



Lloyds TSB East of England 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 East of England PMI® (Purchasing Managers' Index®) is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in March 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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15th April 2013

Growth of business activity slows during March

Key findings:

- Business activity increases at weakest rate in four months
- Order book volumes rise for fourth month running
- Further slowing of job creation

March data pointed to a further rise in business activity at East of England companies, but the rate of expansion slowed to the weakest in four months. Lower growth rates of incoming new business underpinned the moderation in output expansion, and the rate of job creation was the slowest since late last year.

Output and demand

The headline seasonally adjusted **Lloyds TSB East of England Business Activity Index** posted 50.4 in March, down from February's 52.0, and pointed to a slowing of activity growth in the region. While output increased for the fourth successive survey period, the latest reading was the weakest in the current sequence of growth. The drop in overall activity growth was driven by contracting output levels in the manufacturing sector.

Levels of incoming new business continued to increase in March, but the pace of expansion slowed and was below the overall UK average. Sector data suggested a solid contraction in new work at manufacturers, while volumes of incoming new orders increased at firms in the service sector.

Employment and backlogs

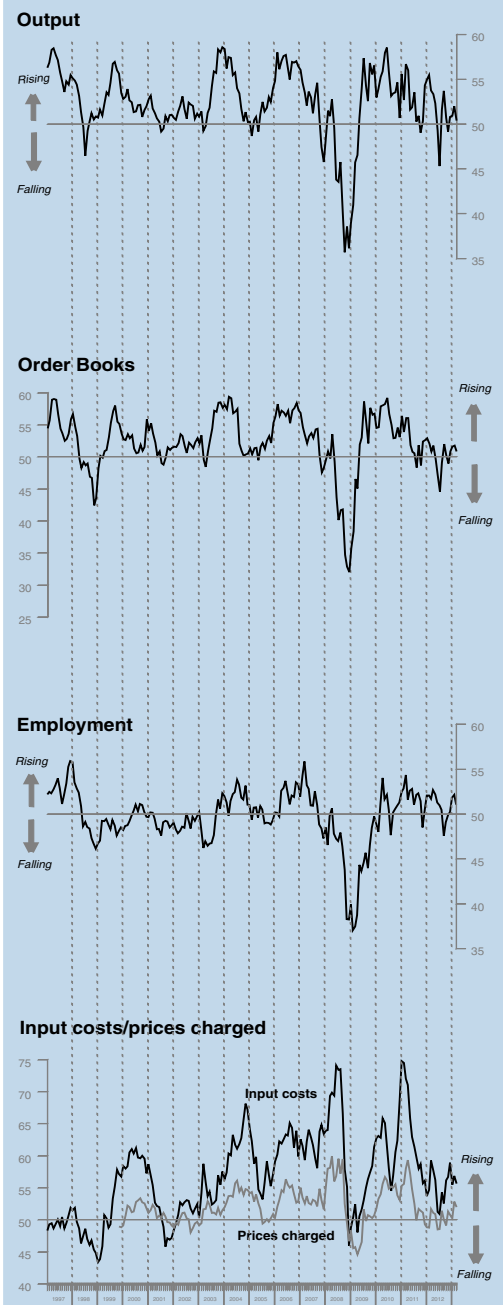
East of England companies hired additional staff during March, albeit at the slowest pace in three survey periods. Companies that reported increased payroll numbers often linked this to higher new orders. Meanwhile, work-in-hand decreased for the second month running, and at the sharpest rate in four survey periods. According to anecdotal evidence, an expansion in operating capacity accounted for much of the latest decline in levels of outstanding business.

Input and output prices

Cost burdens in the East of England continued to increase in March. Around 22% of panellists recorded higher input prices and linked this to increased fuel prices and a weak pound. However, cost inflation eased during the latest survey period, and was below the series average.

Companies in the East of England raised their output charges in March, and for the fifth consecutive month. An increase in input costs accounted for much of the latest rise, according to panellists.

East of England Business Conditions

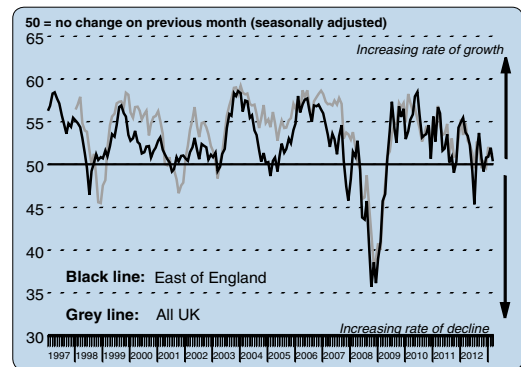




Output / Business Activity

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

| | | East of England Companies | | | | All UK | |
|------|-----|---------------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Jul | 12.8 | 56.0 | 31.2 | 40.8 | 45.4 | 49.6 |
| | Aug | 16.2 | 59.5 | 24.3 | 45.9 | 51.6 | 52.7 |
| | Sep | 25.9 | 50.9 | 23.1 | 51.4 | 53.7 | 51.7 |
| | Oct | 23.6 | 48.2 | 28.2 | 47.7 | 50.7 | 49.6 |
| | Nov | 22.5 | 50.5 | 27.0 | 47.7 | 49.2 | 50.2 |
| | Dec | 27.7 | 43.8 | 28.6 | 49.6 | 50.8 | 49.7 |
| 2013 | Jan | 23.2 | 42.9 | 33.9 | 44.6 | 50.9 | 52.1 |
| | Feb | 31.8 | 50.0 | 18.2 | 56.8 | 52.0 | 51.1 |
| | Mar | 20.4 | 59.3 | 20.4 | 50.0 | 50.4 | 51.4 |

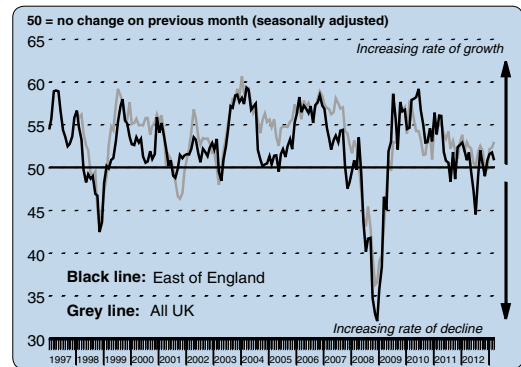


East of England companies indicated a further rise in output levels during March and linked this to the securing of new clients and the introduction of new products. Sector data showed that a contraction in output at manufacturers was offset by increased business activity in the service sector. Business activity has now increased for four successive months, but the rate of expansion was only marginal and the weakest in the current sequence of growth.

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?

| | | East of England Companies | | | | All UK | |
|------|-----|---------------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Jul | 13.9 | 44.4 | 41.7 | 36.1 | 44.6 | 50.2 |
| | Aug | 21.1 | 57.8 | 21.1 | 50.0 | 49.1 | 51.9 |
| | Sep | 30.8 | 49.5 | 19.6 | 55.6 | 52.0 | 52.6 |
| | Oct | 23.9 | 45.0 | 31.2 | 46.3 | 50.3 | 52.0 |
| | Nov | 24.8 | 47.7 | 27.5 | 48.6 | 49.0 | 49.6 |
| | Dec | 28.8 | 48.6 | 22.5 | 53.2 | 50.9 | 49.8 |
| 2013 | Jan | 28.2 | 47.3 | 24.5 | 51.8 | 51.6 | 52.2 |
| | Feb | 31.2 | 49.5 | 19.3 | 56.0 | 51.8 | 52.3 |
| | Mar | 25.9 | 53.6 | 20.5 | 52.7 | 50.9 | 53.0 |

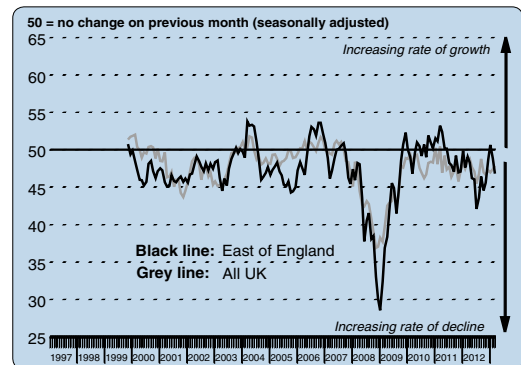


March data signalled a fourth consecutive increase in order book volumes at East of England companies during March, with 26% of panellists reporting a rise in incoming new business. The pace of growth was however, only slight, and below the overall UK average. Sector data indicated a solid increase in incoming new business at service providers amid declining new order levels at manufacturers.

Business Outstanding

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

| | | East of England Companies | | | | All UK | |
|------|-----|---------------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Jul | 5.9 | 61.8 | 32.4 | 36.8 | 42.1 | 45.5 |
| | Aug | 11.7 | 66.0 | 22.3 | 44.7 | 43.6 | 46.8 |
| | Sep | 15.5 | 60.2 | 24.3 | 45.6 | 46.4 | 48.8 |
| | Oct | 14.4 | 57.7 | 27.9 | 43.3 | 44.6 | 47.0 |
| | Nov | 13.6 | 58.3 | 28.2 | 42.7 | 45.6 | 46.7 |
| | Dec | 17.9 | 56.6 | 25.5 | 46.2 | 48.7 | 47.3 |
| 2013 | Jan | 21.7 | 63.2 | 15.1 | 53.3 | 50.7 | 47.0 |
| | Feb | 18.1 | 61.0 | 21.0 | 48.6 | 48.8 | 47.4 |
| | Mar | 16.0 | 62.3 | 21.7 | 47.2 | 46.9 | 47.9 |

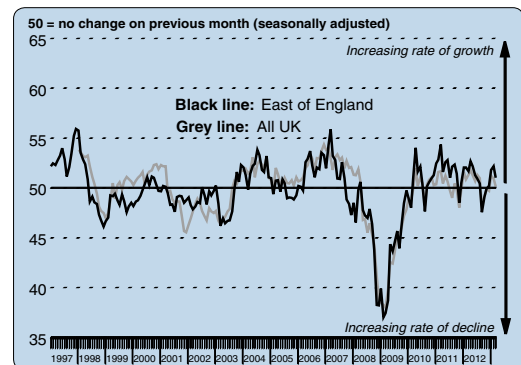


The level of outstanding business in the East of England private sector decreased for the second month running in March, as the seasonally adjusted Business Outstanding Index posted below the no-change mark of 50.0. The rate of contraction picked up from February, and was sharper than the overall UK average. An expansion in capacity was one of the reasons that led to the latest decline.

Employment

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

| | | East of England Companies | | | | All UK | |
|------|-----|---------------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Jul | 10.2 | 78.7 | 11.1 | 49.5 | 51.0 | 51.3 |
| | Aug | 8.2 | 82.7 | 9.1 | 49.5 | 50.5 | 51.0 |
| | Sep | 7.5 | 81.3 | 11.2 | 48.1 | 47.6 | 48.2 |
| | Oct | 11.0 | 77.1 | 11.9 | 49.5 | 49.1 | 49.1 |
| | Nov | 14.5 | 73.6 | 11.8 | 51.4 | 49.9 | 49.9 |
| | Dec | 12.5 | 78.6 | 8.9 | 51.8 | 50.2 | 49.8 |
| 2013 | Jan | 14.4 | 70.3 | 15.3 | 49.5 | 51.8 | 51.3 |
| | Feb | 16.5 | 75.2 | 8.3 | 54.1 | 52.2 | 51.0 |
| | Mar | 15.3 | 75.7 | 9.0 | 53.2 | 51.0 | 50.2 |

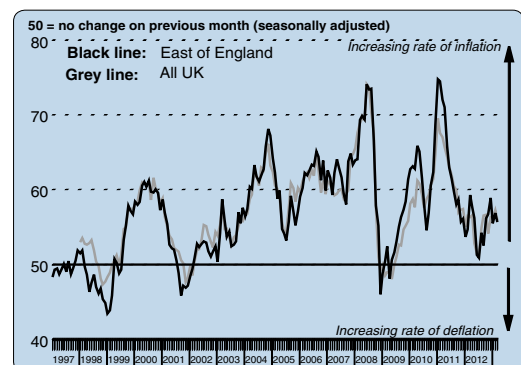


Employment levels in the East of England continued to rise during the latest survey period, with around 15% of companies hiring additional staff. There was some evidence that the rise was driven by higher new orders. While the latest data signalled the fourth successive increase in workforce numbers, the rate of job creation slowed in March, and was only moderate. Companies in the manufacturing and service sectors both reported increased payroll numbers in March.

Input Prices / Costs

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

| | | East of England Companies | | | | All UK | |
|------|-----|---------------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Jul | 6.4 | 86.2 | 7.3 | 49.5 | 50.9 | 51.6 |
| | Aug | 11.8 | 82.7 | 5.5 | 53.2 | 54.3 | 54.9 |
| | Sep | 11.1 | 80.6 | 8.3 | 51.4 | 52.6 | 56.6 |
| | Oct | 16.4 | 79.1 | 4.5 | 55.9 | 56.2 | 56.7 |
| | Nov | 14.5 | 77.3 | 8.2 | 53.2 | 56.7 | 54.1 |
| | Dec | 14.2 | 83.2 | 2.7 | 55.8 | 58.9 | 56.3 |
| 2013 | Jan | 13.4 | 81.3 | 5.4 | 54.0 | 55.5 | 56.2 |
| | Feb | 20.0 | 76.4 | 3.6 | 58.2 | 56.9 | 57.3 |
| | Mar | 22.1 | 73.5 | 4.4 | 58.8 | 55.7 | 56.0 |

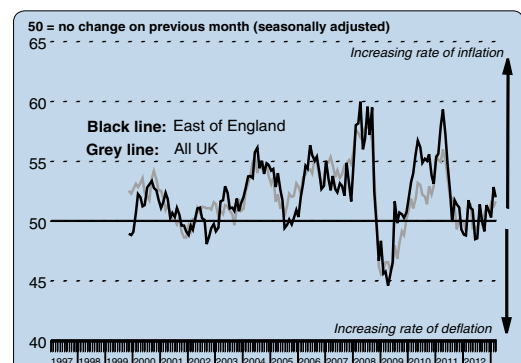


As has been the case in every month since May 2009, input costs in the East of England private sector increased in March. Around 22% of panellists recorded higher cost burdens, while only 4% indicated a cost decrease. The combination of increased fuel prices and a weak pound accounted for much of the latest cost increase. The rate of input price inflation, however, eased from the previous survey period and was below the overall series average.

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?

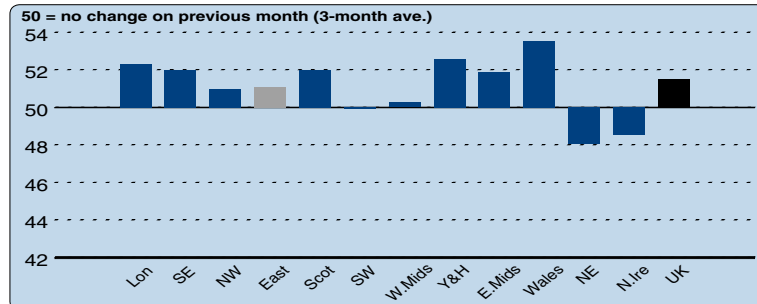
| | | East of England Companies | | | | All UK | |
|------|-----|---------------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Jul | 6.5 | 84.3 | 9.3 | 48.6 | 48.6 | 49.3 |
| | Aug | 6.4 | 88.2 | 5.5 | 50.5 | 51.4 | 50.7 |
| | Sep | 4.7 | 92.5 | 2.8 | 50.9 | 50.1 | 50.0 |
| | Oct | 5.5 | 85.3 | 9.2 | 48.2 | 49.2 | 50.6 |
| | Nov | 7.3 | 90.0 | 2.7 | 52.3 | 51.3 | 51.1 |
| | Dec | 6.3 | 87.4 | 6.3 | 50.0 | 50.8 | 50.8 |
| 2013 | Jan | 9.1 | 83.6 | 7.3 | 50.9 | 50.3 | 51.5 |
| | Feb | 14.7 | 79.8 | 5.5 | 54.6 | 52.9 | 51.3 |
| | Mar | 12.4 | 79.6 | 8.0 | 52.2 | 52.0 | 51.7 |



Average charges set by East of England companies increased for the fifth consecutive survey period during March. While the rate of charge inflation was weaker than in February, output prices increased at a faster pace than in the UK as a whole for the second month running. Higher input costs was one of the drivers behind the latest rise in factory gate prices, according to panellists. Sector data signalled that manufacturers and service providers both raised their output charges.

Regional Comparisons: Output

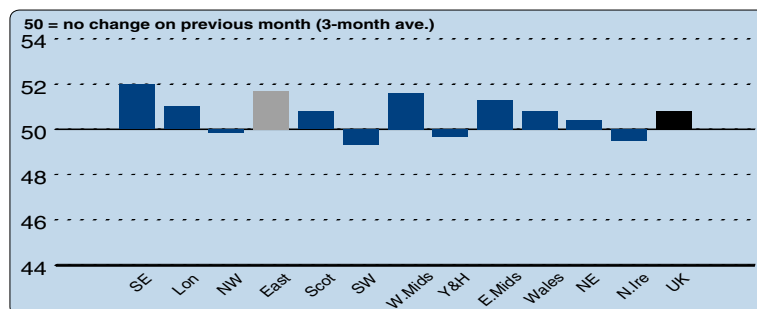
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern Ireland were the exceptions to the overall upward trend.



| | Share of UK GVA, 2010 (National Statistics) | PMI Output Index | | |
|-----------------|---|------------------|-----------------|--------------|
| | | Last 12 months | Latest 3 months | Latest month |
| London | (21.5%) | 52.3 | 52.3 | 53.8 |
| South East | (14.7%) | 51.2 | 52.0 | 51.7 |
| North West | (9.5%) | 50.3 | 51.0 | 50.4 |
| East of England | (8.7%) | 50.8 | 51.1 | 50.4 |
| Scotland | (8.3%) | 51.3 | 52.0 | 51.1 |
| South West | (7.7%) | 50.1 | 49.9 | 49.7 |
| West Midlands | (7.3%) | 51.7 | 50.3 | 50.0 |
| Yorks & Humber | (7.0%) | 52.0 | 52.6 | 53.3 |
| East Midlands | (6.4%) | 51.7 | 51.9 | 51.5 |
| Wales | (3.6%) | 51.9 | 53.5 | 53.7 |
| North East | (3.2%) | 48.4 | 48.1 | 47.3 |
| N.Ireland | (2.2%) | 44.7 | 48.5 | 48.9 |
| UK | (100.0%) | 51.2 | 51.5 | 51.4 |

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). Job creation was recorded in eight of the twelve UK regions monitored by the survey in the first quarter of 2013. Employment growth was strongest in the South East, while the South West posted the most marked drop in staffing levels.



| | Contribution to UK Employment, 2008 (National Statistics) | PMI Employment Index | | |
|-----------------|---|----------------------|-----------------|--------------|
| | | Last 12 months | Latest 3 months | Latest month |
| South East | (14.6%) | 51.0 | 52.0 | 50.0 |
| London | (12.3%) | 49.8 | 51.0 | 50.0 |
| North West | (10.9%) | 48.8 | 49.9 | 49.5 |
| East of England | (9.6%) | 50.8 | 51.7 | 51.0 |
| Scotland | (8.7%) | 50.8 | 50.8 | 51.0 |
| South West | (8.6%) | 49.7 | 49.3 | 49.7 |
| West Midlands | (8.6%) | 51.6 | 51.6 | 51.4 |
| Yorks & Humber | (8.2%) | 50.4 | 49.7 | 48.0 |
| East Midlands | (7.3%) | 52.7 | 51.3 | 51.0 |
| Wales | (4.6%) | 49.9 | 50.8 | 51.0 |
| North East | (3.9%) | 48.9 | 50.4 | 51.4 |
| N.Ireland | (2.7%) | 47.8 | 49.5 | 48.8 |
| UK | (100.0%) | 50.5 | 50.8 | 50.2 |

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 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.