



Lloyds TSB East Midlands 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 East Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East 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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11th February 2013

Activity returns to growth but new orders fall again

Key findings:

- Solid increase in business activity
- New business declines for third month running
- Cost inflation remains moderate

The Lloyds TSB East Midlands PMI® report signalled a return to growth of activity in the region's economy at the start of the year. New business continued to fall, however. The rate of input cost inflation picked up over the month, but remained modest, and companies raised their output prices at a slower pace.

Output and demand

The headline seasonally adjusted Lloyds TSB East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose back above the 50.0 no-change mark to 52.5 in January, from 48.6 in December. This signalled a solid increase in activity across the region, and one that was slightly faster than the UK average. Sector data showed that service providers drove the overall increase in activity.

Output growth was recorded in spite of a third successive fall in new orders. That said, the rate of decline was the weakest in this sequence, and only marginal. The decrease in new business in the East Midlands contrasted with a return to growth at the UK level.

Employment and backlogs

Companies continued to take on extra staff during January, partly reflecting attempts to improve operating capacity. However, the rate of job creation slowed. Service providers increased employment more quickly than their manufacturing counterparts.

Falling new orders led companies to work through backlogs of work again in January. Outstanding business has now decreased in seven of the past eight months, and the latest reduction was the sharpest since August 2011. Backlogs also fell at the UK level, but to a lesser degree than seen in the East Midlands.

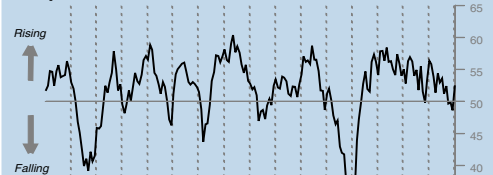
Input and output prices

Although the rate of input cost inflation at East Midlands companies picked up in January, it remained weaker than the series average. Some panellists reported that higher commodity prices were behind the latest rise, which was the fifth in a row.

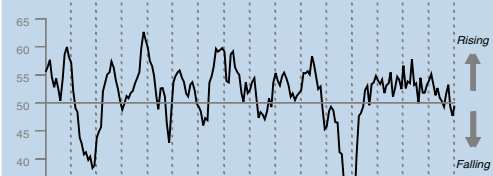
East Midlands companies increased their output prices for the sixth month running in January, albeit at a modest pace that was the weakest since September last year. Charges were raised across both the manufacturing and service sectors.

East Midlands Business Conditions

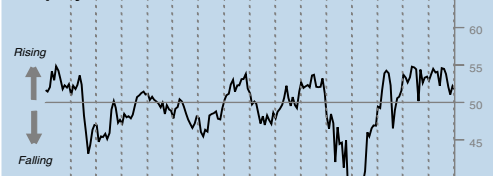
Output



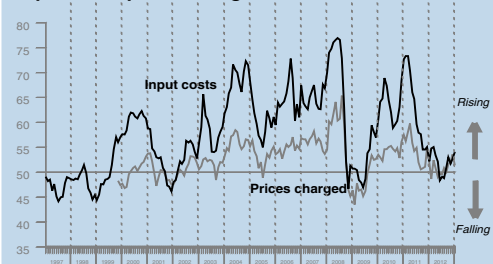
Order Books



Employment



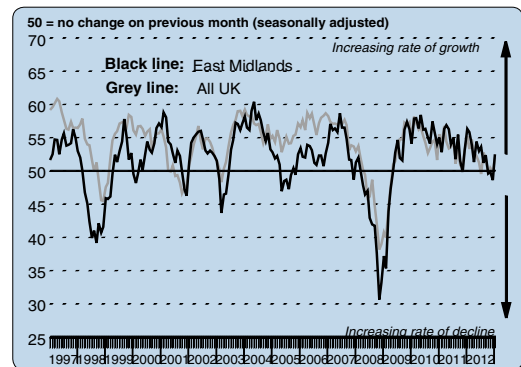
Input costs/prices charged



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?

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	30.6	55.3	14.1	58.2	54.4	52.3
	Jun	30.2	52.3	17.4	56.4	53.0	51.3
	Jul	27.1	52.9	20.0	53.5	53.6	49.6
	Aug	16.9	50.6	32.6	42.1	51.2	52.8
	Sep	30.2	50.0	19.8	55.2	52.4	51.9
	Oct	21.8	54.0	24.1	48.9	49.7	49.6
	Nov	24.4	50.0	25.6	49.4	49.9	50.5
	Dec	29.1	38.4	32.6	48.3	48.6	49.9
2013	Jan	24.2	51.6	24.2	50.0	52.5	52.0

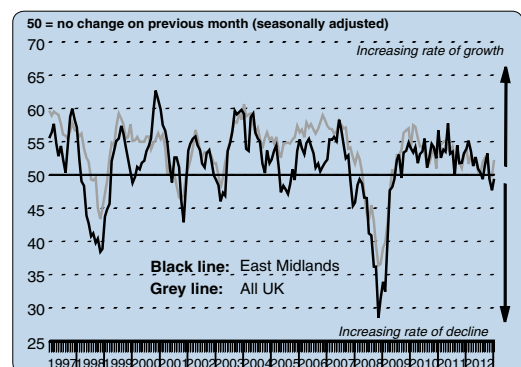


After falling in each of the previous three months, business activity at East Midlands companies increased in the first month of 2013. The rate of expansion was solid, and slightly faster than that seen at the UK level which also posted a return to growth in January. Sector data indicated that the overall increase in private sector business activity was largely reflective of a rise in services output.

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 Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	35.3	41.2	23.5	55.9	52.7	52.3
	Jun	24.4	50.0	25.6	49.4	50.9	50.5
	Jul	25.9	45.9	28.2	48.8	50.4	50.2
	Aug	18.0	44.9	37.1	40.4	49.4	51.9
	Sep	32.6	41.9	25.6	53.5	51.5	52.6
	Oct	32.2	46.0	21.8	55.2	53.3	51.9
	Nov	25.6	43.3	31.1	47.2	49.4	49.7
	Dec	23.3	41.9	34.9	44.2	47.7	49.9
2013	Jan	24.2	48.4	27.5	48.4	49.5	52.3

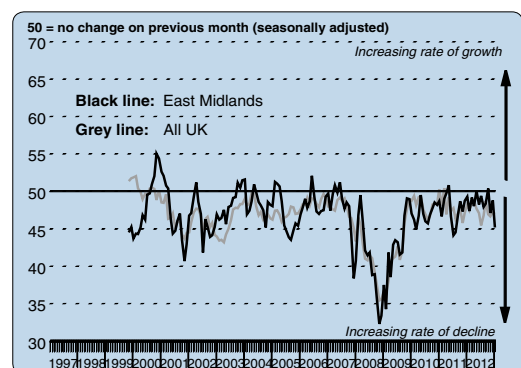


New orders in the East Midlands private sector decreased for the third month running in January. However, the rate of decline slowed to the weakest in this sequence and was only marginal. The fall of new business in the region compared with an increase across the UK economy as a whole. A broadly similar proportion of respondents signalled a rise in new business as registered a fall. The net reduction was centred on manufacturing as service providers posted higher new orders.

Business Outstanding

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	25.9	58.0	16.0	54.9	50.1	47.7
	Jun	16.0	63.0	21.0	47.5	48.3	47.1
	Jul	17.7	65.8	16.5	50.6	49.4	45.5
	Aug	10.7	63.1	26.2	42.3	48.0	46.8
	Sep	13.6	63.0	23.5	45.1	48.4	48.8
	Oct	22.9	57.8	19.3	51.8	50.4	47.0
	Nov	14.0	64.0	22.1	45.9	47.1	46.7
	Dec	21.3	55.0	23.8	48.8	48.8	47.3
2013	Jan	12.6	57.5	29.9	41.4	45.2	47.0

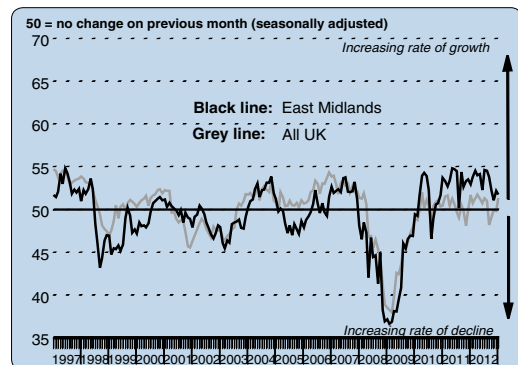


January data pointed to a further marked reduction in outstanding business. Backlogs of work have now decreased in seven of the past eight months. Moreover, the latest depletion was the fastest since August 2011 and sharper than the UK economy average. Panellists reported that falling new orders had led them to transfer spare capacity to work on existing projects. The overall decline of work-in-hand was largely reflective of a sharp fall in manufacturing backlogs.

Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	17.6	77.6	4.7	56.5	54.1	51.3
	Jun	12.8	83.7	3.5	54.7	52.3	50.7
	Jul	16.5	77.6	5.9	55.3	54.6	51.3
	Aug	18.0	71.9	10.1	53.9	54.5	51.0
	Sep	19.8	74.4	5.8	57.0	53.8	48.2
	Oct	13.8	73.6	12.6	50.6	52.1	49.2
	Nov	14.4	71.1	14.4	50.0	51.1	49.9
	Dec	14.0	79.1	7.0	53.5	52.2	49.8
2013	Jan	11.1	77.8	11.1	50.0	51.7	51.3

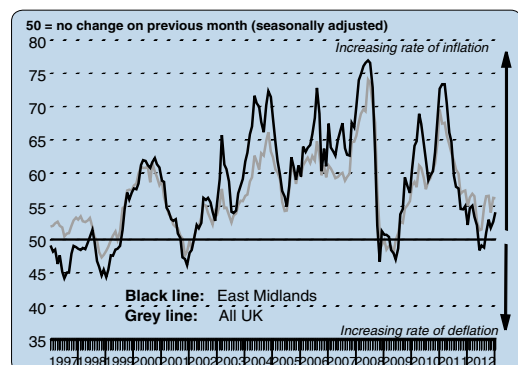


As has been the case since October 2010, East Midlands companies increased their employment during January. That said, the rate of job creation was modest and weaker than the previous month. The regional rise in staffing levels was broadly in line with that seen across the UK as a whole. Respondents noted efforts to boost output and the hiring of business development staff. Both monitored sectors recorded growth of employment, with the faster increase at service providers.

Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	14.1	81.2	4.7	54.7	52.1	52.8
	Jun	10.5	76.7	12.8	48.8	48.4	51.4
	Jul	11.8	74.1	14.1	48.8	49.2	51.6
	Aug	12.4	73.0	14.6	48.9	48.8	54.9
	Sep	12.8	73.3	14.0	49.4	51.1	56.5
	Oct	16.1	72.4	11.5	52.3	53.0	56.6
	Nov	10.0	77.8	12.2	48.9	51.8	54.1
	Dec	9.3	83.7	7.0	51.2	52.7	56.3
2013	Jan	18.7	74.7	6.6	56.0	54.1	56.2

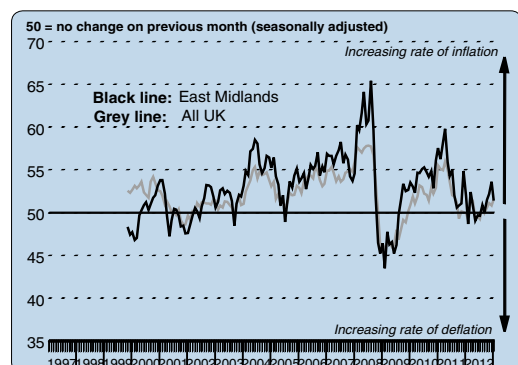


East Midlands companies posted a solid increase in input costs during January, extending the current sequence of inflation to five months. However, the latest rise in input prices was slower than seen at the UK level and weaker than the series average. Where input costs increased, this was mainly linked to higher commodity prices. Around 19% of respondents signalled a rise in input prices, against 7% that posted a fall.

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?

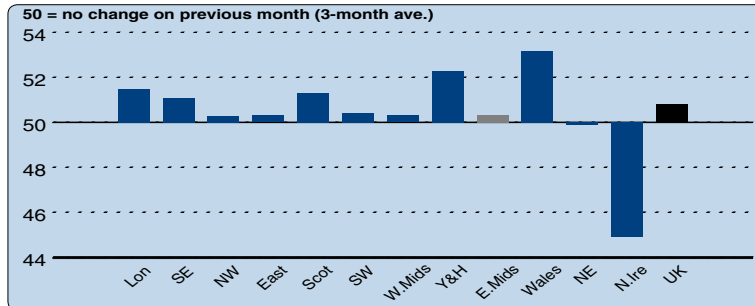
		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	3.5	88.2	8.2	47.6	49.0	49.4
	Jun	5.8	90.7	3.5	51.2	49.7	49.5
	Jul	7.1	89.4	3.5	51.8	49.6	49.3
	Aug	6.7	85.4	7.9	49.4	50.9	50.7
	Sep	4.7	90.7	4.7	50.0	50.1	50.0
	Oct	6.9	89.7	3.4	51.7	51.5	50.6
	Nov	6.7	88.9	4.4	51.1	52.2	51.1
	Dec	10.5	88.4	1.2	54.7	53.6	50.8
2013	Jan	8.8	86.8	4.4	52.2	51.4	51.5



Output prices in the East Midlands continued to rise during January as some panellists passed on higher input costs to their clients. The slight rise in charges in the region was the slowest in four months, but broadly in line with the UK economy average. Output prices have increased in each month since August 2012. Both manufacturers and services companies raised their charges.

Regional Comparisons: Output

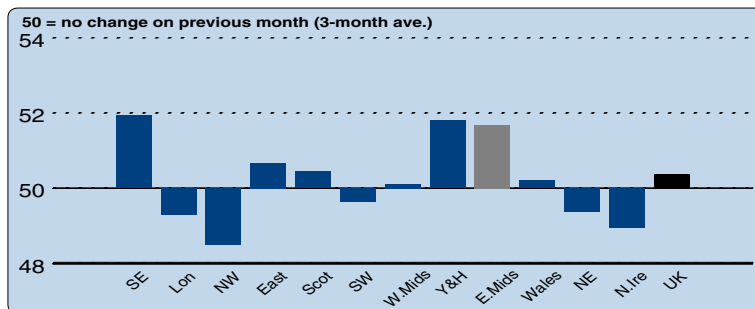
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales 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
UK	(100.0%)	51.7	50.8	52.0

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). 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
UK	(100.0%)	50.6	50.4	51.3

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.

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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 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.