



Lloyds TSB East Midlands PMI®

Lloyds TSB Commercial

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Our team of well established and experienced relationship managers provide locally-based support to a wide range of businesses, discussing new strategies and ideas as well helping them to access other sources of guidance.

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 Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East 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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15th April 2013

New orders rise at solid pace in March

Key findings:

- Solid increase in new orders, while backlogs cut sharply
- Activity rises for third month running
- Cost inflation accelerates further

The Lloyds TSB East Midlands PMI® report pointed to a further modest rise in business activity in the region during March, while new order growth accelerated. The rise in activity was also partly reflective of substantial backlog reduction. The rate of input cost inflation accelerated again, while firms continued to raise their output prices at a modest pace.

Output and demand

The headline seasonally adjusted Lloyds TSB East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 51.5 in March, fractionally lower than the reading of 51.6 in February. The latest rise in activity in the region was slight, but broadly in line with the UK economy average. The service sector continued to be the main driver of growth in activity.

New business increased for the second month running, and at a solid pace that was the sharpest since March 2012. As with activity, the service sector posted a rise in new orders, while manufacturers signalled a fall.

Employment and backlogs

Outstanding business at East Midlands companies declined at a considerable pace in March. Moreover, the rate of depletion was the strongest since September 2009, and much steeper than seen at the UK level. Respondents suggested that the latest reduction in backlogs was reflective of spare capacity.

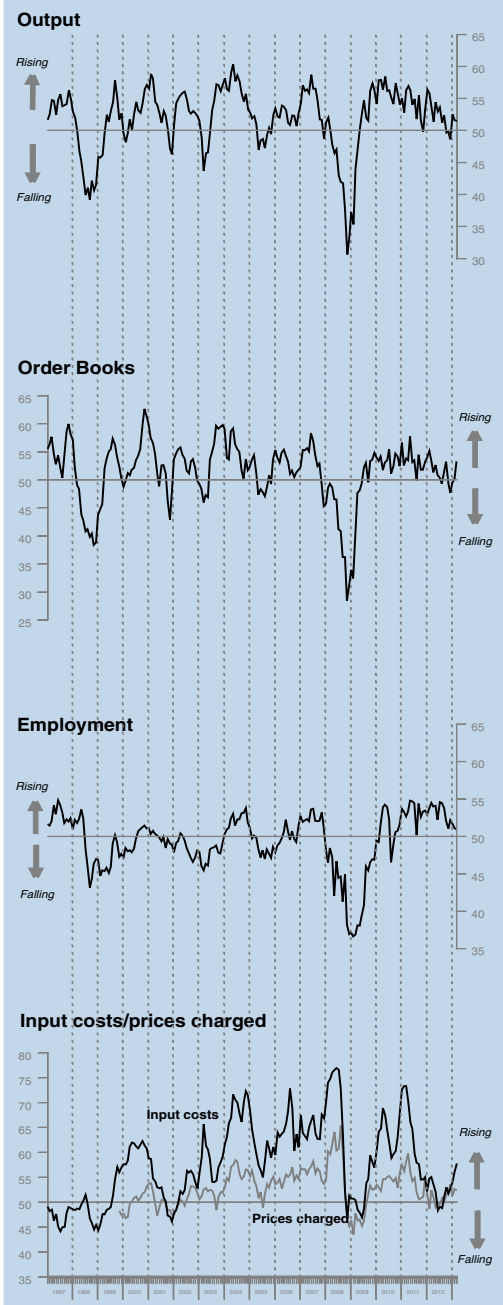
Companies in the region continued to take on extra staff, although the rate of job creation slowed slightly to the weakest in more than a year-and-a-half. The increase in staffing levels at East Midlands companies was faster than the UK average.

Input and output prices

The rate of input cost inflation quickened for the fourth successive month in March, with a number of panellists linking higher input prices to the recent weakness of sterling. The latest rise in input costs was the fastest since August 2011, and in line with the series average.

Firms made further attempts to pass on higher input costs to their clients during the month, and output prices rose for the eighth month running. The rate of inflation eased marginally from February, but was still sharper than the average for the UK as a whole.

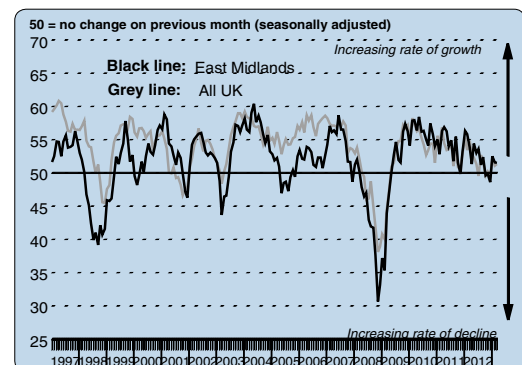
East Midlands Business Conditions



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?

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	27.1	52.9	20.0	53.5	53.6	49.6
	Aug	16.9	50.6	32.6	42.1	51.2	52.7
	Sep	30.2	50.0	19.8	55.2	52.4	51.7
	Oct	21.8	54.0	24.1	48.9	49.7	49.6
	Nov	24.4	50.0	25.6	49.4	49.9	50.2
	Dec	29.1	38.4	32.6	48.3	48.6	49.7
2013	Jan	24.2	51.6	24.2	50.0	52.5	52.1
	Feb	29.5	47.7	22.7	53.4	51.6	51.1
	Mar	29.1	55.8	15.1	57.0	51.5	51.4

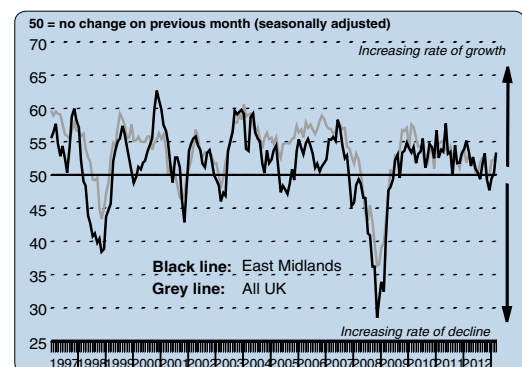


East Midlands private sector activity increased for the third successive month in March. The rate of growth was modest, but little-changed from that seen in February. The rise in the region was also broadly in line with the UK economy average. Those respondents that recorded an increase in output mainly linked this to new order growth. The overall rise in output was largely reflective of higher services activity.

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 Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	25.9	45.9	28.2	48.8	50.4	50.2
	Aug	18.0	44.9	37.1	40.4	49.4	51.9
	Sep	32.6	41.9	25.6	53.5	51.5	52.6
	Oct	32.2	46.0	21.8	55.2	53.3	52.0
	Nov	25.6	43.3	31.1	47.2	49.4	49.6
	Dec	23.3	41.9	34.9	44.2	47.7	49.8
2013	Jan	24.2	48.4	27.5	48.4	49.5	52.2
	Feb	34.1	40.9	25.0	54.5	50.3	52.3
	Mar	31.4	52.3	16.3	57.6	53.4	53.0

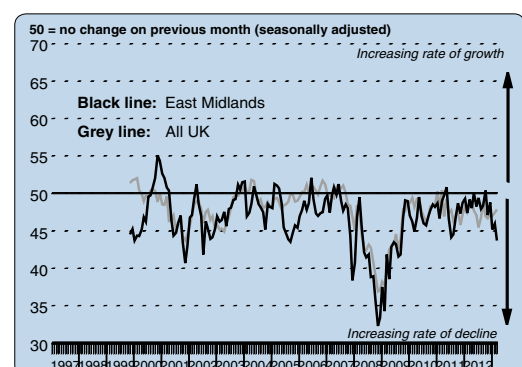


After having risen marginally in February, new orders in the East Midlands grew at a solid pace in March, and one that was slightly quicker than the UK economy average. The rise in new business in the region was the fastest since March 2012. As was the case with activity, overall new order growth was driven by the service sector as manufacturing firms posted a decline in new orders.

Business Outstanding

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	17.7	65.8	16.5	50.6	49.4	45.5
	Aug	10.7	63.1	26.2	42.3	48.0	46.8
	Sep	13.6	63.0	23.5	45.1	48.4	48.8
	Oct	22.9	57.8	19.3	51.8	50.4	47.0
	Nov	14.0	64.0	22.1	45.9	47.1	46.7
	Dec	21.3	55.0	23.8	48.8	48.8	47.3
2013	Jan	12.6	57.5	29.9	41.4	45.2	47.0
	Feb	18.1	59.0	22.9	47.6	46.0	47.4
	Mar	12.0	63.9	24.1	44.0	43.7	47.9

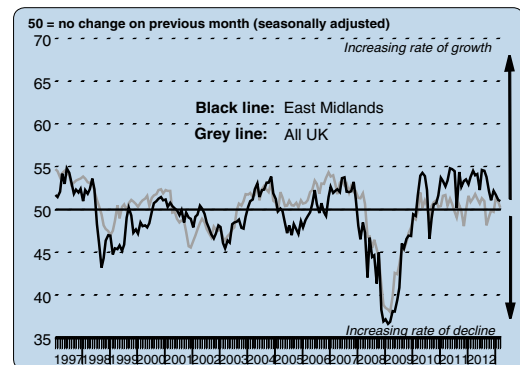


Despite an increase in new orders during March, respondents indicated that spare capacity was still apparent in the region's private sector. As a result, backlogs of work were depleted at a sharp pace. Moreover, the rate of decline in outstanding business was the fastest in three-and-a-half years, and much steeper than seen at the UK level. Although both monitored sectors registered lower backlogs, the rate of depletion was much faster at manufacturing firms than service providers.

Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	16.5	77.6	5.9	55.3	54.6	51.3
	Aug	18.0	71.9	10.1	53.9	54.5	51.0
	Sep	19.8	74.4	5.8	57.0	53.8	48.2
	Oct	13.8	73.6	12.6	50.6	52.1	49.1
	Nov	14.4	71.1	14.4	50.0	51.1	49.9
	Dec	14.0	79.1	7.0	53.5	52.2	49.8
2013	Jan	11.1	77.8	11.1	50.0	51.7	51.3
	Feb	11.4	77.3	11.4	50.0	51.2	51.0
	Mar	17.4	75.6	7.0	55.2	51.0	50.2

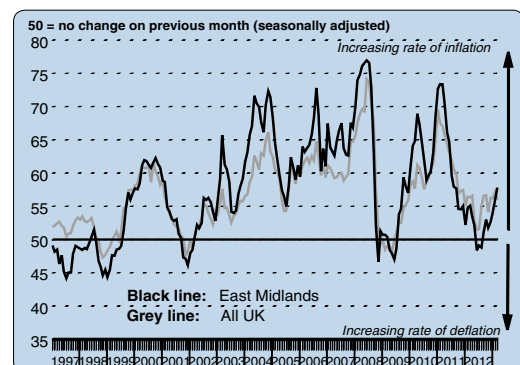


Anecdotal evidence for March suggested that the increase in new business had led companies to take on extra staff during the month. Employment in the East Midlands has now risen in 30 consecutive months. That said, the rate of job creation was only slight, having eased to the slowest since August 2011. Services companies posted a sharper rise in staffing levels than their manufacturing counterparts.

Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	11.8	74.1	14.1	48.8	49.2	51.6
	Aug	12.4	73.0	14.6	48.9	48.8	54.9
	Sep	12.8	73.3	14.0	49.4	51.1	56.6
	Oct	16.1	72.4	11.5	52.3	53.0	56.7
	Nov	10.0	77.8	12.2	48.9	51.8	54.1
	Dec	9.3	83.7	7.0	51.2	52.7	56.3
2013	Jan	18.7	74.7	6.6	56.0	54.1	56.2
	Feb	23.0	71.3	5.7	58.6	56.2	57.3
	Mar	27.6	69.0	3.4	62.1	57.9	56.0

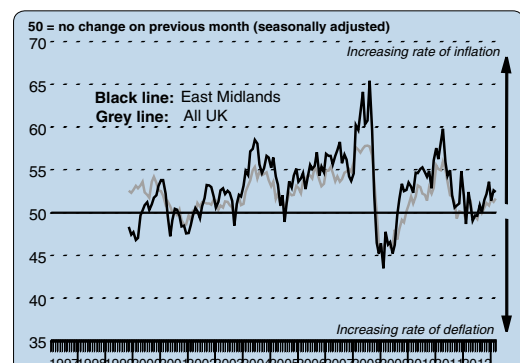


The rate of input cost inflation at East Midlands companies quickened for the fourth month running in March, and was the strongest since August 2011. A number of respondents indicated that the weakness of sterling had led to increased costs for imported items. Around 28% of panellists reported higher input costs, against 3% that posted a fall. The rise in input prices in the region was faster than the UK economy 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?

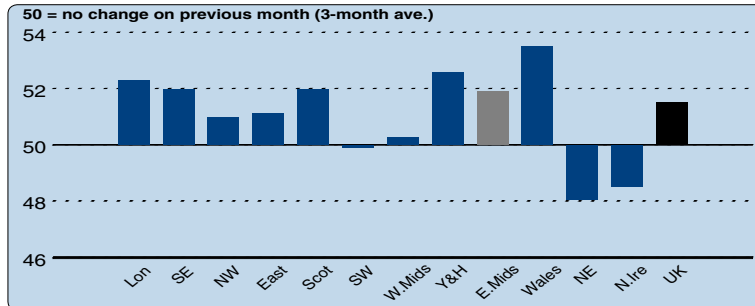
		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	7.1	89.4	3.5	51.8	49.6	49.3
	Aug	6.7	85.4	7.9	49.4	50.9	50.7
	Sep	4.7	90.7	4.7	50.0	50.1	50.0
	Oct	6.9	89.7	3.4	51.7	51.5	50.6
	Nov	6.7	88.9	4.4	51.1	52.2	51.1
	Dec	10.5	88.4	1.2	54.7	53.6	50.8
2013	Jan	8.8	86.8	4.4	52.2	51.4	51.5
	Feb	12.5	83.0	4.5	54.0	52.6	51.3
	Mar	8.0	88.5	3.4	52.3	52.4	51.7



East Midlands companies increased their output prices again in March, extending the current sequence of rising charges to eight months. Although the rate of inflation in the region eased fractionally from February, it was still faster than that recorded across the UK economy as a whole. Where charges were increased, this was partly linked to the passing on of higher input costs to clients.

Regional Comparisons: Output

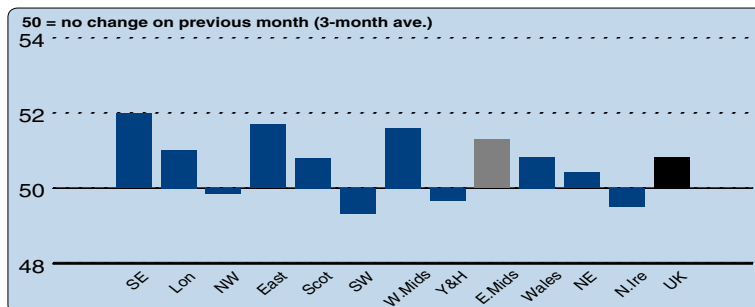
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern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