



# Lloyds TSB West Midlands 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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[www.lloydstsb.com/business](http://www.lloydstsb.com/business)

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

The West Midlands 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:

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11th February 2013

## Stagnation of business activity in West Midlands at start of 2013

### Key findings:

- Output flat despite further rise in new business
- Backlogs fall at sharpest rate since September 2009
- Input price inflation accelerates to eight-month high

The latest Lloyds TSB West Midlands PMI® report signalled a stable level of business activity in the region's private sector economy during January. The headline Business Activity Index posted 50.1, down from 51.8 in December. The stagnation of output occurred despite continued growth of new business. Backlogs of work meanwhile declined at the fastest pace since September 2009. Growth of employment was signalled for the first time in three months. Input price inflation accelerated to an eight-month high but output charge inflation remained broadly unchanged at a moderate pace.

### Output and demand

Following growth in December, business activity in the West Midlands was little-changed during January. This represented an underperformance versus the UK as a whole, where a modest increase in activity was recorded.

Output decreased despite a further expansion in the level of new business placed with private sector firms in the region. It was the third month in succession where growth of new work has been registered, although the rate of growth eased from December's solid pace.

### Employment and backlogs

Staffing levels at West Midlands private sector companies increased for the first time in three months during January. The rate of job creation was at a similar moderate pace to the UK average. The expansion of employment was centred on the manufacturing sector, offsetting a decline in services.

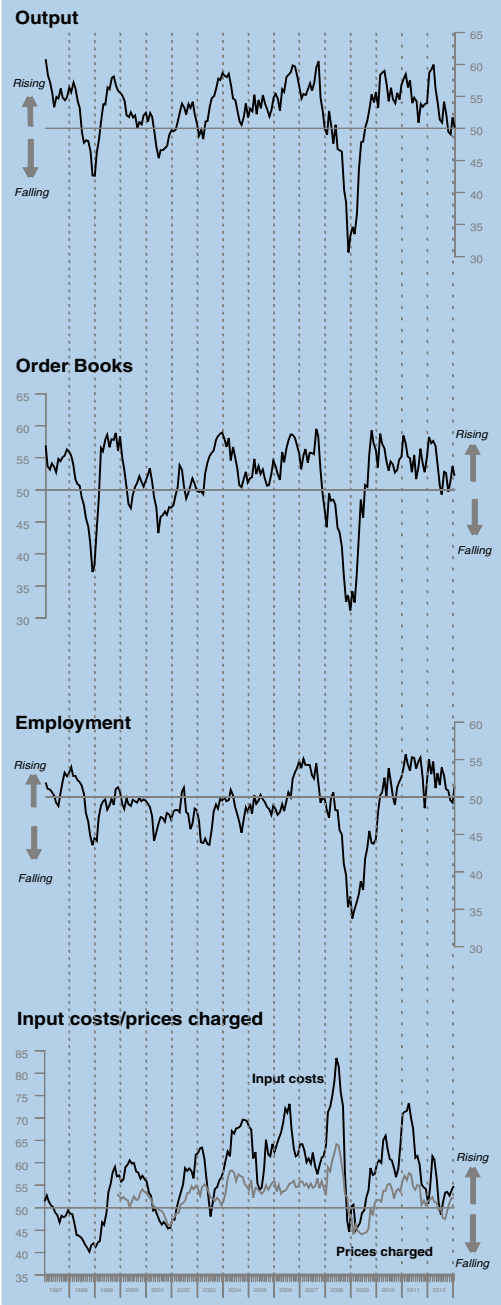
Outstanding business in the West Midlands private sector decreased further in January, extending the current period of contraction to nine months. Moreover, the rate of decline accelerated to the sharpest since September 2009.

### Input and output prices

The rate of input price inflation faced by private sector firms in the West Midlands quickened in January, reaching an eight-month high. Panellists generally commented on increased raw material costs. That said, the region continued to register a slower rate of input price inflation than the UK average.

Output prices increased for the third month running in January, with the rate of charge inflation remaining moderate.

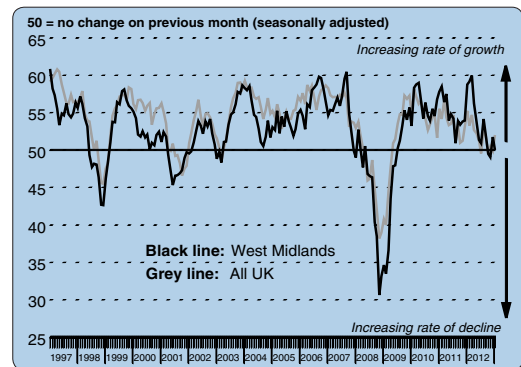
### West Midlands Business Conditions



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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	33.0	41.7	25.2	53.9	53.9	52.3
	Jun	22.0	59.3	18.6	51.7	51.4	51.3
	Jul	28.7	46.1	25.2	51.7	50.9	49.6
	Aug	22.4	49.1	28.4	47.0	54.2	52.8
	Sep	25.4	43.9	30.7	47.4	52.1	51.9
	Oct	21.1	48.6	30.3	45.4	49.5	49.6
	Nov	26.3	50.0	23.7	51.3	49.1	50.5
	Dec	29.0	47.7	23.4	52.8	51.8	49.9
2013	Jan	21.1	47.4	31.6	44.7	50.1	52.0

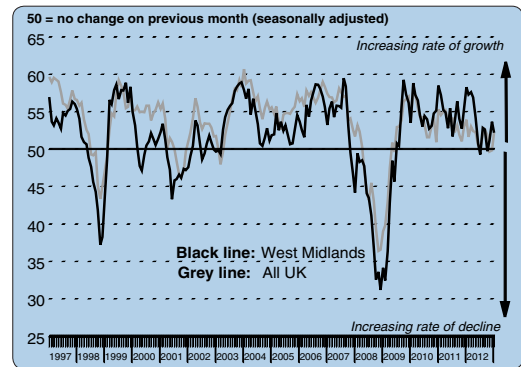


The seasonally adjusted Business Activity Index dropped to 50.1 in January, from 51.8 in December, signalling that output growth in the West Midlands private sector eased to near-stagnation. Across the UK overall, activity increased at a moderate pace. Those panellists reporting growth of output generally cited higher new business. Where a reduction in activity was recorded, this was in part linked (by manufacturers) to efforts to manage stocks of finished goods.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	34.8	33.0	32.2	51.3	54.2	52.3
	Jun	23.3	45.7	31.0	46.1	50.7	50.5
	Jul	23.9	46.0	30.1	46.9	49.3	50.2
	Aug	24.8	43.4	31.9	46.5	52.9	51.9
	Sep	29.5	41.1	29.5	50.0	52.7	52.6
	Oct	19.8	51.9	28.3	45.8	49.7	51.9
	Nov	29.3	48.3	22.4	53.4	51.2	49.7
	Dec	28.6	45.7	25.7	51.4	53.7	49.9
2013	Jan	25.4	45.6	28.9	48.2	52.2	52.3

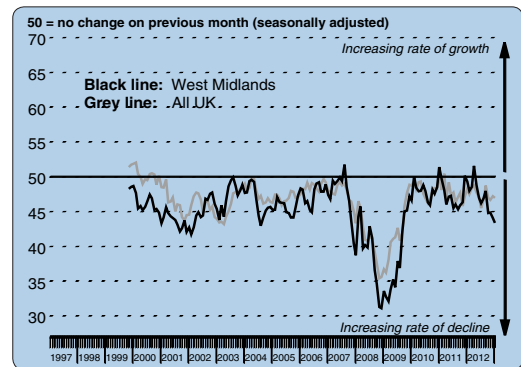


The amount of new business placed with private sector firms in the West Midlands increased for a third consecutive month in January. That said, the rate of expansion eased from December's solid pace. The seasonally adjusted Incoming New Business Index dropped from 53.7 to 52.2, a reading in line with the UK average. Higher levels of marketing activity, customer stock building and improved confidence in the marketplace were commented on by survey respondents as factors underpinning growth of new business.

Business Outstanding

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	17.6	59.3	23.1	47.2	48.8	47.7
	Jun	12.6	69.4	18.0	47.3	47.0	47.1
	Jul	15.2	59.0	25.7	44.8	46.2	45.5
	Aug	13.1	63.6	23.4	44.9	46.9	46.8
	Sep	11.0	63.3	25.7	42.7	48.0	48.8
	Oct	9.0	62.0	29.0	40.0	44.8	47.0
	Nov	12.5	64.3	23.2	44.6	44.9	46.7
	Dec	13.9	57.4	28.7	42.6	44.1	47.3
2013	Jan	14.0	57.9	28.0	43.0	43.4	47.0

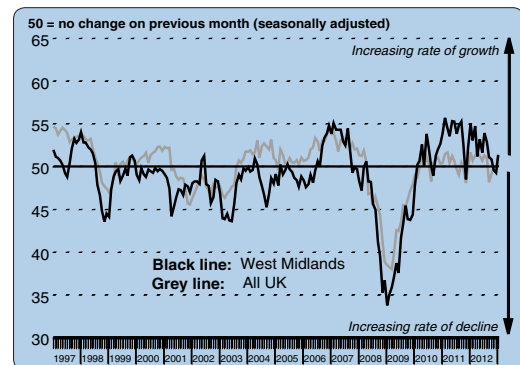


Backlogs of work in the West Midlands private sector decreased further in January, extending the current period of contraction to nine months. At 43.4, down from 44.1 in December, the seasonally adjusted Business Outstanding Index pointed to a sharp rate of contraction that was the fastest since September 2009. The region posted a considerably stronger decline in backlogs than the UK average.

Employment

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	19.3	69.3	11.4	53.9	53.2	51.3
	Jun	13.8	77.6	8.6	52.6	51.7	50.7
	Jul	20.4	69.9	9.7	55.3	54.0	51.3
	Aug	12.2	77.4	10.4	50.9	52.9	51.0
	Sep	13.3	77.0	9.7	51.8	51.1	48.2
	Oct	14.0	74.8	11.2	51.4	50.9	49.2
	Nov	10.3	72.6	17.1	46.6	49.6	49.9
	Dec	10.3	76.6	13.1	48.6	49.3	49.8
2013	Jan	13.3	72.6	14.2	49.6	51.4	51.3

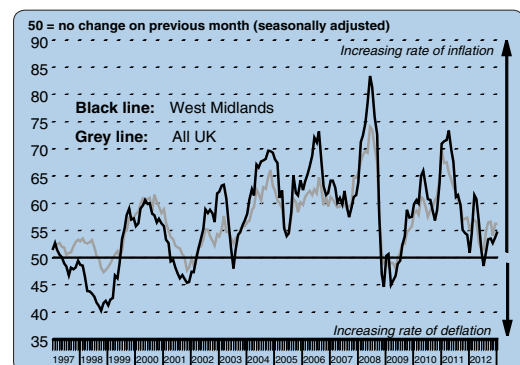


Employment in the West Midlands private sector increased for the first time in three months during January. At 51.4, up from 49.3 in December, the seasonally adjusted Employment Index signalled that the rate of jobs growth was moderate and broadly in line with the UK average. Sector data indicated divergent employment trends between manufacturing and services, with the former posting growth and the latter registering a decline.

Input Prices / Costs

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	17.4	73.9	8.7	54.3	56.5	52.8
	Jun	15.3	72.0	12.7	51.3	51.2	51.4
	Jul	7.8	73.9	18.3	44.8	48.5	51.6
	Aug	12.9	74.1	12.9	50.0	51.1	54.9
	Sep	12.3	74.6	13.2	49.6	53.4	56.5
	Oct	12.8	77.1	10.1	51.4	53.6	56.6
	Nov	6.8	82.1	11.1	47.9	52.7	54.1
	Dec	10.3	80.4	9.3	50.5	53.8	56.3
2013	Jan	17.4	76.5	6.1	55.7	54.9	56.2

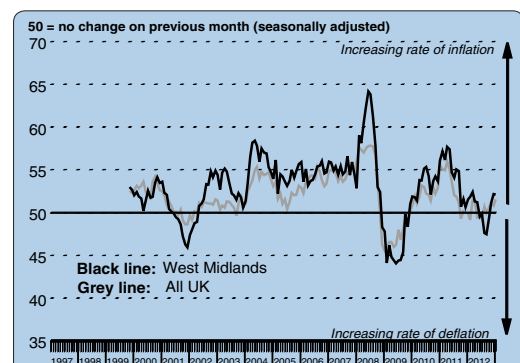


The rate of input price inflation in the West Midlands private sector accelerated to an eight-month high in January. At 54.9, up from 53.8 in December, the seasonally adjusted Input Prices Index pointed to a solid rate of cost inflation. However, the increase was less marked than the UK average. Anecdotal evidence suggested that a number of suppliers had passed through increased raw material costs.

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?

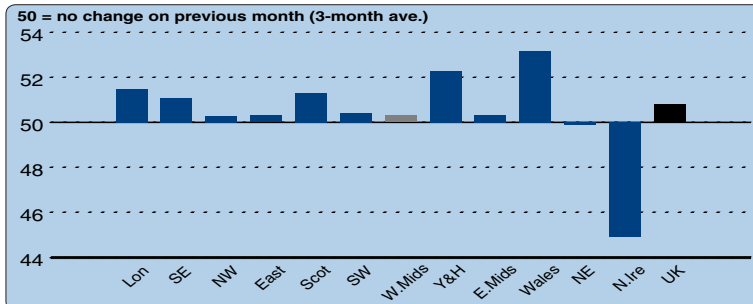
		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	May	11.3	83.5	5.2	53.0	51.2	49.4
	Jun	5.9	86.4	7.6	49.2	49.5	49.5
	Jul	4.3	90.4	5.2	49.6	49.9	49.3
	Aug	4.3	85.3	10.3	47.0	47.6	50.7
	Sep	4.4	85.8	9.7	47.3	47.5	50.0
	Oct	9.2	81.7	9.2	50.0	49.3	50.6
	Nov	7.6	86.4	5.9	50.8	51.1	51.1
	Dec	6.5	88.8	4.7	50.9	52.2	50.8
2013	Jan	13.0	80.9	6.1	53.5	52.1	51.5



Prices charged by private sector firms in the West Midlands increased for a third successive month during January. The seasonally adjusted Output Prices Index posted 52.1, little-changed from the reading of 52.2 in December, signalling a moderate rate of charge inflation. The region posted a slightly faster rise in output prices than the UK average during the latest survey period.

## Regional Comparisons: Output

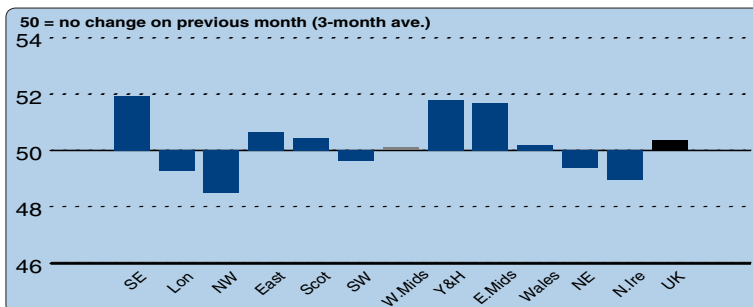
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased the majority of UK regions during the three months to January, with the North East and Northern Ireland the only exceptions. Wales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