



Lloyds TSB East Midlands PMI®

Lloyds TSB Commercial

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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 Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East Midlands 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

Output contracts as new orders decline

Key findings:

- New business declines at the fastest rate in over three-and-a-half years
- Staffing levels continue to increase
- Average tariffs rise at the quickest rate in a year

The Lloyds TSB East Midlands PMI® report pointed to a deterioration of business conditions in the East Midlands private sector during December, with both output and new orders falling. Employment levels continued to rise, and at a slightly quicker pace than in November. Input costs rose modestly, with the rate of inflation quickening slightly from November. Output charges also rose and at a marked pace, the quickest in a year.

Output and demand

The headline seasonally adjusted Lloyds TSB East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 48.6 in December, following a reading of 49.9 in the previous month. This signalled a reduction of business activity across the region. Meanwhile, output was unchanged at the UK level. A number of panellists suggested the fall was due to fewer new orders.

New business fell for the second successive month in December, and at a marked pace that was the sharpest since April 2009. At the UK level, new business was relatively unchanged. The overall reduction in new orders was largely driven by weakness in the manufacturing sector.

Employment and backlogs

Backlogs of work fell for the second month in a row in December, though the rate of depletion was only marginal. Manufacturers registered a fall in work-in-hand while service providers recorded an increase.

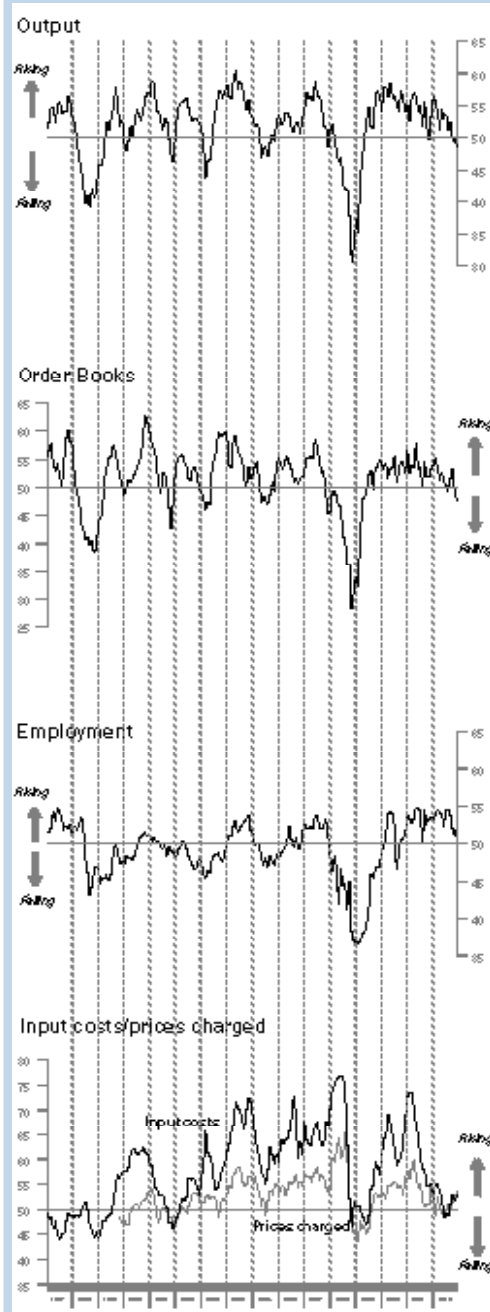
Employment levels at private sector firms increased for the twenty-seventh successive month in December. Although the rate of job creation increased slightly from November, it was still one of the weakest increases posted in 2012. Meanwhile, the UK economy recorded a reduction of workforce numbers in December.

Input and output prices

Input costs increased for the fourth consecutive month in December, with the rate of inflation quickening slightly from the previous month. That said, the rise remained modest overall, and below the UK economy average.

Average tariffs set by East Midlands private sector firms also increased in December, and for the fifth successive month. The rate of inflation was marked and faster than the UK average as a whole. A number of East Midlands companies attributed the rise to the passing-on of higher input costs to clients.

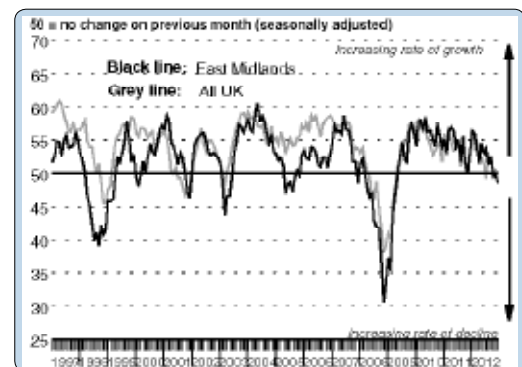
East Midlands Business Conditions



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 Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Apr	24.7	56.2	19.1	52.8	51.4
	May	30.6	55.3	14.1	58.2	54.4
	Jun	30.2	52.3	17.4	56.4	53.0
	Jul	27.1	52.9	20.0	53.5	53.6
	Aug	16.9	50.6	32.6	42.1	51.2
	Sep	30.2	50.0	19.8	55.2	52.4
	Oct	21.8	54.0	24.1	48.9	49.7
	Nov	24.4	50.0	25.6	49.4	49.9
	Dec	29.1	38.4	32.6	48.3	48.6

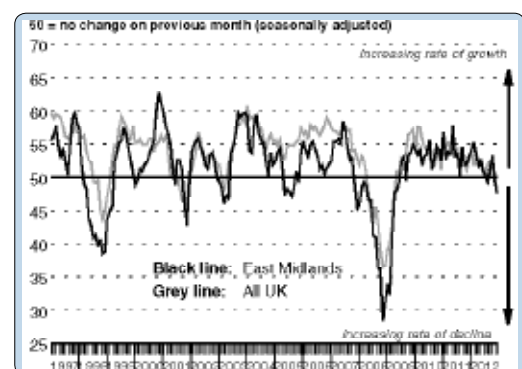


Business activity at East Midlands private sector companies declined during December, after being relatively unchanged in November. The rate of reduction was modest, with nearly a third of panellists reporting a lower level of business activity. At the UK level, activity has unchanged in December, after a fractional increase in November. Anecdotal evidence suggested that the reduction was linked to fewer new orders. Sector data indicated that the reduction was mainly driven by the manufacturing sector, as at the regional level business activity at service sector firms increased.

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 Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Apr	30.3	47.2	22.5	53.9	51.4
	May	35.3	41.2	23.5	55.9	52.7
	Jun	24.4	50.0	25.6	49.4	50.9
	Jul	25.9	45.9	28.2	48.8	50.4
	Aug	18.0	44.9	37.1	40.4	49.4
	Sep	32.6	41.9	25.6	53.5	51.5
	Oct	32.2	46.0	21.8	55.2	53.3
	Nov	25.6	43.3	31.1	47.2	49.4
	Dec	23.3	41.9	34.9	44.2	47.7

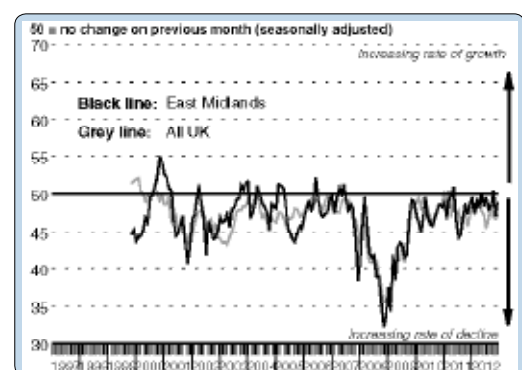


New orders placed at private sector firms fell for the second successive month in December. The rate of reduction quickened from November to a marked pace that was the sharpest since April 2009. Meanwhile, new business was broadly unchanged at the UK level. A number of firms that reported fewer new orders generally attributed this to weak client demand. The overall decline in the region largely reflected the weak performance of the manufacturing sector.

Business Outstanding

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Apr	17.1	64.6	18.3	49.4	48.0
	May	25.9	58.0	16.0	54.9	50.1
	Jun	16.0	63.0	21.0	47.5	48.3
	Jul	17.7	65.8	16.5	50.6	49.4
	Aug	10.7	63.1	26.2	42.3	48.0
	Sep	13.6	63.0	23.5	45.1	48.4
	Oct	22.9	57.8	19.3	51.8	50.4
	Nov	14.0	64.0	22.1	45.9	47.1
	Dec	21.3	55.0	23.8	48.8	48.8

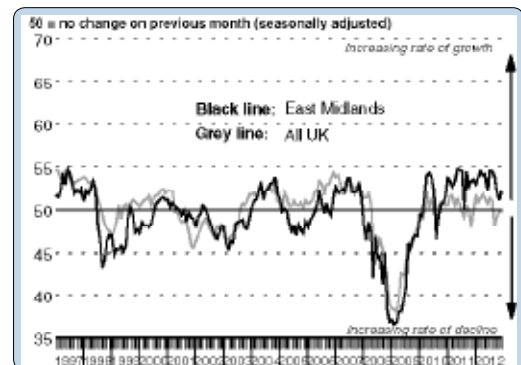


The level of outstanding business declined for the second month in a row in December. The rate of backlog depletion eased slightly from the marked pace recorded in November, and was slight. The UK average also signalled a reduction of backlogged work in December, and at a slightly faster pace than in the East Midlands. Manufacturers in the region registered a decline in work-in-hand, but service providers reported an increase.

Employment

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

East Midlands Companies						All UK
	Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012 Apr	14.6	79.8	5.6	54.5	54.0	51.8
May	17.6	77.6	4.7	56.5	54.1	51.3
Jun	12.8	83.7	3.5	54.7	52.3	50.8
Jul	16.5	77.6	5.9	55.3	54.6	51.3
Aug	18.0	71.9	10.1	53.9	54.5	51.0
Sep	19.8	74.4	5.8	57.0	53.8	48.2
Oct	13.8	73.6	12.6	50.6	52.1	49.2
Nov	14.4	71.1	14.4	50.0	51.1	49.9
Dec	14.0	79.1	7.0	53.5	52.2	49.8

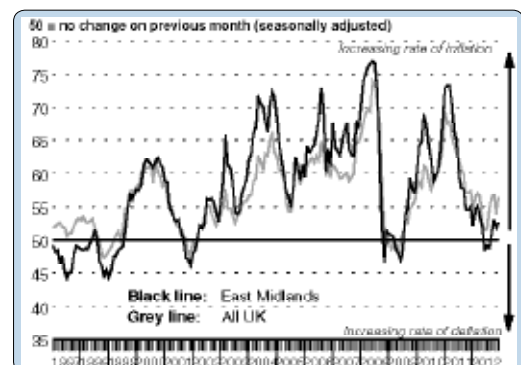


Employment levels continued to increase at private sector companies, extending the current period of growth to 27 months. The rate of job creation quickened from November to the fastest since September. In contrast, staffing levels in the UK as a whole fell, albeit only marginally. Service providers in the East Midlands signalled a strong increase in workforce numbers, while manufacturers recorded a decline. A number of East Midlands companies linked employment growth to expectations of increased output.

Input Prices / Costs

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

East Midlands Companies						All UK
	Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012 Apr	22.5	71.9	5.6	58.4	53.5	56.6
May	14.1	81.2	4.7	54.7	52.1	52.8
Jun	10.5	76.7	12.8	48.8	48.4	51.4
Jul	11.8	74.1	14.1	48.8	49.2	51.5
Aug	12.4	73.0	14.6	48.9	48.8	54.9
Sep	12.8	73.3	14.0	49.4	51.1	56.5
Oct	16.1	72.4	11.5	52.3	53.0	56.6
Nov	10.0	77.8	12.2	48.9	51.8	54.1
Dec	9.3	83.7	7.0	51.2	52.7	56.4



Average input costs in the East Midlands rose for the fourth successive month in December. Although the pace of inflation increased from November, it remained modest overall. Furthermore, it was also below the UK average which registered a sharp rate of inflation. Both manufacturing and service sector firms signalled higher input costs in the latest survey period, with services companies indicating by far the sharper pace of inflation.

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?

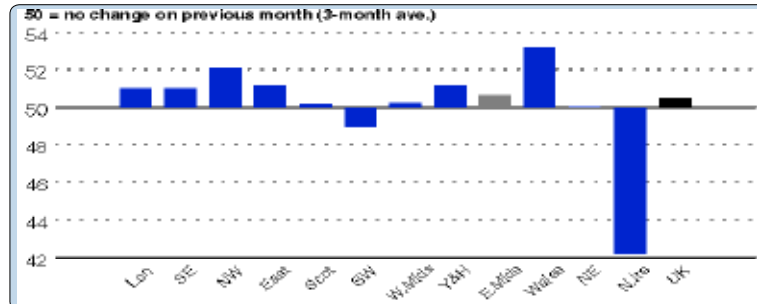
East Midlands Companies						All UK
	Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012 Apr	14.6	79.8	5.6	54.5	50.9	51.4
May	3.5	88.2	8.2	47.6	49.0	49.4
Jun	5.8	90.7	3.5	51.2	49.7	49.5
Jul	7.1	89.4	3.5	51.8	49.6	49.3
Aug	6.7	85.4	7.9	49.4	50.9	50.7
Sep	4.7	90.7	4.7	50.0	50.1	50.0
Oct	6.9	89.7	3.4	51.7	51.5	50.6
Nov	6.7	88.9	4.4	51.1	52.2	51.1
Dec	10.5	88.4	1.2	54.7	53.6	50.8



Average tariffs charged by private sector firms increased for the fifth consecutive month in December. Moreover, the rate of inflation was the quickest in the current sequence and the sharpest since the end of 2011, with over 10% of panellists recording higher output charges. Meanwhile, the UK economy registered only a marginal increase of average tariffs. A number of firms operating in the East Midlands attributed the rise to the passing-on of higher input costs to clients.

Regional Comparisons: Output

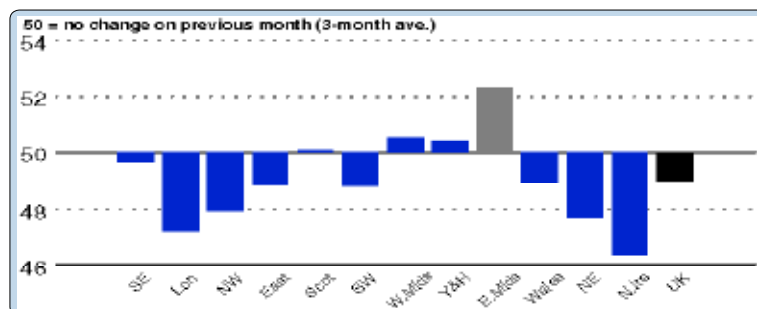
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting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