



# Lloyds TSB North East PMI®

## Lloyds TSB Commercial

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

The North 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.

For further information, please contact:

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11th March 2013

## Business activity falls modestly in February

### Key findings:

- Sharper reduction in new orders
- Solid rate of input price inflation
- Employment levels remain stable

Business activity in the North East private sector decreased for the third successive month in February. The rate of reduction eased from January, and was modest overall. New orders also fell, and at the quickest rate since last July. Employment levels were unchanged while backlogs of work were broadly stable. On the price front, input cost inflation accelerated to a solid pace, and output prices were raised modestly.

### Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 48.7 in February, up from 48.1 in January. This signalled a modest reduction in activity. Conversely, output across the UK as a whole increased modestly.

New orders also fell in the North East in February. The rate of reduction was marked, and the quickest in seven months. Anecdotal evidence suggested that reduced client confidence lowered demand. At the UK level, meanwhile, new business increased at a modest pace.

### Employment and backlogs

Staffing levels in the North East private sector were unchanged in February. Employment has now been broadly stable in the region for two successive months. Meanwhile, the UK private sector economy average saw a marginal expansion of workforce numbers.

Backlogs of work were relatively unchanged in February, following a modest increase in January. In contrast, the UK as a whole saw a marked reduction in work-in-hand.

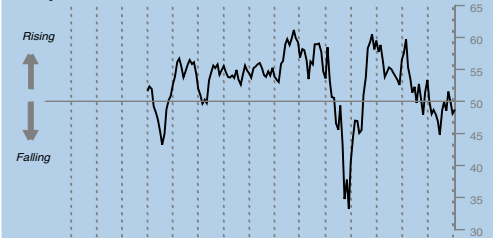
### Input and output prices

Average input costs rose for the seventh successive month in February. Furthermore, the rate of inflation accelerated to a solid pace, the quickest since last September. However, inflation in the region remained below the UK economy average, which registered a sharp rate of inflation.

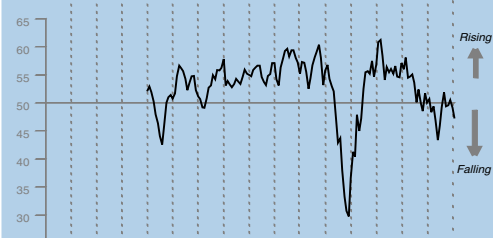
Output charges set by North East private sector firms increased for the eighth month in a row in February. Moreover, the rate of inflation quickened from January to a modest pace, the second-fastest in 11 months. The UK as a whole also recorded modest inflation, though at a slower pace than that seen in the North East.

### North East Business Conditions

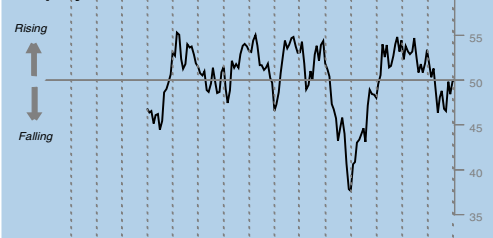
#### Output



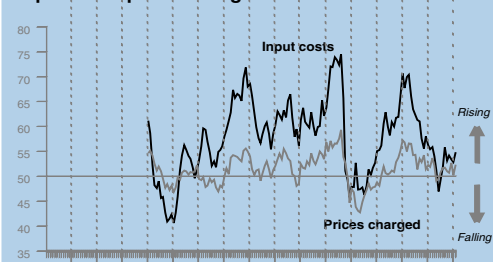
#### Order Books



#### Employment



#### Input costs/prices charged

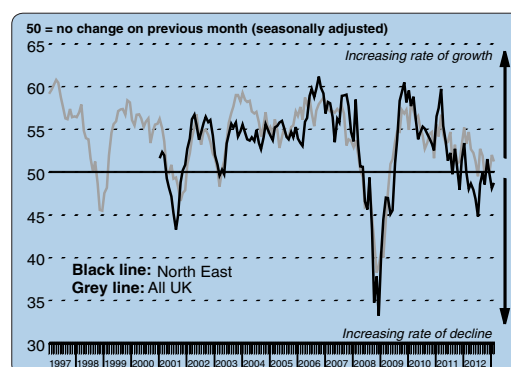




### Output / Business Activity

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	12.5	66.1	21.4	45.5	46.9	51.3
	Jul	19.1	53.2	27.7	45.7	44.8	49.6
	Aug	28.0	44.0	28.0	50.0	48.6	52.7
	Sep	25.5	57.4	17.0	54.3	50.0	51.8
	Oct	23.5	52.9	23.5	50.0	48.6	49.6
	Nov	16.7	62.5	20.8	47.9	51.6	50.2
	Dec	13.0	61.1	25.9	43.5	49.9	49.7
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.1
	Feb	28.6	49.0	22.4	53.1	48.7	51.2

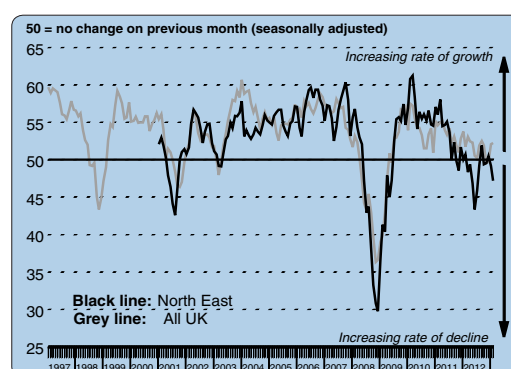


The seasonally adjusted Business Activity Index posted at 48.7 in February, signalling a reduced level of business activity in the North East private sector for the third month in a row. Furthermore, the rate of reduction remained modest, despite easing slightly from January. Meanwhile, business activity in the UK private sector economy rose modestly for the second successive month. Sector data indicated that the overall reduction in the North East was driven by the service 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	17.9	53.6	28.6	44.6	43.4	50.5
	Jul	25.0	47.7	27.3	48.9	46.0	50.3
	Aug	30.6	40.8	28.6	51.0	49.3	51.9
	Sep	21.7	58.7	19.6	51.1	51.9	52.6
	Oct	24.0	46.0	30.0	47.0	49.4	51.9
	Nov	20.8	52.1	27.1	46.9	49.6	49.6
	Dec	26.4	47.2	26.4	50.0	50.5	49.8
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.1
	Feb	25.5	48.9	25.5	50.0	47.2	52.2

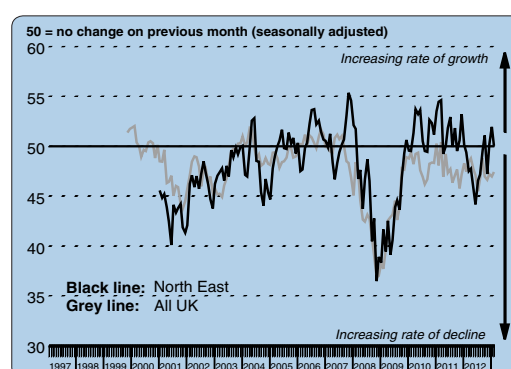


New orders placed at private sector firms in the North East decreased for the second successive month in February. The rate of reduction quickened to a solid pace, as signalled by the seasonally adjusted New Orders Index posting at 47.2. Moreover, it was the fastest decline since last July. A number of firms attributed the decrease to uncertain market conditions and weak client confidence. Meanwhile, the UK private sector as a whole recorded a modest rate of new order growth.

### Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	10.2	73.5	16.3	46.9	44.2	47.1
	Jul	22.0	65.9	12.2	54.9	46.6	45.5
	Aug	16.3	62.8	20.9	47.7	47.2	46.8
	Sep	7.3	78.0	14.6	46.3	49.6	48.8
	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4

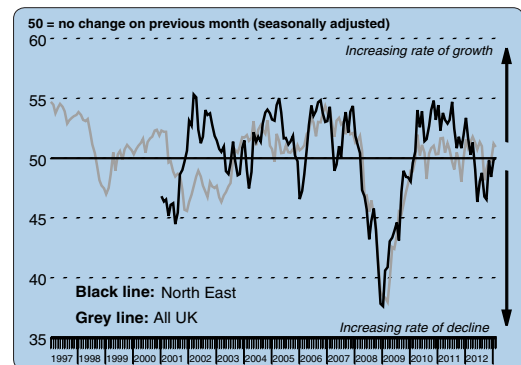


The level of outstanding business in the North East private sector was broadly unchanged in February, following a modest accumulation in January. After adjusting for seasonality, the index posted fractionally above the neutral 50.0 threshold. The UK economy average, meanwhile, saw a further reduction in business outstanding. Backlogs of work in the North East were largely stagnant in the manufacturing sector, but increased in the service sector.

## Employment

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	8.9	76.8	14.3	47.3	<b>46.4</b>	<b>50.7</b>
	Jul	10.9	78.3	10.9	50.0	<b>48.1</b>	<b>51.3</b>
	Aug	14.0	76.0	10.0	52.0	<b>48.8</b>	<b>51.0</b>
	Sep	12.8	72.3	14.9	48.9	<b>46.8</b>	<b>48.2</b>
	Oct	14.0	64.0	22.0	46.0	<b>46.6</b>	<b>49.1</b>
	Nov	17.0	63.8	19.1	48.9	<b>49.8</b>	<b>49.9</b>
	Dec	11.3	67.9	20.8	45.3	<b>48.4</b>	<b>49.7</b>
2013	Jan	14.0	74.0	12.0	51.0	<b>49.9</b>	<b>51.2</b>
	Feb	14.3	73.5	12.2	51.0	<b>50.0</b>	<b>50.9</b>

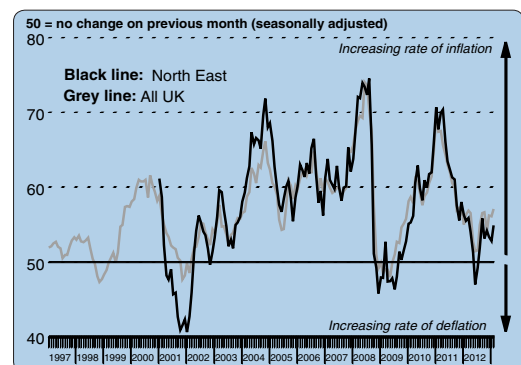


The seasonally adjusted Employment Index posted at 50.0 in February, registering an unchanged level of payroll numbers at private sector firms in the North East. Staffing levels have now remained broadly stable for the past two months. Meanwhile, the UK private sector economy registered a marginal expansion of workforce numbers overall. Stable employment in the North East overall masked divergent trends in each of the monitored sectors, with service providers signalling increased staffing levels while manufacturers reported net staff reductions.

## Input Prices / Costs

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	9.4	79.2	11.3	49.1	<b>47.0</b>	<b>51.5</b>
	Jul	15.6	73.3	11.1	52.2	<b>49.3</b>	<b>51.6</b>
	Aug	18.8	79.2	2.1	58.3	<b>51.9</b>	<b>55.0</b>
	Sep	13.3	86.7	0.0	56.7	<b>55.9</b>	<b>56.6</b>
	Oct	10.0	82.0	8.0	51.0	<b>53.2</b>	<b>56.7</b>
	Nov	8.7	82.6	8.7	50.0	<b>54.2</b>	<b>54.1</b>
	Dec	9.6	80.8	9.6	50.0	<b>53.4</b>	<b>56.2</b>
2013	Jan	14.6	75.0	10.4	52.1	<b>52.9</b>	<b>56.1</b>
	Feb	14.6	81.3	4.2	55.2	<b>54.9</b>	<b>57.1</b>

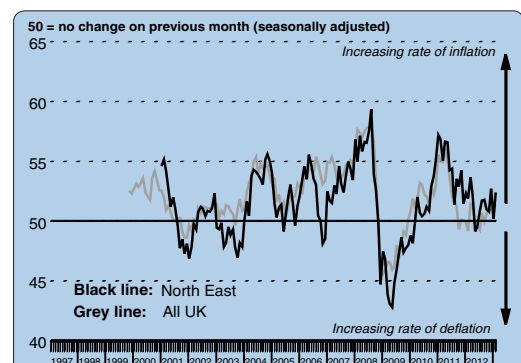


Input costs faced by private sector firms in the North East increased for the seventh consecutive month in February. The rate of input price inflation was solid, having accelerated from January to a five-month high. That said, inflation in the region was below the UK private sector economy average, which quickened to a sharp rate in February. Inflation in the North East was largely driven by higher costs in the service sector.

## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	9.3	87.0	3.7	52.8	<b>49.6</b>	<b>49.5</b>
	Jul	8.7	89.1	2.2	53.3	<b>50.8</b>	<b>49.3</b>
	Aug	6.3	91.7	2.1	52.1	<b>51.7</b>	<b>50.7</b>
	Sep	4.3	93.5	2.2	51.1	<b>51.8</b>	<b>50.0</b>
	Oct	6.0	90.0	4.0	51.0	<b>51.0</b>	<b>50.6</b>
	Nov	4.3	91.5	4.3	50.0	<b>50.8</b>	<b>51.1</b>
	Dec	5.7	92.5	1.9	51.9	<b>52.7</b>	<b>50.8</b>
2013	Jan	6.1	87.8	6.1	50.0	<b>50.2</b>	<b>51.5</b>
	Feb	13.0	76.1	10.9	51.1	<b>52.4</b>	<b>51.3</b>

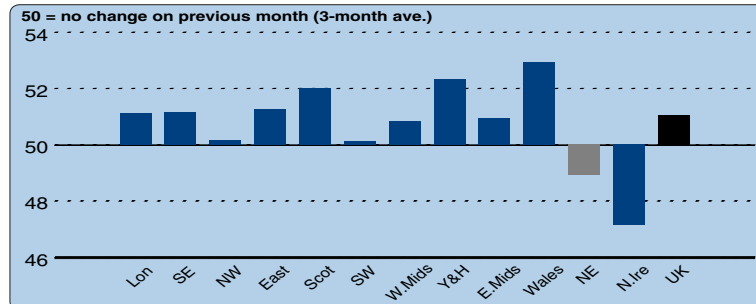


Average output charges increased in the North East private sector for the eighth month in a row in February. Though modest, the rate of inflation quickened from the previous month, and was the second-highest in the past 11 months. Furthermore, inflation in the North East was faster than across the UK private sector economy overall, which registered a slightly weaker, albeit still modest, rate of inflation. Service providers in the region increased average tariffs at a quicker pace than manufacturers in the latest survey period.



## Regional Comparisons: Output

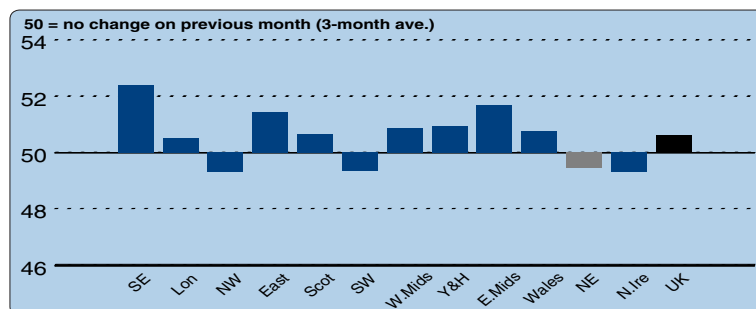
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted 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® (PMI®) series, which is now available for 32 countries and 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.