57.3	56.1	56.7
	Feb	13.8	80.7	5.5	54.1	52.2	54.0
	Mar	16.2	78.0	5.8	55.2	52.3	52.8
	Apr	12.4	83.6	4.0	54.2	53.5	53.1
	May	15.6	80.2	4.2	55.7	55.1	55.2
	Jun	14.4	81.0	4.6	54.9	53.9	54.6

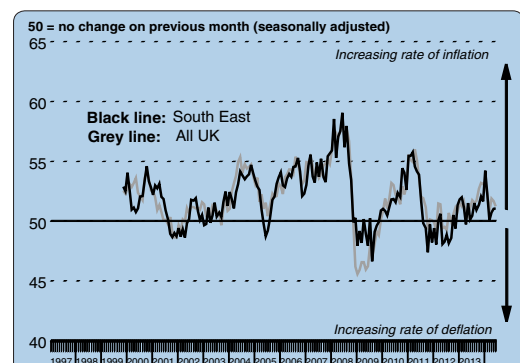


Input prices continued to rise in June, which some panellists attributed to higher raw material prices. That said, the rate of inflation was below the UK average for the second month running. Input price inflation was mainly driven by the service sector, which saw a sharp rise in costs, while the manufacturing sector saw only a slight increase in purchase prices.

## 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2013	Oct	5.0	90.6	4.4	50.3	51.4	52.7
	Nov	4.1	91.1	4.7	49.7	52.1	53.2
	Dec	3.5	93.1	3.5	50.0	51.6	53.1
2014	Jan	11.0	87.4	1.6	54.7	54.2	53.3
	Feb	10.5	87.3	2.2	54.1	52.3	52.2
	Mar	6.9	89.0	4.0	51.4	50.1	50.8
	Apr	8.5	88.1	3.4	52.5	50.7	51.9
	May	9.5	85.1	5.4	52.1	51.1	51.7
	Jun	9.1	85.8	5.1	52.0	51.1	51.2

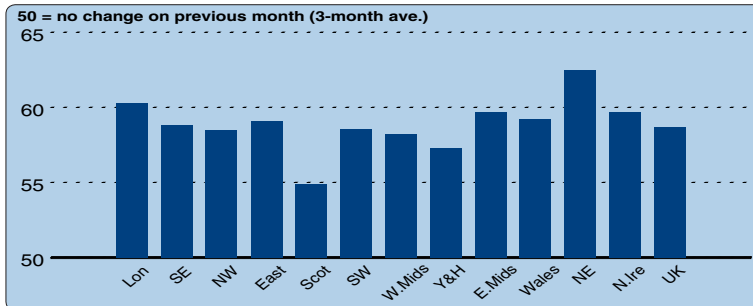


Private sector companies in the South East raised their charges for goods and services for the fourteenth month in succession in June. The rate of output price inflation was only modest, however, and unchanged from that recorded in the previous survey period. Sector data signalled higher output prices in both manufacturing and services.



## 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.

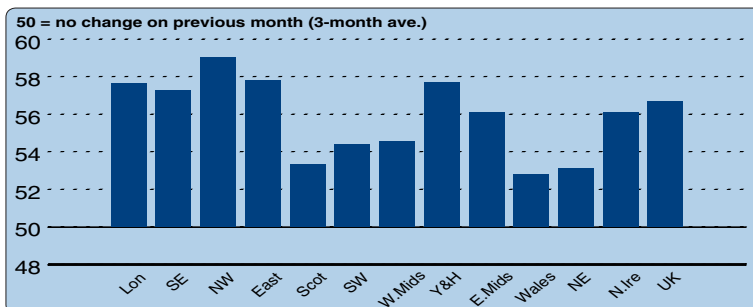


	Share of UK GVA, 2012 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(22.8%)	60.9	60.3	58.4
South East	(14.9%)	60.4	58.9	58.0
North West	(9.6%)	59.7	58.5	57.8
East of England	(8.6%)	59.2	59.1	58.9
Scotland	(7.8%)	56.3	54.9	55.9
South West	(7.5%)	60.3	58.6	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
<b>UK</b>	<b>(100.0%)</b>	<b>59.4</b>	<b>58.7</b>	<b>58.0</b>

\*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
<b>UK</b>	<b>(100.0%)</b>	<b>54.7</b>	<b>56.7</b>	<b>58.2</b>

\*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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