



# Lloyds TSB North East 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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**The Lloyds TSB North East 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 North East and operating in both manufacturing and service sectors.

The North East 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

## Business activity declines at modest pace in January

### Key findings:

- Marginal fall in new orders
- Backlogs of work increase at fastest pace in 13 months
- Input price inflation eases

Latest data signalled a deterioration in the North East private sector during January, with both activity and new business declining. However, employment levels remained broadly stable, while backlogs of work increased modestly. On the price front, cost inflation eased to a modest pace, and average tariffs were raised fractionally.

### Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 48.1 in January, down from 49.9 in December. This signalled a modest decrease in activity. Output across the UK as a whole, in contrast, increased modestly.

New business in the region fell in January, albeit marginally, following a slight increase in December. A number of panellists linked the reduction in new orders to subdued client demand. Meanwhile, new business increased at a modest pace at the UK level.

### Employment and backlogs

Employment at private sector companies was broadly unchanged in January, after a modest reduction in December. Meanwhile, the UK on average saw a marginal expansion of workforce numbers at the start of the year.

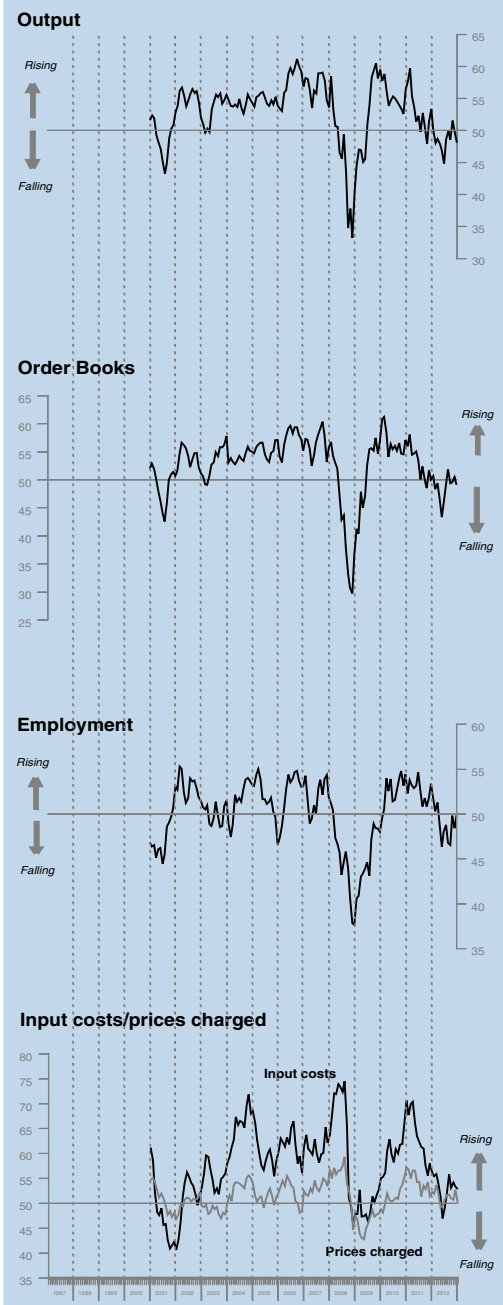
Backlogs of work increased for the second month in a row in January. The rate of accumulation quickened from December to a modest pace, the fastest in 13 months. In contrast, the UK as a whole registered a solid reduction in work-in-hand.

### Input and output prices

Average input costs in the North East private sector increased for the sixth successive month in January. However, the rate of input price inflation eased from December and was modest. Furthermore, it was substantially weaker than the UK economy average, which signalled a sharp rate of inflation.

Average prices charged by North East private sector firms increased for the seventh consecutive month in January. That said, the rate of inflation eased from December and was only fractional. Meanwhile, the UK overall registered a modest rise in charges.

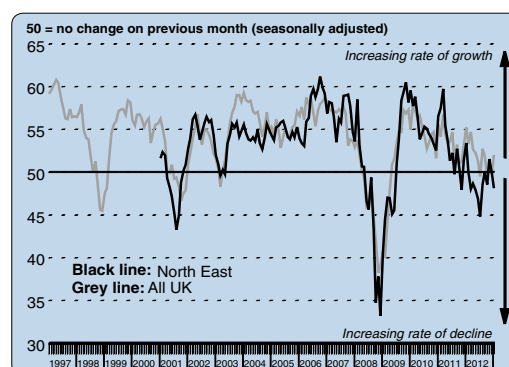
### North East Business Conditions



## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	16.7	52.1	31.3	42.7	47.9	52.3
	Jun	12.5	66.1	21.4	45.5	46.9	51.3
	Jul	19.1	53.2	27.7	45.7	44.8	49.6
	Aug	28.0	44.0	28.0	50.0	48.6	52.8
	Sep	25.5	57.4	17.0	54.3	50.0	51.9
	Oct	23.5	52.9	23.5	50.0	48.6	49.6
	Nov	16.7	62.5	20.8	47.9	51.6	50.5
	Dec	13.0	61.1	25.9	43.5	49.9	49.9
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.0

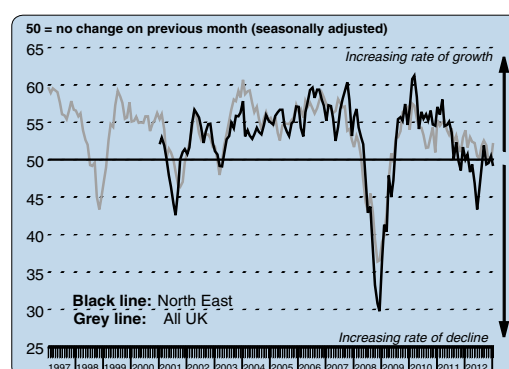


Business activity in the North East private sector decreased in January. The seasonally adjusted Business Activity Index indicated a modest rate of contraction, posting at 48.1. Moreover, it was the strongest deterioration since July 2012. Meanwhile, the UK private sector economy as a whole registered a modest improvement in activity levels. Sector data for the North East indicated that the overall reduction in business activity was centred on the manufacturing industry.

## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	17.0	48.9	34.0	41.5	46.9	52.3
	Jun	17.9	53.6	28.6	44.6	43.4	50.5
	Jul	25.0	47.7	27.3	48.9	46.0	50.2
	Aug	30.6	40.8	28.6	51.0	49.3	51.9
	Sep	21.7	58.7	19.6	51.1	51.9	52.6
	Oct	24.0	46.0	30.0	47.0	49.4	51.9
	Nov	20.8	52.1	27.1	46.9	49.6	49.7
	Dec	26.4	47.2	26.4	50.0	50.5	49.9
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.3

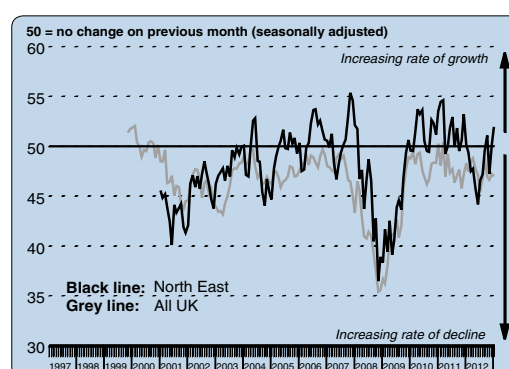


The seasonally adjusted New Orders Index registered a decreased level of incoming new business in the North East private sector in January, after a slight increase in December. That said, the rate of reduction was only marginal. Anecdotal evidence suggested that fewer new orders in the region were due to weak client demand. In contrast, the UK private sector overall recorded a modest increase in total 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	4.8	76.2	19.0	42.9	45.8	47.7
	Jun	10.2	73.5	16.3	46.9	44.2	47.1
	Jul	22.0	65.9	12.2	54.9	46.6	45.5
	Aug	16.3	62.8	20.9	47.7	47.2	46.8
	Sep	7.3	78.0	14.6	46.3	49.6	48.8
	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0

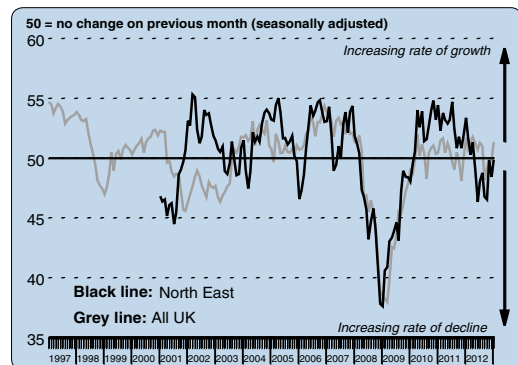


The level of outstanding business in the North East increased for the second successive month in January. After adjusting for seasonal factors, the rate of backlog accumulation quickened to a modest pace, with the respective index posting at a 13-month high of 52.0. The UK as a whole saw a reduced level of work-in-hand in January. The overall rise in outstanding business in the North East was driven by the service sector, as backlogs of work fell 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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	6.4	78.7	14.9	45.7	<b>49.1</b>	<b>51.3</b>
	Jun	8.9	76.8	14.3	47.3	<b>46.4</b>	<b>50.7</b>
	Jul	10.9	78.3	10.9	50.0	<b>48.1</b>	<b>51.3</b>
	Aug	14.0	76.0	10.0	52.0	<b>48.8</b>	<b>51.0</b>
	Sep	12.8	72.3	14.9	48.9	<b>46.8</b>	<b>48.2</b>
	Oct	14.0	64.0	22.0	46.0	<b>46.6</b>	<b>49.2</b>
	Nov	17.0	63.8	19.1	48.9	<b>49.8</b>	<b>49.9</b>
	Dec	11.3	67.9	20.8	45.3	<b>48.4</b>	<b>49.8</b>
2013	Jan	14.0	74.0	12.0	51.0	<b>49.9</b>	<b>51.3</b>

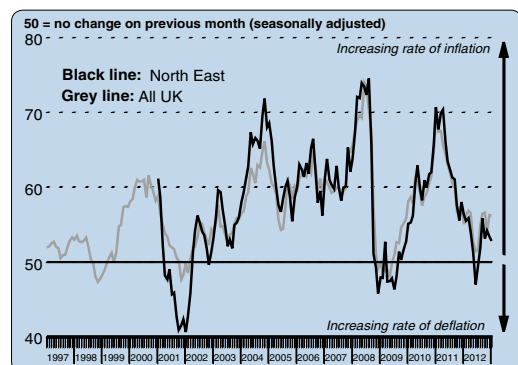


Staffing levels in the North East private sector were broadly unchanged in January, following a modest decrease in December. The UK on average, meanwhile, registered a marginal expansion of workforce numbers in the latest survey period. Sector data indicated diverging trends between the two monitored sectors, with manufacturers recording an overall reduction of staff numbers, whilst service providers signalled net job creation.

Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	11.1	82.2	6.7	52.2	<b>51.3</b>	<b>52.8</b>
	Jun	9.4	79.2	11.3	49.1	<b>47.0</b>	<b>51.4</b>
	Jul	15.6	73.3	11.1	52.2	<b>49.3</b>	<b>51.6</b>
	Aug	18.8	79.2	2.1	58.3	<b>51.9</b>	<b>54.9</b>
	Sep	13.3	86.7	0.0	56.7	<b>55.9</b>	<b>56.5</b>
	Oct	10.0	82.0	8.0	51.0	<b>53.2</b>	<b>56.6</b>
	Nov	8.7	82.6	8.7	50.0	<b>54.2</b>	<b>54.1</b>
	Dec	9.6	80.8	9.6	50.0	<b>53.4</b>	<b>56.3</b>
2013	Jan	14.6	75.0	10.4	52.1	<b>52.9</b>	<b>56.2</b>

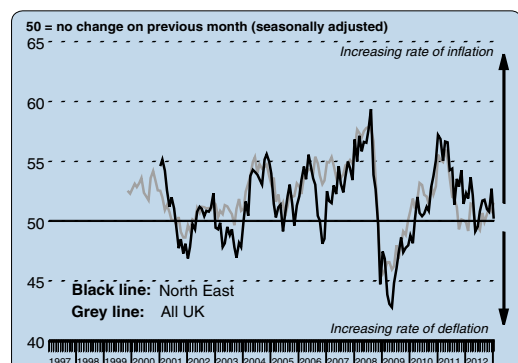


Average input costs at North East private sector firms increased for the sixth successive month in January. The rate of input price inflation eased from December to the weakest since August 2012. Cost inflation in the region was moderate overall. The UK private sector as a whole also registered inflation in January, but at a much sharper rate than that recorded in the North East. Input cost inflation was centred on the region's service sector.

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?

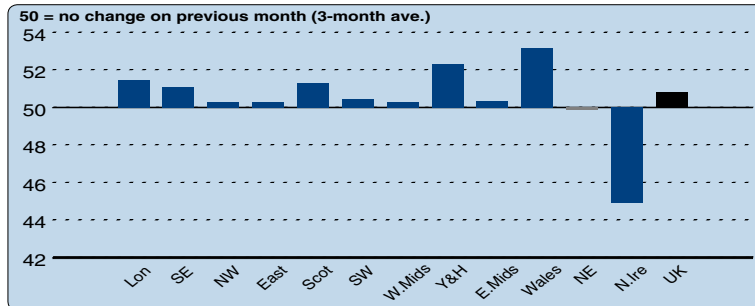
		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	2.1	83.0	14.9	43.6	<b>49.2</b>	<b>49.4</b>
	Jun	9.3	87.0	3.7	52.8	<b>49.6</b>	<b>49.5</b>
	Jul	8.7	89.1	2.2	53.3	<b>50.8</b>	<b>49.3</b>
	Aug	6.3	91.7	2.1	52.1	<b>51.7</b>	<b>50.7</b>
	Sep	4.3	93.5	2.2	51.1	<b>51.8</b>	<b>50.0</b>
	Oct	6.0	90.0	4.0	51.0	<b>51.0</b>	<b>50.6</b>
	Nov	4.3	91.5	4.3	50.0	<b>50.8</b>	<b>51.1</b>
	Dec	5.7	92.5	1.9	51.9	<b>52.7</b>	<b>50.8</b>
2013	Jan	6.1	87.8	6.1	50.0	<b>50.2</b>	<b>51.5</b>



Average tariffs in the North East private sector rose for the seventh month in a row in January. That said, the rate of inflation eased from December and was only fractional. Sector data indicated that output charges rose in both manufacturing and services, with a number of survey respondents attributing higher output charges to the passing-on of increased input costs to clients. The UK as a whole saw a slightly faster, albeit modest rate of inflation.

## Regional Comparisons: Output

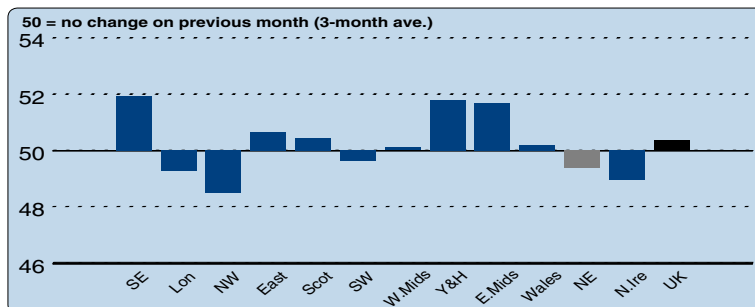
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales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