



# Lloyds TSB London PMI®

## Lloyds TSB Commercial

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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 London 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 London and operating in both manufacturing and service sectors.

The London 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

## Strongest rise in London private sector output since August 2012

### Key findings:

- Sharper rises in both business activity and new orders
- Employment increases for first time in five months
- Input price inflation accelerates in January

London private sector companies indicated a solid improvement in their overall business conditions at the start of 2013. This was highlighted by the strongest rises in both output and new business for five months, alongside a renewed expansion of employment levels.

### Output and demand

At 52.3 in January, up from 50.3 during December, the headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – was above the 50.0 no-change value for the third month running. The index was also slightly higher than the equivalent for the UK as a whole at the start of the year (52.0). Sector data indicated higher levels of business activity at both manufacturing and services companies across the capital during the latest survey period. Stronger levels of output were underpinned by an acceleration of new order growth from the six-month low registered in December. A number of survey respondents commented on improved confidence about the global economic outlook during January.

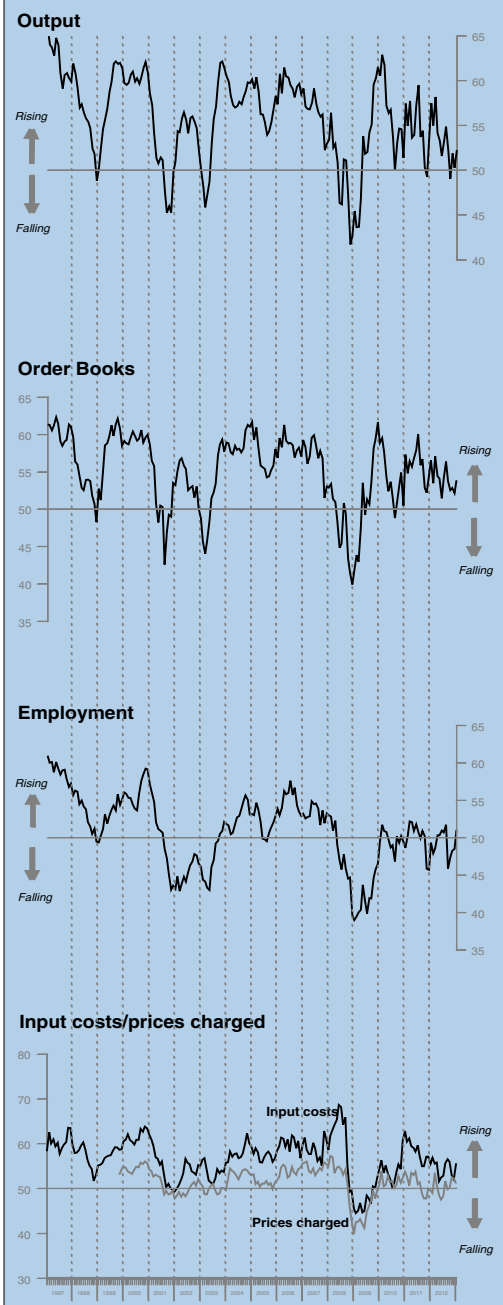
### Employment and backlogs

Staffing levels at London private sector firms increased for the first time since August 2012, although the rate of job creation was only marginal. The modest return to employment growth in the capital mirrored the trend seen across the UK as a whole during January. Meanwhile, latest data indicated a solid decline in unfinished work, with the pace of contraction in London the fastest for six months.

### Input and output prices

January data indicated a robust and accelerated pace of input price inflation in London, reflecting increased cost burdens in both the manufacturing and service sectors. The latest overall rise in average input costs was the fastest for three months, which a number of companies linked to higher energy and fuel bills at their units. Despite a marked increase in cost burdens, average prices charged by London private sector firms increased only marginally at the start of 2013. Higher average tariffs have been recorded in each of the past four months, but the latest rise was the slowest since last October.

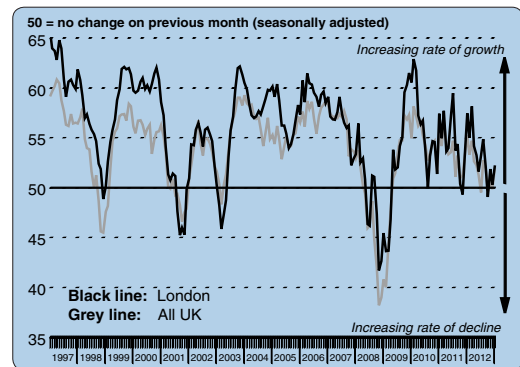
### London Business Conditions



## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	19.6	63.7	16.7	51.5	53.3	52.3
	Jun	25.5	56.9	17.6	53.9	51.6	51.3
	Jul	22.1	60.6	17.3	52.4	53.3	49.6
	Aug	19.3	55.0	25.7	46.8	54.9	52.8
	Sep	23.5	52.9	23.5	50.0	52.1	51.9
	Oct	24.0	57.7	18.3	52.9	49.1	49.6
	Nov	23.6	59.1	17.3	53.2	51.9	50.5
	Dec	25.0	56.7	18.3	53.4	50.3	49.9
2013	Jan	17.8	61.4	20.8	48.5	52.3	52.0

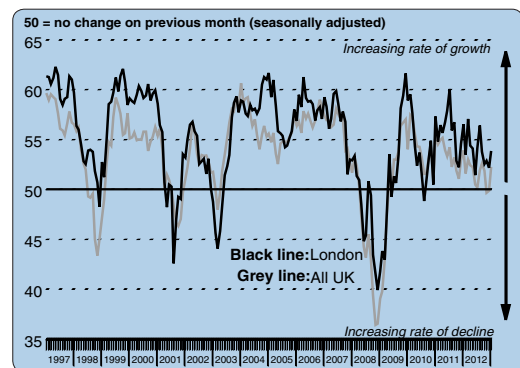


January data pointed to an upturn in private sector output growth across London. The seasonally adjusted Business Activity Index picked up to 52.3 in January, from 50.3 in December, to signal the strongest pace of expansion for five months and a fractionally stronger increase in business activity than the UK average. London has now outperformed the wider UK trend in each of the past three months, with the latest rise supported by higher manufacturing and service sector activity.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	27.3	53.5	19.2	54.0	54.1	52.3
	Jun	24.0	60.0	16.0	54.0	51.5	50.5
	Jul	22.8	54.5	22.8	50.0	54.2	50.2
	Aug	24.5	52.8	22.6	50.9	56.4	51.9
	Sep	23.2	51.5	25.3	49.0	53.8	52.6
	Oct	30.4	51.0	18.6	55.9	52.6	51.9
	Nov	22.6	59.4	17.9	52.4	52.9	49.7
	Dec	27.0	55.0	18.0	54.5	52.2	49.9
2013	Jan	22.4	61.2	16.3	53.1	53.9	52.3

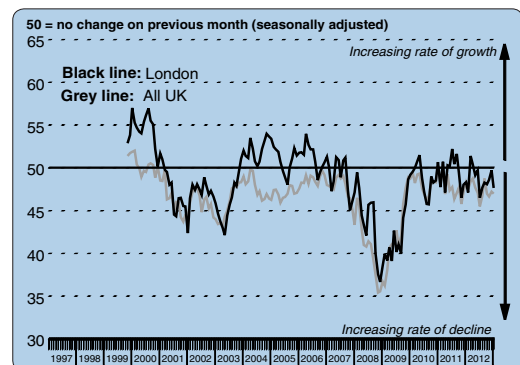


At 53.9 in January, up from 52.2 in the previous month, the seasonally adjusted Incoming New Business Index indicated a solid increase in new work at London private sector companies. In line with the trend for output levels, the latest reading indicated the fastest pace of expansion since August 2012 and a slightly stronger rise than the UK overall. The improvement in new order books during January was mainly driven by the service sector.

## Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	11.8	73.1	15.1	48.4	49.2	47.7
	Jun	16.3	68.5	15.2	50.5	49.7	47.1
	Jul	6.5	65.2	28.3	39.1	46.5	45.5
	Aug	11.2	70.4	18.4	46.4	47.7	46.8
	Sep	7.5	72.0	20.4	43.5	48.3	48.8
	Oct	11.7	75.5	12.8	49.5	48.1	47.0
	Nov	13.9	70.3	15.8	49.0	48.6	46.7
	Dec	10.6	74.5	14.9	47.9	49.7	47.3
2013	Jan	10.9	71.7	17.4	46.7	47.6	47.0

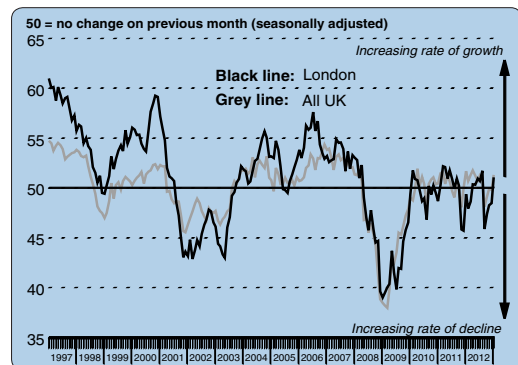


London private sector companies registered another reduction in their business outstanding during January, thereby extending the current period of contraction to nine months. At 47.6, down from 49.7 in December, the seasonally adjusted Business Outstanding Index indicated the most marked pace of contraction since July 2012. Lower levels of outstanding business were recorded in both the manufacturing and service sectors at the start of 2013.

Employment

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	10.9	78.2	10.9	50.0	50.3	51.3
	Jun	11.8	80.4	7.8	52.0	51.0	50.7
	Jul	10.6	79.8	9.6	50.5	50.7	51.3
	Aug	10.1	80.7	9.2	50.5	51.8	51.0
	Sep	11.8	73.5	14.7	48.5	45.9	48.2
	Oct	13.5	72.1	14.4	49.5	47.4	49.2
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.8
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3

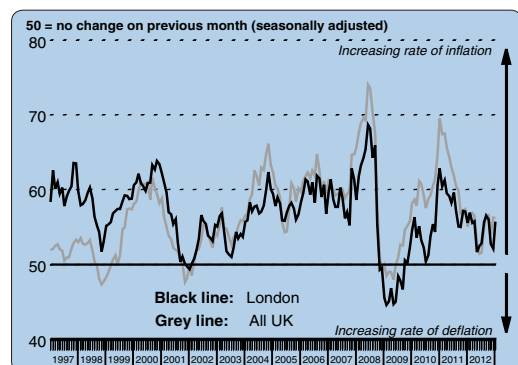


The seasonally adjusted Employment Index signalled a return to job creation in the London private sector economy during January, which ended a four-month period of reduction. A renewed expansion of workforce levels was also seen across the UK as a whole at the start of 2013. That said, in line with the UK-wide trend, the rate of employment growth was only marginal in the capital during January.

Input Prices / Costs

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

		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	9.8	90.2	0.0	54.9	51.7	52.8
	Jun	10.9	84.2	5.0	53.0	52.5	51.4
	Jul	14.4	79.8	5.8	54.3	52.9	51.6
	Aug	10.1	88.1	1.8	54.1	55.7	54.9
	Sep	12.7	86.3	1.0	55.9	56.6	56.5
	Oct	12.5	83.7	3.8	54.3	56.0	56.6
	Nov	11.8	80.9	7.3	52.3	52.8	54.1
	Dec	7.8	85.4	6.8	50.5	52.1	56.3
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.2

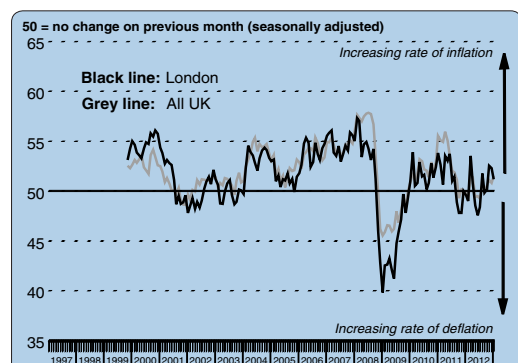


Average input costs increased for the fortieth successive month in January. At 55.7, up from 52.1 in December, the seasonally adjusted Input Prices Index pointed to a robust and accelerated pace of inflation. Although the latest reading was slightly lower than the UK average, the index was the highest since October 2012. Anecdotal evidence from survey respondents generally attributed the rise in cost burdens to higher energy and fuel bills at the start of the year.

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?

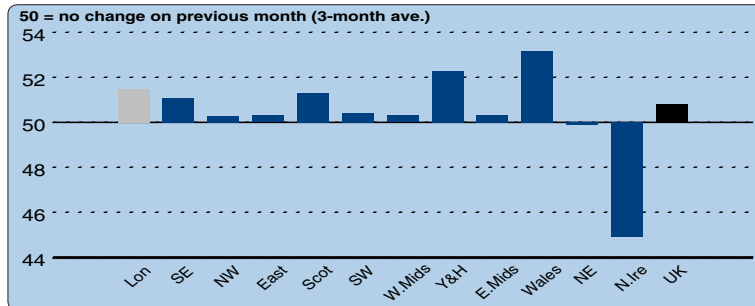
		London Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	5.9	88.2	5.9	50.0	48.6	49.4
	Jun	3.9	87.3	8.8	47.5	47.6	49.5
	Jul	3.8	88.5	7.7	48.1	48.4	49.3
	Aug	7.3	89.0	3.7	51.8	51.8	50.7
	Sep	4.9	90.2	4.9	50.0	49.9	50.0
	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5



Companies operating in the capital signalled a moderate rise in their average prices charged in January, with the pace of inflation easing to its slowest for three months. At 51.2, down from 52.3 in December, the seasonally adjusted Output Prices Index was broadly in line with the latest reading for the UK as a whole (51.5). Increased prices charged in London have been recorded during each month since last October.

## Regional Comparisons: Output

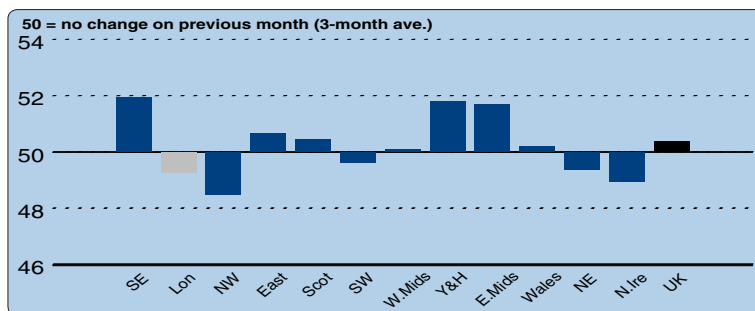
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales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

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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. They 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.