



Lloyds TSB East of England PMI®

Lloyds TSB Commercial

Part of Lloyds Banking Group, Lloyds TSB Commercial provides banking services and tailored lending for small and medium-sized enterprises with an annual turnover of up to £15 million.

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We recognise the importance of working closely with our customers so we can fully understand their needs and we are actively looking to meet their funding requirements.

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The Lloyds TSB East of England PMI® (Purchasing Managers' Index®) is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in December 2012 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England survey forms part of a series of ten regional surveys published by Lloyds TSB Commercial and is derived from the highly regarded national PMI surveys produced by Markit.

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14th January 2013

Business activity returns to expansion during December

Key findings:

- Business activity and new orders increase
- Workforce numbers rise for the first time in four months
- Rate of input price inflation accelerates

After a month of contraction, both business activity and the level of new incoming business placed at East of England private sector companies increased during December. Employment levels saw the first rise in four months, while work-in-hand continued to decline. The rate of input cost inflation accelerated and recorded its highest level in nine months. Meanwhile, output prices rose for the second successive survey period.

Output and demand

After a decline in November, business activity at East of England private sector companies increased during December. This was the fourth rise in five months and in contrast to a stagnation in activity at the UK-wide level. Sector data suggested that the latest rise was mainly driven by companies in the services sector.

New business placed at private sector companies in the East of England rose during December. According to anecdotal evidence, this was partly driven by new contracts and greater numbers of new clients.

Employment and backlogs

While staffing levels decreased slightly in the UK as a whole, employment levels in the East of England private sector increased for the first time in four months. The rate of job creation was, however, only marginal. Higher demand was given as one of the reasons behind the latest rise.

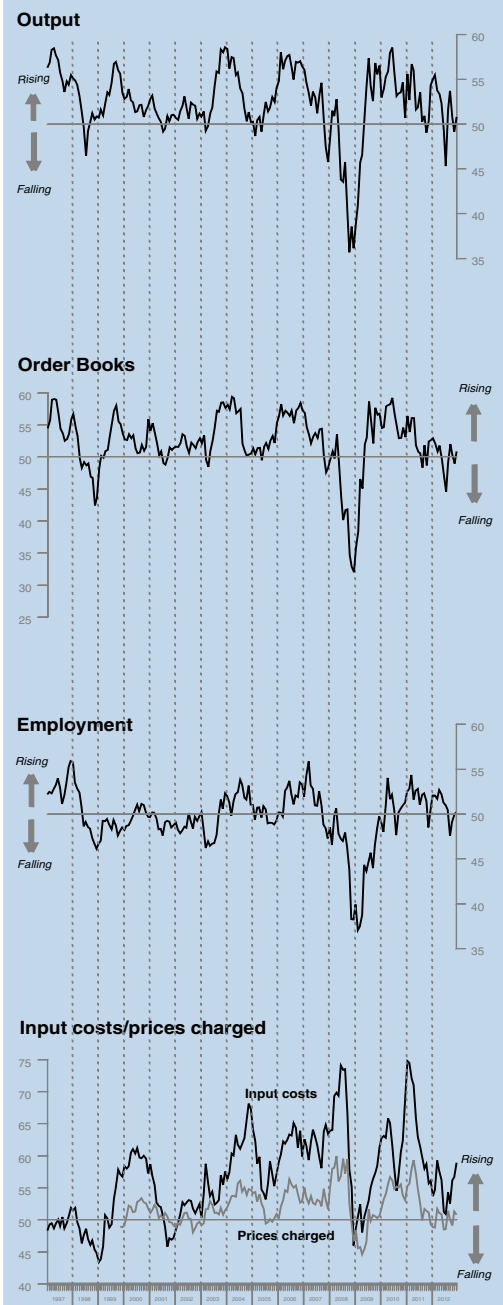
Outstanding business continued to deteriorate during December, but at the slowest pace in nine months. Sector data suggested that the overall decline was driven by lower backlogs of manufacturing firms

Input and output prices

December data signalled a further increase in input costs at private sector companies. The rate of input price inflation accelerated to the highest level in nine months and was higher than that observed at UK level.

Average tariffs set by East of England private sector firms rose during December. The latest reading marked the second consecutive increase and stayed in line with the UK average. Increased input costs were commented on by panellists that reported a rise in output prices. Higher tariffs were reported in both the manufacturing and service sectors during December.

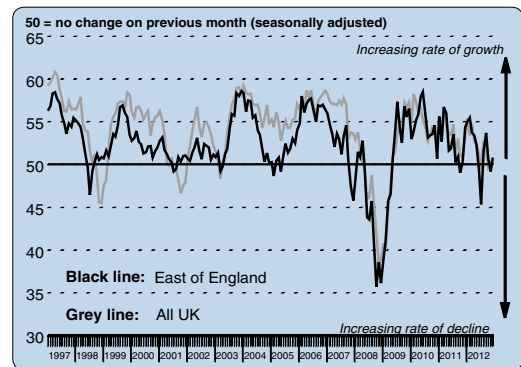
East of England Business Conditions



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 of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	30.4	50.9	18.8	55.8	53.4	52.7
	May	23.4	53.3	23.4	50.0	52.3	52.3
	Jun	22.8	50.9	26.3	48.2	49.3	51.3
	Jul	12.8	56.0	31.2	40.8	45.4	49.5
	Aug	16.2	59.5	24.3	45.9	51.6	52.7
	Sep	25.9	50.9	23.1	51.4	53.7	51.7
	Oct	23.6	48.2	28.2	47.7	50.7	49.7
	Nov	22.5	50.5	27.0	47.7	49.2	50.2
	Dec	27.7	43.8	28.6	49.6	50.8	50.0

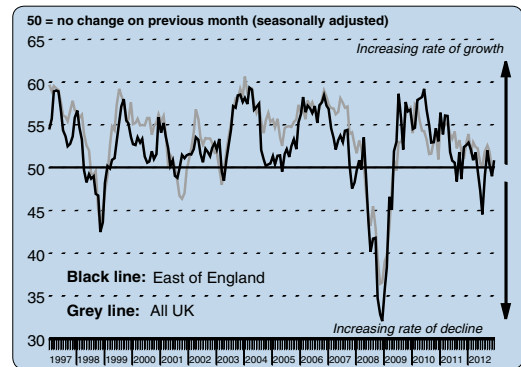


Business activity increased at private sector companies in the East of England during December. This was highlighted by the seasonally adjusted Business Activity Index posting a reading above the no-change mark of 50.0. While activity stayed unchanged in the UK as a whole, East of England private companies saw the fourth increase in five months. According to anecdotal evidence, this was partly driven by more new orders.

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 of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	29.5	48.2	22.3	53.6	51.8	52.4
	May	27.4	47.2	25.5	50.9	49.7	52.3
	Jun	20.5	51.8	27.7	46.4	47.3	50.5
	Jul	13.9	44.4	41.7	36.1	44.6	50.2
	Aug	21.1	57.8	21.1	50.0	49.1	51.9
	Sep	30.8	49.5	19.6	55.6	52.0	52.6
	Oct	23.9	45.0	31.2	46.3	50.3	51.9
	Nov	24.8	47.7	27.5	48.6	49.0	49.7
	Dec	28.8	48.6	22.5	53.2	50.9	49.9

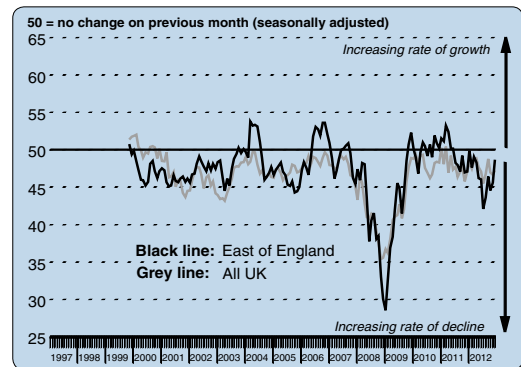


December data signalled a rise in incoming new business at East of England private sector companies. Almost 29% of respondents indicated growth of new work and less than 23% indicated a decline. New contracts and new clients were cited as the main reasons behind the latest increase. The level of incoming new business at the UK level remained meanwhile broadly unchanged.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	22.6	59.4	17.9	52.4	48.3	48.8
	May	15.4	59.6	25.0	45.2	46.2	47.7
	Jun	15.6	59.6	24.8	45.4	46.1	47.1
	Jul	5.9	61.8	32.4	36.8	42.1	45.5
	Aug	11.7	66.0	22.3	44.7	43.6	46.8
	Sep	15.5	60.2	24.3	45.6	46.4	48.8
	Oct	14.4	57.7	27.9	43.3	44.6	47.0
	Nov	13.6	58.3	28.2	42.7	45.6	46.7
	Dec	17.9	56.6	25.5	46.2	48.7	47.3

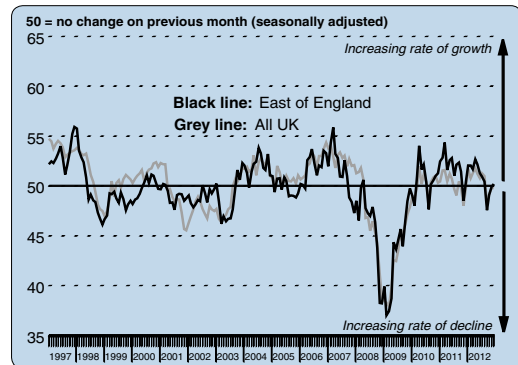


Backlogs of work continued to decline at East of England private sector firms during December. The rate at which outstanding business decreased was, however, the lowest in nine months and slower than that observed at the UK level. More than one-in-four respondents reported a decrease in work-in-hand. The overall reduction was mainly driven by the manufacturing sector.

Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	20.7	69.4	9.9	55.4	52.7	51.8
	May	14.4	75.0	10.6	51.9	52.2	51.3
	Jun	13.3	77.9	8.8	52.2	51.3	50.8
	Jul	10.2	78.7	11.1	49.5	51.0	51.3
	Aug	8.2	82.7	9.1	49.5	50.5	51.0
	Sep	7.5	81.3	11.2	48.1	47.6	48.2
	Oct	11.0	77.1	11.9	49.5	49.1	49.2
	Nov	14.5	73.6	11.8	51.4	49.9	49.9
	Dec	12.5	78.6	8.9	51.8	50.2	49.8

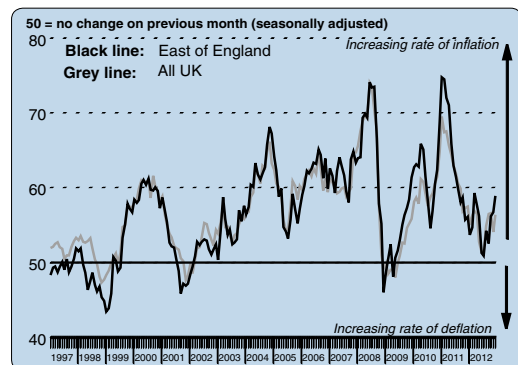


Payroll numbers increased marginally in the East of England private sector during December, as the seasonally adjusted Employment Index recorded a level above the 50.0 mark that separates growth from contraction. Job cuts in the manufacturing sector were offset by an expansion of workforce numbers in the services sector. Where the hiring of additional staff was reported, some companies linked this to higher demand.

Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	28.8	69.4	1.8	63.5	57.7	56.6
	May	20.6	74.8	4.7	57.9	56.3	52.8
	Jun	7.9	79.8	12.3	47.8	51.3	51.4
	Jul	6.4	86.2	7.3	49.5	50.9	51.5
	Aug	11.8	82.7	5.5	53.2	54.3	54.9
	Sep	11.1	80.6	8.3	51.4	52.6	56.5
	Oct	16.4	79.1	4.5	55.9	56.2	56.6
	Nov	14.5	77.3	8.2	53.2	56.7	54.1
	Dec	14.2	83.2	2.7	55.8	58.9	56.4

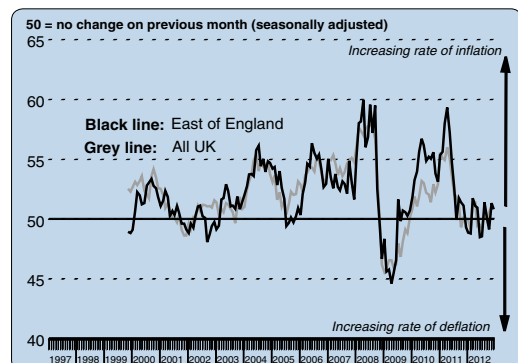


Input prices at private sector firms in the East of England continued to rise during December. The rate of input cost inflation accelerated to the highest level in nine months. More than 14% of respondents indicated increased input prices, while less than 3% reported a fall. Higher energy prices and general inflationary pressures were given as some of the reasons behind the latest development.

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?

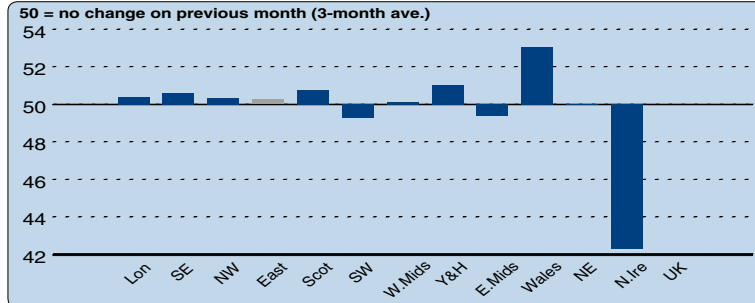
		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	10.9	84.5	4.5	53.2	51.1	51.4
	May	8.5	86.8	4.7	51.9	51.0	49.4
	Jun	5.3	86.8	7.9	48.7	48.5	49.5
	Jul	6.5	84.3	9.3	48.6	48.6	49.3
	Aug	6.4	88.2	5.5	50.5	51.4	50.7
	Sep	4.7	92.5	2.8	50.9	50.1	50.0
	Oct	5.5	85.3	9.2	48.2	49.2	50.6
	Nov	7.3	90.0	2.7	52.3	51.3	51.1
	Dec	6.3	87.4	6.3	50.0	50.8	50.8



After adjusting for seasonality, average tariffs set by East of England private sector firms rose during December. The latest reading marked the fourth increase in five months and the rate of output price inflation at the regional level stayed in line with that observed in the UK as a whole. Panellists noted that increased input costs was one of the main drivers behind the latest rise in output prices.

Regional Comparisons: Output

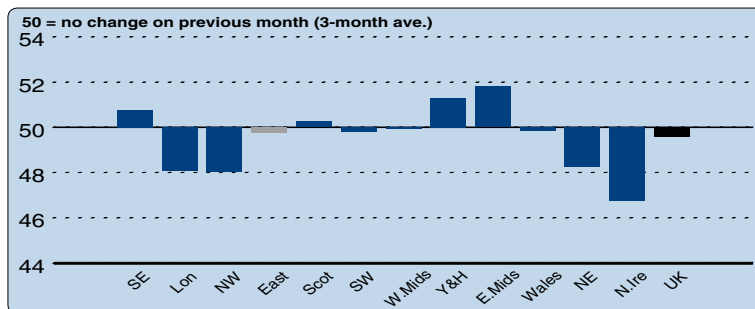
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting a solid expansion. In contrast, Northern Ireland registered a further steep contraction.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.4	50.4	50.3
South East	(14.7%)	52.1	50.6	49.1
North West	(9.5%)	51.4	50.4	47.9
East of England	(8.7%)	51.7	50.3	50.8
Scotland	(8.3%)	51.4	50.7	51.2
South West	(7.7%)	50.4	49.3	50.4
West Midlands	(7.3%)	53.9	50.1	51.8
Yorks & Humber	(7.0%)	52.5	51.0	52.5
East Midlands	(6.4%)	52.5	49.4	48.6
Wales	(3.6%)	51.3	53.1	52.0
North East	(3.2%)	49.0	50.0	49.9
N.Ireland	(2.2%)	43.6	42.3	44.8
UK	(100.0%)	52.0	50.0	50.0

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). Eight of the twelve UK regions posted lower staffing levels on average during Q4 2012, but the rates of decline were generally only modest. Of the regions to register higher employment in the three months to December, the fastest rise was in the East Midlands.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.1	50.8	51.3
London	(12.3%)	49.2	48.1	48.5
North West	(10.9%)	48.8	48.1	47.9
East of England	(9.6%)	50.9	49.8	50.2
Scotland	(8.7%)	51.0	50.3	50.6
South West	(8.6%)	50.2	49.8	49.7
West Midlands	(8.6%)	52.2	49.9	49.3
Yorks & Humber	(8.2%)	51.3	51.3	51.8
East Midlands	(7.3%)	53.3	51.8	52.2
Wales	(4.6%)	49.6	49.8	50.9
North East	(3.9%)	49.2	48.3	48.4
N.Ireland	(2.7%)	47.0	46.8	48.2
UK	(100.0%)	50.6	49.6	49.8

PMI Survey Methodology

PMI surveys

Purchasing Managers' Indexes (or PMIs) 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 TSB Commercial 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.