



Lloyds TSB Yorkshire & Humber PMI®

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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 Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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

Both activity and new business growth strengthen in December

Key findings:

- Modest increases in output and new orders
- Rate of job creation at ten-month high
- Input prices increase further, while output charges fall

Lloyds TSB Yorkshire & Humber PMI® data signalled a further upturn in the region's private sector at the end of 2012, with output growth the fastest since September, in contrast to stagnation across the UK as a whole. Firms largely linked higher activity to increased new orders, with the latest rise in new business modest overall. Job creation was meanwhile sustained for the third month running, and the rate of input price inflation remained weaker than its long-run series average.

Output and demand

Business activity in Yorkshire & Humber's private sector rose modestly, and for the second consecutive month in December. However, although services output increased over the month, manufacturing production fell marginally. Firms generally attributed output growth to higher volumes of new work, with the increase in new business the strongest since September.

December data indicated that the expansions in activity and new orders recorded in Yorkshire & Humber were in contrast with stagnation reported across the UK as a whole.

Employment and backlogs

Outstanding business at monitored companies fell for the eighth consecutive month in December. The latest depletion was the strongest since July, with a particularly sharp reduction reported in the manufacturing sector.

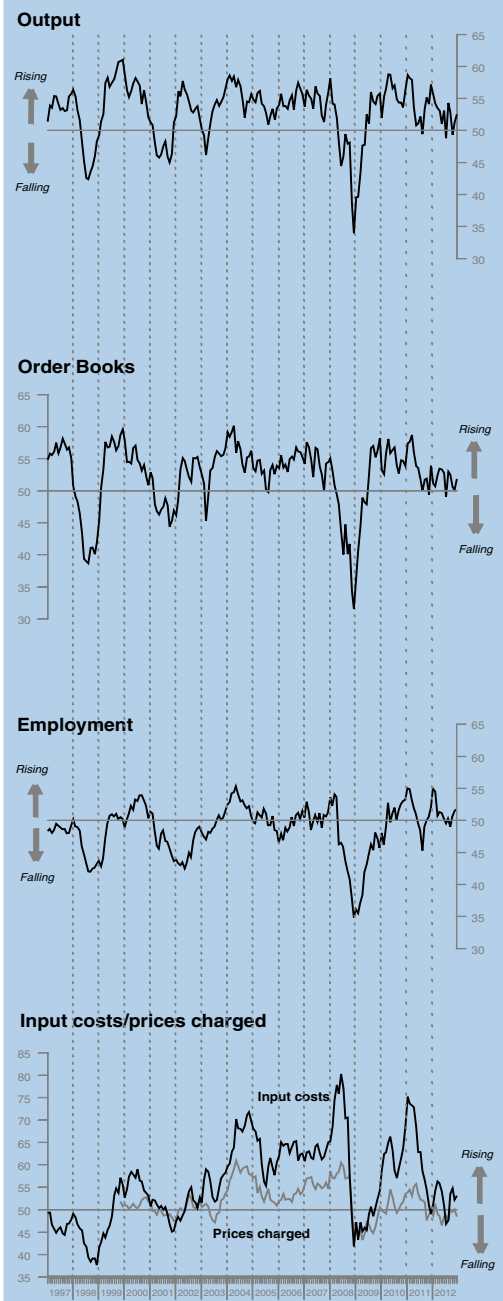
Private sector employment in Yorkshire & Humber meanwhile rose further during the latest survey period. Anecdotal evidence attributed job creation to higher new order requirements. Moreover, the latest increase in headcounts was the strongest since February and in contrast to a slight reduction across the UK.

Input and output prices

Firms faced higher input costs in December, with fuel particularly mentioned as having increased in price. Manufacturers and service providers both reported greater costs, with the latter posting the stronger rise. Despite having quickened since November, the overall rate of inflation remained weaker than the long-run series average.

However, output charges fell modestly over the month, with panellists generally citing stronger competitive pressures. Although price discounting was evident at service providers, manufacturers raised their selling prices in December.

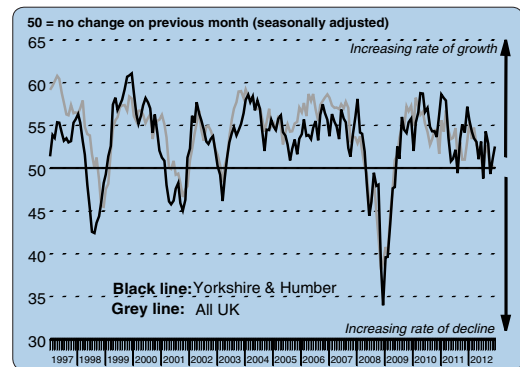
Yorkshire & Humber Business Conditions



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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	26.2	54.8	19.0	53.6	53.1	52.7
	May	28.7	40.2	31.0	48.9	51.1	52.3
	Jun	27.7	55.4	16.9	55.4	53.1	51.3
	Jul	19.5	51.7	28.7	45.4	48.8	49.5
	Aug	25.8	46.1	28.1	48.9	54.3	52.7
	Sep	33.7	47.2	19.1	57.3	52.9	51.7
	Oct	30.3	40.4	29.3	50.5	49.4	49.7
	Nov	29.7	50.5	19.8	54.9	51.2	50.2
	Dec	27.8	51.1	21.1	53.3	52.5	50.0

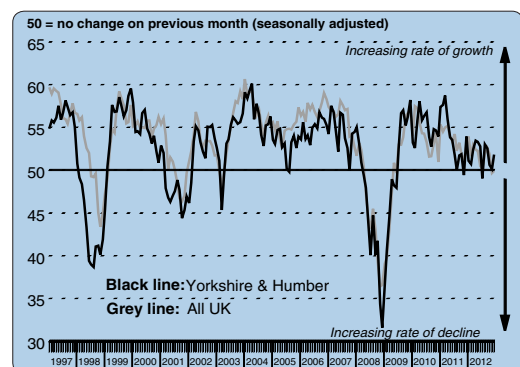


Business activity in Yorkshire & Humber's private sector rose for the second month running in December, with firms largely linking this to increased new orders and attempts to reduce backlogs of work. The rate of growth was moderate and stronger than that registered one month previously. That said, expansion was largely dependent on the service sector as manufacturing production fell marginally. Although Yorkshire & Humber saw a stronger increase in output compared with November, UK-wide data signalled no change in business activity in December.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	37.3	37.3	25.3	56.0	53.5	52.4
	May	34.9	33.7	31.4	51.7	53.4	52.3
	Jun	28.0	47.6	24.4	51.8	52.8	50.5
	Jul	21.2	42.4	36.5	42.4	49.1	50.2
	Aug	28.4	39.8	31.8	48.3	53.0	51.9
	Sep	37.9	35.6	26.4	55.7	52.5	52.6
	Oct	28.6	40.8	30.6	49.0	50.6	51.9
	Nov	27.8	47.8	24.4	51.7	50.1	49.7
	Dec	28.1	44.9	27.0	50.6	51.8	49.9

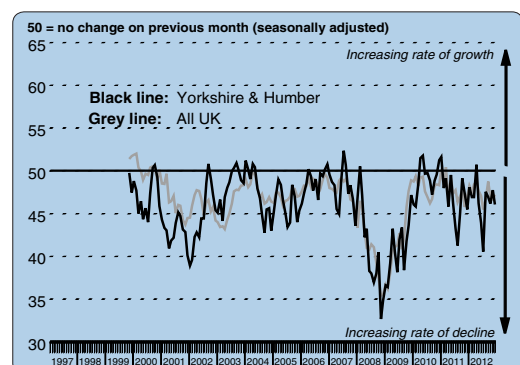


Private sector firms in Yorkshire & Humber reported an increase in new business volumes during December. After having broadly stagnated in November, the rate of growth was the fastest in three months, but only modest overall. Service providers recorded an increase in new business over the month, but manufacturers registered a slight reduction in new work. Meanwhile, total new orders received across the UK as a whole were largely the same as one month previously.

Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	21.9	56.2	21.9	50.0	50.8	48.8
	May	13.0	63.6	23.4	44.8	46.2	47.7
	Jun	8.2	65.8	26.0	41.1	43.9	47.1
	Jul	13.5	52.7	33.8	39.9	40.5	45.5
	Aug	17.7	65.8	16.5	50.6	47.6	46.8
	Sep	15.0	60.0	25.0	45.0	47.0	48.8
	Oct	21.8	48.3	29.9	46.0	46.2	47.0
	Nov	18.8	57.5	23.8	47.5	47.7	46.7
	Dec	12.2	58.5	29.3	41.5	46.1	47.3

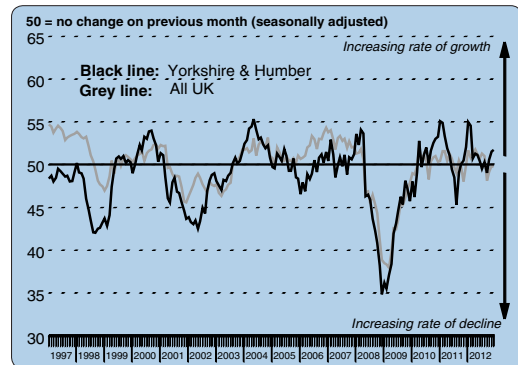


Following the trend that has been registered in each month since May, backlogs of work at monitored companies fell further during December. Almost 30% of survey respondents reported reduced levels of work-in-hand, compared with 12% that reported an increase. The depletion of backlogs was solid, with the seasonally adjusted Business Outstanding Index falling to a five-month low, and largely reflected a sharp reduction in the manufacturing sector.

Employment

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

		Yorkshire & Humber Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	13.1	73.8	13.1	50.0	51.3	51.8
	May	17.2	69.0	13.8	51.7	51.2	51.3
	Jun	13.3	67.5	19.3	47.0	50.4	50.8
	Jul	17.2	67.8	14.9	51.1	49.6	51.3
	Aug	12.4	74.2	13.5	49.4	50.3	51.0
	Sep	12.4	75.3	12.4	50.0	49.1	48.2
	Oct	13.3	77.6	9.2	52.0	50.6	49.2
	Nov	15.4	72.5	12.1	51.6	51.5	49.9
	Dec	13.5	77.5	9.0	52.2	51.8	49.8

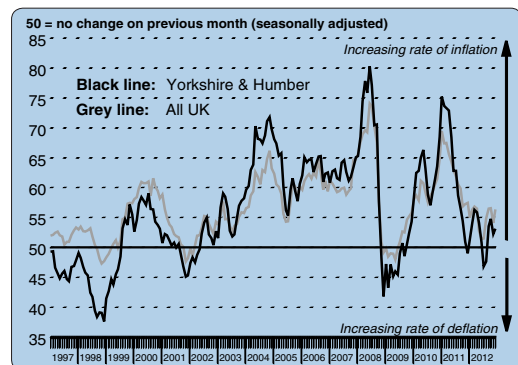


Private sector employment in Yorkshire & Humber increased for the third month running during December, with approximately 14% of surveyed firms hiring additional staff since November. Firms generally cited higher new order requirements when explaining the rise in staff headcounts. The rate of job creation quickened slightly to its fastest in ten months, but remained modest overall. Nonetheless, growth in Yorkshire & Humber contrasted with a slight contraction registered across the UK as a whole.

Input Prices / Costs

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

		Yorkshire & Humber Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	23.8	67.9	8.3	57.7	55.9	56.6
	May	25.3	64.4	10.3	57.5	54.2	52.8
	Jun	13.3	68.7	18.1	47.6	50.8	51.4
	Jul	11.6	68.6	19.8	45.9	46.9	51.5
	Aug	9.0	75.3	15.7	46.6	47.7	54.9
	Sep	18.2	67.0	14.8	51.7	53.6	56.5
	Oct	21.2	67.7	11.1	55.1	54.8	56.6
	Nov	8.9	80.0	11.1	48.9	52.3	54.1
	Dec	10.0	76.7	13.3	48.3	53.2	56.4

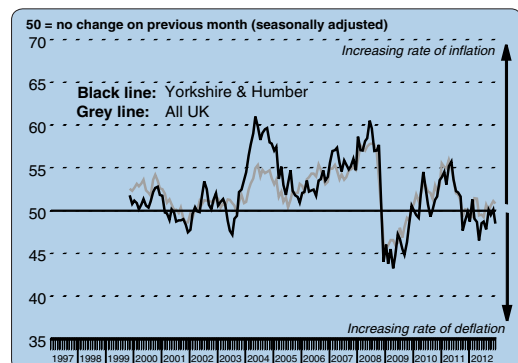


The seasonally adjusted Input Prices Index remained above the 50.0 no-change mark in December, signalling a fourth successive monthly rise in input costs. A number of firms reported that fuel prices had increased over the month. Moreover, both manufacturers and service providers saw an increase in costs, with the latter posting the sharper rise. The index was below the UK average and consistent with a moderate overall rate of input price 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?

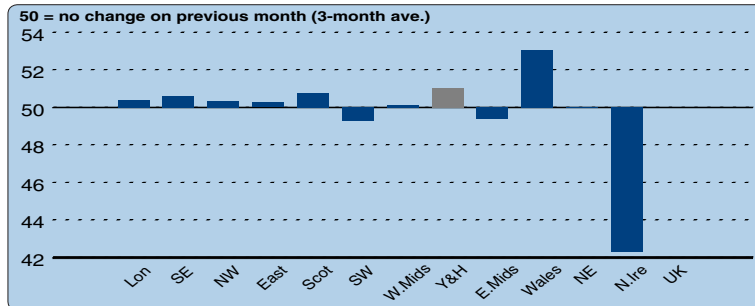
		Yorkshire & Humber Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Apr	9.5	81.0	9.5	50.0	48.7	51.4
	May	4.6	85.1	10.3	47.1	46.5	49.4
	Jun	3.6	91.6	4.8	49.4	48.5	49.5
	Jul	3.4	88.5	8.0	47.7	48.7	49.3
	Aug	2.2	87.6	10.1	46.1	47.8	50.7
	Sep	6.8	86.4	6.8	50.0	50.1	50.0
	Oct	6.1	84.8	9.1	48.5	49.5	50.6
	Nov	3.3	92.3	4.4	49.5	50.1	51.1
	Dec	2.2	90.0	7.8	47.2	48.5	50.8



Average selling prices at private sector firms in Yorkshire & Humber fell during December, as has been the case in eight out of the past ten months. Although the latest reduction was only modest, it was nonetheless the greatest since August. Anecdotal evidence attributed the reduction in output prices to stronger competitive pressures. That said, while price discounting was evident at service providers, a slight rise in manufacturing output charges was reported in the latest survey period.

Regional Comparisons: Output

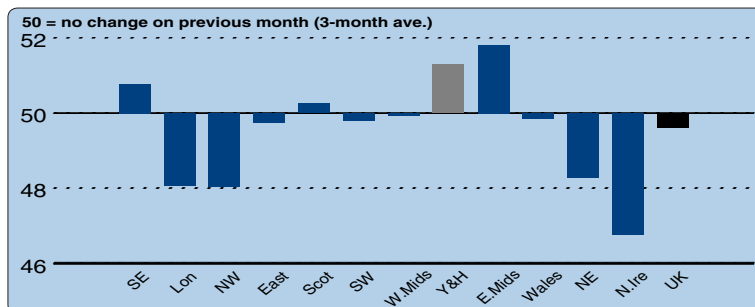
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). The vast majority of UK regions were close to stagnation on average in the final quarter of 2012. Wales was the main part of the UK to outperform, posting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

The PMIs 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.