



Lloyds TSB South East PMI®

Lloyds TSB Commercial

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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.

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The Lloyds TSB South 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 South East and operating in both manufacturing and service sectors.

The South 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

Private sector growth resumes in January following December blip

Key findings:

- Moderate increases in output and new business
- South East sees fastest employment growth of all UK regions
- Solid rate of input price inflation

The first batch of South East PMI® data for 2013 from Lloyds TSB signalled a resumption in output growth in January, driven by the first increase in new business in three months. Moreover, employment in the region increased at the strongest rate among all 12 areas of the UK covered.

Output and demand

At 52.4 in January, up from December's 49.1, the headline Lloyds TSB South East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – indicated a moderate rate of expansion in activity. Although weaker than the survey's long-run average, the rate of growth was the strongest seen since the first half of 2012. The latest figure for the South East was also slightly higher than the All-UK average (52.0).

Total output was supported by rising levels of new business in January. That followed a two-month spell of marginal declines. Survey data signalled growth in both manufacturing and services.

Employment and backlogs

Staffing levels at South East companies increased for the fourth consecutive month in January. Moreover, the rate of job creation accelerated to the fastest since March 2011, and was stronger than those registered across all other UK regions. Both goods producers and service providers reported solid increases in workforces during the month.

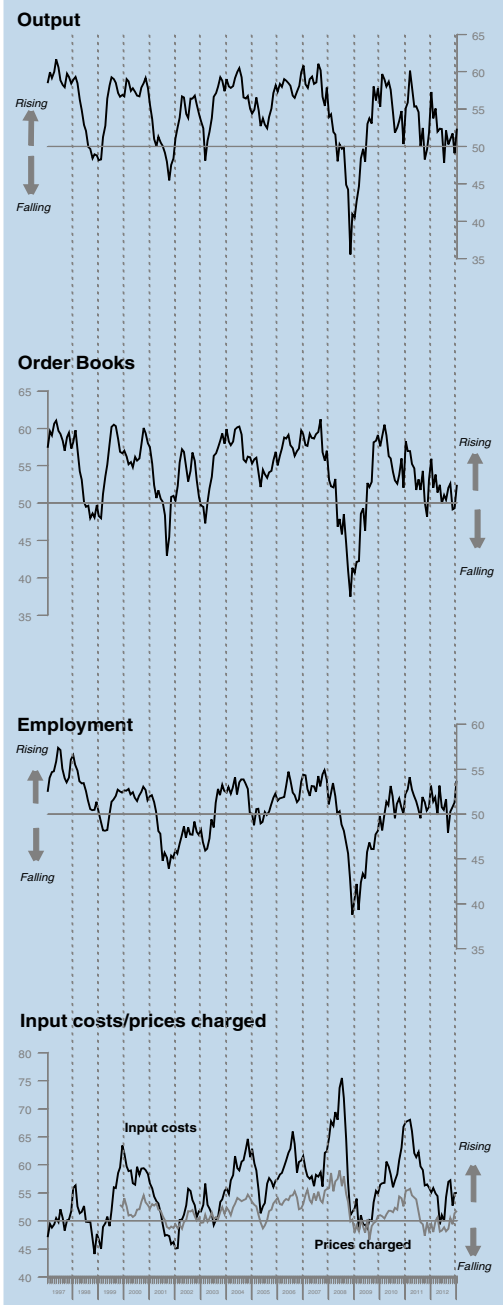
With solid job creation and a relatively modest rate of new business growth, backlogs of work were depleted at a robust pace in January. The level of outstanding business has fallen every month since February 2010.

Input and output prices

Average input prices rose for the sixth consecutive month in January. The rate of inflation was unchanged from December's strong pace, but slightly weaker than the long-run series average and that shown for the UK as a whole. Sources of rising costs included chemicals, energy, food, gas, paper and transport.

Prices charged for goods and services increased for the second month running in January and, though moderate overall, the rate of inflation was the strongest since June 2011.

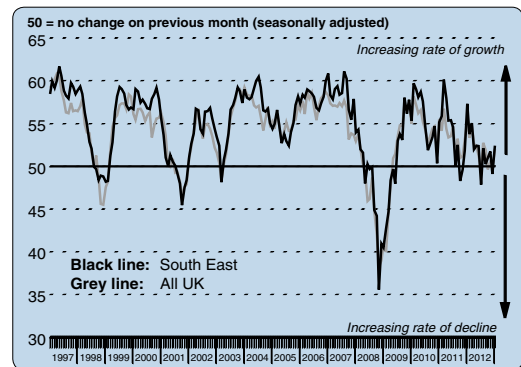
South East Business Conditions



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?

		South East Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	26.8	50.6	22.6	52.1	52.4	52.3	
	Jun	24.2	58.4	17.4	53.4	52.4	51.3	
	Jul	24.0	49.1	26.9	48.6	47.9	49.6	
	Aug	23.5	50.6	25.9	48.8	52.2	52.8	
	Sep	28.8	48.5	22.7	53.1	50.3	51.9	
	Oct	25.7	52.6	21.6	52.0	51.0	49.6	
	Nov	28.6	47.0	24.3	52.2	51.7	50.5	
	Dec	24.6	46.9	28.6	48.0	49.1	49.9	
	2013	Jan	25.4	50.8	23.8	50.8	52.4	52.0

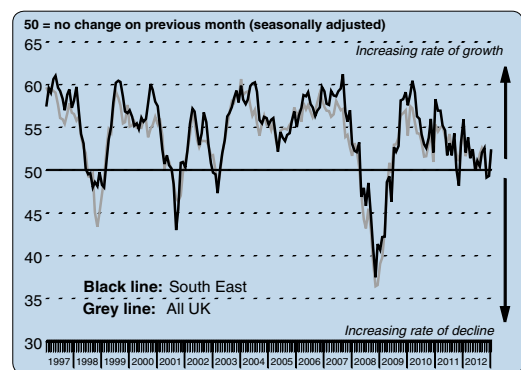


Private sector business activity in the South East rose in January. That followed a marginal decline in December. The seasonally adjusted Business Activity Index improved to a seven-month high, and was slightly above the UK average. Some firms linked growth to new business, with service providers citing improving confidence and manufacturers reporting new export contracts. Sector data signalled output growth in both manufacturing and services. The overall pace of growth remained weaker than the long-run average for the survey, however, as has been the case since April 2012.

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?

		South East Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	28.0	50.6	21.4	53.3	52.5	52.3	
	Jun	24.7	51.1	24.2	50.3	50.0	50.5	
	Jul	27.0	46.0	27.0	50.0	51.1	50.2	
	Aug	24.9	46.7	28.4	48.2	50.5	51.9	
	Sep	27.6	42.9	29.4	49.1	52.1	52.6	
	Oct	28.2	50.0	21.8	53.2	52.6	51.9	
	Nov	26.6	45.1	28.3	49.2	49.2	49.7	
	Dec	27.2	40.5	32.4	47.4	49.3	49.9	
	2013	Jan	27.2	53.3	19.4	53.9	52.5	52.3

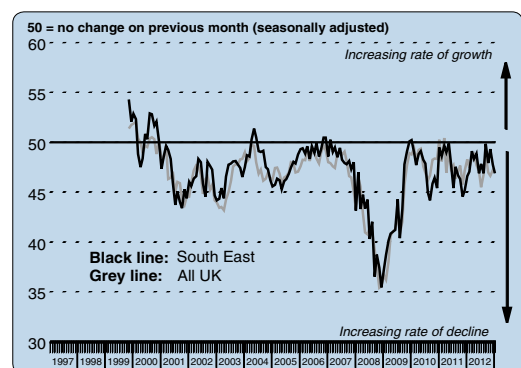


The volume of new business in the South East private sector economy rose for the first time in three months in January. This followed the pattern seen across the UK as a whole. The rate of expansion was greater than the average for 2012, but weak in the context of historic data. Many firms reported a general pick-up in business enquiries and new contracts. New business rose at both manufacturers and service providers, with the latter seeing the sharper rate of expansion. Overall, growth was in line with the UK average.

Business Outstanding

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

		South East Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	20.4	57.9	21.7	49.3	48.9	47.7	
	Jun	20.0	60.6	19.4	50.3	46.9	47.1	
	Jul	20.9	53.2	25.9	47.5	47.8	45.5	
	Aug	12.8	66.0	21.2	45.8	46.9	46.8	
	Sep	18.5	58.9	22.5	48.0	49.9	48.8	
	Oct	14.6	63.9	21.5	46.5	47.9	47.0	
	Nov	18.7	58.5	22.8	48.0	49.4	46.7	
	Dec	12.3	57.7	30.1	41.1	47.8	47.3	
	2013	Jan	17.4	56.3	26.3	45.5	46.9	47.0

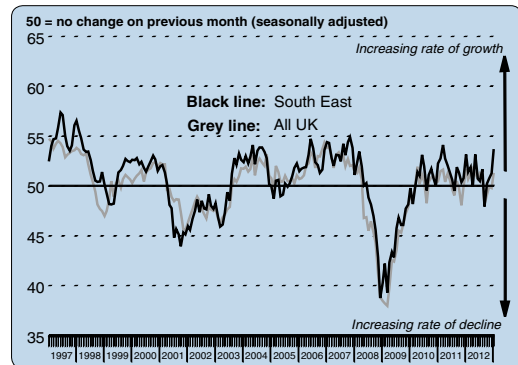


Private sector companies operating in the South East registered a further drop in outstanding work in January. The current sequence of backlog depletion now stretches to three years. The rate of decline in incomplete workloads was the fastest since last August, and broadly in line with the UK average. A slight increase in outstanding business at service providers was insufficient to offset a sharp fall in manufacturing backlogs. Overall, more than one-quarter of the survey panel reported lower backlogs than one month previously.

Employment

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

		South East Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	16.6	74.0	9.5	53.6	53.2	51.3	
	Jun	12.8	77.1	10.1	51.4	50.8	50.7	
	Jul	12.0	76.6	11.4	50.3	50.5	51.3	
	Aug	14.6	74.3	11.1	51.8	51.7	51.0	
	Sep	11.6	75.6	12.8	49.4	47.9	48.2	
	Oct	17.0	71.9	11.1	52.9	50.3	49.2	
	Nov	15.1	72.6	12.4	51.3	50.8	49.9	
	Dec	14.9	75.4	9.7	52.6	51.3	49.8	
	2013	Jan	14.4	76.8	8.8	52.8	53.7	51.3

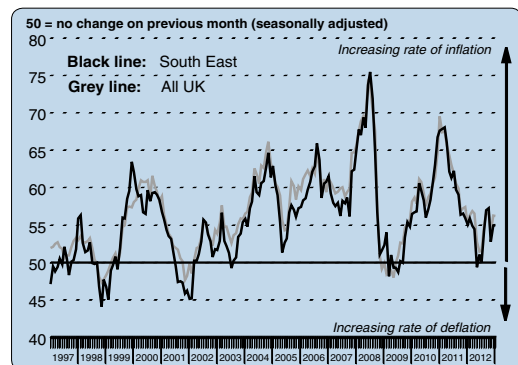


Private sector employment in the South East rose at a solid pace in January. The seasonally adjusted Employment Index climbed for the fourth month running from September's 34-month low, and signalled the fastest rate of job creation since March 2011. Moreover, of nine UK regions to post workforce growth during the month, the South East registered the fastest increase. Firms reported taking on more staff to deal with rising output requirements and business development plans. Employment rose solidly in both manufacturing and services during the month.

Input Prices / Costs

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

		South East Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	11.8	79.3	8.9	51.5	49.4	52.8	
	Jun	14.0	76.0	10.1	52.0	51.1	51.4	
	Jul	8.0	81.0	10.9	48.6	50.0	51.6	
	Aug	11.8	84.1	4.1	53.8	54.3	54.9	
	Sep	19.5	72.6	7.9	55.8	57.0	56.5	
	Oct	18.1	74.9	7.0	55.6	57.3	56.6	
	Nov	10.2	82.3	7.5	51.3	52.8	54.1	
	Dec	10.3	85.1	4.6	52.9	55.0	56.3	
	2013	Jan	16.0	80.1	3.9	56.1	55.0	56.2

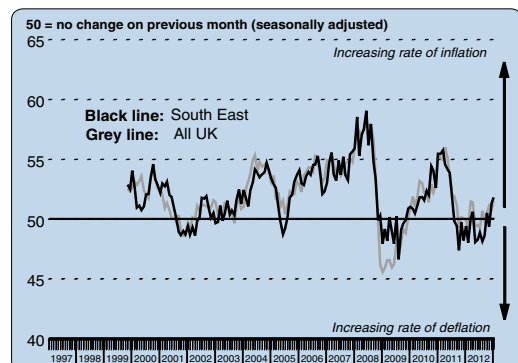


Input price inflation was maintained at a solid rate in January. The seasonally adjusted Input Prices Index was unchanged from December, remaining slightly below its long-run average. The rate of inflation signalled was also slightly weaker than the trend seen across the UK as a whole. Sector data suggested that cost pressures remained stronger in the service sector than in manufacturing. Firms reported higher costs for energy, food, transport, gas, paper and chemicals.

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?

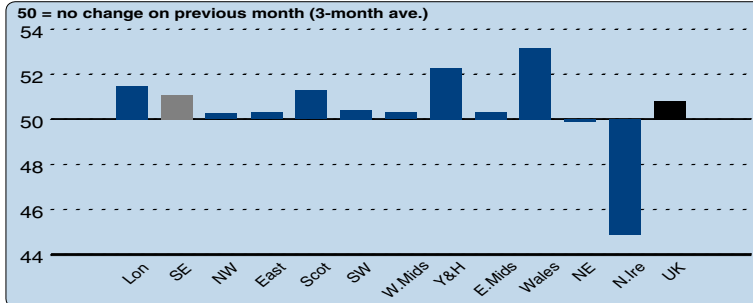
		South East Companies				All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind	
2012	May	6.5	85.8	7.7	49.4	48.1	49.4	
	Jun	3.4	90.4	6.2	48.6	48.3	49.5	
	Jul	2.9	93.1	4.0	49.4	48.9	49.3	
	Aug	0.6	92.4	7.0	46.8	48.2	50.7	
	Sep	6.1	84.8	9.1	48.5	48.6	50.0	
	Oct	8.2	84.2	7.6	50.3	50.5	50.6	
	Nov	5.4	86.0	8.6	48.4	49.4	51.1	
	Dec	4.0	92.0	4.0	50.0	51.4	50.8	
	2013	Jan	11.6	83.4	5.0	53.3	51.8	51.5



January data indicated a second successive monthly rise in prices charged for goods and services in the South East, the first back-to-back increase for a year-and-a-half. Though modest overall, the rate of inflation accelerated slightly and was the fastest since June 2011. It was broadly in line with the UK average at the start of the year. Firms generally linked higher charges for their goods and services to rising cost pressures. Manufacturers registered higher output prices, while charges at service providers were on average little-changed since December.

Regional Comparisons: Output

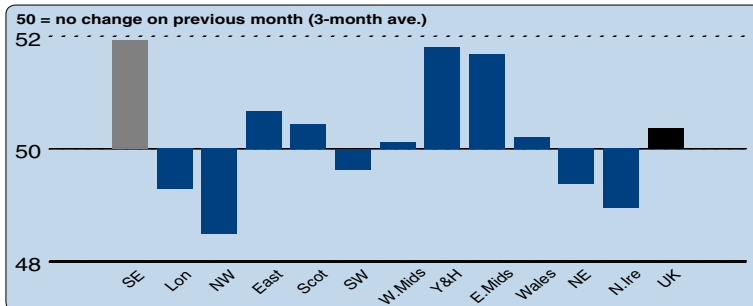
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales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