



Lloyds TSB West Midlands PMI®

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The Lloyds TSB West 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 West Midlands and operating in both manufacturing and service sectors.

The West 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

Business activity in West Midlands private sector rises for first time in three months

Key findings:

- Output growth supported by solid increase in new business
- Backlogs fall at sharpest rate since September 2009
- Input price inflation at seven-month high

The latest Lloyds TSB West Midlands PMI® report highlighted an expansion of business activity in the region's private sector economy during December. The headline Business Activity Index registered 51.8, up from 49.1 in November. The latest reading was indicative of a moderate rise in output, following marginal declines in the previous two months. Underpinning growth of activity was a further rise in new business. There was evidence of persistent spare capacity, as firms continued to make inroads into their backlogs of work. Employment was down marginally on the month, while input and output prices both rose at slightly faster rates.

Output and demand

Although growth of activity was modest in December, the region performed better than the UK as a whole, where stagnation was recorded. Higher output was broad-based across both the manufacturing and service sectors.

West Midlands private sector firms signalled an increase in new business for the second month in succession during December. The rate of growth was solid, having accelerated to the fastest since May.

Employment and backlogs

December data signalled a reduction in staffing levels in the West Midlands private sector for the second consecutive month, albeit marginal. Job cutting in the service sector offset hiring at manufacturers.

The drop in employment was partly a reflection of excess capacity at West Midlands companies. Backlogs of work were depleted for an eighth consecutive month, and at the sharpest rate since September 2009.

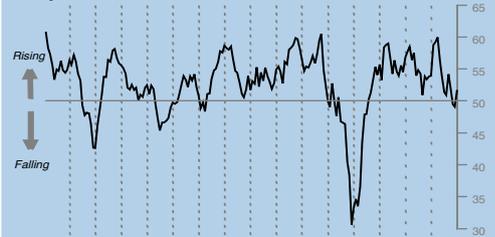
Input and output prices

Input price inflation in the West Midlands private sector was registered for the fifth month running in December. The latest increase was solid and the fastest since May, albeit weaker than the UK average. Service providers reported a stronger rise in input costs than manufacturers, in a number of cases citing higher utility bills.

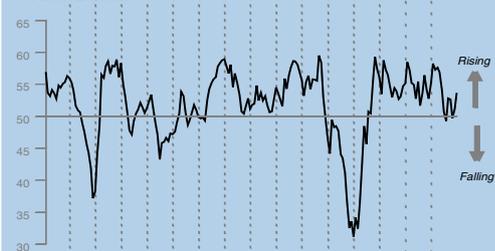
Output prices meanwhile rose for a second consecutive month. Although moderate, the latest increase in charges was nevertheless the sharpest since March.

West Midlands Business Conditions

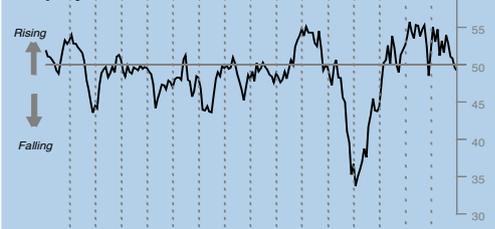
Output



Order Books



Employment



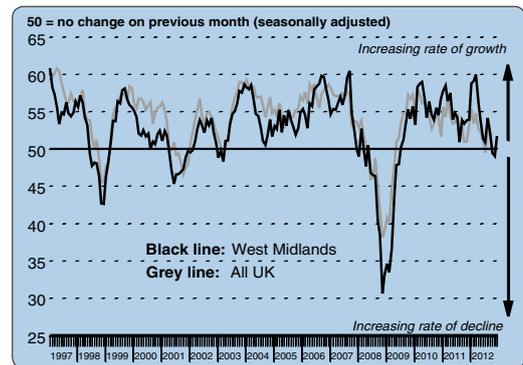
Input costs/prices charged



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?

| | | West Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Apr | 30.1 | 49.6 | 20.3 | 54.9 | 56.3 | 52.7 |
| | May | 33.0 | 41.7 | 25.2 | 53.9 | 53.9 | 52.3 |
| | Jun | 22.0 | 59.3 | 18.6 | 51.7 | 51.4 | 51.3 |
| | Jul | 28.7 | 46.1 | 25.2 | 51.7 | 50.9 | 49.5 |
| | Aug | 22.4 | 49.1 | 28.4 | 47.0 | 54.2 | 52.7 |
| | Sep | 25.4 | 43.9 | 30.7 | 47.4 | 52.1 | 51.7 |
| | Oct | 21.1 | 48.6 | 30.3 | 45.4 | 49.5 | 49.7 |
| | Nov | 26.3 | 50.0 | 23.7 | 51.3 | 49.1 | 50.2 |
| | Dec | 29.0 | 47.7 | 23.4 | 52.8 | 51.8 | 50.0 |

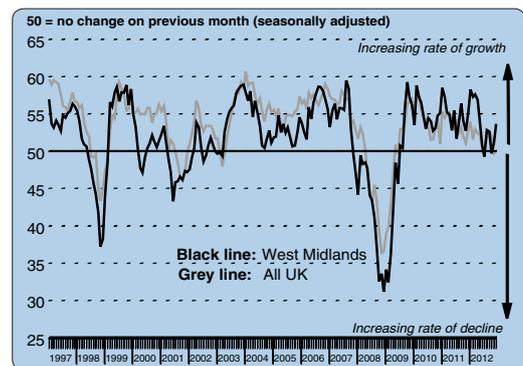


Private sector firms in the West Midlands reported a rise in business activity for the first time in three months during December. This was signalled by the seasonally adjusted Business Activity Index climbing back above the 50.0 no-change mark that divides expansion from contraction. At 51.8, the latest index reading was indicative of a moderate pace of growth. Data signalled that both the manufacturing and service sectors recorded increased output during the latest survey period.

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?

| | | West Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Apr | 39.0 | 42.3 | 18.7 | 60.2 | 56.9 | 52.4 |
| | May | 34.8 | 33.0 | 32.2 | 51.3 | 54.2 | 52.3 |
| | Jun | 23.3 | 45.7 | 31.0 | 46.1 | 50.7 | 50.5 |
| | Jul | 23.9 | 46.0 | 30.1 | 46.9 | 49.3 | 50.2 |
| | Aug | 24.8 | 43.4 | 31.9 | 46.5 | 52.9 | 51.9 |
| | Sep | 29.5 | 41.1 | 29.5 | 50.0 | 52.7 | 52.6 |
| | Oct | 19.8 | 51.9 | 28.3 | 45.8 | 49.7 | 51.9 |
| | Nov | 29.3 | 48.3 | 22.4 | 53.4 | 51.2 | 49.7 |
| | Dec | 28.6 | 45.7 | 25.7 | 51.4 | 53.7 | 49.9 |

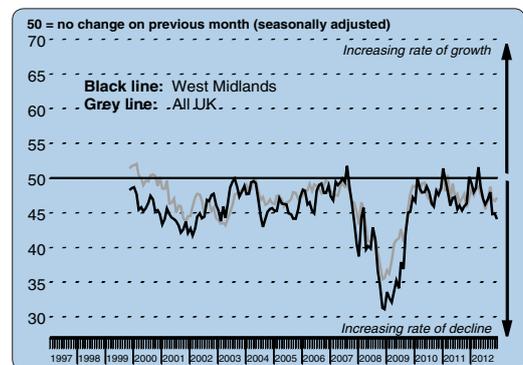


The level of new business placed with West Midlands private sector firms rose for the second month running in December. At 53.7, up from 51.2 in November, the seasonally adjusted Incoming New Business Index pointed to a solid rate of expansion that was the fastest since May. Panellists attributed growth of new business to improved client confidence and large projects receiving the go-ahead.

Business Outstanding

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

| | | West Midlands Companies | | | | All UK | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Apr | 22.0 | 62.7 | 15.3 | 53.4 | 51.6 | 48.8 |
| | May | 17.6 | 59.3 | 23.1 | 47.2 | 48.8 | 47.7 |
| | Jun | 12.6 | 69.4 | 18.0 | 47.3 | 47.0 | 47.1 |
| | Jul | 15.2 | 59.0 | 25.7 | 44.8 | 46.2 | 45.5 |
| | Aug | 13.1 | 63.6 | 23.4 | 44.9 | 46.9 | 46.8 |
| | Sep | 11.0 | 63.3 | 25.7 | 42.7 | 48.0 | 48.8 |
| | Oct | 9.0 | 62.0 | 29.0 | 40.0 | 44.8 | 47.0 |
| | Nov | 12.5 | 64.3 | 23.2 | 44.6 | 44.9 | 46.7 |
| | Dec | 13.9 | 57.4 | 28.7 | 42.6 | 44.1 | 47.3 |

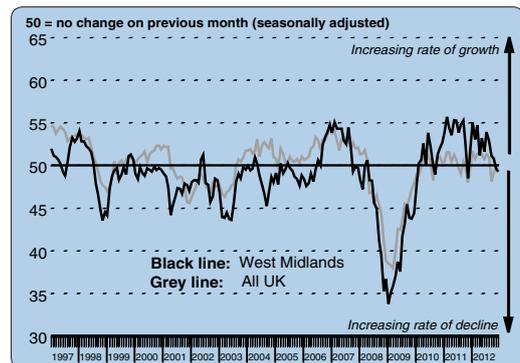


West Midlands private sector firms reported a further reduction in outstanding business during December. The current period of contraction now extends to eight months. At 44.1, down from 44.9 in November, the seasonally adjusted Business Outstanding Index signalled a marked and accelerated rate of decline that was the sharpest since September 2009. The region posted a sharper drop in backlogs than the UK average.

Employment

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

| | | West Midlands Companies | | | All UK | | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Apr | 15.6 | 73.0 | 11.5 | 52.0 | 51.2 | 51.8 |
| | May | 19.3 | 69.3 | 11.4 | 53.9 | 53.2 | 51.3 |
| | Jun | 13.8 | 77.6 | 8.6 | 52.6 | 51.7 | 50.8 |
| | Jul | 20.4 | 69.9 | 9.7 | 55.3 | 54.0 | 51.3 |
| | Aug | 12.2 | 77.4 | 10.4 | 50.9 | 52.9 | 51.0 |
| | Sep | 13.3 | 77.0 | 9.7 | 51.8 | 51.1 | 48.2 |
| | Oct | 14.0 | 74.8 | 11.2 | 51.4 | 50.9 | 49.2 |
| | Nov | 10.3 | 72.6 | 17.1 | 46.6 | 49.6 | 49.9 |
| | Dec | 10.3 | 76.6 | 13.1 | 48.6 | 49.3 | 49.8 |

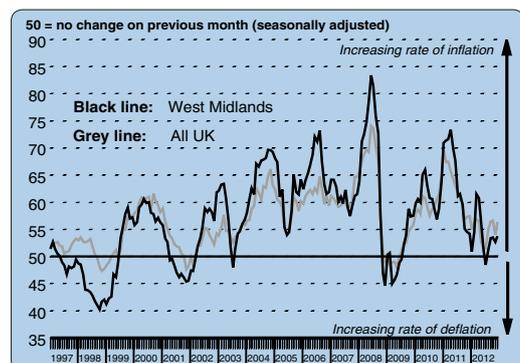


Employment at West Midlands private sector companies decreased for the second month running in December. Although posting its lowest reading for 13 months, at 49.3 down from 49.6 in November, the seasonally adjusted Employment Index pointed to only a marginal rate of contraction. Data indicated that job shedding was centred on the service sector, as manufacturers reported a modest rise in payroll numbers.

Input Prices / Costs

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

| | | West Midlands Companies | | | All UK | | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Apr | 32.5 | 63.4 | 4.1 | 64.2 | 60.8 | 56.6 |
| | May | 17.4 | 73.9 | 8.7 | 54.3 | 56.5 | 52.8 |
| | Jun | 15.3 | 72.0 | 12.7 | 51.3 | 51.2 | 51.4 |
| | Jul | 7.8 | 73.9 | 18.3 | 44.8 | 48.5 | 51.5 |
| | Aug | 12.9 | 74.1 | 12.9 | 50.0 | 51.1 | 54.9 |
| | Sep | 12.3 | 74.6 | 13.2 | 49.6 | 53.4 | 56.5 |
| | Oct | 12.8 | 77.1 | 10.1 | 51.4 | 53.6 | 56.6 |
| | Nov | 6.8 | 82.1 | 11.1 | 47.9 | 52.7 | 54.1 |
| | Dec | 10.3 | 80.4 | 9.3 | 50.5 | 53.8 | 56.4 |

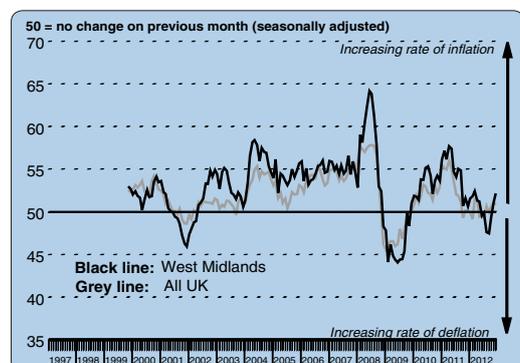


Input prices faced by West Midlands private sector companies increased for a fifth consecutive month in December. Moreover, the rate of inflation quickened to a solid pace that was the sharpest since May. This was signalled by the seasonally adjusted Input Prices Index registering 53.8, up from 52.7 in November. However, the region saw a slower rise in input costs than the UK as a whole. Service providers signalled a stronger increase in input prices than manufacturers, with a number of respondents noting higher utility costs.

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?

| | | West Midlands Companies | | | All UK | | |
|------|-----|-------------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Apr | 13.9 | 80.3 | 5.7 | 54.1 | 51.3 | 51.4 |
| | May | 11.3 | 83.5 | 5.2 | 53.0 | 51.2 | 49.4 |
| | Jun | 5.9 | 86.4 | 7.6 | 49.2 | 49.5 | 49.5 |
| | Jul | 4.3 | 90.4 | 5.2 | 49.6 | 49.9 | 49.3 |
| | Aug | 4.3 | 85.3 | 10.3 | 47.0 | 47.6 | 50.7 |
| | Sep | 4.4 | 85.8 | 9.7 | 47.3 | 47.5 | 50.0 |
| | Oct | 9.2 | 81.7 | 9.2 | 50.0 | 49.3 | 50.6 |
| | Nov | 7.6 | 86.4 | 5.9 | 50.8 | 51.1 | 51.1 |
| | Dec | 6.5 | 88.8 | 4.7 | 50.9 | 52.2 | 50.8 |



Prices charged by private sector firms in the West Midlands increased for the second month running in December. The seasonally adjusted Output Prices Index posted 52.2, up from 51.1 in November. Although at its highest level for nine months and above the equivalent index for the UK overall, the latest reading was indicative of only a moderate rate of charge inflation.

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® (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 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.