



Lloyds TSB South West 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 South 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 South West and operating in both manufacturing and service sectors.

The South 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.

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11th February 2013

Growth of business activity at seven-month high in January

Key findings:

- Both output and new orders rise
- Sharp decline in backlogs of work
- Input prices increase at a faster rate than output charges

Private sector firms in the South West signalled an increased amount of business activity for the second month in a row in January. The rate of growth was modest, and the fastest since last June. New business also rose in January for the second successive month. Backlogs of work continued to decline sharply, while employment levels decreased modestly. Input price inflation remained sharp, but only led to a modest increase in average tariffs.

Output and demand

The headline Lloyds TSB South West Business Activity Index – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – increased to 51.2 in January, from 50.4 in December. This signalled a modest expansion of output in the South West, while the UK as a whole posted a slightly quicker growth rate. Sector data for the region indicated that business activity rose in both the manufacturing and service sectors.

New business in the South West private sector also rose for the second successive month in January. New order growth accelerated from December to a modest pace, that was the quickest in four months. The UK registered a slightly faster (albeit modest) rate of growth than the South West.

Employment and backlogs

Staff numbers fell for the second month in a row in January. The rate of reduction accelerated slightly from December and was modest overall. Sector data indicated that job shedding in the manufacturing sector drove the overall decline.

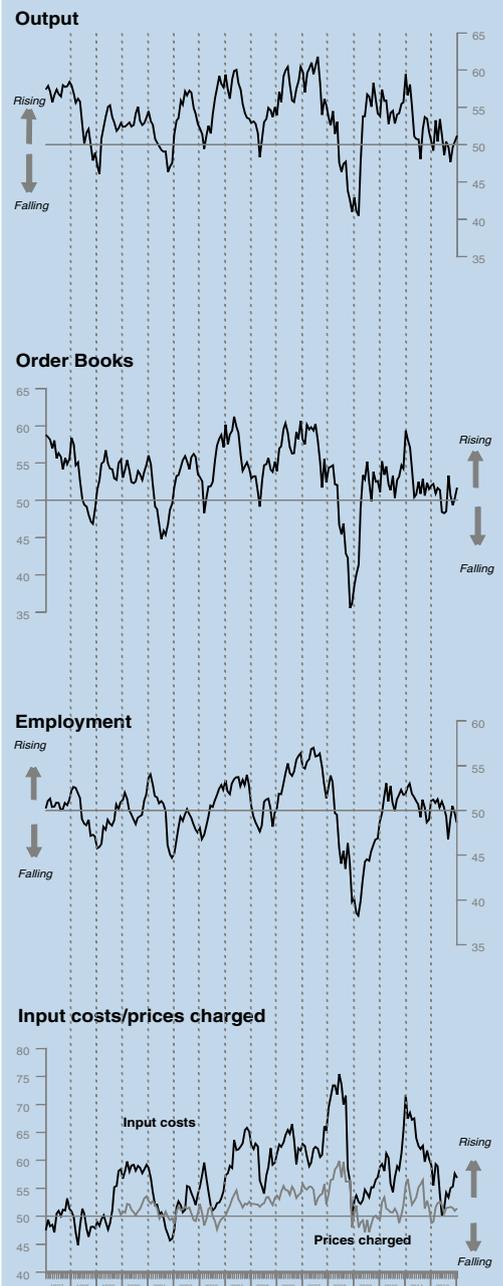
Backlogs of work also fell in January, for the twenty-second successive month. The rate of depletion was the sharpest since September. The UK economy as a whole also signalled a sharp reduction of work-in-hand.

Input and output prices

Input costs rose sharply at private sector firms across the South West in January. However, the rate of inflation eased slightly from December.

Average tariffs increased for the eleventh consecutive month in January. The rate of inflation increased slightly from December, but was modest overall.

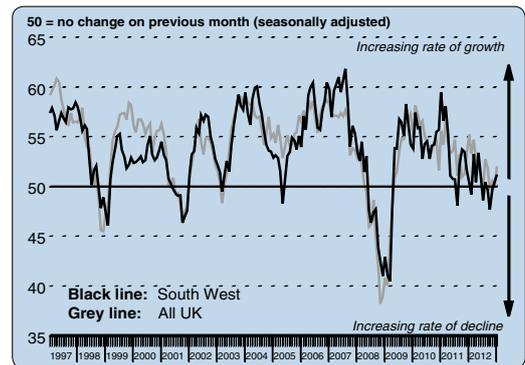
South West Business Conditions



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?

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | May | 29.4 | 51.0 | 19.6 | 54.9 | 53.4 | 52.3 |
| | Jun | 22.3 | 57.4 | 20.2 | 51.1 | 51.3 | 51.3 |
| | Jul | 21.4 | 55.3 | 23.3 | 49.0 | 48.6 | 49.6 |
| | Aug | 20.2 | 50.0 | 29.8 | 45.2 | 50.5 | 52.8 |
| | Sep | 21.2 | 55.8 | 23.1 | 49.0 | 49.6 | 51.9 |
| | Oct | 18.6 | 58.8 | 22.7 | 47.9 | 47.7 | 49.6 |
| | Nov | 21.1 | 56.9 | 22.0 | 49.5 | 49.7 | 50.5 |
| | Dec | 29.6 | 48.0 | 22.4 | 53.6 | 50.4 | 49.9 |
| 2013 | Jan | 18.4 | 57.1 | 24.5 | 46.9 | 51.2 | 52.0 |

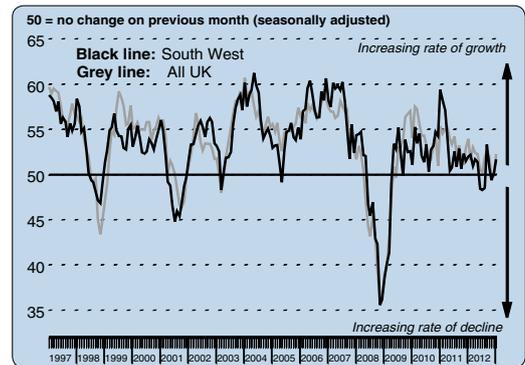


Business activity in the South West increased for the second successive month in January. After adjusting for seasonality, the Business Activity Index posted 51.2 in the latest survey period, signalling a marginal rate of growth. That said, it was the highest index reading since June 2012. The UK as a whole posted a slightly faster rate of expansion than the South West. The rise in business activity in the South West was largely driven by the manufacturing sector.

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 West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | May | 32.0 | 43.0 | 25.0 | 53.5 | 51.4 | 52.3 |
| | Jun | 20.7 | 52.2 | 27.2 | 46.7 | 48.4 | 50.5 |
| | Jul | 25.7 | 50.5 | 23.8 | 51.0 | 48.3 | 50.2 |
| | Aug | 16.8 | 51.5 | 31.7 | 42.6 | 48.5 | 51.9 |
| | Sep | 23.3 | 59.2 | 17.5 | 52.9 | 53.3 | 52.6 |
| | Oct | 20.0 | 52.6 | 27.4 | 46.3 | 50.7 | 51.9 |
| | Nov | 25.5 | 45.3 | 29.2 | 48.1 | 49.4 | 49.7 |
| | Dec | 21.9 | 52.1 | 26.0 | 47.9 | 50.2 | 49.9 |
| 2013 | Jan | 23.2 | 50.5 | 26.3 | 48.4 | 51.7 | 52.3 |

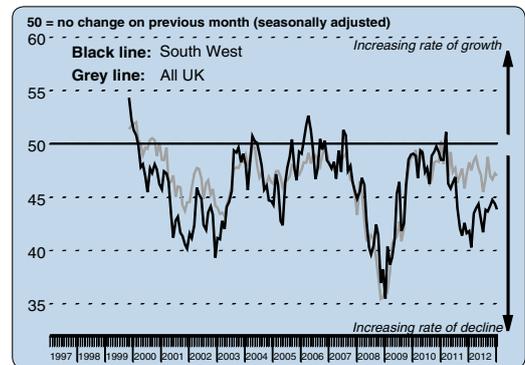


The seasonally adjusted New Orders Index signalled a rise in new business placed at private companies in the South West for the second month in a row in January. New order growth accelerated from December to a modest pace, with the index posting at 51.7. Moreover, it signalled the fastest rate of growth in four months. However, this was slightly below the UK average. According to sector data, new business rose in manufacturing but declined in 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?

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | May | 14.6 | 67.7 | 17.7 | 48.4 | 44.4 | 47.7 |
| | Jun | 9.0 | 71.9 | 19.1 | 44.9 | 42.9 | 47.1 |
| | Jul | 12.5 | 63.5 | 24.0 | 44.3 | 41.7 | 45.5 |
| | Aug | 12.4 | 61.9 | 25.8 | 43.3 | 43.8 | 46.8 |
| | Sep | 12.5 | 56.3 | 31.3 | 40.6 | 43.7 | 48.8 |
| | Oct | 10.9 | 63.0 | 26.1 | 42.4 | 44.2 | 47.0 |
| | Nov | 7.7 | 67.3 | 25.0 | 41.3 | 44.7 | 46.7 |
| | Dec | 6.6 | 68.1 | 25.3 | 40.7 | 44.4 | 47.3 |
| 2013 | Jan | 9.6 | 66.0 | 24.5 | 42.6 | 43.9 | 47.0 |

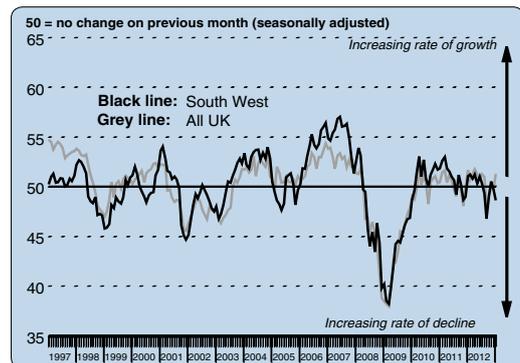


Backlogs of work in the South West decreased for the twenty-second consecutive month in January. The seasonally adjusted Business Outstanding Index indicated a sharp rate of depletion, posting 43.9 in January. Furthermore, it was the index's lowest reading in four months. The level of outstanding business in the region continued to decline at a faster rate than the UK economy average. Both manufacturing and services reported sharp falls in work-in-hand in January.

Employment

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

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | May | 12.9 | 77.2 | 9.9 | 51.5 | 50.4 | 51.3 |
| | Jun | 15.1 | 79.6 | 5.4 | 54.8 | 51.0 | 50.7 |
| | Jul | 8.8 | 83.3 | 7.8 | 50.5 | 50.4 | 51.3 |
| | Aug | 8.7 | 79.6 | 11.7 | 48.5 | 49.4 | 51.0 |
| | Sep | 13.7 | 67.6 | 18.6 | 47.5 | 46.8 | 48.2 |
| | Oct | 10.4 | 78.1 | 11.5 | 49.5 | 49.1 | 49.2 |
| | Nov | 14.8 | 72.2 | 13.0 | 50.9 | 50.5 | 49.9 |
| | Dec | 10.3 | 75.3 | 14.4 | 47.9 | 49.7 | 49.8 |
| 2013 | Jan | 10.4 | 69.8 | 19.8 | 45.3 | 48.6 | 51.3 |

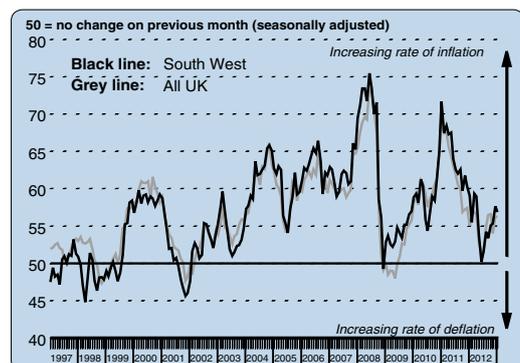


Employment levels in the South West private sector decreased for the second successive month in January. After adjusting for seasonal factors, the rate of job shedding accelerated from December and was modest overall. Reductions at manufacturing companies drove the overall decline in staff numbers, while payroll numbers increased slightly in the service sector. Meanwhile, the UK as a whole posted a modest expansion of workforce numbers.

Input Prices / Costs

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

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | May | 21.2 | 69.7 | 9.1 | 56.1 | 53.8 | 52.8 |
| | Jun | 9.8 | 81.5 | 8.7 | 50.5 | 50.2 | 51.4 |
| | Jul | 14.9 | 75.2 | 9.9 | 52.5 | 51.6 | 51.6 |
| | Aug | 15.8 | 77.2 | 6.9 | 54.5 | 54.3 | 54.9 |
| | Sep | 7.0 | 88.0 | 5.0 | 51.0 | 53.4 | 56.5 |
| | Oct | 11.6 | 82.1 | 6.3 | 52.6 | 55.1 | 56.6 |
| | Nov | 15.6 | 78.0 | 6.4 | 54.6 | 55.3 | 54.1 |
| | Dec | 16.7 | 78.1 | 5.2 | 55.7 | 57.6 | 56.3 |
| 2013 | Jan | 19.4 | 76.5 | 4.1 | 57.7 | 56.9 | 56.2 |

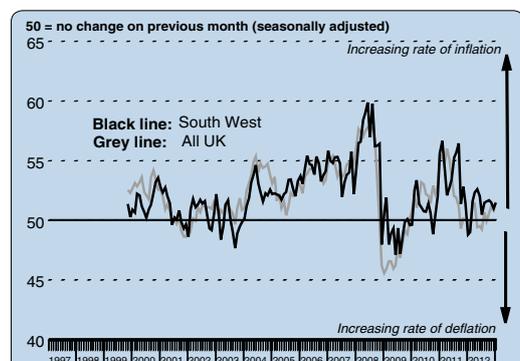


Average input costs continued to rise at private sector firms in the South West in January. The seasonally adjusted Input Prices Index signalled a sharp rise in input prices in December, though the rate of inflation eased from December's eight-month high. The UK also registered a sharp rate of inflation, but one that was slightly weaker than that in the South West. Input prices rose across both monitored sectors in January, with the service sector posting a much sharper rate of inflation than manufacturing.

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 West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | May | 11.9 | 84.2 | 4.0 | 54.0 | 52.6 | 49.4 |
| | Jun | 7.5 | 86.0 | 6.5 | 50.5 | 52.0 | 49.5 |
| | Jul | 9.8 | 80.4 | 9.8 | 50.0 | 50.5 | 49.3 |
| | Aug | 8.7 | 86.5 | 4.8 | 51.9 | 51.5 | 50.7 |
| | Sep | 6.9 | 88.1 | 5.0 | 51.0 | 51.6 | 50.0 |
| | Oct | 5.3 | 89.5 | 5.3 | 50.0 | 51.7 | 50.6 |
| | Nov | 8.3 | 83.3 | 8.3 | 50.0 | 51.5 | 51.1 |
| | Dec | 5.2 | 88.7 | 6.2 | 49.5 | 51.0 | 50.8 |
| 2013 | Jan | 12.2 | 83.7 | 4.1 | 54.1 | 51.5 | 51.5 |



Average tariffs set by private sector companies in the South West increased for the eleventh consecutive month in January. The seasonally adjusted Output Prices Index posted 51.5 at the start of the year, signalling a further modest rate of increase. The rate of inflation in the region was the same as that recorded for the UK economy as a whole. Average tariffs rose in both manufacturing and service sectors, with the sharper rate seen in the manufacturing sector.

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.

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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.