



Lloyds TSB London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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.

For further information, please contact:

economics@markit.com

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14th January 2013

Business activity close to stagnation in December

Key findings:

- Output levels increased only fractionally in London
- New business growth eases to lowest since June
- Staffing levels fall for fourth month running

December data highlighted a difficult end to 2012 for the London private sector, with output rising only fractionally and new business growth easing to the slowest for six months. Although this still meant that the capital outperformed UK-wide trends in output and new orders, the latest survey suggested that London's private sector was close to stagnation on average in the final quarter of the year. This in turn contributed to a moderate drop in staffing levels, which extended the current period of job shedding to four months.

Output and demand

The headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 50.3 in December, down from 51.9 in November and only fractionally above the 50.0 no-change value. This signalled that business activity was close to stagnation at the end of 2012. A near-stagnation of business activity largely reflected softer new order growth in December. The latest rise in incoming new work was the slowest for six months and much weaker than the long-run series average.

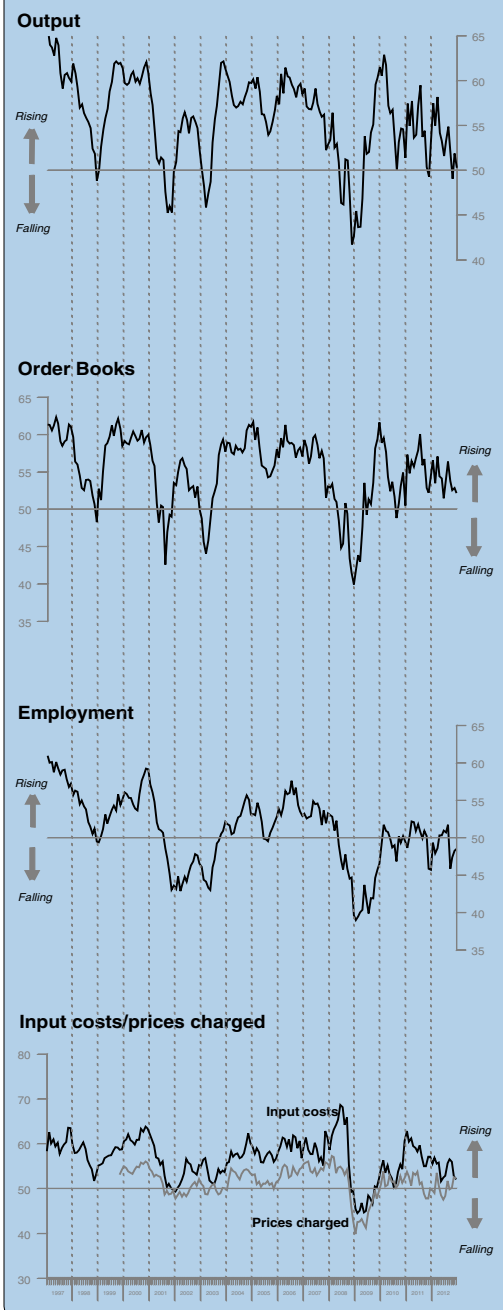
Employment and backlogs

Staffing levels in the London private sector decreased marginally during December. A drop in employment has been recorded in each month since September, but the latest rate of job shedding was the slowest over this period. Anecdotal evidence from survey respondents suggested that subdued client demand, cost cutting efforts and concerns about the economic outlook had all contributed to lower workforce numbers. Meanwhile, levels of unfinished business in London dropped for the eighth month running, although the pace of reduction in December was only marginal.

Input and output prices

Average cost burdens continued to rise in December, in part reflecting greater fuel and utility bills. However, the rate of input price inflation was weaker than the UK-wide trend and the slowest since May. Output charges meanwhile increased for the third month running, reflecting efforts by firms to pass on higher costs to clients. Although only moderate, the latest rise in prices charged was only slightly less marked than November's eight-month high.

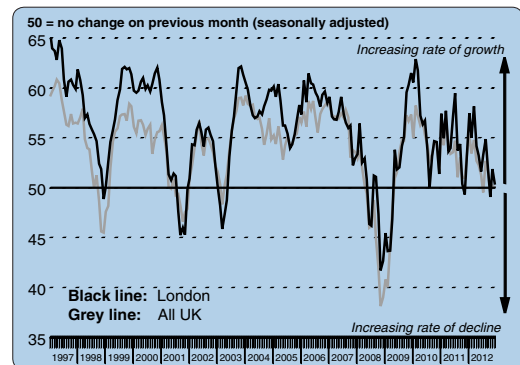
London Business Conditions



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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	24.3	58.6	17.1	53.6	54.2	52.7
	May	19.6	63.7	16.7	51.5	53.3	52.3
	Jun	25.5	56.9	17.6	53.9	51.6	51.3
	Jul	22.1	60.6	17.3	52.4	53.3	49.5
	Aug	19.3	55.0	25.7	46.8	54.9	52.7
	Sep	23.5	52.9	23.5	50.0	52.1	51.7
	Oct	24.0	57.7	18.3	52.9	49.1	49.7
	Nov	23.6	59.1	17.3	53.2	51.9	50.2
	Dec	25.0	56.7	18.3	53.4	50.3	50.0

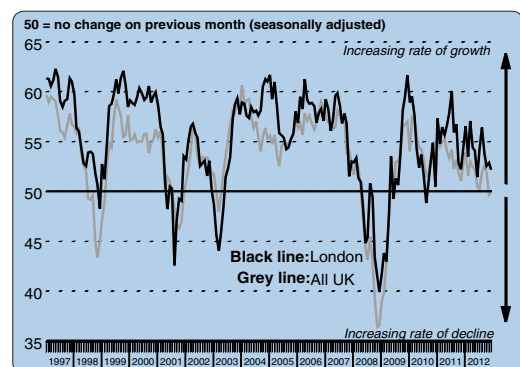


Business activity in London's private sector economy was close to stagnation in December, following a moderate expansion during the previous month. At 50.3, down from 51.9 in November, the seasonally adjusted Business Activity Index was only fractionally above the 50.0 no-change value and the second-lowest since November 2011. Reports from survey respondents mainly linked the near-stagnation of output in London to a moderation in new business growth in recent months.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	25.5	57.3	17.3	54.1	54.4	52.4
	May	27.3	53.5	19.2	54.0	54.1	52.3
	Jun	24.0	60.0	16.0	54.0	51.5	50.5
	Jul	22.8	54.5	22.8	50.0	54.2	50.2
	Aug	24.5	52.8	22.6	50.9	56.4	51.9
	Sep	23.2	51.5	25.3	49.0	53.8	52.6
	Oct	30.4	51.0	18.6	55.9	52.6	51.9
	Nov	22.6	59.4	17.9	52.4	52.9	49.7
	Dec	27.0	55.0	18.0	54.5	52.2	49.9

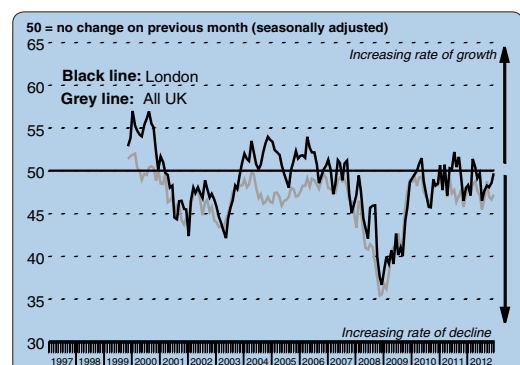


The seasonally adjusted Incoming New Business Index posted 52.2 in December, down from 52.9 in November, to indicate the slowest rate of new order growth since June. A moderation in the pace of new business expansion in the capital has now been recorded during three of the past four months, reflecting subdued client demand towards the end of 2012. That said, a moderate rise in new work in London contrasted with a stagnation across the UK as a whole during December.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	16.5	65.0	18.4	49.0	50.5	48.8
	May	11.8	73.1	15.1	48.4	49.2	47.7
	Jun	16.3	68.5	15.2	50.5	49.7	47.1
	Jul	6.5	65.2	28.3	39.1	46.5	45.5
	Aug	11.2	70.4	18.4	46.4	47.7	46.8
	Sep	7.5	72.0	20.4	43.5	48.3	48.8
	Oct	11.7	75.5	12.8	49.5	48.1	47.0
	Nov	13.9	70.3	15.8	49.0	48.6	46.7
	Dec	10.6	74.5	14.9	47.9	49.7	47.3

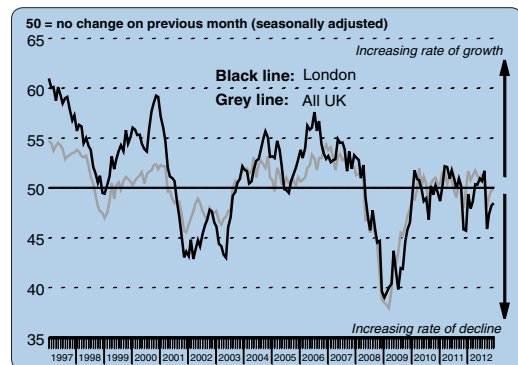


December data signalled a slight drop in business outstanding at private sector companies in London. At 49.7, up from 48.6 in November, the seasonally adjusted Business Outstanding Index signalled the slowest drop in unfinished work since June. Moreover, the rate of decline in unfinished work remained less marked than the UK average. Some firms noted that lower employment levels at their units had limited the degree to which backlogs of work were reduced in the latest survey period.

Employment

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	20.7	65.8	13.5	53.6	50.4	51.8
	May	10.9	78.2	10.9	50.0	50.3	51.3
	Jun	11.8	80.4	7.8	52.0	51.0	50.8
	Jul	10.6	79.8	9.6	50.5	50.7	51.3
	Aug	10.1	80.7	9.2	50.5	51.8	51.0
	Sep	11.8	73.5	14.7	48.5	45.9	48.2
	Oct	13.5	72.1	14.4	49.5	47.4	49.2
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.8

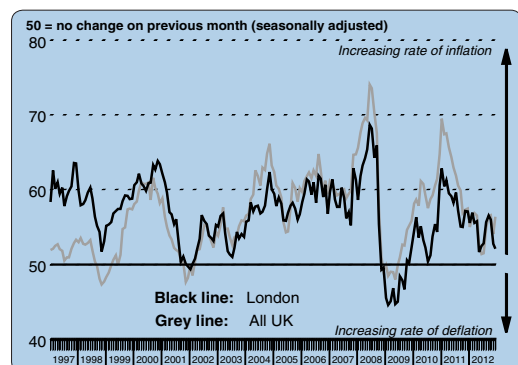


Staffing levels in London decreased for the fourth successive month in December, although the rate of contraction was the slowest seen over this period. At 48.5, up from 48.3 in November, the seasonally adjusted Employment Index nonetheless remained weaker than the equivalent figure for the UK as a whole (49.8). Anecdotal evidence from survey respondents suggested that efforts to reduce costs and concerns about the demand outlook had contributed to lower workforce numbers.

Input Prices / Costs

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	18.0	78.4	3.6	57.2	55.8	56.6
	May	9.8	90.2	0.0	54.9	51.7	52.8
	Jun	10.9	84.2	5.0	53.0	52.5	51.4
	Jul	14.4	79.8	5.8	54.3	52.9	51.5
	Aug	10.1	88.1	1.8	54.1	55.7	54.9
	Sep	12.7	86.3	1.0	55.9	56.6	56.5
	Oct	12.5	83.7	3.8	54.3	56.0	56.6
	Nov	11.8	80.9	7.3	52.3	52.8	54.1
	Dec	7.8	85.4	6.8	50.5	52.1	56.4

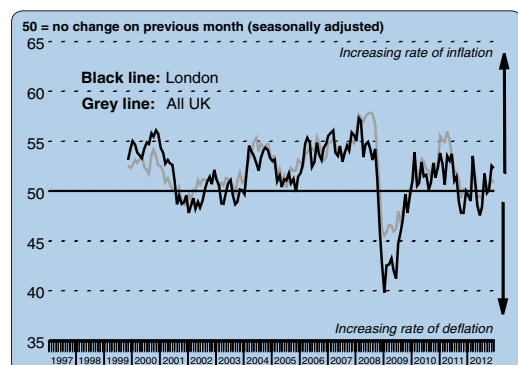


Average cost burdens increased moderately in December, thereby extending the current period of input price inflation to 39 months. However, the seasonally adjusted Input Prices Index dropped from 52.8 in November to 52.1, which indicated the slowest rate of inflation since May. The latest reading was also much lower than the equivalent for the UK as a whole (56.4). Softer input cost inflation was mainly driven by a moderation in the service sector during December.

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?

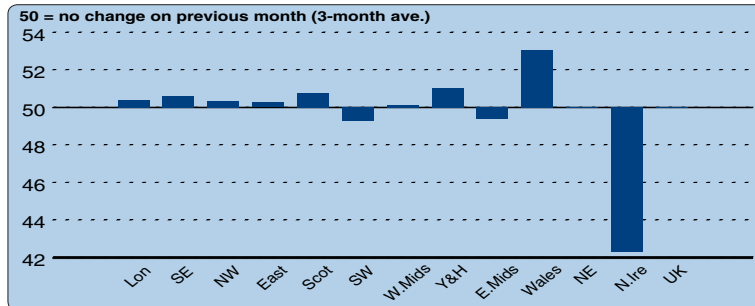
		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	5.5	90.9	3.6	50.9	50.8	51.4
	May	5.9	88.2	5.9	50.0	48.6	49.4
	Jun	3.9	87.3	8.8	47.5	47.6	49.5
	Jul	3.8	88.5	7.7	48.1	48.4	49.3
	Aug	7.3	89.0	3.7	51.8	51.8	50.7
	Sep	4.9	90.2	4.9	50.0	49.9	50.0
	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8



At 52.3 in December, the seasonally adjusted Output Prices Index dipped only slightly from the eight-month high of 52.6 posted during November. The latest reading pointed to a moderate rise in average tariffs at London private sector firms, and the rate of inflation was stronger than that recorded for the UK as a whole in December. Companies that raised their prices charged again cited the need to protect operating margins from higher cost burdens at their units.

Regional Comparisons: Output

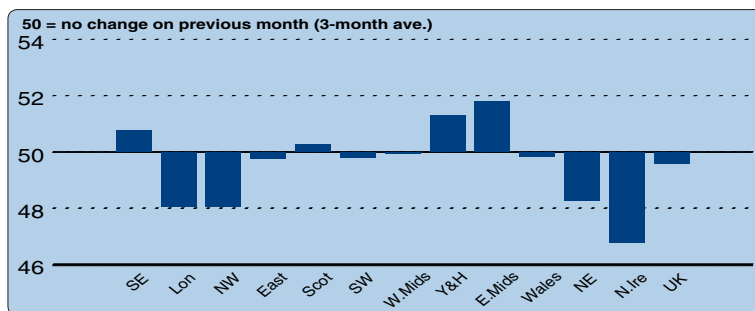
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting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