



# Lloyds TSB East of England 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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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

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**The Lloyds TSB East of England PMI® (Purchasing Managers' Index®)** is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in January 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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:

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11th February 2013

## Employment levels rise at sharpest rate in eight months

### Key findings:

- Business activity and new orders increase
- Stronger expansion of workforce numbers
- Rate of input cost inflation slows

January data signalled the second successive increases in business activity and incoming new work at East of England private sector companies. Driven by the services sector, employment levels rose at the sharpest rate in eight months. Meanwhile, input costs continued to rise, but the rate of inflation eased and was the weakest in four months.

### Output and demand

Private sector companies in the East of England indicated an increase in business activity during January. The pace of growth was the fastest in four months, but remained below the overall UK average.

New business placed at East of England private sector companies continued to increase moderately during January. Companies that recorded growth of new work partly linked this to the successful launch of new projects.

### Employment and backlogs

The latest survey data indicated an expansion in workforce numbers at East of England private sector firms. Employment levels rose at the sharpest rate in eight months and at a faster pace than that observed in the UK as a whole. Sector data suggested that job cuts in the manufacturing sector were offset by the hiring of additional staff in the services sector.

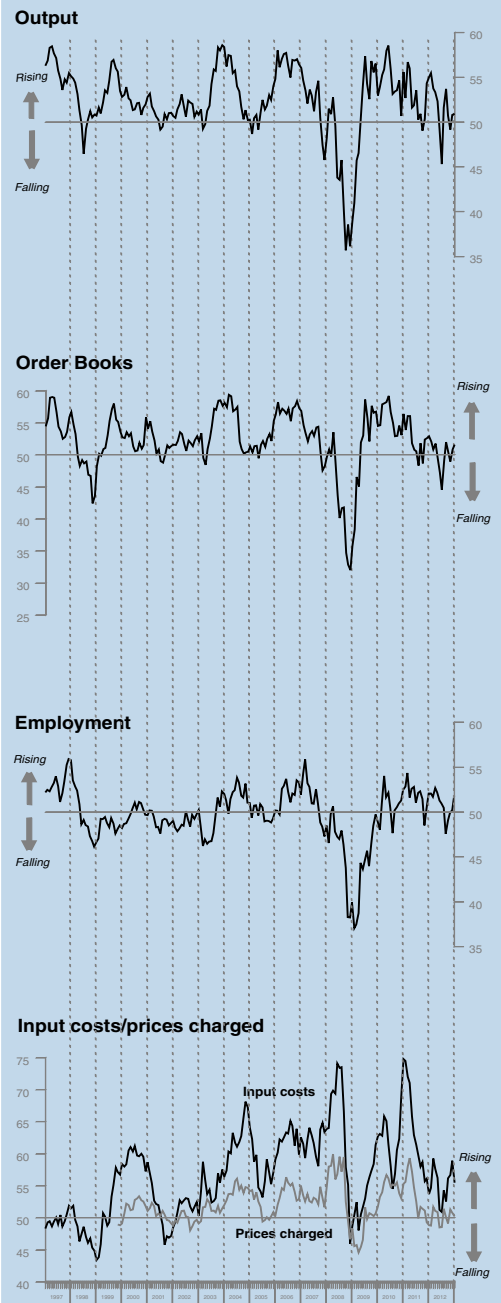
Work-in-hand rose for the first time since June 2011. The rise was mainly concentrated around companies in the services sector. There was some evidence that the accumulation of backlogs was driven by the snow disruptions in the region.

### Input and output prices

Driven by higher raw material prices and increased wages, input costs in the East of England private sector continued to rise during January. While input prices have increased for every month since May 2009, the rate of inflation eased in January and was below the overall UK average. The latest rise was recorded at companies in both the manufacturing and the services sector.

Average output charges rose further during January and for the third successive survey period. An increase in input costs was often commented on by companies that recorded higher charges. However, the rate of output charge inflation slowed in January and was only marginal.

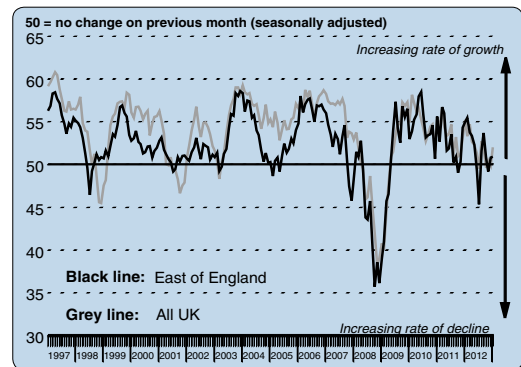
### East of England Business Conditions



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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	23.4	53.3	23.4	50.0	52.3	52.3
	Jun	22.8	50.9	26.3	48.2	49.3	51.3
	Jul	12.8	56.0	31.2	40.8	45.4	49.6
	Aug	16.2	59.5	24.3	45.9	51.6	52.8
	Sep	25.9	50.9	23.1	51.4	53.7	51.9
	Oct	23.6	48.2	28.2	47.7	50.7	49.6
	Nov	22.5	50.5	27.0	47.7	49.2	50.5
	Dec	27.7	43.8	28.6	49.6	50.8	49.9
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.0

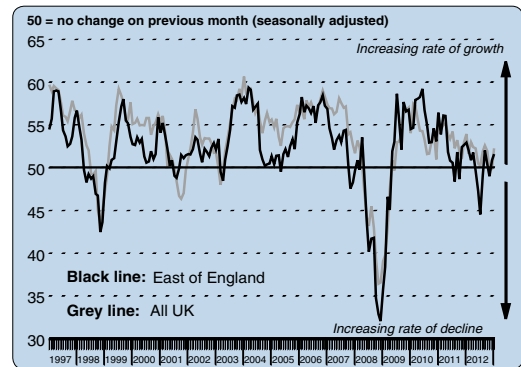


East of England private sector firms reported an increase in business activity during January. Driven by rising incoming new business, the latest reading marked the second consecutive month of output growth. Sector data suggested that the rise in business activity was mainly driven by companies in the manufacturing sector. While the rate of expansion picked up to the sharpest in four months, it was below the UK average.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	27.4	47.2	25.5	50.9	49.7	52.3
	Jun	20.5	51.8	27.7	46.4	47.3	50.5
	Jul	13.9	44.4	41.7	36.1	44.6	50.2
	Aug	21.1	57.8	21.1	50.0	49.1	51.9
	Sep	30.8	49.5	19.6	55.6	52.0	52.6
	Oct	23.9	45.0	31.2	46.3	50.3	51.9
	Nov	24.8	47.7	27.5	48.6	49.0	49.7
	Dec	28.8	48.6	22.5	53.2	50.9	49.9
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.3

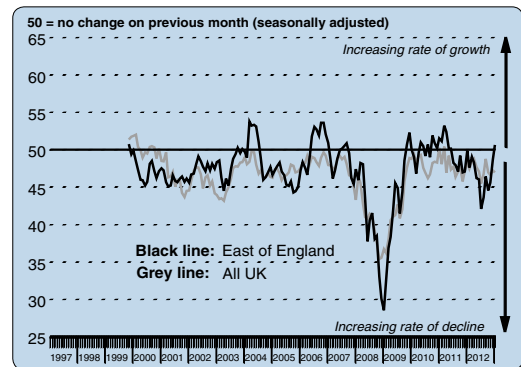


New business placed at private sector firms in the East of England continued to increase during January. More than 28% of respondents indicated growth in new work, while less than 25% reported a decline. The pace of expansion accelerated to the fastest in four months, but stayed below the UK average. According to anecdotal evidence, the latest increase was partly driven by the successful launch of new projects.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	15.4	59.6	25.0	45.2	46.2	47.7
	Jun	15.6	59.6	24.8	45.4	46.1	47.1
	Jul	5.9	61.8	32.4	36.8	42.1	45.5
	Aug	11.7	66.0	22.3	44.7	43.6	46.8
	Sep	15.5	60.2	24.3	45.6	46.4	48.8
	Oct	14.4	57.7	27.9	43.3	44.6	47.0
	Nov	13.6	58.3	28.2	42.7	45.6	46.7
	Dec	17.9	56.6	25.5	46.2	48.7	47.3
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0

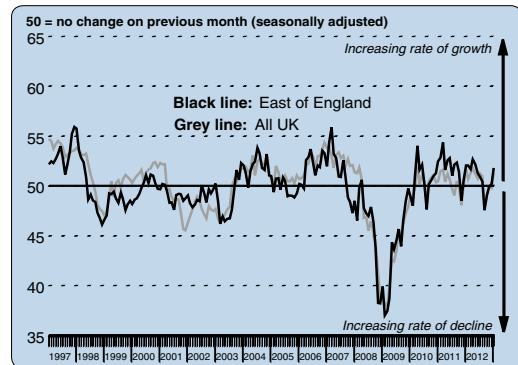


January data signalled a rise in work outstanding in the East of England private sector. This was highlighted by the seasonally adjusted Business Outstanding Index posting a reading above the no-change mark of 50.0. Work-in-hand increased for the first time since June 2011. Around 22% of panellists indicated an accumulation of backlogs, with some citing disruptions related to heavy snowfall in January.

Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	14.4	75.0	10.6	51.9	52.2	51.3
	Jun	13.3	77.9	8.8	52.2	51.3	50.7
	Jul	10.2	78.7	11.1	49.5	51.0	51.3
	Aug	8.2	82.7	9.1	49.5	50.5	51.0
	Sep	7.5	81.3	11.2	48.1	47.6	48.2
	Oct	11.0	77.1	11.9	49.5	49.1	49.2
	Nov	14.5	73.6	11.8	51.4	49.9	49.9
	Dec	12.5	78.6	8.9	51.8	50.2	49.8
2013	Jan	14.4	70.3	15.3	49.5	51.8	51.3

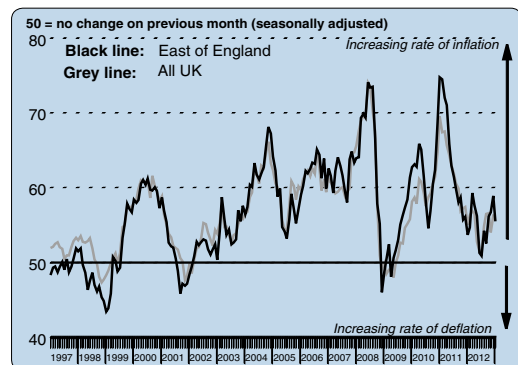


Employment levels at East of England private sector companies rose during January, and for the second survey period in a row. The rate of job creation picked up and was the sharpest in eight months. A decline in payroll numbers in the manufacturing sector was offset by the hiring of additional staff in the service sector. Where an expansion in workforce numbers was reported, companies often linked this to new contracts.

Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	20.6	74.8	4.7	57.9	56.3	52.8
	Jun	7.9	79.8	12.3	47.8	51.3	51.4
	Jul	6.4	86.2	7.3	49.5	50.9	51.6
	Aug	11.8	82.7	5.5	53.2	54.3	54.9
	Sep	11.1	80.6	8.3	51.4	52.6	56.5
	Oct	16.4	79.1	4.5	55.9	56.2	56.6
	Nov	14.5	77.3	8.2	53.2	56.7	54.1
	Dec	14.2	83.2	2.7	55.8	58.9	56.3
2013	Jan	13.4	81.3	5.4	54.0	55.5	56.2

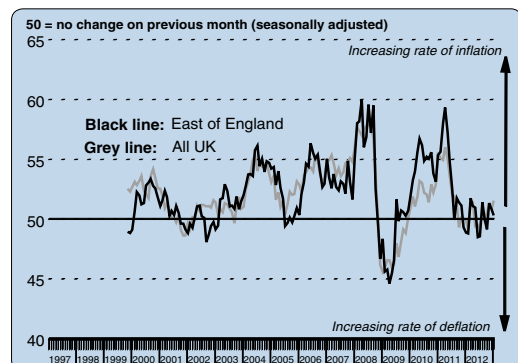


Private sector companies in the East of England recorded higher input costs during the latest survey period. While only 5% of panellists indicated a fall in input prices, more than 13% reported an increase. According to panellists, the latest rise in input costs was a reflection of higher raw material prices and increased wages. However, the rate of cost inflation eased from December, and was below the UK average.

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?

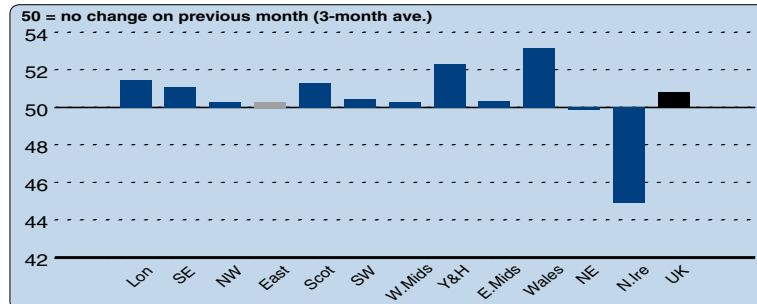
		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	8.5	86.8	4.7	51.9	51.0	49.4
	Jun	5.3	86.8	7.9	48.7	48.5	49.5
	Jul	6.5	84.3	9.3	48.6	48.6	49.3
	Aug	6.4	88.2	5.5	50.5	51.4	50.7
	Sep	4.7	92.5	2.8	50.9	50.1	50.0
	Oct	5.5	85.3	9.2	48.2	49.2	50.6
	Nov	7.3	90.0	2.7	52.3	51.3	51.1
	Dec	6.3	87.4	6.3	50.0	50.8	50.8
2013	Jan	9.1	83.6	7.3	50.9	50.3	51.5



Average charges set by East of England private sector companies continued to rise during January. Around 9% of panellists indicated a rise in charges and 7% reported a decline. While the latest reading marked the third successive month of increased output prices, the rate of inflation was only marginal and below the UK average. There was some evidence that the latest increase was driven by a rise in input costs.

## Regional Comparisons: Output

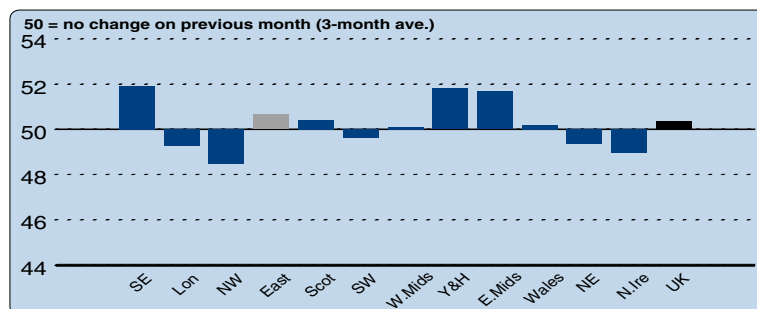
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales recorded the strongest pace of output expansion, followed by Yorkshire & Humber.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.0	51.5	52.3
South East	(14.7%)	51.7	51.1	52.4
North West	(9.5%)	50.8	50.3	50.4
East of England	(8.7%)	51.4	50.3	50.9
Scotland	(8.3%)	51.5	51.3	52.3
South West	(7.7%)	50.4	50.4	51.2
West Midlands	(7.3%)	53.2	50.3	50.1
Yorks & Humber	(7.0%)	52.3	52.3	53.1
East Midlands	(6.4%)	52.2	50.3	52.5
Wales	(3.6%)	51.6	53.2	54.1
North East	(3.2%)	48.6	49.9	48.1
N.Ireland	(2.2%)	43.7	44.9	48.3
<b>UK</b>	<b>(100.0%)</b>	<b>51.7</b>	<b>50.8</b>	<b>52.0</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). Staffing numbers increased in just over half of the UK regions monitored by the survey during the three months to January, although in each case the pace of job creation was only marginal. Of those regions that saw a drop in employment, the fastest fall was in the North West.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.1	51.9	53.7
London	(12.3%)	49.3	49.3	51.1
North West	(10.9%)	48.8	48.5	49.9
East of England	(9.6%)	50.8	50.7	51.8
Scotland	(8.7%)	51.0	50.4	50.7
South West	(8.6%)	49.9	49.6	48.6
West Midlands	(8.6%)	51.9	50.1	51.4
Yorks & Humber	(8.2%)	51.1	51.8	52.1
East Midlands	(7.3%)	53.2	51.7	51.7
Wales	(4.6%)	49.8	50.2	50.3
North East	(3.9%)	48.9	49.4	49.9
N.Ireland	(2.7%)	47.4	49.0	50.7
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>50.4</b>	<b>51.3</b>

## 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<sup>®</sup> (PMI<sup>®</sup>) series, which is now available for 32 countries and also for 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.