



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

The North 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 March 2013

North West private sector output increases moderately

Key findings:

- Manufacturers and service providers signal output growth
- New business expands for first time in three months
- Rates of input cost and output charge inflation ease

Higher levels of new orders underpinned a rise in output at North West private companies during February. Despite expanding only moderately, the pace of activity growth accelerated from January. Consequently, firms increased their staffing levels for the first time in one year. Meanwhile, the rates of input and output price inflation cooled since January.

Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – remained above the no-change mark of 50.0, posting 52.2 in February (up from 50.4). The latest reading indicated a moderate increase in activity across the region, albeit faster than the UK average.

Following two consecutive monthly declines, order book volumes in the private sector increased during February. Whereas service providers signalled higher levels of new orders, manufacturers noted a decline. Consequently, the overall rate of expansion was only slight. At the UK level, incoming new business also rose moderately.

Employment and backlogs

For the first time in one year, payroll numbers increased in the North West private sector. Nonetheless, the overall pace of expansion was only fractional. Across the UK as a whole, employment levels rose slightly.

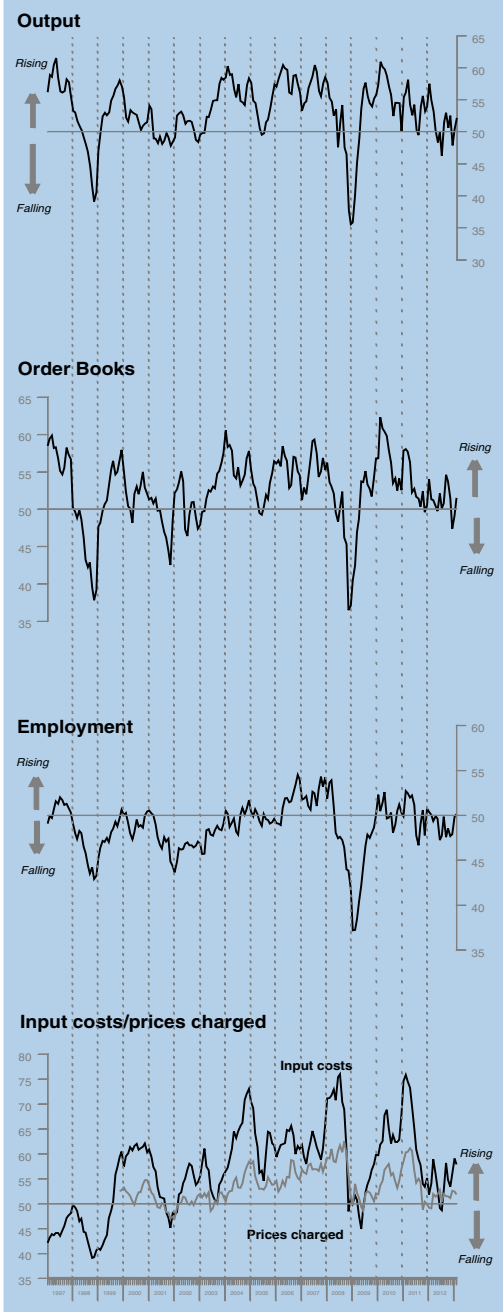
February data indicated a further decline in unfinished business levels, the fourteenth in consecutive months. With both manufacturing and services companies indicating falling volumes of outstanding business, the overall rate of contraction was solid. At the UK level, backlogs of work also fell at a solid rate.

Input and output prices

As has been the case since August 2012, input costs in the North West private sector increased during February, amid reports of higher raw materials, commodities, fuel and utility prices. Although sharp, the overall rate of inflation eased from January and was broadly in line with the UK average.

Output prices rose again in February, extending the current period of charge inflation to 12 months. That said, the rate of increase was only moderate and eased to a three-month low.

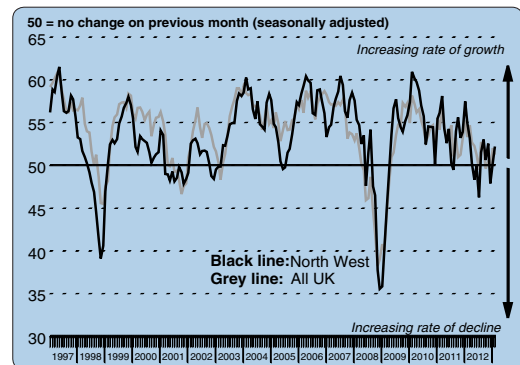
North West Business Conditions



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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	31.3	46.3	22.5	54.4	50.0	51.3
	Jul	18.6	46.5	34.9	41.9	46.3	49.6
	Aug	23.2	43.9	32.9	45.1	51.5	52.7
	Sep	37.4	40.7	22.0	57.7	53.0	51.8
	Oct	28.3	46.7	25.0	51.6	50.6	49.6
	Nov	32.6	43.0	24.4	54.1	52.5	50.2
2013	Jan	20.5	44.3	35.2	42.6	47.9	49.7
	Feb	23.5	53.9	22.5	50.5	50.4	52.1
	Feb	32.7	55.1	12.2	60.2	52.2	51.2

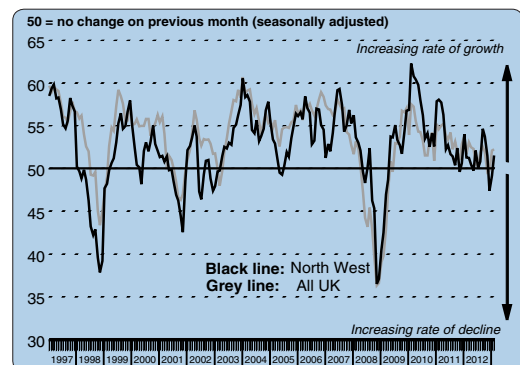


Further output growth was signalled in the North West private sector during February, the second successive monthly rise registered. With both manufacturers and service providers signalling increases, the pace of expansion accelerated from January and faster than that seen at the UK level. Anecdotal evidence suggested that output growth reflected higher inflows of new business and the launch of new projects.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	32.9	44.3	22.8	55.1	52.1	50.5
	Jul	25.9	41.2	32.9	46.5	50.1	50.3
	Aug	23.5	42.0	34.6	44.4	50.8	51.9
	Sep	34.8	40.4	24.7	55.1	54.6	52.6
	Oct	29.7	44.0	26.4	51.6	53.8	51.9
	Nov	27.1	42.4	30.6	48.2	51.5	49.6
2013	Jan	21.8	42.5	35.6	43.1	47.4	49.8
	Feb	28.7	44.6	26.7	51.0	49.2	52.1
	Feb	34.0	46.4	19.6	57.2	51.5	52.2

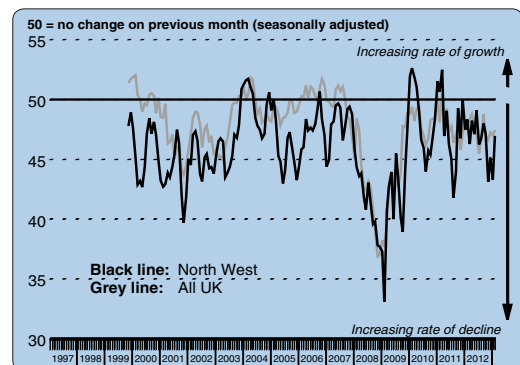


February data indicated that new orders in the North West private sector rose, amid evidence of stronger underlying demand. While service providers signalled increasing new business, manufacturers registered a decline. Subsequently, the overall rate of expansion was only modest. Order book volumes expanded for the first time since November last year. Meanwhile, at the UK level, new business inflows rose for the second consecutive month, but the pace of expansion was only moderate and broadly unchanged from January.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	17.1	63.2	19.7	48.7	49.1	47.1
	Jul	11.3	52.5	36.3	37.5	46.3	45.5
	Aug	13.2	53.9	32.9	40.1	46.7	46.8
	Sep	15.3	60.0	24.7	45.3	48.0	48.8
	Oct	17.6	54.1	28.2	44.7	47.1	47.0
	Nov	11.0	54.9	34.1	38.4	43.1	46.7
2013	Jan	10.8	61.4	27.7	41.6	45.2	47.3
	Feb	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4

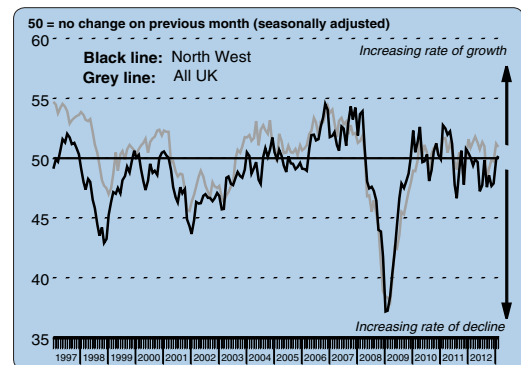


Companies operating in the North West private sector signalled a further decrease in outstanding business levels during February, the fourteenth in successive months. Manufacturing and services companies both signalled declines, and the overall pace of decrease was solid. The volume of work-in-hand (but not yet completed) across the UK as a whole also fell solidly.

Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	10.0	73.8	16.3	46.9	47.3	50.7
	Jul	9.4	76.5	14.1	47.6	47.8	51.3
	Aug	11.3	78.8	10.0	50.6	49.9	51.0
	Sep	14.4	74.4	11.1	51.7	47.6	48.2
	Oct	11.8	76.3	11.8	50.0	48.6	49.1
	Nov	14.0	73.3	12.8	50.6	47.7	49.9
	Dec	5.7	83.0	11.4	47.2	47.9	49.7
2013	Jan	6.9	83.2	9.9	48.5	49.9	51.2
	Feb	10.3	79.4	10.3	50.0	50.2	50.9

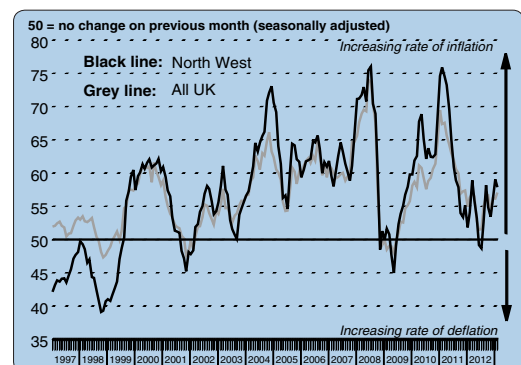


Job creation was signalled in the North West private sector for the first time in one year. That said, staffing levels increased only fractionally. Whereas manufacturing companies indicated rising payroll numbers, job losses were registered in the service sector. Employment levels in the UK overall rose for the second consecutive month, although the rate of expansion was only slight.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	12.5	71.3	16.3	48.1	49.2	51.5
	Jul	14.0	67.4	18.6	47.7	48.7	51.6
	Aug	17.1	67.1	15.9	50.6	52.6	55.0
	Sep	23.1	72.5	4.4	59.3	58.2	56.6
	Oct	16.1	72.0	11.8	52.2	54.8	56.7
	Nov	11.8	78.8	9.4	51.2	53.5	54.1
	Dec	12.5	80.7	6.8	52.8	56.0	56.2
2013	Jan	21.8	71.3	6.9	57.4	59.1	56.1
	Feb	19.6	75.3	5.2	57.2	57.9	57.1

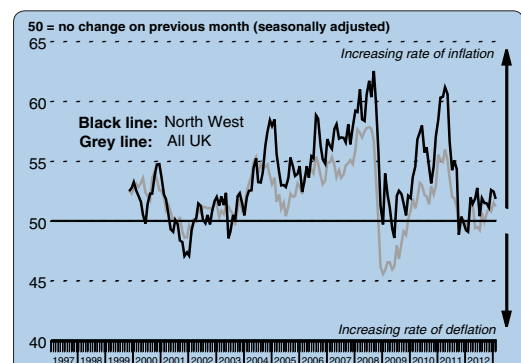


Continuing the trend that has been observed in each month since August last year, input prices paid by firms operating in the North West private sector rose during February. The overall rate of cost inflation was sharp, but slower than that seen in January. Almost one-fifth of monitored companies indicated higher input costs, while approximately 5% noted a decrease. Panel members indicated that raw materials, commodities, fuel and utilities all increased in price.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	8.8	90.0	1.3	53.8	52.8	49.5
	Jul	10.5	79.1	10.5	50.0	50.4	49.3
	Aug	6.1	89.0	4.9	50.6	51.9	50.7
	Sep	7.7	90.1	2.2	52.7	51.5	50.0
	Oct	9.8	80.4	9.8	50.0	51.5	50.6
	Nov	9.3	80.2	10.5	49.4	51.1	51.1
	Dec	5.7	89.8	4.5	50.6	52.6	50.8
2013	Jan	12.7	82.4	4.9	53.9	52.5	51.5
	Feb	16.3	75.5	8.2	54.1	51.9	51.3

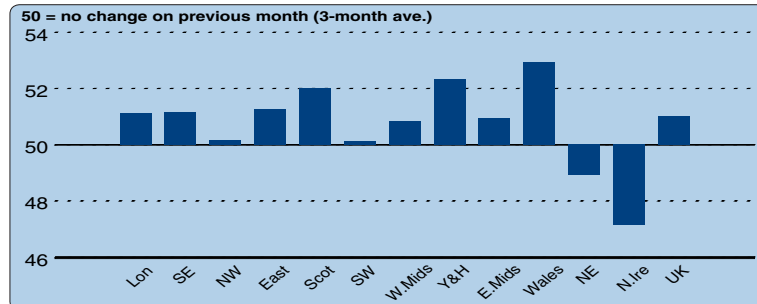


Reflective of higher input costs, private sector firms in the North West increased their selling prices in February, marking a 12-month sequence of rises. However, the rate of charge inflation was only moderate and the slowest in three months. At the sector level, services posted a slower increase in charges than the solid rise seen in manufacturing. Across the UK as a whole, output price inflation was recorded for the fifth consecutive month.



Regional Comparisons: Output

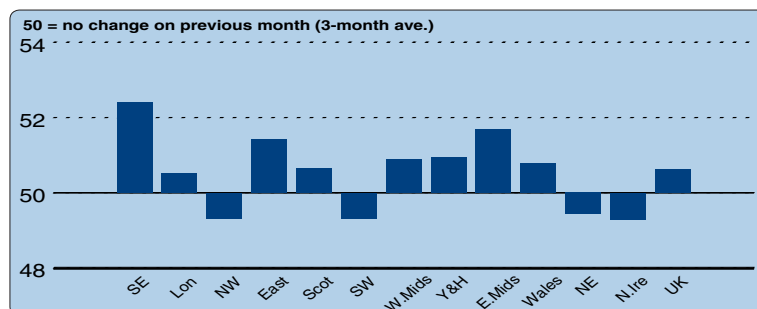
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted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

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