



## Lloyds TSB East of England 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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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 East of England PMI® (Purchasing Managers' Index®)** is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in February 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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 March 2013

## Business activity increases at sharpest rate in five months

### Key findings:

- Further rises in business activity and new orders
- Rate of job creation picks up slightly from January
- Output charge inflation accelerates

The latest survey data indicated a further rise in business activity at East of England private sector companies, and the rate of expansion accelerated to a five-month high. Incoming new business also increased, and led to the hiring of additional staff. The rate of job creation picked up slightly from the previous month and was the fastest in nine months. Meanwhile, input and output prices both rose at a slightly faster pace than in January.

### Output and demand

The headline seasonally adjusted Lloyds TSB East of England Business Activity Index registered 52.0 in February, up from January's 50.9. Activity increased for the third month running, and at the sharpest rate since September 2012. The latest reading was higher than the equivalent for the UK as a whole (51.2).

The overall increase in activity reflected higher order intakes, mainly driven by a solid expansion across the services sector. The securing of new clients and improved underlying demand were cited to have contributed to growth in new work.

### Employment and backlogs

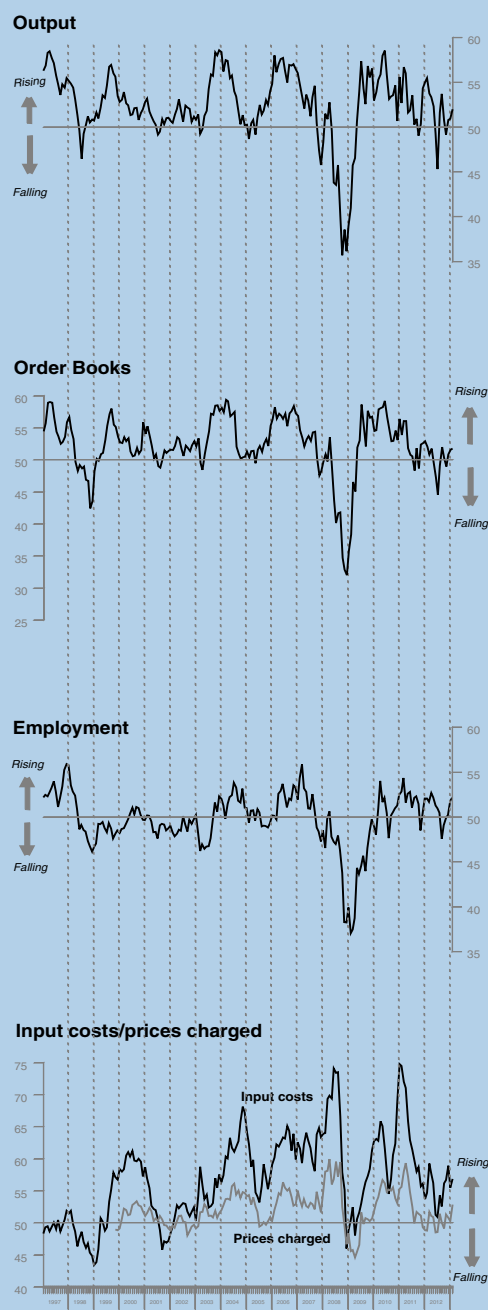
Employment levels continued to rise in February, as private sector companies responded to increased incoming new business. The rate of job creation was the sharpest in nine months and higher than in the UK as a whole. Much of the rise in workforce numbers was centred across the services sector. Meanwhile, February data indicated a fall in business outstanding. While work-in-hand increased marginally at service providers, but the expansion was offset by a decline in backlogs of work at manufacturing companies.

### Input and output prices

Companies in the East of England faced increased input prices in February. Exactly 20% of respondents reported a rise in costs, and only 4% indicated a fall. While the rate of input price inflation picked up from January, it was fractionally below the overall UK average.

Output charges rose for the fourth month running during the latest survey period, and at the fastest pace since June 2011. Furthermore, the rate of charge inflation was higher than in the UK as a whole. Sector data suggested rising output prices for both manufacturing companies and service providers.

### East of England Business Conditions

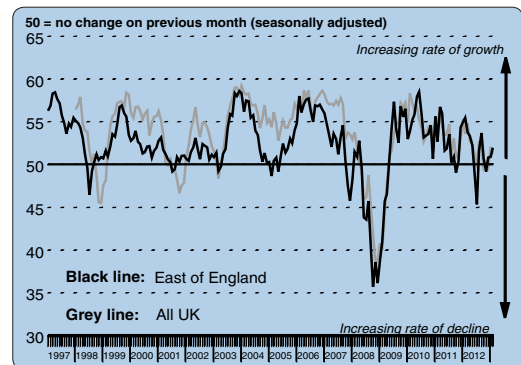




## Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	22.8	50.9	26.3	48.2	49.3	51.3
	Jul	12.8	56.0	31.2	40.8	45.4	49.6
	Aug	16.2	59.5	24.3	45.9	51.6	52.7
	Sep	25.9	50.9	23.1	51.4	53.7	51.8
	Oct	23.6	48.2	28.2	47.7	50.7	49.6
	Nov	22.5	50.5	27.0	47.7	49.2	50.2
	Dec	27.7	43.8	28.6	49.6	50.8	49.7
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.1
	Feb	31.8	50.0	18.2	56.8	52.0	51.2

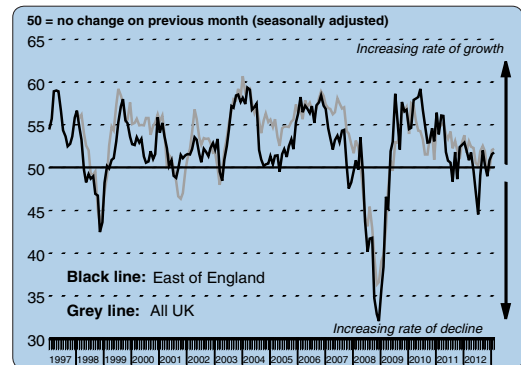


Business activity at private sector companies in the East of England continued to increase during February, and for the third successive month. The rate of expansion was the sharpest since September 2012 and above the overall UK average. Companies that reported a rise in activity mainly linked this to increased new business. Furthermore, data from the sector level suggested that activity increased for both manufacturers and service providers.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	20.5	51.8	27.7	46.4	47.3	50.5
	Jul	13.9	44.4	41.7	36.1	44.6	50.3
	Aug	21.1	57.8	21.1	50.0	49.1	51.9
	Sep	30.8	49.5	19.6	55.6	52.0	52.6
	Oct	23.9	45.0	31.2	46.3	50.3	51.9
	Nov	24.8	47.7	27.5	48.6	49.0	49.6
	Dec	28.8	48.6	22.5	53.2	50.9	49.8
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.1
	Feb	31.2	49.5	19.3	56.0	51.8	52.2

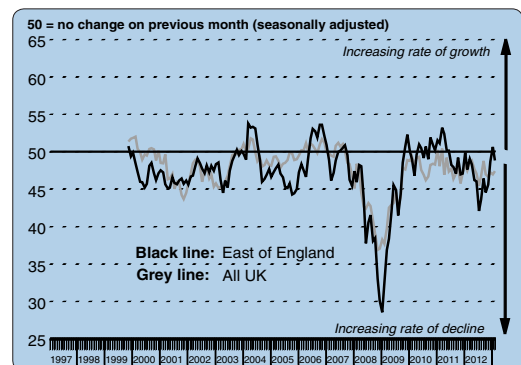


February data signalled a further rise in new business at East of England private sector firms. The latest data marked the fifth increase in six months, and the rate of expansion was marginally higher than in January. According to anecdotal evidence, the securing of new clients and improving underlying demand accounted for most of the latest increase. February data also suggested that growth in new work was centred around the services sector.

## Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	15.6	59.6	24.8	45.4	46.1	47.1
	Jul	5.9	61.8	32.4	36.8	42.1	45.5
	Aug	11.7	66.0	22.3	44.7	43.6	46.8
	Sep	15.5	60.2	24.3	45.6	46.4	48.8
	Oct	14.4	57.7	27.9	43.3	44.6	47.0
	Nov	13.6	58.3	28.2	42.7	45.6	46.7
	Dec	17.9	56.6	25.5	46.2	48.7	47.3
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0
	Feb	18.1	61.0	21.0	48.6	48.8	47.4

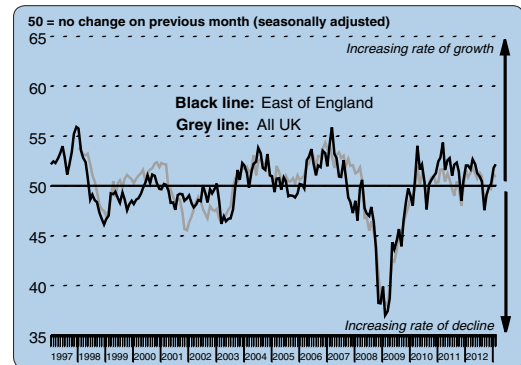


East of England companies reported a decrease in work outstanding during February. This was highlighted by the seasonally adjusted Business Outstanding Index posting a reading below the neutral 50.0 threshold. With the exception of January, work-in-hand has fallen in every month since July 2011. Some companies reported that fewer supplier shortages contributed to the latest fall. Sector data showed that an increase in outstanding business at service providers was offset by a decline in backlogged work at manufacturing companies.

## Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	13.3	77.9	8.8	52.2	51.3	50.7
	Jul	10.2	78.7	11.1	49.5	51.0	51.3
	Aug	8.2	82.7	9.1	49.5	50.5	51.0
	Sep	7.5	81.3	11.2	48.1	47.6	48.2
	Oct	11.0	77.1	11.9	49.5	49.1	49.1
	Nov	14.5	73.6	11.8	51.4	49.9	49.9
	Dec	12.5	78.6	8.9	51.8	50.2	49.7
2013	Jan	14.4	70.3	15.3	49.5	51.8	51.2
	Feb	16.5	75.2	8.3	54.1	52.2	50.9

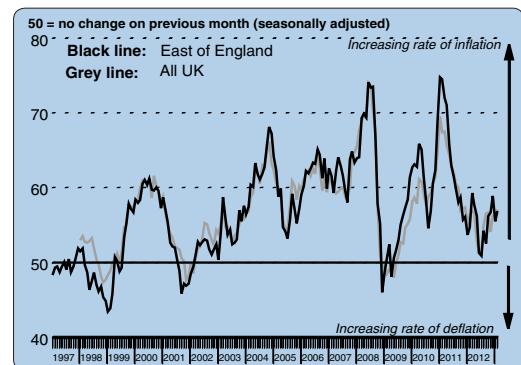


The latest survey data indicated a rise in employment levels at East of England companies. While around 17% of respondents hired additional staff, 8% of companies cut jobs. There was some anecdotal evidence that the latest expansion was driven by increased new work. Furthermore, the rate of job creation picked up from January, and was the sharpest in nine months. Workforce numbers in the UK as a whole also increased, but at a slower pace.

## Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	7.9	79.8	12.3	47.8	51.3	51.5
	Jul	6.4	86.2	7.3	49.5	50.9	51.6
	Aug	11.8	82.7	5.5	53.2	54.3	55.0
	Sep	11.1	80.6	8.3	51.4	52.6	56.6
	Oct	16.4	79.1	4.5	55.9	56.2	56.7
	Nov	14.5	77.3	8.2	53.2	56.7	54.1
	Dec	14.2	83.2	2.7	55.8	58.9	56.2
2013	Jan	13.4	81.3	5.4	54.0	55.5	56.1
	Feb	20.0	76.4	3.6	58.2	56.9	57.1

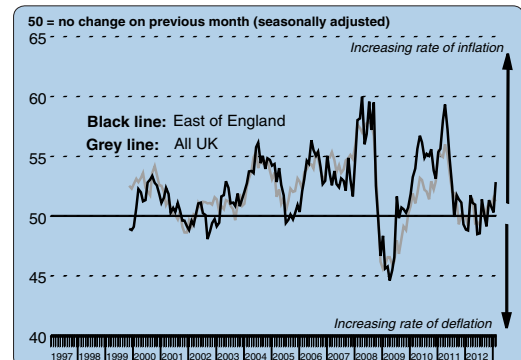


Input costs in the East of England private sector continued to increase during February. The rate of input price inflation accelerated from January, and was only marginally below the overall UK average. Exactly 20% of panellists faced higher costs, while 4% reported a fall in input prices. Higher raw material prices was cited as the main driver behind the latest rise in costs. Sector data indicated that input prices rose for both service providers and manufacturers.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	5.3	86.8	7.9	48.7	48.5	49.5
	Jul	6.5	84.3	9.3	48.6	48.6	49.3
	Aug	6.4	88.2	5.5	50.5	51.4	50.7
	Sep	4.7	92.5	2.8	50.9	50.1	50.0
	Oct	5.5	85.3	9.2	48.2	49.2	50.6
	Nov	7.3	90.0	2.7	52.3	51.3	51.1
	Dec	6.3	87.4	6.3	50.0	50.8	50.8
2013	Jan	9.1	83.6	7.3	50.9	50.3	51.5
	Feb	14.7	79.8	5.5	54.6	52.9	51.3

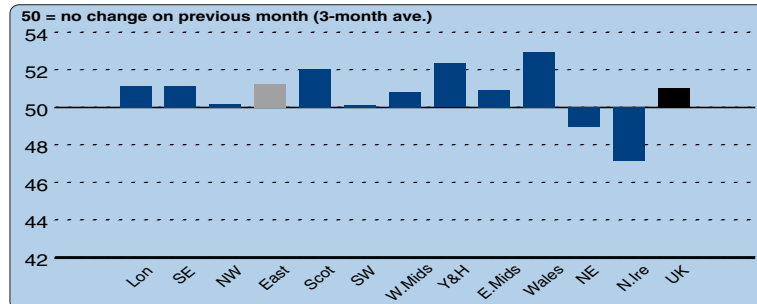


Companies in the East of England reported higher output charges in February, as the seasonally adjusted Output Prices Index posted above the no-change mark of 50.0. Average output prices rose for the fourth month running, and at the fastest pace since June 2011. The combination of unfavourable exchange rates and increased raw material prices were factors that led to the latest rise in charges. Output prices also increased at the overall UK level, albeit at a weaker rate than in the East of England.



## Regional Comparisons: Output

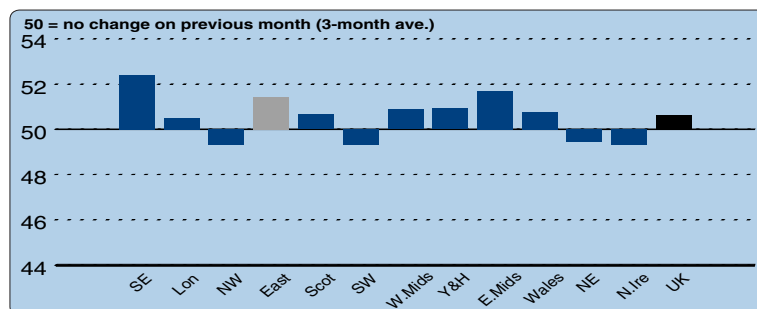
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted the fastest pace of expansion, followed by Yorkshire & Humber and Scotland.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.7	51.1	50.8
South East	(14.7%)	51.5	51.1	51.9
North West	(9.5%)	50.5	50.2	52.2
East of England	(8.7%)	51.1	51.3	52.0
Scotland	(8.3%)	51.6	52.0	52.5
South West	(7.7%)	50.4	50.1	48.8
West Midlands	(7.3%)	52.5	50.8	50.7
Yorks & Humber	(7.0%)	52.0	52.3	51.3
East Midlands	(6.4%)	51.9	50.9	51.6
Wales	(3.6%)	51.8	52.9	52.8
North East	(3.2%)	48.5	48.9	48.7
N.Ireland	(2.2%)	44.0	47.2	48.4
<b>UK</b>	<b>(100.0%)</b>	<b>51.5</b>	<b>51.0</b>	<b>51.2</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). The majority of UK regions saw an increase in staffing levels during the three months to February, but the rates of job creation were generally only marginal. South East companies recorded the strongest rise in workforce numbers, followed by the East Midlands.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.2	52.4	52.2
London	(12.3%)	49.7	50.5	51.9
North West	(10.9%)	48.8	49.3	50.2
East of England	(9.6%)	50.9	51.4	52.2
Scotland	(8.7%)	50.9	50.7	50.7
South West	(8.6%)	49.8	49.3	49.6
West Midlands	(8.6%)	51.8	50.9	52.0
Yorks & Humber	(8.2%)	50.6	50.9	48.9
East Midlands	(7.3%)	53.0	51.7	51.2
Wales	(4.6%)	49.8	50.8	51.2
North East	(3.9%)	48.8	49.4	50.0
N.Ireland	(2.7%)	47.6	49.3	49.0
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>50.6</b>	<b>50.9</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.

## About Lloyds TSB Commercial and Markit Economics

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**Markit Economics** is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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.