



# Lloyds TSB South 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.

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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 South 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 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 TSB Commercial and is derived from the highly regarded national PMI surveys produced by Markit.

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14th January 2013

## South East private sector output falls for first time in five months

### Key findings:

- Marginal reduction in business activity during December
- New orders fall for second month running...
- ...but rate of job creation picks up slightly

December PMI® data from Lloyds TSB pointed to a renewed contraction of private sector business activity in the South East, following a four-month period of expansion. This reflected a further moderate drop in new business intakes and a general lack of pressure on operating capacity, as suggested by lower volumes of work-in-hand. That said, latest data showed a moderate rise in employment numbers, which extended the current period of job creation to three months. Meanwhile, input price inflation accelerated, which contributed to the most marked rise in output prices since July 2011.

### Output and demand

At 49.1 in December, down from 51.7 during November, the headline **Lloyds TSB South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – was below the 50.0 no-change value for the first time in five months. The latest reading pointed to a slight reduction in South East private sector output, which contrasted with a stagnation at the UK-wide level.

New business volumes dropped for the second month running in December, albeit at only a marginal pace. Latest data suggested that manufacturing companies continued to underperform the service sector in terms of new business levels.

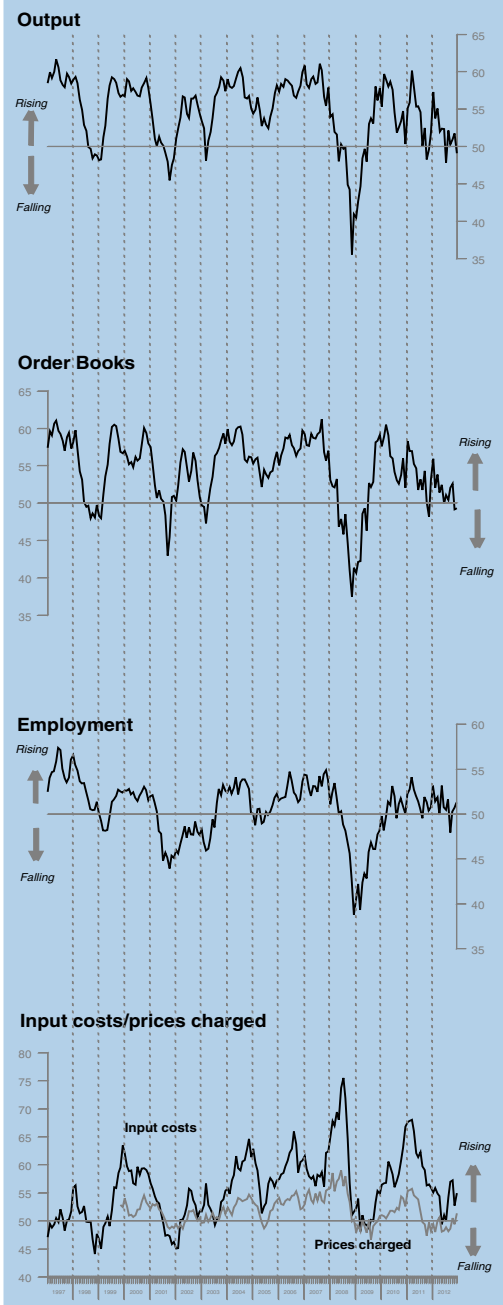
### Employment and backlogs

Staffing levels at South East companies increased for the third consecutive month in December. Although the latest rise in employment was only marginal, the rate of expansion was the most marked since August and broad-based across the manufacturing and service sectors. This contributed to another drop in work-in-hand (but not yet completed) during December.

### Input and output prices

Average cost burdens increased at a robust and accelerated pace in December, which some firms linked to greater fuel and utility bills at their units. Higher input prices have now been recorded in each of the past five months, and the latest rise was similarly marked in the manufacturing and service sectors. This in turn led to an increase in output charges at companies in the region, with rate of inflation the fastest since July 2011.

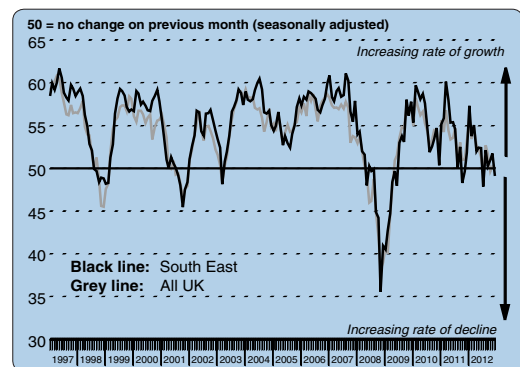
### South East Business Conditions



## 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?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	27.1	54.8	18.1	54.5	52.0	52.7
	May	26.8	50.6	22.6	52.1	52.4	52.3
	Jun	24.2	58.4	17.4	53.4	52.4	51.3
	Jul	24.0	49.1	26.9	48.6	47.9	49.5
	Aug	23.5	50.6	25.9	48.8	52.2	52.7
	Sep	28.8	48.5	22.7	53.1	50.3	51.7
	Oct	25.7	52.6	21.6	52.0	51.0	49.7
	Nov	28.6	47.0	24.3	52.2	51.7	50.2
	Dec	24.6	46.9	28.6	48.0	49.1	50.0

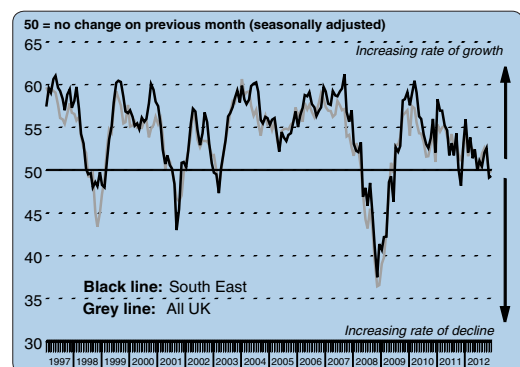


December data highlighted a return to output contraction across the South East private sector, following four months of continuous expansion. At 49.1, down from 51.7 in November, the seasonally adjusted Business Activity Index was well below the long-run survey average, but nonetheless signalled only a slight reduction in output across the region. This contrasted with a stagnation of business activity across the UK as a whole.

## 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
2012	Apr	27.1	49.2	23.7	51.7	51.4	52.4
	May	28.0	50.6	21.4	53.3	52.5	52.3
	Jun	24.7	51.1	24.2	50.3	50.0	50.5
	Jul	27.0	46.0	27.0	50.0	51.1	50.2
	Aug	24.9	46.7	28.4	48.2	50.5	51.9
	Sep	27.6	42.9	29.4	49.1	52.1	52.6
	Oct	28.2	50.0	21.8	53.2	52.6	51.9
	Nov	26.6	45.1	28.3	49.2	49.2	49.7
	Dec	27.2	40.5	32.4	47.4	49.3	49.9

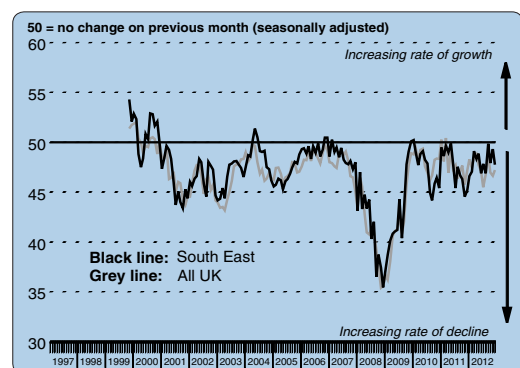


South east private sector companies indicated a further slight reduction in new business volumes during December. At 49.3, the seasonally adjusted Incoming New Business Index was little-changed from November's one-year low (49.2). The latest reading was also weaker than the equivalent figure for the UK as a whole. Sector data indicated that service providers in the South East continued to outperform manufacturers in terms of new business intakes 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?

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	19.9	59.6	20.5	49.7	48.4	48.8
	May	20.4	57.9	21.7	49.3	48.9	47.7
	Jun	20.0	60.6	19.4	50.3	46.9	47.1
	Jul	20.9	53.2	25.9	47.5	47.8	45.5
	Aug	12.8	66.0	21.2	45.8	46.9	46.8
	Sep	18.5	58.9	22.5	48.0	49.9	48.8
	Oct	14.6	63.9	21.5	46.5	47.9	47.0
	Nov	18.7	58.5	22.8	48.0	49.4	46.7
	Dec	12.3	57.7	30.1	41.1	47.8	47.3

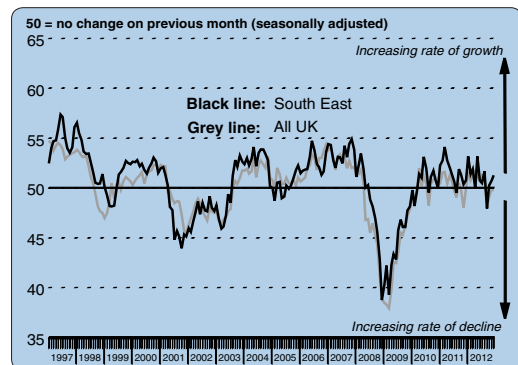


The seasonally adjusted Business Outstanding Index dropped to 47.8 in December, from 49.4 in November, to signal a moderate reduction in work-in-hand (but not yet completed) across the South East private sector. Lower levels of unfinished business have now been recorded in each of the past 35 months, largely reflecting a lack of pressure on operating capacity at companies in the region. Sector data showed that the overall drop in backlogs was again driven by manufacturers.

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
2012	Apr	12.4	75.3	12.4	50.0	49.9	51.8
	May	16.6	74.0	9.5	53.6	53.2	51.3
	Jun	12.8	77.1	10.1	51.4	50.8	50.8
	Jul	12.0	76.6	11.4	50.3	50.5	51.3
	Aug	14.6	74.3	11.1	51.8	51.7	51.0
	Sep	11.6	75.6	12.8	49.4	47.9	48.2
	Oct	17.0	71.9	11.1	52.9	50.3	49.2
	Nov	15.1	72.6	12.4	51.3	50.8	49.9
	Dec	14.9	75.4	9.7	52.6	51.3	49.8

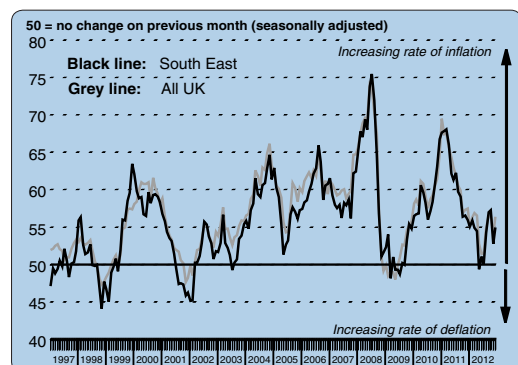


Job creation was maintained in the South East private sector during December, which contrasted with the stagnation seen across the UK as a whole. At 51.3, up from 50.8 in November, the seasonally adjusted Employment Index was the highest for four months and pointed to a moderate expansion of workforce numbers. Growth of staffing levels was broad-based across the manufacturing and service sectors, but remained slightly stronger among the latter.

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
2012	Apr	23.2	72.3	4.5	59.3	54.5	56.6
	May	11.8	79.3	8.9	51.5	49.4	52.8
	Jun	14.0	76.0	10.1	52.0	51.1	51.4
	Jul	8.0	81.0	10.9	48.6	50.0	51.5
	Aug	11.8	84.1	4.1	53.8	54.3	54.9
	Sep	19.5	72.6	7.9	55.8	57.0	56.5
	Oct	18.1	74.9	7.0	55.6	57.3	56.6
	Nov	10.2	82.3	7.5	51.3	52.8	54.1
	Dec	10.3	85.1	4.6	52.9	55.0	56.4

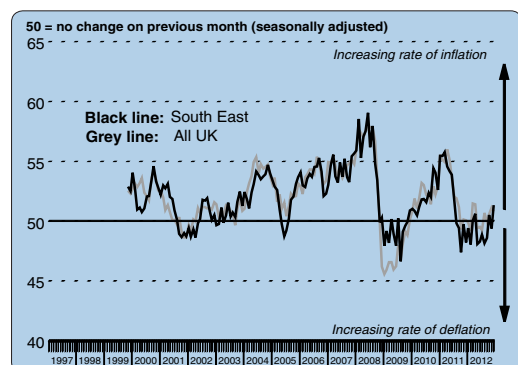


At 55.0 in December, up from 52.8 in November, the seasonally adjusted Input Prices Index pointed to a robust and accelerated pace of cost inflation in the South East private sector. Higher input prices have been recorded in each month since August, with the latest increase attributed by survey respondents to rising fuel and energy costs. Sector data indicated similarly marked rates of input cost inflation across the manufacturing and service sectors in the latest survey period.

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?

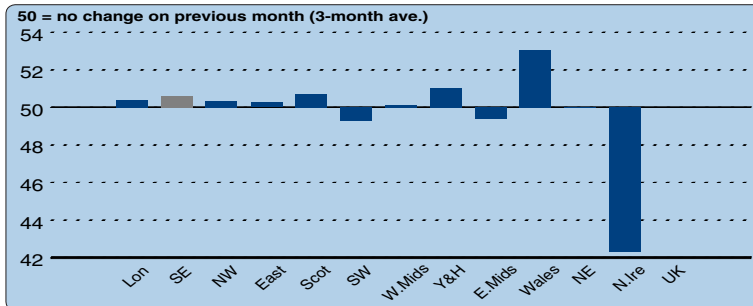
		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	13.6	80.8	5.6	54.0	50.6	51.4
	May	6.5	85.8	7.7	49.4	48.1	49.4
	Jun	3.4	90.4	6.2	48.6	48.3	49.5
	Jul	2.9	93.1	4.0	49.4	48.9	49.3
	Aug	0.6	92.4	7.0	46.8	48.2	50.7
	Sep	6.1	84.8	9.1	48.5	48.6	50.0
	Oct	8.2	84.2	7.6	50.3	50.5	50.6
	Nov	5.4	86.0	8.6	48.4	49.4	51.1
	Dec	4.0	92.0	4.0	50.0	51.4	50.8



December data pointed to a renewed rise in average tariffs at South East private sector companies. Although the seasonally adjusted Output Prices Index pointed to only a marginal rate of inflation, the latest reading was the highest since July 2011. The overall increase was driven by greater output charges in the manufacturing sector. Companies that raised their output prices mainly commented on a sustained period of cost inflation in recent months.

## Regional Comparisons: Output

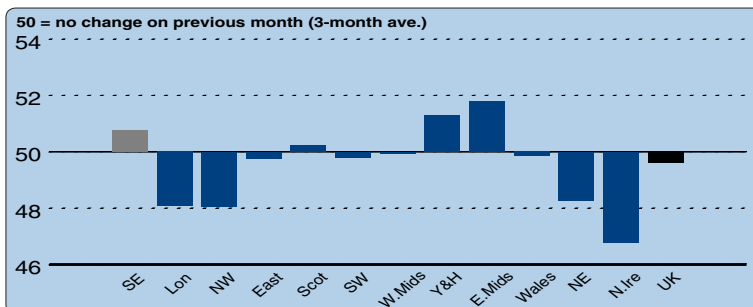
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting 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
<b>UK</b>	<b>(100.0%)</b>	<b>52.0</b>	<b>50.0</b>	<b>50.0</b>

## 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
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>49.6</b>	<b>49.8</b>

## PMI Survey Methodology

### PMI surveys

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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.

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