



Lloyds TSB London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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

Growth of business activity supports upturn in employment during February

Key findings:

- Higher output levels recorded for fourth month running
- Although only modest, job creation hits 22-month high
- Input cost inflation strongest since July 2011

February data indicated a continued rebound in business activity across the London private sector. This was underpinned by a further improvement in new order levels, and the latest survey pointed to the most marked rise in employment since April 2011. Meanwhile, input cost inflation intensified in February and this in turn contributed to an increase in prices charged for the fifth consecutive month.

Output and demand

The headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 50.8 in February, down from 52.3 in January but above the 50.0 no-change value for the fourth month running. Companies that reported an increase in business activity generally cited sustained rises in incoming new work. February data marked two-and-a-half years of continuous new order growth in the capital, and the latest expansion was stronger than the UK-wide trend.

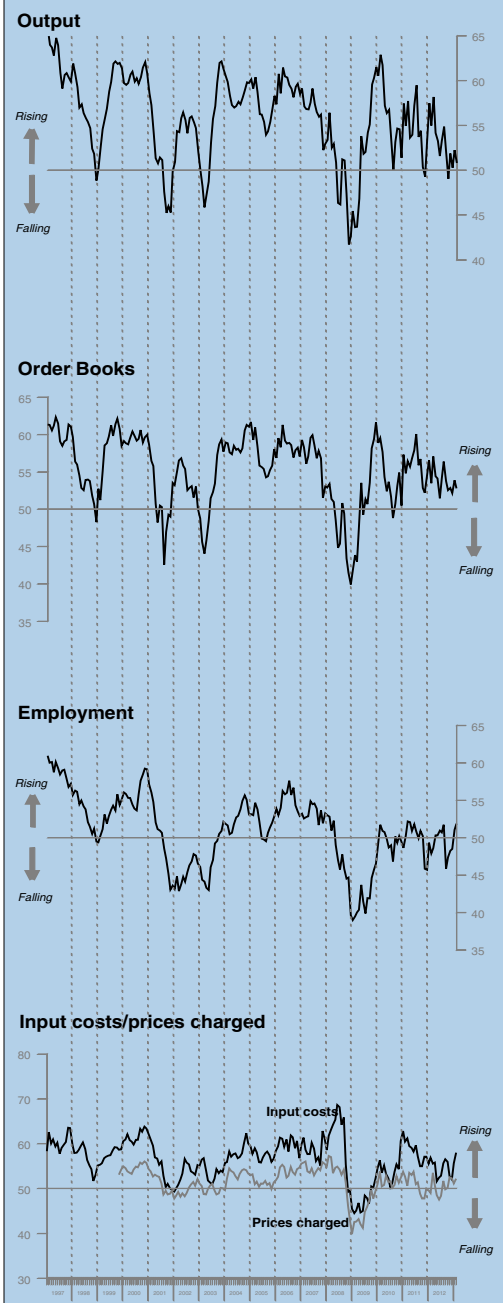
Employment and backlogs

Staffing levels across the London private sector increased for the second month running during February. Although the latest survey pointed to a moderate pace of job creation, the latest rise in workforce numbers was the fastest since April 2011. Anecdotal evidence attributed the increase in employment to improved levels of new work and long-term expansion plans. Meanwhile, volumes of outstanding work dropped for the tenth consecutive month and at the sharpest rate since last July.

Input and output prices

Average cost burdens rose again in February, with the current period of rising input prices now stretching to almost three-and-a-half years. The latest increase in cost burdens was generally linked to higher fuel and utility bills at companies operating in London. The overall pace of input price inflation was slightly faster than the wider UK-trend and the steepest in the capital since July 2011. This contributed to a further rise in average prices charged by London private sector firms, with survey respondents frequently citing the need to offset part of their increasing cost burdens to clients in February.

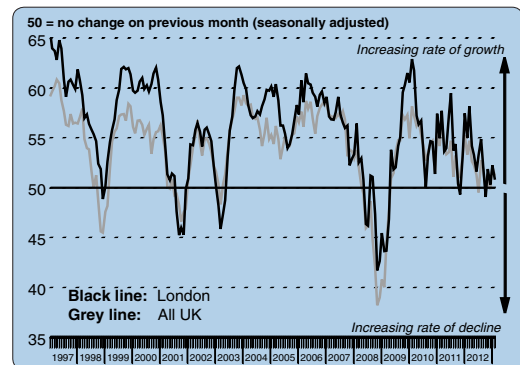
London Business Conditions



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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	25.5	56.9	17.6	53.9	51.6	51.3
	Jul	22.1	60.6	17.3	52.4	53.3	49.6
	Aug	19.3	55.0	25.7	46.8	54.9	52.7
	Sep	23.5	52.9	23.5	50.0	52.1	51.8
	Oct	24.0	57.7	18.3	52.9	49.1	49.6
	Nov	23.6	59.1	17.3	53.2	51.9	50.2
2013	Dec	25.0	56.7	18.3	53.4	50.3	49.7
	Jan	17.8	61.4	20.8	48.5	52.3	52.1
	Feb	20.4	64.1	15.5	52.4	50.8	51.2

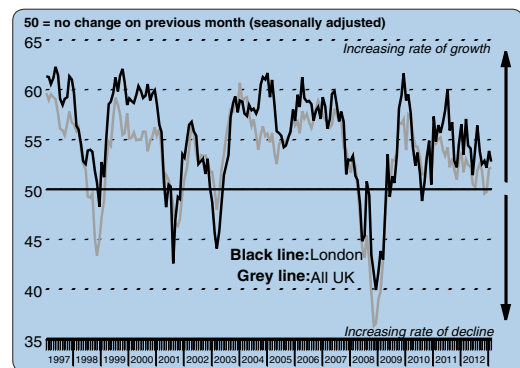


At 50.8 in February, the seasonally adjusted Business Activity Index remained above the 50.0 no-change threshold for the fourth consecutive month. However, the index dipped from 52.3 in January, signalling a slower pace of expansion than that seen at the start of 2013. The latest reading was also slightly weaker than the equivalent for the UK overall (51.2). Companies that registered an expansion of output levels mostly commented on a gradual improvement in new order inflows at their units.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	24.0	60.0	16.0	54.0	51.5	50.5
	Jul	22.8	54.5	22.8	50.0	54.2	50.3
	Aug	24.5	52.8	22.6	50.9	56.4	51.9
	Sep	23.2	51.5	25.3	49.0	53.8	52.6
	Oct	30.4	51.0	18.6	55.9	52.6	51.9
	Nov	22.6	59.4	17.9	52.4	52.9	49.6
2013	Dec	27.0	55.0	18.0	54.5	52.2	49.8
	Jan	22.4	61.2	16.3	53.1	53.9	52.1
	Feb	27.5	55.9	16.7	55.4	52.8	52.2

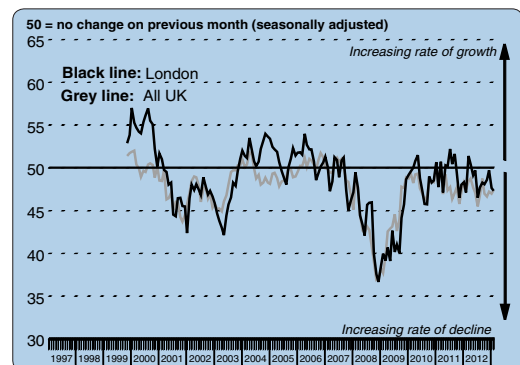


February data pointed to a moderate rise in new work across the London private sector economy. At 52.8, the seasonally adjusted Incoming New Business Index eased from January's five-month high, but remained slightly above the equivalent reading for the UK as a whole (52.2). Higher levels of incoming new business have now been registered in the capital throughout the past two-and-a-half years.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	16.3	68.5	15.2	50.5	49.7	47.1
	Jul	6.5	65.2	28.3	39.1	46.5	45.5
	Aug	11.2	70.4	18.4	46.4	47.7	46.8
	Sep	7.5	72.0	20.4	43.5	48.3	48.8
	Oct	11.7	75.5	12.8	49.5	48.1	47.0
	Nov	13.9	70.3	15.8	49.0	48.6	46.7
2013	Dec	10.6	74.5	14.9	47.9	49.7	47.3
	Jan	10.9	71.7	17.4	46.7	47.6	47.0
	Feb	13.0	70.7	16.3	48.4	47.3	47.4

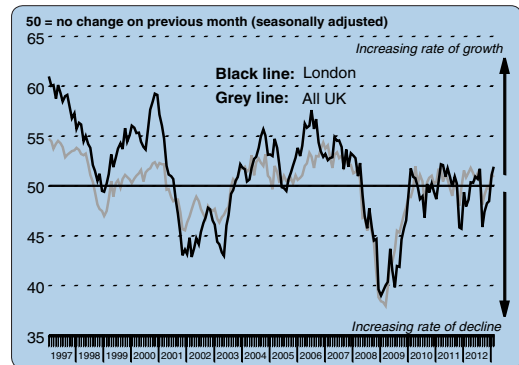


Backlogs of work at London private sector companies decreased in February, and the rate of contraction was the fastest for seven months. At 47.3, down from 47.6 in January, the seasonally adjusted Business Outstanding Index has posted below the 50.0 no-change value in each month since May 2012. Some survey respondents suggested that a lack of pressure on operating capacity was the main reason for lower levels of unfinished work.

Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	11.8	80.4	7.8	52.0	51.0	50.7
	Jul	10.6	79.8	9.6	50.5	50.7	51.3
	Aug	10.1	80.7	9.2	50.5	51.8	51.0
	Sep	11.8	73.5	14.7	48.5	45.9	48.2
	Oct	13.5	72.1	14.4	49.5	47.4	49.1
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.7
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.2
	Feb	17.5	72.8	9.7	53.9	51.9	50.9

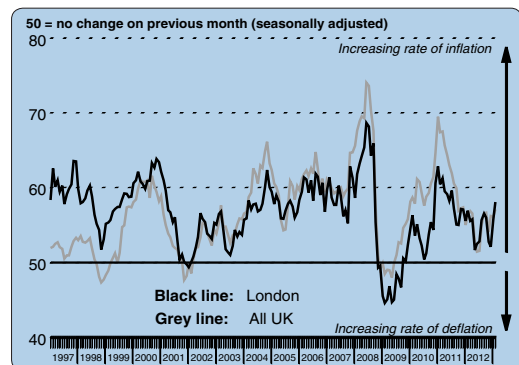


Staffing levels increased for the second successive month in February. At 51.9, up from 51.1 in January, the seasonally adjusted Employment Index indicated a moderate pace of job creation in the capital. Moreover, the latest reading was the highest since April 2011 and slightly above the wider UK trend. Increased workforce numbers were led by a solid rise in the service sector, which companies mostly attributed to long-term expansion plans and rising levels of new work.

Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	10.9	84.2	5.0	53.0	52.5	51.5
	Jul	14.4	79.8	5.8	54.3	52.9	51.6
	Aug	10.1	88.1	1.8	54.1	55.7	55.0
	Sep	12.7	86.3	1.0	55.9	56.6	56.6
	Oct	12.5	83.7	3.8	54.3	56.0	56.7
	Nov	11.8	80.9	7.3	52.3	52.8	54.1
	Dec	7.8	85.4	6.8	50.5	52.1	56.2
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.1
	Feb	22.3	72.8	4.9	58.7	58.1	57.1

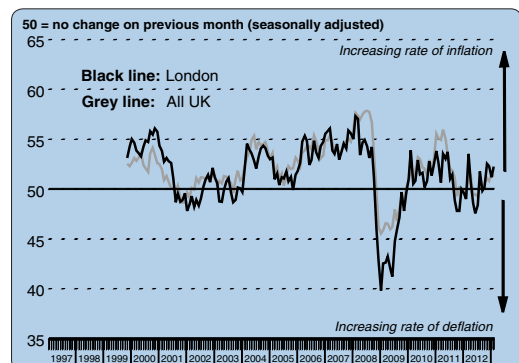


London private sector companies indicated a robust and accelerated pace of input price inflation during February. At 58.1, up from 55.7 in January, the seasonally adjusted Input Prices Index was the highest since July 2011. Anecdotal evidence from panel members cited rising fuel and utility bills as the main sources of cost inflation at their units during the latest survey period.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	3.9	87.3	8.8	47.5	47.6	49.5
	Jul	3.8	88.5	7.7	48.1	48.4	49.3
	Aug	7.3	89.0	3.7	51.8	51.8	50.7
	Sep	4.9	90.2	4.9	50.0	49.9	50.0
	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3

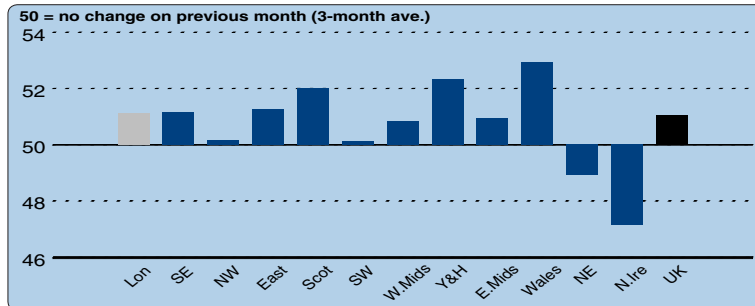


Average prices charged by private sector firms in the capital continued to rise during February. This was highlighted by the seasonally adjusted Output Prices Index posting 52.3, up from 51.2 in January and above the 50.0 no-change value for the fifth successive month. The latest reading was also slightly higher than that recorded for the UK as a whole (51.3). Companies that increased their prices charged mainly cited pressure on operating margins from higher input costs during recent months.



Regional Comparisons: Output

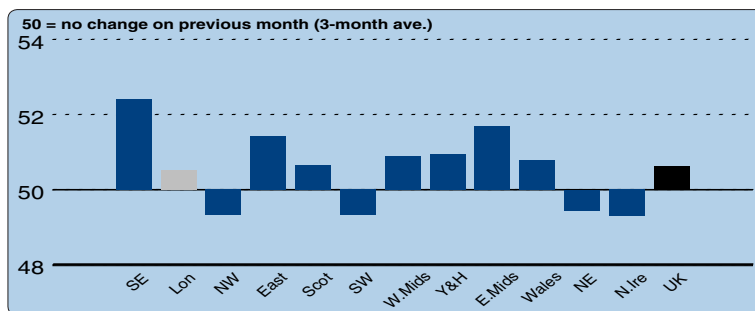
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted 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
UK	(100.0%)	51.5	51.0	51.2

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
UK	(100.0%)	50.6	50.6	50.9

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 (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.