



Lloyds TSB Yorkshire & Humber PMI®

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The Lloyds TSB Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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 growth slows to weakest in three months during February

Key findings:

- Both activity and new business growth slows
- Job losses reported for first time in five months
- Input price inflation weakest since last August

Lloyds TSB Yorkshire & Humber PMI® data signalled a modest expansion of private sector output in February, which was also the weakest since last November. New business also rose modestly and at a similar rate to that registered across the UK as a whole. Concurrently, employment fell for the first time in five months, largely reflecting job losses in manufacturing, while the rate of input price inflation eased to its weakest since August 2012.

Output and demand

Private sector output in Yorkshire & Humber grew for the fourth consecutive month in February, although the latest expansion was only modest and the weakest since last November. A strong increase in business activity in the service sector was partly offset by a stagnant trend in manufacturing production.

Almost one-in-three firms reported higher levels of activity in the latest survey period, linking this to increased new business. Overall, the rate of new order growth was modest and largely in line with the long-run series average, but slower than one month previously.

Employment and backlogs

Outstanding business at private sector companies fell for the tenth month running in February. That said, the latest reduction was the weakest in that sequence. Where backlog depletion was recorded, a number of panellists commented on a lower-than-expected rise in new work.

February data signalled the first reduction in employment in Yorkshire & Humber's private economy since last September. However, sector data suggested that job losses were largely confined to manufacturing, as services employment rose further (albeit at a reduced pace).

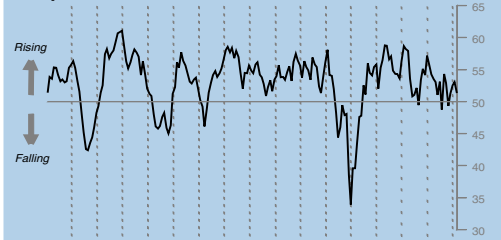
Input and output prices

Input prices faced by monitored companies rose further in February, with raw materials and fuel commonly reported as having increased in cost. That said, the overall rate of inflation was only modest and the slowest among the nine English regions.

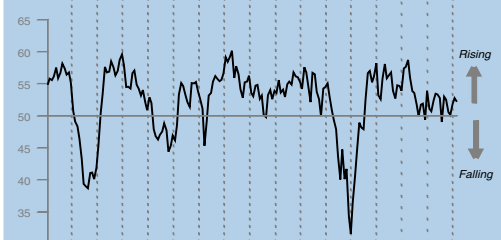
Output prices in Yorkshire & Humber were broadly unchanged since January. Lower selling prices at service providers were largely offset by higher factory gate prices at manufacturers in the latest survey period.

Yorkshire & Humber Business Conditions

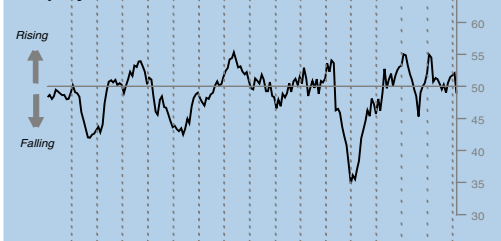
Output



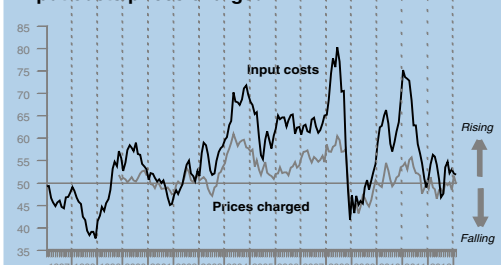
Order Books



Employment



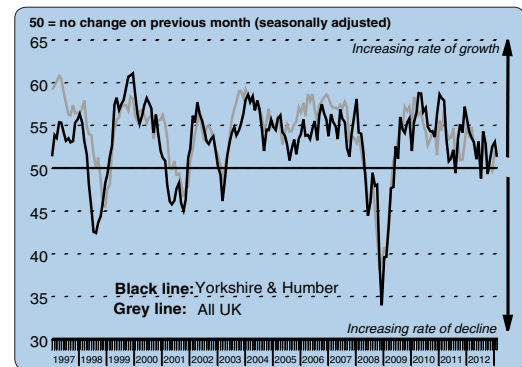
Input costs/prices charged



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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	27.7	55.4	16.9	55.4	53.1	51.3
	Jul	19.5	51.7	28.7	45.4	48.8	49.6
	Aug	25.8	46.1	28.1	48.9	54.3	52.7
	Sep	33.7	47.2	19.1	57.3	52.9	51.8
	Oct	30.3	40.4	29.3	50.5	49.4	49.6
	Nov	29.7	50.5	19.8	54.9	51.2	50.2
Dec	27.8	51.1	21.1	53.3	52.5	49.7	
2013	Jan	27.5	40.7	31.9	47.8	53.1	52.1
	Feb	32.6	43.5	23.9	54.3	51.3	51.2

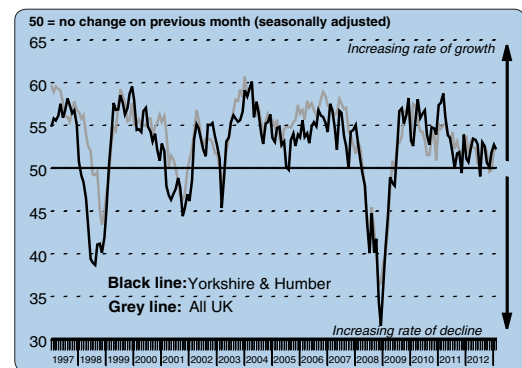


Private sector output in Yorkshire & Humber increased in February, with almost one-in-three surveyed firms reporting higher activity levels compared with January. Panellists generally cited increased new business. Although output growth was modest and broadly on par with the UK average, the latest expansion was nonetheless the weakest since last November. Sector data suggested that a strong rise in activity at service providers was partly offset by a stagnant trend at manufacturers.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	28.0	47.6	24.4	51.8	52.8	50.5
	Jul	21.2	42.4	36.5	42.4	49.1	50.3
	Aug	28.4	39.8	31.8	48.3	53.0	51.9
	Sep	37.9	35.6	26.4	55.7	52.5	52.6
	Oct	28.6	40.8	30.6	49.0	50.6	51.9
	Nov	27.8	47.8	24.4	51.7	50.1	49.6
Dec	28.1	44.9	27.0	50.6	51.8	49.8	
2013	Jan	31.1	35.6	33.3	48.9	52.8	52.1
	Feb	37.4	38.5	24.2	56.6	52.2	52.2

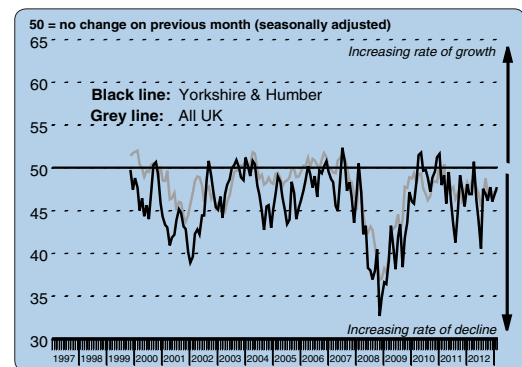


The seasonally adjusted New Business Index remained above the 50.0 no-change level in February, signalling a further increase in the volume of new work received by monitored companies. Firms that reported an increase in new business (approximately 37%) generally attributed this to greater demand and new contract wins. Overall, the rate of growth was modest and largely in line with the long-run series average, despite having slowed since January. New orders rose in both the manufacturing and service sectors, although the rate of growth for the former was only marginal.

Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	8.2	65.8	26.0	41.1	43.9	47.1
	Jul	13.5	52.7	33.8	39.9	40.5	45.5
	Aug	17.7	65.8	16.5	50.6	47.6	46.8
	Sep	15.0	60.0	25.0	45.0	47.0	48.8
	Oct	21.8	48.3	29.9	46.0	46.2	47.0
	Nov	18.8	57.5	23.8	47.5	47.7	46.7
Dec	12.2	58.5	29.3	41.5	46.1	47.3	
2013	Jan	16.7	57.1	26.2	45.2	47.0	47.0
	Feb	16.9	62.7	20.5	48.2	47.8	47.4

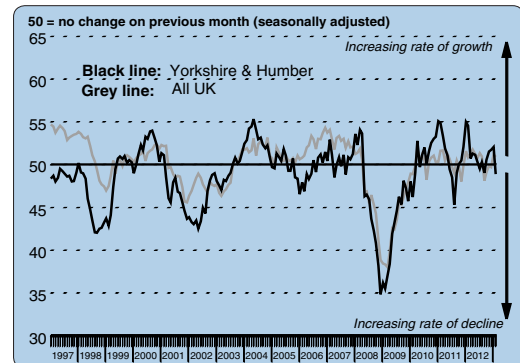


Business outstanding at private sector firms in Yorkshire & Humber fell for the tenth consecutive month in February. However, the rate of backlog depletion was the weakest in that sequence and also slower than that registered across the UK as a whole. One-in-five respondents recorded a reduced level of work-in-hand in the latest survey period, with a number of panellists commenting on a lower-than-expected rise in new orders.

Employment

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	13.3	67.5	19.3	47.0	50.4	50.7
	Jul	17.2	67.8	14.9	51.1	49.6	51.3
	Aug	12.4	74.2	13.5	49.4	50.3	51.0
	Sep	12.4	75.3	12.4	50.0	49.1	48.2
	Oct	13.3	77.6	9.2	52.0	50.6	49.1
	Nov	15.4	72.5	12.1	51.6	51.5	49.9
2013	Dec	13.5	77.5	9.0	52.2	51.8	49.7
	Jan	11.1	80.0	8.9	51.1	52.1	51.2
	Feb	7.6	80.4	12.0	47.8	48.9	50.9

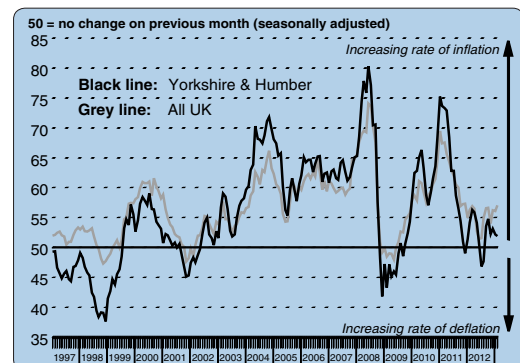


After adjusting for seasonal variation, the Employment Index fell below the 50.0 no-change threshold in February, signalling job losses for the first time in five months. Exactly 12% of surveyed firms reduced their employee numbers since January (while 8% hired additional staff), and generally attributed the decline to redundancies and a number of retirements. However, sector data suggested that job losses were largely confined to the manufacturing sector, as services employment rose further in the latest survey period, albeit at a reduced rate.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	13.3	68.7	18.1	47.6	50.8	51.5
	Jul	11.6	68.6	19.8	45.9	46.9	51.6
	Aug	9.0	75.3	15.7	46.6	47.7	55.0
	Sep	18.2	67.0	14.8	51.7	53.6	56.6
	Oct	21.2	67.7	11.1	55.1	54.8	56.7
	Nov	8.9	80.0	11.1	48.9	52.3	54.1
2013	Dec	10.0	76.7	13.3	48.3	53.2	56.2
	Jan	18.7	71.4	9.9	54.4	52.2	56.1
	Feb	21.7	69.6	8.7	56.5	52.0	57.1

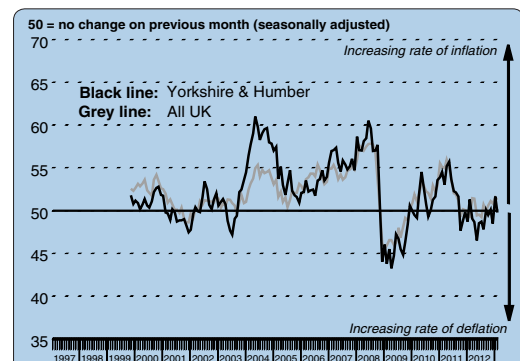


Input costs faced by private sector companies rose further in February. Raw materials and fuel were reported by panellists as having increased in price over the month, although a number of respondents also commented on unfavourable exchange rates. Overall, the rate of input price inflation was only modest and the weakest since August 2012. In contrast, UK data pointed to a marked rise in input costs during February, with the latest increase the strongest since December 2011.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jun	3.6	91.6	4.8	49.4	48.5	49.5
	Jul	3.4	88.5	8.0	47.7	48.7	49.3
	Aug	2.2	87.6	10.1	46.1	47.8	50.7
	Sep	6.8	86.4	6.8	50.0	50.1	50.0
	Oct	6.1	84.8	9.1	48.5	49.5	50.6
	Nov	3.3	92.3	4.4	49.5	50.1	51.1
2013	Dec	2.2	90.0	7.8	47.2	48.5	50.8
	Jan	13.2	83.5	3.3	54.9	51.7	51.5
	Feb	13.0	79.3	7.6	52.7	49.8	51.3

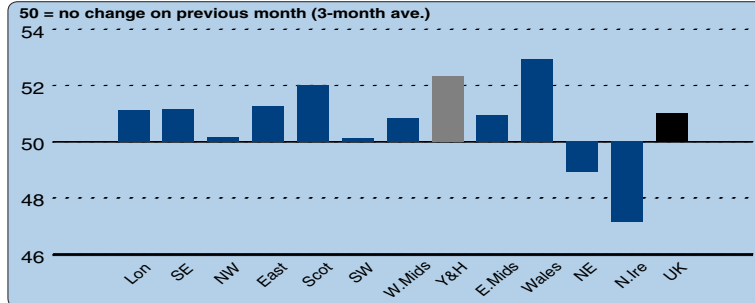


February data signalled broadly no change in average selling prices at Yorkshire & Humber private sector firms since January. The seasonally adjusted Output Prices Index registered only marginally below the 50.0 no-change mark. Lower selling prices at service providers were largely offset by higher factory gate prices at manufacturers in the latest survey period. Meanwhile, the stagnant trend in output prices contrasted with a modest increase across the UK as a whole.



Regional Comparisons: Output

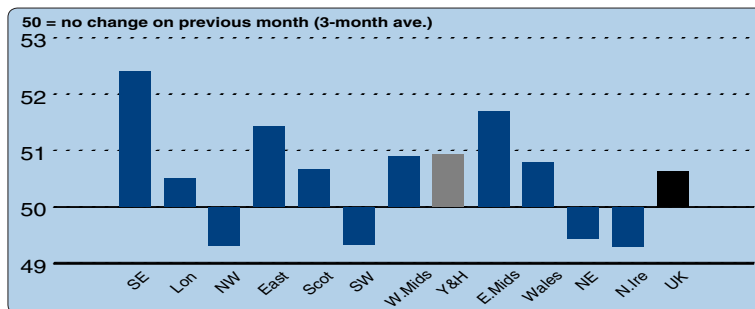
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Growth of private sector output was registered in all UK regions except the North East and Northern Ireland during the three months to February. Wales posted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