



Lloyds TSB North West 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.

We put great emphasis on a long-term relationship-led approach to banking and are committed to providing firms with a service that goes beyond day-to-day banking facilities.

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

www.lloydstsb.com/business

The Lloyds TSB North West 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 West and operating in both manufacturing and service sectors.

The North West 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:

economics@markit.com

The intellectual property rights to the Lloyds TSB North West PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

11th February 2013

Slight rise in North West private sector output during January

Key findings:

- Service sector growth underpins overall rise in output
- Slight contraction in new business
- Rate of cost inflation accelerates to 18-month high

Supported by increased service sector activity, output in the North West private sector rose during January. However, further growth in new order volumes at service providers was not sufficient to offset decreases in the manufacturing sector. Consequently, the total volume of incoming new work in the private sector fell, albeit only slightly. Meanwhile, input and output prices both increased.

Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – edged back above the no-change mark of 50.0, posting 50.4 in January (up from 47.9). This signalled that activity across the region expanded at a slight pace that was weaker than the UK average.

New orders declined for the second successive month, but only slightly. Manufacturing companies signalled falling order book volumes, while service providers registered a robust increase. Across the UK as a whole, a moderate rise in incoming new business was registered.

Employment and backlogs

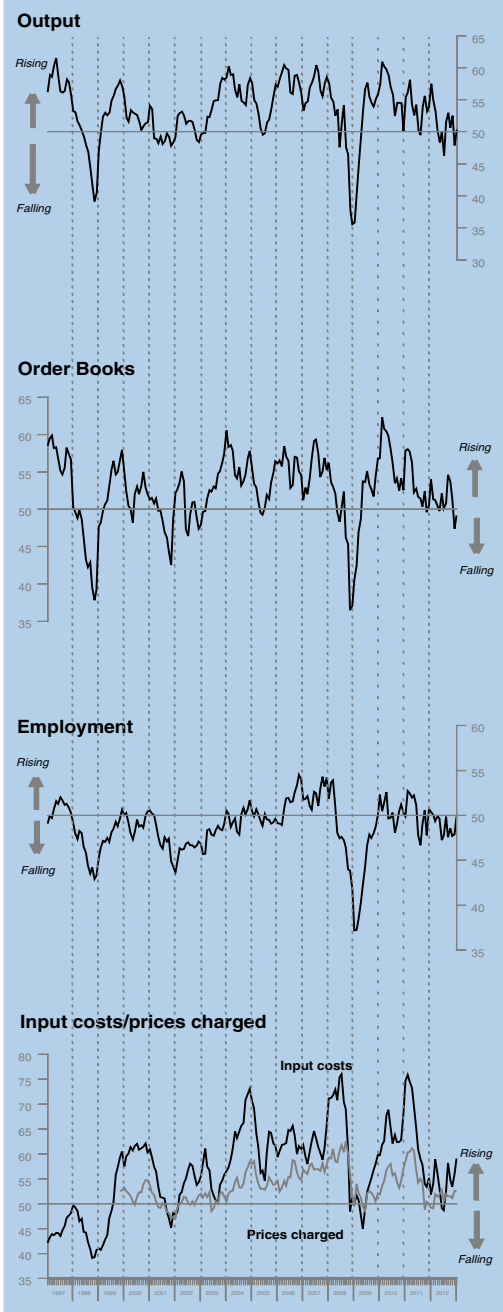
Staffing levels at private sector firms in the North West were broadly unchanged in January. In contrast to an increase signalled by manufacturers, employee headcounts at services firms fell, amid reports of the non-replacement of voluntary leavers. At the UK level, workforce numbers increased slightly.

Levels of unfinished business meanwhile fell sharply. Manufacturing and services companies both recorded decreases, with the pace of depletion at manufacturers the fastest recorded since the first half of 2009. Backlogs of work across the region have fallen in each of the past 13 months.

Input and output prices

Companies operating in the North West private sector indicated rising input costs during January. The rate of inflation was sharp and at an 18-month high. Panellists stated that raw material (especially steel) and energy costs rose. Subsequently, firms increased their selling prices again. Although moderate, the rate of inflation was above that seen in the UK overall.

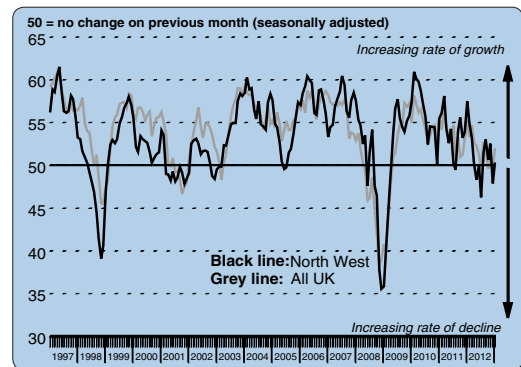
North West Business Conditions



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 West Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	20.2	51.7	28.1	46.1	48.4	52.3	
	Jun	31.3	46.3	22.5	54.4	50.0	51.3	
	Jul	18.6	46.5	34.9	41.9	46.3	49.6	
	Aug	23.2	43.9	32.9	45.1	51.5	52.8	
	Sep	37.4	40.7	22.0	57.7	53.0	51.9	
	Oct	28.3	46.7	25.0	51.6	50.6	49.6	
	Nov	32.6	43.0	24.4	54.1	52.5	50.5	
	Dec	20.5	44.3	35.2	42.6	47.9	49.9	
	2013	Jan	23.5	53.9	22.5	50.5	50.4	52.0

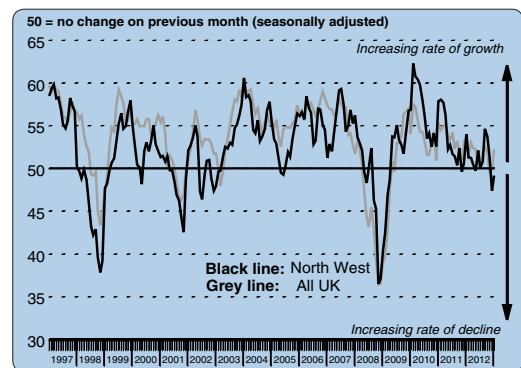


In contrast to a fall registered in December, output in the North West private sector rose during January. However, with the service sector registering an increase but manufacturers signalling a decline, the overall pace of expansion was only slight. Service providers suggested that a strong rebound in volumes of incoming new work resulted in higher business activity. Across the UK as a whole, output expanded moderately following a stagnation 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?

		North West Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	21.6	48.9	29.5	46.0	49.8	52.3	
	Jun	32.9	44.3	22.8	55.1	52.1	50.5	
	Jul	25.9	41.2	32.9	46.5	50.1	50.2	
	Aug	23.5	42.0	34.6	44.4	50.8	51.9	
	Sep	34.8	40.4	24.7	55.1	54.6	52.6	
	Oct	29.7	44.0	26.4	51.6	53.8	51.9	
	Nov	27.1	42.4	30.6	48.2	51.5	49.7	
	Dec	21.8	42.5	35.6	43.1	47.4	49.9	
	2013	Jan	28.7	44.6	26.7	51.0	49.2	52.3

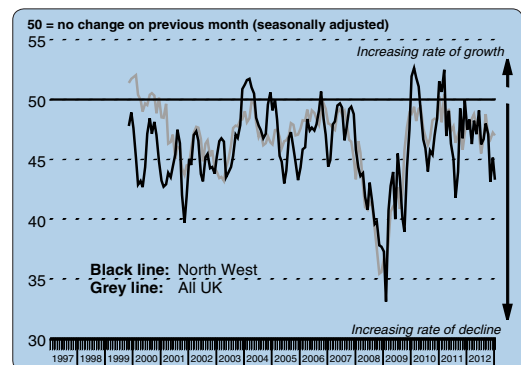


Private sector firms operating in the North West indicated falling volumes of incoming new work for the second successive month during January. That said, the rate of contraction was only slight and eased from December. While new orders in the manufacturing sector fell sharply, services companies reported an increase and linked growth to stronger demand. Across the UK as a whole, the level of incoming new business expanded, albeit only moderately.

Business Outstanding

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

		North West Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	8.3	53.6	38.1	35.1	47.1	47.7	
	Jun	17.1	63.2	19.7	48.7	49.1	47.1	
	Jul	11.3	52.5	36.3	37.5	46.3	45.5	
	Aug	13.2	53.9	32.9	40.1	46.7	46.8	
	Sep	15.3	60.0	24.7	45.3	48.0	48.8	
	Oct	17.6	54.1	28.2	44.7	47.1	47.0	
	Nov	11.0	54.9	34.1	38.4	43.1	46.7	
	Dec	10.8	61.4	27.7	41.6	45.2	47.3	
	2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0

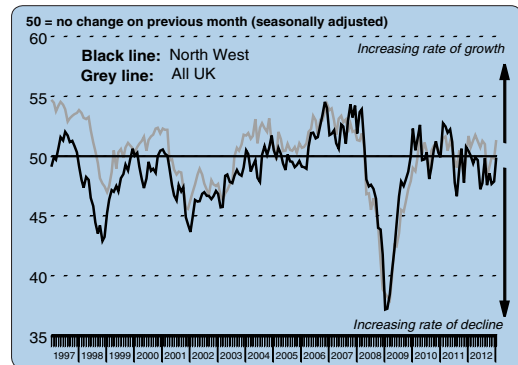


As has been the case since January last year, backlogs of work in the North West private sector decreased during the latest survey period. Manufacturing and services companies both signalled declines, with the rate of depletion faster in the manufacturing sector. Subsequently, the volume of work-in-hand (but not yet completed) across the region fell sharply, and at the fastest rate since last November. At the UK level, backlogs of work contracted solidly.

Employment

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

		North West Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	10.1	76.4	13.5	48.3	49.7	51.3	
	Jun	10.0	73.8	16.3	46.9	47.3	50.7	
	Jul	9.4	76.5	14.1	47.6	47.8	51.3	
	Aug	11.3	78.8	10.0	50.6	49.9	51.0	
	Sep	14.4	74.4	11.1	51.7	47.6	48.2	
	Oct	11.8	76.3	11.8	50.0	48.6	49.2	
	Nov	14.0	73.3	12.8	50.6	47.7	49.9	
	Dec	5.7	83.0	11.4	47.2	47.9	49.8	
	2013	Jan	6.9	83.2	9.9	48.5	49.9	51.3

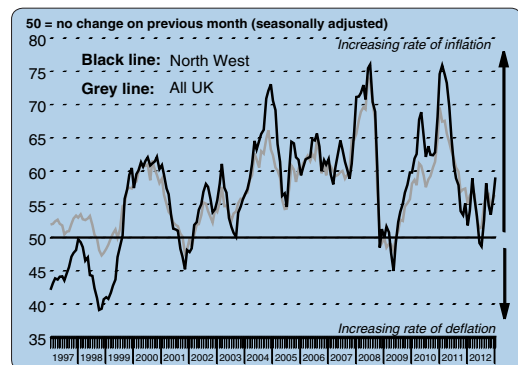


Employment levels were broadly unchanged at private sector firms in the North West. Whereas manufacturing companies registered a slight increase in employee headcounts, service providers indicated a fall, which some attributed to the non-replacement of voluntary leavers. After decreasing for four consecutive months, payroll numbers in the UK overall rose slightly in January.

Input Prices / Costs

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

		North West Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	22.5	67.4	10.1	56.2	53.2	52.8	
	Jun	12.5	71.3	16.3	48.1	49.2	51.4	
	Jul	14.0	67.4	18.6	47.7	48.7	51.6	
	Aug	17.1	67.1	15.9	50.6	52.6	54.9	
	Sep	23.1	72.5	4.4	59.3	58.2	56.5	
	Oct	16.1	72.0	11.8	52.2	54.8	56.6	
	Nov	11.8	78.8	9.4	51.2	53.5	54.1	
	Dec	12.5	80.7	6.8	52.8	56.0	56.3	
	2013	Jan	21.8	71.3	6.9	57.4	59.1	56.2

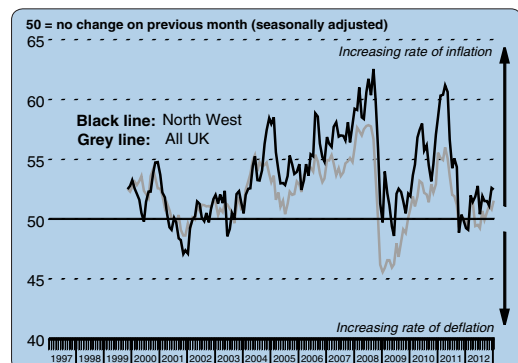


January data signalled persistent cost inflation in the North West private sector. With input costs rising in both the manufacturing and service sectors, the overall rate of increase was sharp and the quickest since July 2011. Anecdotal evidence suggested that this reflected higher raw material costs and rising utility bills. There were also mentions of unfavourable exchange rate fluctuations. Across the UK as a whole, the rate of cost inflation was robust, but little-changed from December.

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?

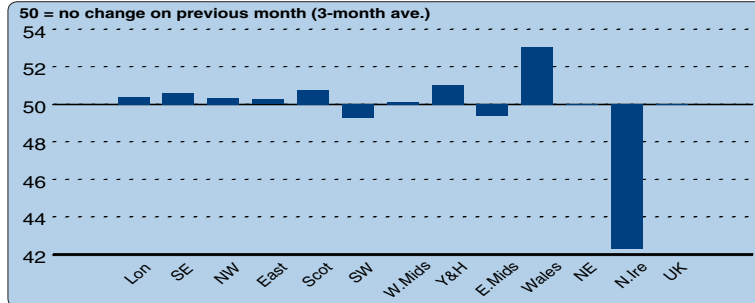
		North West Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	14.6	78.7	6.7	53.9	51.9	49.4	
	Jun	8.8	90.0	1.3	53.8	52.8	49.5	
	Jul	10.5	79.1	10.5	50.0	50.4	49.3	
	Aug	6.1	89.0	4.9	50.6	51.9	50.7	
	Sep	7.7	90.1	2.2	52.7	51.5	50.0	
	Oct	9.8	80.4	9.8	50.0	51.5	50.6	
	Nov	9.3	80.2	10.5	49.4	51.1	51.1	
	Dec	5.7	89.8	4.5	50.6	52.6	50.8	
	2013	Jan	12.7	82.4	4.9	53.9	52.5	51.5



Reflective of rising costs, prices charged by private sector companies in the North West were increased for the eleventh consecutive month during January. The overall rate of inflation was moderate, but faster than that at the UK level. Manufacturing and services companies both indicated rises, with the rate of inflation sharper among the latter.

Regional Comparisons: Output

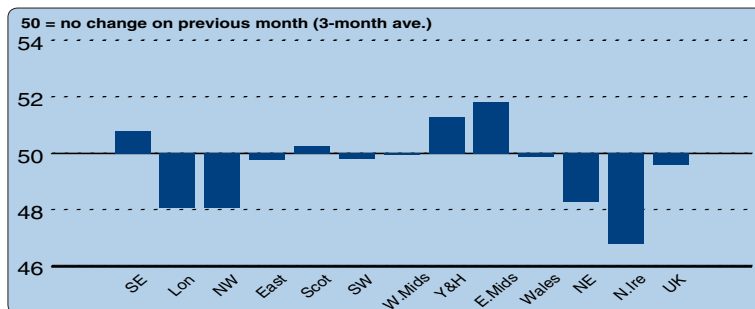
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales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

About Lloyds TSB Commercial and Markit Economics

Lloyds TSB Commercial is a trading name of Lloyds TSB Bank plc and Lloyds TSB Scotland plc and serves customers with an annual turnover of up to £15M.

Lloyds TSB Bank plc Registered office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Telephone: 020 7626 1500.

Lloyds TSB Scotland plc Registered office: Henry Duncan House, 120 George Street, Edinburgh EH2 4LH. Registered in Scotland no. 95237. Telephone: 0131 225 4555.

Authorised and regulated by the Financial Services Authority.

Lending is subject to status.

The Lloyds Banking Group includes Lloyds TSB Bank plc and a number of other companies using brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies.

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. To learn more go to www.markit.com/economics.