



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

The West Midlands 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

Marginal increase in West Midlands private sector output during February

Key findings:

- Slight growth of business activity supported by modest rise in new orders
- Increase in employment contributes to further reduction of backlogs
- Input price inflation accelerates to nine-month high

The latest Lloyds TSB West Midlands PMI® report indicated a marginal rise in business activity across the region's private sector during February. The headline Business Activity Index registered 50.7, up slightly from 50.1 in January. Higher activity was supported by a further rise in the level of new orders received by companies. Backlogs of work continued to be depleted at a considerable pace, in part supported by another increase in employment. Input prices rose at the sharpest rate in nine months, whereas output charge inflation eased to only a marginal pace.

Output and demand

Following broadly stagnant output in the first month of 2013, business activity at West Midlands private sector firms increased slightly during February. That said, the rate of growth was marginally below the UK average. Manufacturers continued to register sharper activity growth than service providers.

The level of new business placed with private sector firms in the West Midlands was up for the fourth month running in February. There were reports from the survey panel that new order growth had been supported by the launch of new products and increased activity levels at clients.

Employment and backlogs

Staffing levels at private sector companies in the West Midlands increased for a second successive month in February. Although moderate, the rate of jobs growth was the fastest since last August. Net hiring was recorded in both the manufacturing and service sectors.

Higher employment contributed to a further drop in the level of outstanding business at the region's firms. Backlogs of work fell for the tenth month in succession, and at a marked pace.

Input and output prices

Input prices in the West Midlands private sector increased further during February, with the rate of cost inflation quickening to a nine-month high. Fuel, energy, salaries and raw materials were all reported to have contributed to higher input prices, in addition to unfavourable exchange rate movements.

In contrast, output prices rose only marginally during the latest survey period and at the weakest pace in the current four-month sequence of increases.

West Midlands Business Conditions

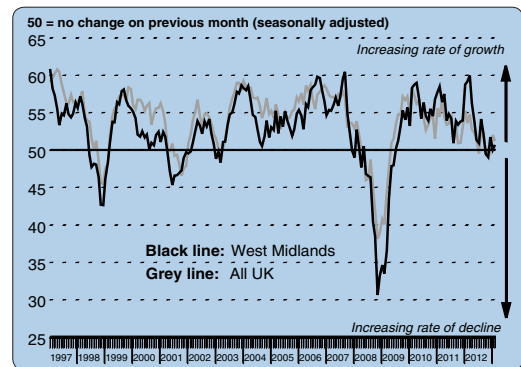




Output / Business Activity

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	22.0	59.3	18.6	51.7	51.4	51.3
	Jul	28.7	46.1	25.2	51.7	50.9	49.6
	Aug	22.4	49.1	28.4	47.0	54.2	52.7
	Sep	25.4	43.9	30.7	47.4	52.1	51.8
	Oct	21.1	48.6	30.3	45.4	49.5	49.6
	Nov	26.3	50.0	23.7	51.3	49.1	50.2
2013	Dec	29.0	47.7	23.4	52.8	51.8	49.7
	Jan	21.1	47.4	31.6	44.7	50.1	52.1
	Feb	28.7	53.9	17.4	55.7	50.7	51.2

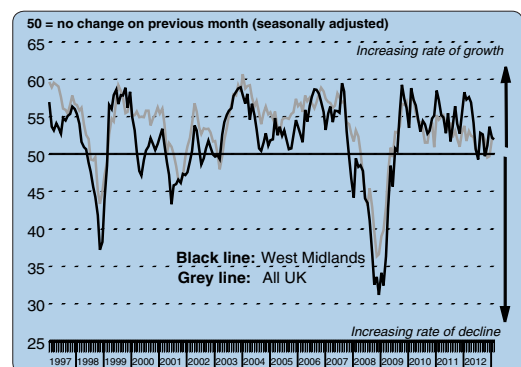


Latest data signalled a marginal increase in business activity in the West Midlands private sector economy during February. The seasonally adjusted Business Activity Index posted 50.7, up from 50.1 in January. However, it remained below the equivalent index for the UK overall. Manufacturers continued to report faster output growth than service providers on average. Where a rise in activity was reported, this was generally attributed by panellists to increased new business.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	23.3	45.7	31.0	46.1	50.7	50.5
	Jul	23.9	46.0	30.1	46.9	49.3	50.3
	Aug	24.8	43.4	31.9	46.5	52.9	51.9
	Sep	29.5	41.1	29.5	50.0	52.7	52.6
	Oct	19.8	51.9	28.3	45.8	49.7	51.9
	Nov	29.3	48.3	22.4	53.4	51.2	49.6
2013	Dec	28.6	45.7	25.7	51.4	53.7	49.8
	Jan	25.4	45.6	28.9	48.2	52.2	52.1
	Feb	29.2	49.6	21.2	54.0	52.0	52.2

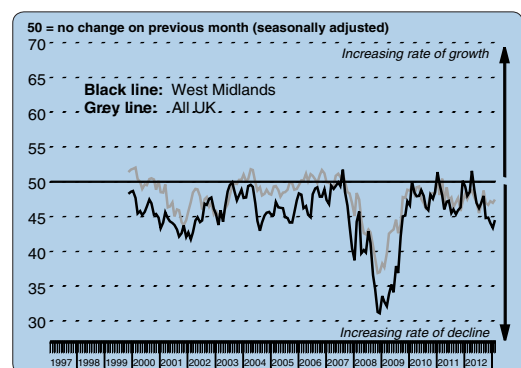


Incoming new business in the West Midlands private sector rose further in February, extending the current period of expansion to four months. At 52.0, the seasonally adjusted Incoming New Business Index was little-changed from 52.2 in January, signalling a moderate pace of expansion that was fractionally below the UK average. New product releases and increased client activity levels were reported by panellists to have supported new business growth.

Business Outstanding

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	12.6	69.4	18.0	47.3	47.0	47.1
	Jul	15.2	59.0	25.7	44.8	46.2	45.5
	Aug	13.1	63.6	23.4	44.9	46.9	46.8
	Sep	11.0	63.3	25.7	42.7	48.0	48.8
	Oct	9.0	62.0	29.0	40.0	44.8	47.0
	Nov	12.5	64.3	23.2	44.6	44.9	46.7
2013	Dec	13.9	57.4	28.7	42.6	44.1	47.3
	Jan	14.0	57.9	28.0	43.0	43.4	47.0
	Feb	16.4	61.8	21.8	47.3	44.5	47.4



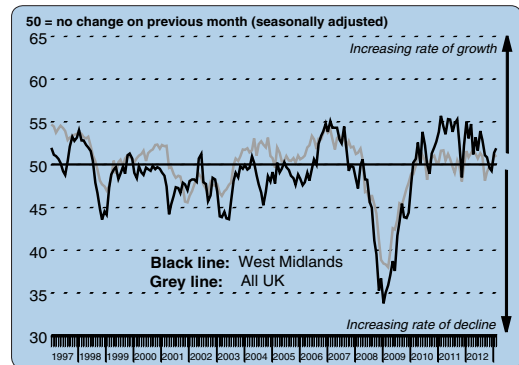
Private sector firms in the West Midlands reported a drop in outstanding business for the tenth consecutive month during February. The rate of contraction remained marked, despite easing to the slowest since last November. Indeed, it remained sharper than the UK average. Survey respondents mainly attributed declining backlogs of work to persistent spare capacity at their units.

Employment

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	13.8	77.6	8.6	52.6	51.7	50.7
	Jul	20.4	69.9	9.7	55.3	54.0	51.3
	Aug	12.2	77.4	10.4	50.9	52.9	51.0
	Sep	13.3	77.0	9.7	51.8	51.1	48.2
	Oct	14.0	74.8	11.2	51.4	50.9	49.1
	Nov	10.3	72.6	17.1	46.6	49.6	49.9
	Dec	10.3	76.6	13.1	48.6	49.3	49.7
2013	Jan	13.3	72.6	14.2	49.6	51.4	51.2
	Feb	15.2	74.1	10.7	52.2	52.0	50.9

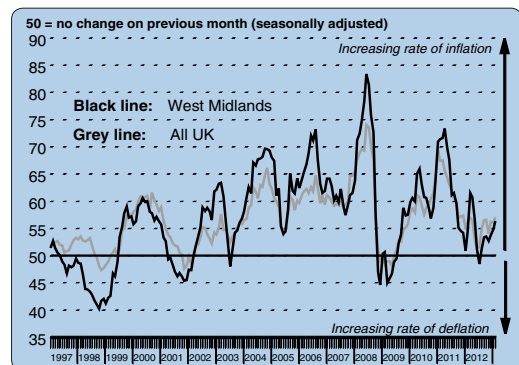
West Midlands private sector firms registered an increase in staffing levels for the second month running during February. At 52.0, up from 51.4 in January, the seasonally adjusted Employment Index pointed to a rate of jobs growth that, although modest, was the fastest since last August and above the UK average. Higher payroll numbers were recorded in both the manufacturing and service sectors.



Input Prices / Costs

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	15.3	72.0	12.7	51.3	51.2	51.5
	Jul	7.8	73.9	18.3	44.8	48.5	51.6
	Aug	12.9	74.1	12.9	50.0	51.1	55.0
	Sep	12.3	74.6	13.2	49.6	53.4	56.6
	Oct	12.8	77.1	10.1	51.4	53.6	56.7
	Nov	6.8	82.1	11.1	47.9	52.7	54.1
	Dec	10.3	80.4	9.3	50.5	53.8	56.2
2013	Jan	17.4	76.5	6.1	55.7	54.9	56.1
	Feb	29.6	64.3	6.1	61.7	56.4	57.1

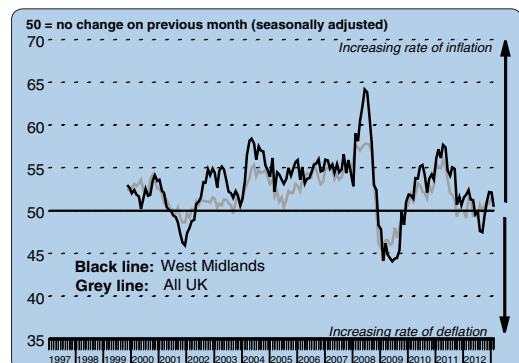


Input price inflation in the West Midlands private sector accelerated to a nine-month high during February. This was signalled by the seasonally adjusted Input Prices Index climbing from 54.9 in January to 56.4. That said, the latest reading was below the equivalent index for the UK as a whole. Fuel, energy, salaries and raw materials were all commented on by the survey panel as factors contributing to higher costs. A weakening of sterling against the euro was additionally reported to have pushed input prices higher in a number of instances.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	5.9	86.4	7.6	49.2	49.5	49.5
	Jul	4.3	90.4	5.2	49.6	49.9	49.3
	Aug	4.3	85.3	10.3	47.0	47.6	50.7
	Sep	4.4	85.8	9.7	47.3	47.5	50.0
	Oct	9.2	81.7	9.2	50.0	49.3	50.6
	Nov	7.6	86.4	5.9	50.8	51.1	51.1
	Dec	6.5	88.8	4.7	50.9	52.2	50.8
2013	Jan	13.0	80.9	6.1	53.5	52.1	51.5
	Feb	10.3	85.3	4.3	53.0	50.5	51.3

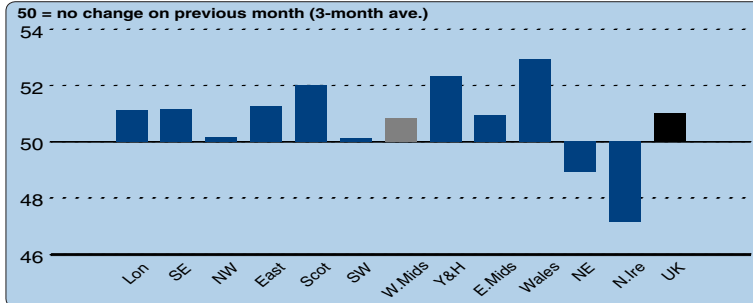


Output prices in the West Midlands private sector increased for a fourth consecutive month in February. However, the rate of inflation moderated to only a marginal pace that was weaker than the UK average. This was highlighted by the seasonally adjusted Output Prices Index posting 50.5, down from 52.1 in January. The vast majority of panel members (approximately 85%) indicated no change in their output prices.



Regional Comparisons: Output

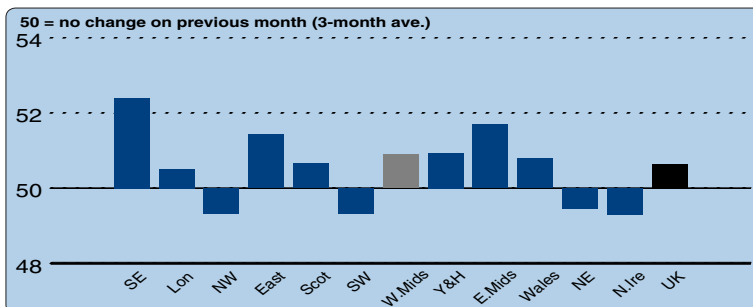
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted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