



Lloyds TSB North East 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.

We put great emphasis on a long-term relationship-led approach to banking and are committed to providing firms with a service that goes beyond day-to-day banking facilities.

Our team of well established and experienced relationship managers provide locally-based support to a wide range of businesses, discussing new strategies and ideas as well helping them to access other sources of guidance.

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.

To find out more about Lloyds TSB Commercial please visit

www.lloydstsb.com/business

The Lloyds TSB North East 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 North East and operating in both manufacturing and service sectors.

The North East 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

The intellectual property rights to the North East PMI provided herein is owned by Markit Economics Limited, Lloyds TSB use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

14th January 2013

New orders rise for first time in three months, albeit only marginally

Key findings:

- Marginal increase in new business
- Employment continues to fall
- Output prices rise at fastest pace since last March

The North East private sector was broadly stable during December, with activity largely unchanged and new business rising marginally. Meanwhile, firms continued to lower their staffing levels. On the price front, cost inflation moderated but companies increased their output prices at a faster pace.

Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 49.9 in December, only fractionally below the 50.0 no-change mark. This followed a reading of 51.6 in November. The stagnation in activity in the North East was in line with the UK as a whole.

New business increased marginally during December, ending a two-month sequence of reduction. Those respondents that signalled growth of new orders linked this to improving client demand. Meanwhile, new business was broadly unchanged at the UK level.

Employment and backlogs

Companies continued to lower employment in December, and at a sharper pace than in the previous month. Staffing levels have decreased in each month since May 2012. Those respondents that reduced employment attributed this to a recent weak trend in incoming new business.

For the second time in the past three months, backlogs of work rose in the North East during December. That said, the increase was only fractional. The accumulation of outstanding business in the region contrasted with a fall at the UK level.

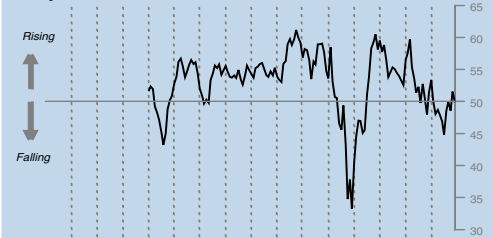
Input and output prices

The rate of input cost inflation eased in December, and was much weaker than the UK economy average. Where input prices did increase, this was mainly linked to higher costs for gas and electricity.

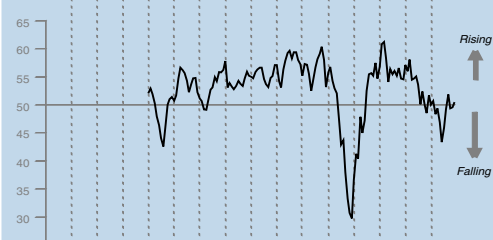
North East private sector firms raised output prices for the sixth month running in December, and at a solid pace that was the fastest since March 2012. Services companies raised their output prices at a faster pace than their manufacturing counterparts.

North East Business Conditions

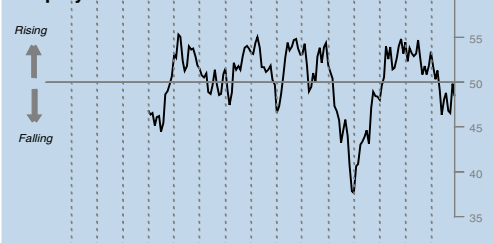
Output



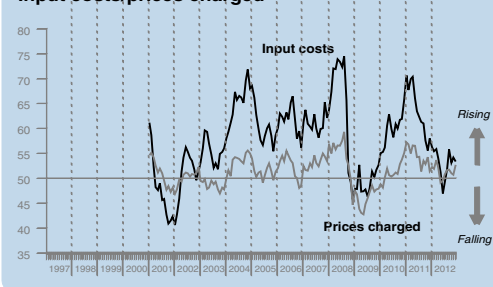
Order Books



Employment



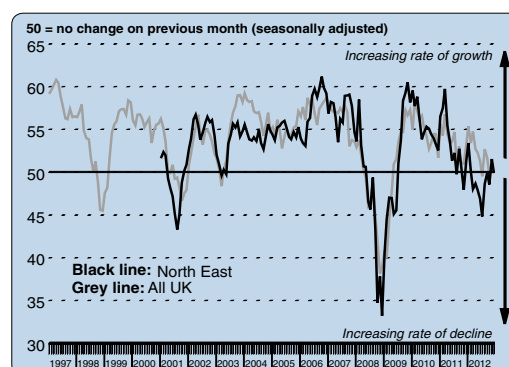
Input costs/prices charged



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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	19.1	57.4	23.4	47.9	48.7	52.7
	May	16.7	52.1	31.3	42.7	47.9	52.3
	Jun	12.5	66.1	21.4	45.5	46.9	51.3
	Jul	19.1	53.2	27.7	45.7	44.8	49.5
	Aug	28.0	44.0	28.0	50.0	48.6	52.7
	Sep	25.5	57.4	17.0	54.3	50.0	51.7
	Oct	23.5	52.9	23.5	50.0	48.6	49.7
	Nov	16.7	62.5	20.8	47.9	51.6	50.2
	Dec	13.0	61.1	25.9	43.5	49.9	50.0

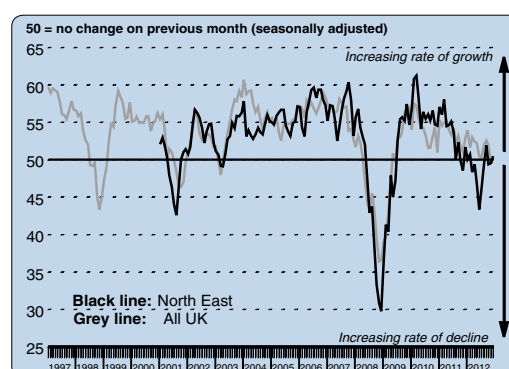


December data signalled that business activity in the North East private sector was broadly unchanged as the seasonally adjusted Business Activity Index posted fractionally below the 50.0 no-change mark. This was broadly in line with the UK economy average. The stagnation in the region followed a modest increase in output during November. Generally flat activity trends were recorded across 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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	25.5	48.9	25.5	50.0	49.4	52.4
	May	17.0	48.9	34.0	41.5	46.9	52.3
	Jun	17.9	53.6	28.6	44.6	43.4	50.5
	Jul	25.0	47.7	27.3	48.9	46.0	50.2
	Aug	30.6	40.8	28.6	51.0	49.3	51.9
	Sep	21.7	58.7	19.6	51.1	51.9	52.6
	Oct	24.0	46.0	30.0	47.0	49.4	51.9
	Nov	20.8	52.1	27.1	46.9	49.6	49.7
	Dec	26.4	47.2	26.4	50.0	50.5	49.9

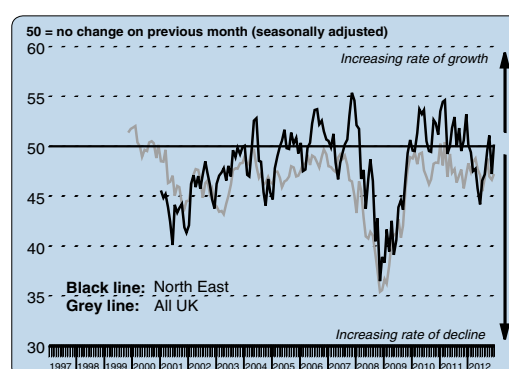


The North East recorded a marginal increase in new orders during December, ending a two-month sequence of falling new business. Meanwhile, new orders were broadly unchanged across the UK economy as a whole. Where new business increased, this was partly linked by panellists to improved client demand. Manufacturers posted a stronger performance than their service sector counterparts.

Business Outstanding

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	7.1	85.7	7.1	50.0	47.8	48.8
	May	4.8	76.2	19.0	42.9	45.8	47.7
	Jun	10.2	73.5	16.3	46.9	44.2	47.1
	Jul	22.0	65.9	12.2	54.9	46.6	45.5
	Aug	16.3	62.8	20.9	47.7	47.2	46.8
	Sep	7.3	78.0	14.6	46.3	49.6	48.8
	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3

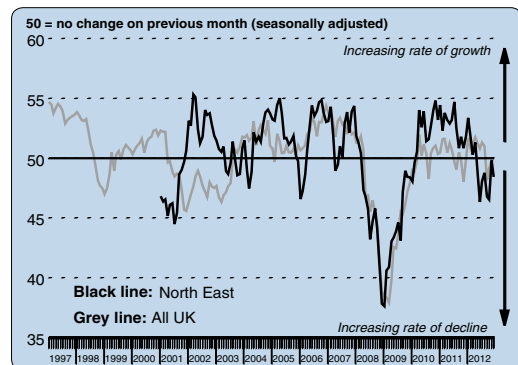


The increase in new orders imparted some pressure on operating capacity during December, leading to a fractional increase in outstanding business. This followed a solid reduction in the previous month. The rise in backlogs in the North East compared with a decrease at the UK level. Sector data suggested that the overall increase in outstanding business was mainly centred on services companies.

Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	8.5	78.7	12.8	47.9	51.3	51.8
	May	6.4	78.7	14.9	45.7	49.1	51.3
	Jun	8.9	76.8	14.3	47.3	46.4	50.8
	Jul	10.9	78.3	10.9	50.0	48.1	51.3
	Aug	14.0	76.0	10.0	52.0	48.8	51.0
	Sep	12.8	72.3	14.9	48.9	46.8	48.2
	Oct	14.0	64.0	22.0	46.0	46.6	49.2
	Nov	17.0	63.8	19.1	48.9	49.8	49.9
	Dec	11.3	67.9	20.8	45.3	48.4	49.8

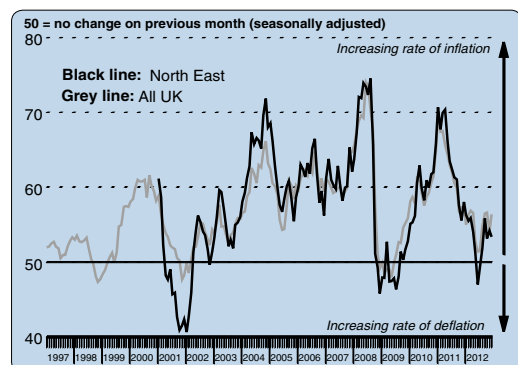


With growth in new business only marginal in December, North East companies continued to lower their staffing levels. Employment has now fallen in eight successive months, with the latest reduction sharper than seen in November. The rate of job cuts in the region was also faster than the UK economy average. The manufacturing sector led the overall reduction in employment.

Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	21.7	76.1	2.2	59.8	54.1	56.6
	May	11.1	82.2	6.7	52.2	51.3	52.8
	Jun	9.4	79.2	11.3	49.1	47.0	51.4
	Jul	15.6	73.3	11.1	52.2	49.3	51.5
	Aug	18.8	79.2	2.1	58.3	51.9	54.9
	Sep	13.3	86.7	0.0	56.7	55.9	56.5
	Oct	10.0	82.0	8.0	51.0	53.2	56.6
	Nov	8.7	82.6	8.7	50.0	54.2	54.1
	Dec	9.6	80.8	9.6	50.0	53.4	56.4

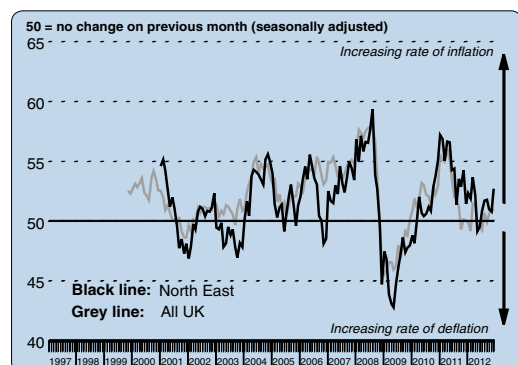


As has been the case in each month since August 2012, input prices increased during December. That said, the rate of inflation slowed and was much weaker than the long-run series average. The rise in the North East was also slower than the UK average. Some panellists highlighted increased gas and electricity prices. Service providers posted a faster rise in input costs than manufacturing firms.

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?

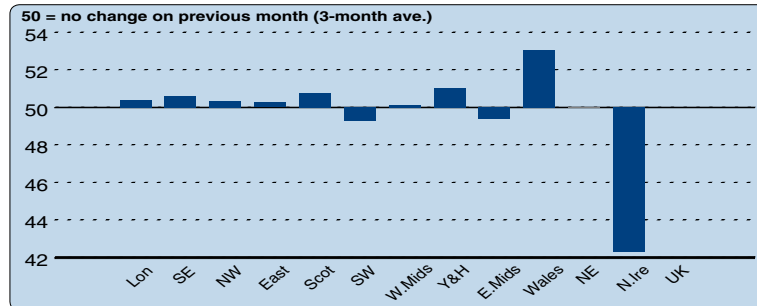
		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	10.9	84.8	4.3	53.3	52.2	51.4
	May	2.1	83.0	14.9	43.6	49.2	49.4
	Jun	9.3	87.0	3.7	52.8	49.6	49.5
	Jul	8.7	89.1	2.2	53.3	50.8	49.3
	Aug	6.3	91.7	2.1	52.1	51.7	50.7
	Sep	4.3	93.5	2.2	51.1	51.8	50.0
	Oct	6.0	90.0	4.0	51.0	51.0	50.6
	Nov	4.3	91.5	4.3	50.0	50.8	51.1
	Dec	5.7	92.5	1.9	51.9	52.7	50.8



North East private sector firms raised their output prices at a solid pace during December. Moreover, the rate of inflation quickened to the sharpest since March 2012. The pace of increase in the region was also faster than that seen across the UK economy as a whole. Around 6% of respondents raised their prices charged, against 2% that lowered them. In line with the trend for input costs, the rate of output price inflation was sharper at services companies than manufacturers.

Regional Comparisons: Output

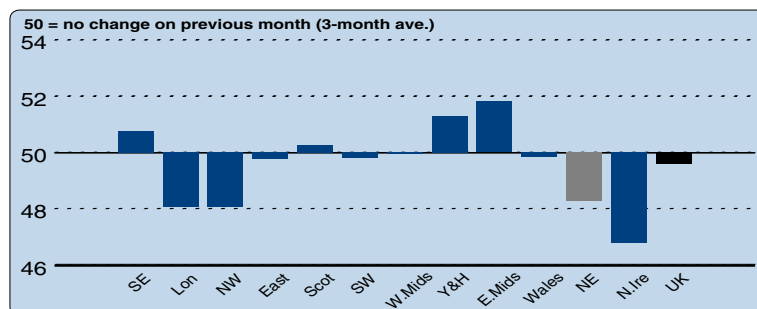
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting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

Lloyds TSB Commercial is a trading name of Lloyds TSB Bank plc and Lloyds TSB Scotland plc and serves customers with an annual turnover of up to £15M.

Lloyds TSB Bank plc Registered office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Telephone: 020 7626 1500.

Lloyds TSB Scotland plc Registered office: Henry Duncan House, 120 George Street, Edinburgh EH2 4LH. Registered in Scotland no. 95237. Telephone: 0131 225 4555.

Authorised and regulated by the Financial Services Authority.

Lending is subject to status.

The Lloyds Banking Group includes Lloyds TSB Bank plc and a number of other companies using brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies.

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 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.