



# Lloyds TSB South West PMI®

## Lloyds TSB Commercial

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

The South 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

## Activity and new orders both decrease in February

### Key findings:

- Output and new orders both decrease following two months of growth
- Input prices rise sharply, while output charges increase slightly
- Backlogs of work decline at quickest rate in seven months

Private sector firms in the South West registered a modest reduction in business activity in February, following a two-month period of growth. New business also fell in February for the first time in three months, and at a modest pace. Employment levels decreased slightly, while backlogs of work fell sharply. Input cost inflation was sharp, but output charges were raised marginally.

### Output and demand

The headline Lloyds TSB South West Business Activity Index – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 48.8 in February, down from 51.2 in January. This signalled a modest reduction of output in the South West, while the overall UK economy posted a modest rate of expansion. The overall reduction in the region reflected the weak performance of the service sector, which saw a decline in business activity in February.

New orders also fell in the South West private sector in February. The rate of reduction, although modest, was the quickest since last July. In contrast, the UK economy as a whole registered a modest rate of new order growth.

### Employment and backlogs

Employment levels decreased for the third month in a row in February. That said, the rate of job shedding eased from January and was only slight. Sector data indicated that staff numbers fell across both monitored sectors. The UK as a whole recorded a modest expansion of workforces.

The level of outstanding business in the South West fell in February. Backlogs of work have now fallen for 23 months in a row. The rate of reduction was sharp, and the fastest since last July. The UK economy as a whole also registered a net reduction of work-in-hand, though at a slower rate than that seen in the South West.

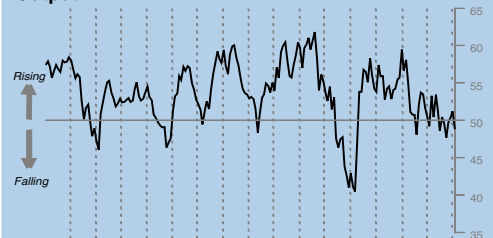
### Input and output prices

Input costs increased at private sector firms across the South West in February. Despite easing slightly from January, the rate of inflation remained sharp.

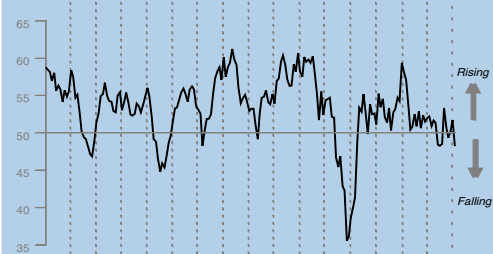
Output charges were raised for the twelfth month running in February. That said, the rate of inflation eased from January and was slight. Inflation at the UK level, meanwhile, was modest.

## South West Business Conditions

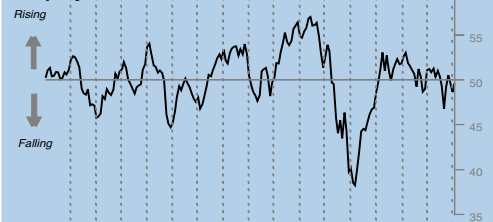
### Output



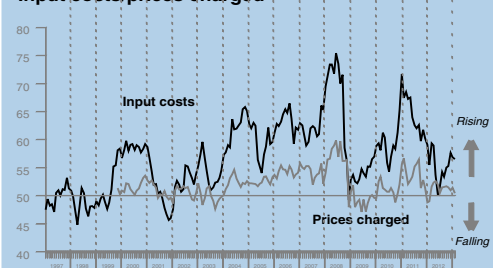
### Order Books



### Employment



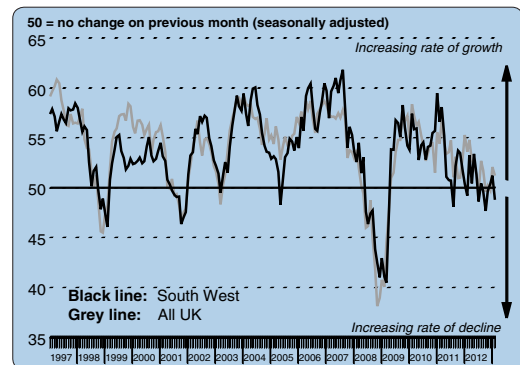
### Input costs/prices charged



## 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	22.3	57.4	20.2	51.1	51.3	51.3
	Jul	21.4	55.3	23.3	49.0	48.6	49.6
	Aug	20.2	50.0	29.8	45.2	50.5	52.7
	Sep	21.2	55.8	23.1	49.0	49.6	51.8
	Oct	18.6	58.8	22.7	47.9	47.7	49.6
	Nov	21.1	56.9	22.0	49.5	49.7	50.2
	Dec	29.6	48.0	22.4	53.6	50.4	49.7
2013	Jan	18.4	57.1	24.5	46.9	51.2	52.1
	Feb	19.2	57.6	23.2	48.0	48.8	51.2

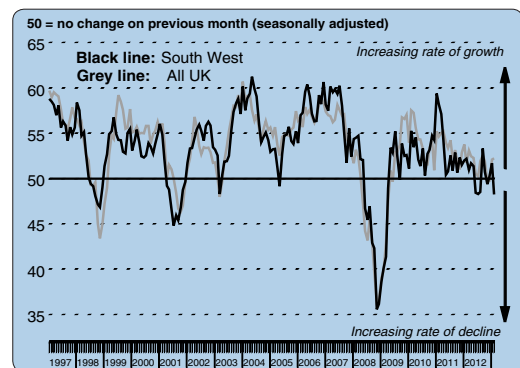


The seasonally adjusted Business Activity Index posted below the neutral 50.0 threshold in February, signalling a reduced level of activity for the first time in three months. The rate of reduction was only modest, however, and was largely driven by the services sector as manufacturers saw an increased amount of activity. Meanwhile, the UK as a whole expanded modestly for the second successive month.

## 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	20.7	52.2	27.2	46.7	48.4	50.5
	Jul	25.7	50.5	23.8	51.0	48.3	50.3
	Aug	16.8	51.5	31.7	42.6	48.5	51.9
	Sep	23.3	59.2	17.5	52.9	53.3	52.6
	Oct	20.0	52.6	27.4	46.3	50.7	51.9
	Nov	25.5	45.3	29.2	48.1	49.4	49.6
	Dec	21.9	52.1	26.0	47.9	50.2	49.8
2013	Jan	23.2	50.5	26.3	48.4	51.7	52.1
	Feb	23.5	49.0	27.6	48.0	48.3	52.2

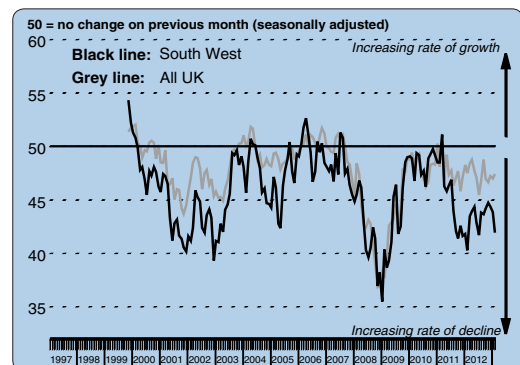


The seasonally adjusted New Orders Index posted 48.3 in February, signalling a reduced level of new orders in the South West private sector following a two-month period of growth. Furthermore, the reduction in the latest survey period was the quickest since last July. Conversely, the UK economy registered a modest rate of new order growth. As with business activity, the overall decline in the South West reflected the weak performance of the service sector.

## Business Outstanding

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	9.0	71.9	19.1	44.9	42.9	47.1
	Jul	12.5	63.5	24.0	44.3	41.7	45.5
	Aug	12.4	61.9	25.8	43.3	43.8	46.8
	Sep	12.5	56.3	31.3	40.6	43.7	48.8
	Oct	10.9	63.0	26.1	42.4	44.2	47.0
	Nov	7.7	67.3	25.0	41.3	44.7	46.7
	Dec	6.6	68.1	25.3	40.7	44.4	47.3
2013	Jan	9.6	66.0	24.5	42.6	43.9	47.0
	Feb	8.5	68.1	23.4	42.6	42.0	47.4

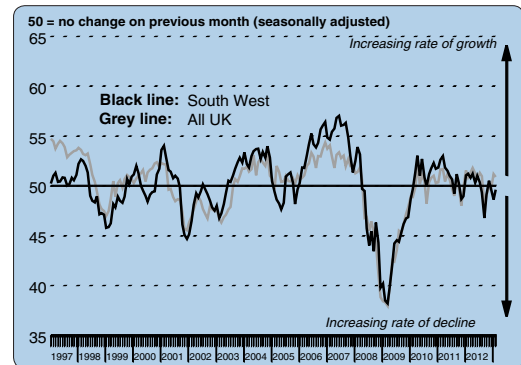


The volume of outstanding business in the South West decreased for the twenty-third successive month in February. The seasonally adjusted Business Outstanding Index registered a sharp rate of depletion, posting at 42.0. Furthermore, it was the quickest reduction since last July. The UK as a whole also continued to register a fall in work-in-hand, but at a slower pace than that recorded in the South West. Backlogs of work fell across both the manufacturing and service sectors in the South West during February.

## Employment

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	15.1	79.6	5.4	54.8	51.0	50.7
	Jul	8.8	83.3	7.8	50.5	50.4	51.3
	Aug	8.7	79.6	11.7	48.5	49.4	51.0
	Sep	13.7	67.6	18.6	47.5	46.8	48.2
	Oct	10.4	78.1	11.5	49.5	49.1	49.1
	Nov	14.8	72.2	13.0	50.9	50.5	49.9
	Dec	10.3	75.3	14.4	47.9	49.7	49.7
2013	Jan	10.4	69.8	19.8	45.3	48.6	51.2
	Feb	13.3	75.5	11.2	51.0	49.6	50.9

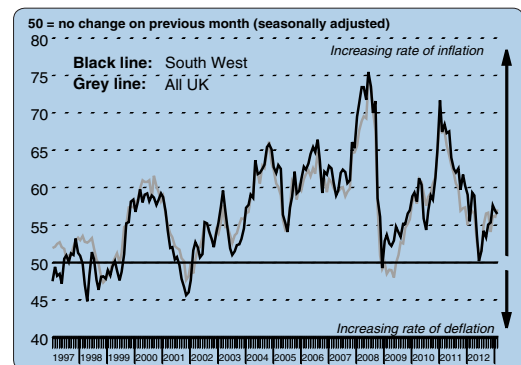


The seasonally adjusted Employment Index posted 49.6 in February, signalling a reduced level of employment in the South West private sector for the third month running in February. That said, the rate of job shedding slowed from the previous month and was marginal, with both manufacturing and service sectors registering declines in staff numbers. In contrast, the UK economy as a whole posted a slight expansion of workforce numbers.

## Input Prices / Costs

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	9.8	81.5	8.7	50.5	50.2	51.5
	Jul	14.9	75.2	9.9	52.5	51.6	51.6
	Aug	15.8	77.2	6.9	54.5	54.3	55.0
	Sep	7.0	88.0	5.0	51.0	53.4	56.6
	Oct	11.6	82.1	6.3	52.6	55.1	56.7
	Nov	15.6	78.0	6.4	54.6	55.3	54.1
	Dec	16.7	78.1	5.2	55.7	57.6	56.2
2013	Jan	19.4	76.5	4.1	57.7	56.9	56.1
	Feb	20.4	74.5	5.1	57.7	56.5	57.1

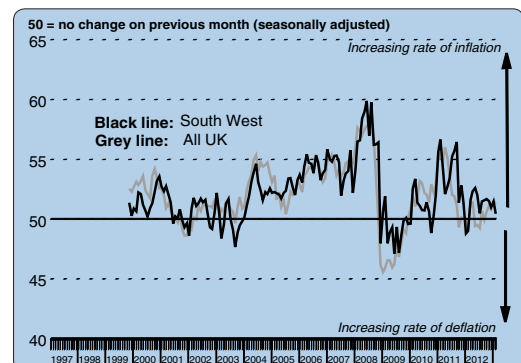


Input costs continued to increase in the South West private sector during February. After adjusting for seasonal factors, the respective index posted a sharp rate of inflation, despite having eased slightly from the previous month. Inflation at the UK level was also sharp, and slightly faster than that recorded in the South West. Input costs rose across both the manufacturing and service sectors, with the rate of inflation substantially quicker 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	7.5	86.0	6.5	50.5	52.0	49.5
	Jul	9.8	80.4	9.8	50.0	50.5	49.3
	Aug	8.7	86.5	4.8	51.9	51.5	50.7
	Sep	6.9	88.1	5.0	51.0	51.6	50.0
	Oct	5.3	89.5	5.3	50.0	51.7	50.6
	Nov	8.3	83.3	8.3	50.0	51.5	51.1
	Dec	5.2	88.7	6.2	49.5	51.0	50.8
2013	Jan	12.2	83.7	4.1	54.1	51.5	51.5
	Feb	8.2	84.7	7.1	50.5	50.4	51.3

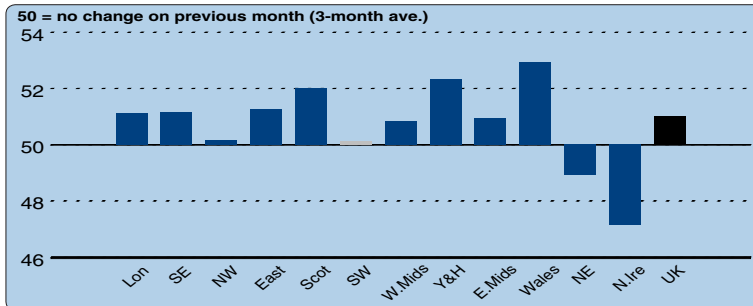


Output charges were raised for the twelfth consecutive month in February. After adjusting for seasonality, the rate of inflation eased from January and was only slight. Moreover, it was the weakest increase in the current sequence. Meanwhile, average tariffs were raised modestly across the UK economy as a whole. Charges increased in both monitored sectors in the South West during February, and at similar rates.



## Regional Comparisons: Output

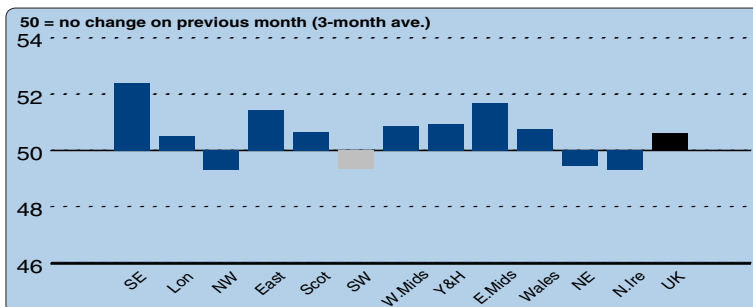
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted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

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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. 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.