



Lloyds TSB London PMI®

Lloyds TSB Commercial

Part of Lloyds Banking Group, Lloyds TSB Commercial provides banking services and tailored lending for small and medium-sized enterprises with an annual turnover of up to £15 million.

We put great emphasis on a long-term relationship-led approach to banking and are committed to providing firms with a service that goes beyond day-to-day banking facilities.

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.

To find out more about Lloyds TSB Commercial please visit

www.lloydstsb.com/business

The Lloyds TSB London 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 London and operating in both manufacturing and service sectors.

The London 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.

For further information, please contact:

economics@markit.com

The intellectual property rights to the London PMI provided herein is owned by Markit Economics Limited, Lloyds TSB use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.

15th April 2013

Sharpest rise in London private sector output for seven months

Key findings:

- Solid increase in output levels during March
- New orders rise at fastest pace since last August
- Employment levels unchanged

March data indicated a rebound in growth momentum across the London private sector economy, with business activity and new orders both rising at the fastest rates since August 2012. Subdued confidence about the economic outlook nonetheless contributed to a stagnation of employment in March, while higher cost burdens placed additional pressure on operating margins at companies based in the capital.

Output and demand

The headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registered 53.8, up from 50.8 in February and above the critical 50.0 no-change value for the fifth consecutive month. The latest reading indicated a solid expansion of business activity and the fastest rate of growth since last August. London outperformed the UK-wide trend for both output and new business growth in March. Anecdotal evidence from survey respondents suggested that new business inflows were boosted by greater demand from clients in export markets.

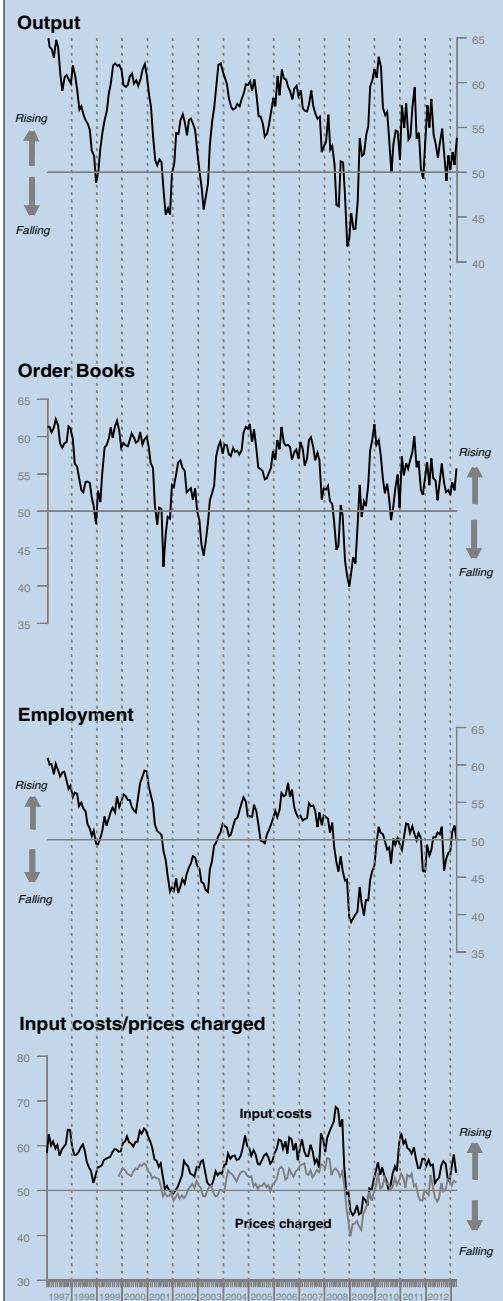
Employment and backlogs

Despite a robust and accelerated pace of new order growth in March, volumes of unfinished work dropped for the eleventh successive month. A lack of pressure on operating capacity and caution about the outlook for sales resulted in unchanged employment numbers across the London private sector in March. This contrasted with moderate jobs growth in the first two months of 2013.

Input and output prices

Survey respondents signalled a rise in average cost burdens during March, extending the current period of rising input prices to three-and-a-half years. That said, the rate of cost inflation eased to its lowest since December 2012 and was slower than that seen across the UK as a whole during the latest survey period. Companies that reported rising input costs generally cited higher staff wages and utility bills. Meanwhile, prices charged by London private sector firms increased only moderately, with some respondents noting that strong competition for new business had eroded their pricing power in March.

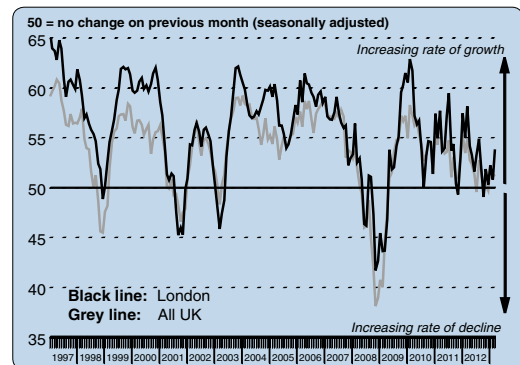
London Business Conditions



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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	22.1	60.6	17.3	52.4	53.3	49.6
	Aug	19.3	55.0	25.7	46.8	54.9	52.7
	Sep	23.5	52.9	23.5	50.0	52.1	51.7
	Oct	24.0	57.7	18.3	52.9	49.1	49.6
	Nov	23.6	59.1	17.3	53.2	51.9	50.2
Dec	25.0	56.7	18.3	53.4	50.3	49.7	
2013	Jan	17.8	61.4	20.8	48.5	52.3	52.1
	Feb	20.4	64.1	15.5	52.4	50.8	51.1
	Mar	23.0	64.0	13.0	55.0	53.8	51.4

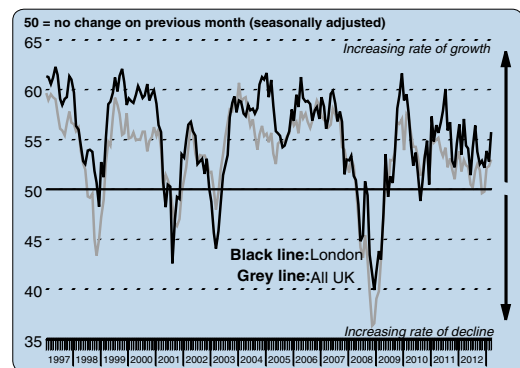


March data indicated a solid expansion of business activity in London. At 53.8, up from 50.8 in February, the seasonally adjusted Business Activity Index was above the 50.0 no-change value for the fifth consecutive month and pointed to the fastest pace of growth since August 2012. The latest rise in private sector output was also stronger than that seen across the UK as a whole.

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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	22.8	54.5	22.8	50.0	54.2	50.2
	Aug	24.5	52.8	22.6	50.9	56.4	51.9
	Sep	23.2	51.5	25.3	49.0	53.8	52.6
	Oct	30.4	51.0	18.6	55.9	52.6	52.0
	Nov	22.6	59.4	17.9	52.4	52.9	49.6
Dec	27.0	55.0	18.0	54.5	52.2	49.8	
2013	Jan	22.4	61.2	16.3	53.1	53.9	52.2
	Feb	27.5	55.9	16.7	55.4	52.8	52.3
	Mar	26.5	61.2	12.2	57.1	55.8	53.0

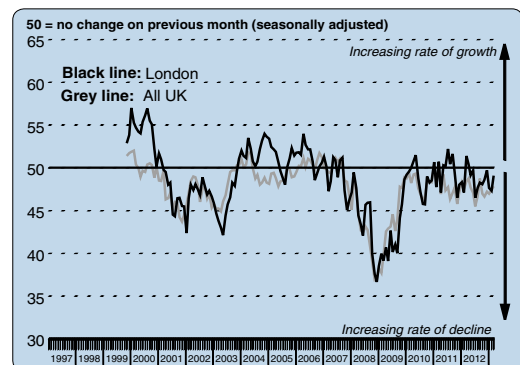


The seasonally adjusted Incoming New Business Index registered 55.8 in March, up from 52.8 in February and above the 50.0 no-change value for the thirty-first successive month. Growth of business activity was the strongest since August 2012 and faster than that seen across the UK as a whole. A number of survey respondents cited an improvement in demand from clients in export markets during March.

Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	6.5	65.2	28.3	39.1	46.5	45.5
	Aug	11.2	70.4	18.4	46.4	47.7	46.8
	Sep	7.5	72.0	20.4	43.5	48.3	48.8
	Oct	11.7	75.5	12.8	49.5	48.1	47.0
	Nov	13.9	70.3	15.8	49.0	48.6	46.7
Dec	10.6	74.5	14.9	47.9	49.7	47.3	
2013	Jan	10.9	71.7	17.4	46.7	47.6	47.0
	Feb	13.0	70.7	16.3	48.4	47.3	47.4
	Mar	15.4	70.3	14.3	50.5	49.1	47.9

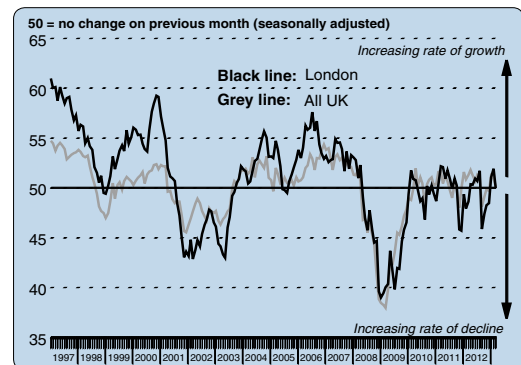


Volumes of work-in-hand (but not yet completed) continued to decline in March. At 49.1, up from 47.3 in February, the seasonally adjusted Business Outstanding Index registered below the 50.0 no-change mark for the eleventh successive month. However, the latest reading pointed to only a marginal fall in unfinished work and the slowest pace of contraction so far in 2013.

Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	10.6	79.8	9.6	50.5	50.7	51.3
	Aug	10.1	80.7	9.2	50.5	51.8	51.0
	Sep	11.8	73.5	14.7	48.5	45.9	48.2
	Oct	13.5	72.1	14.4	49.5	47.4	49.1
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.8
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3
	Feb	17.5	72.8	9.7	53.9	51.9	51.0
	Mar	10.0	77.0	13.0	48.5	50.0	50.2

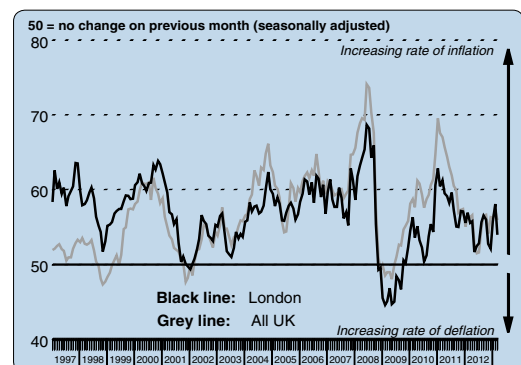


London private sector companies indicated that their staffing levels were unchanged in March, thereby ending a two-month period of expansion. At 50.0, the seasonally adjusted Employment Index was slightly lower than the equivalent reading for the UK as a whole (50.2). Survey respondents generally suggested that uncertainty about the economic outlook had resulted in a cautious approach to job hiring 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	14.4	79.8	5.8	54.3	52.9	51.6
	Aug	10.1	88.1	1.8	54.1	55.7	54.9
	Sep	12.7	86.3	1.0	55.9	56.6	56.6
	Oct	12.5	83.7	3.8	54.3	56.0	56.7
	Nov	11.8	80.9	7.3	52.3	52.8	54.1
	Dec	7.8	85.4	6.8	50.5	52.1	56.3
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.2
	Feb	22.3	72.8	4.9	58.7	58.1	57.3
	Mar	6.0	90.0	4.0	51.0	54.0	56.0

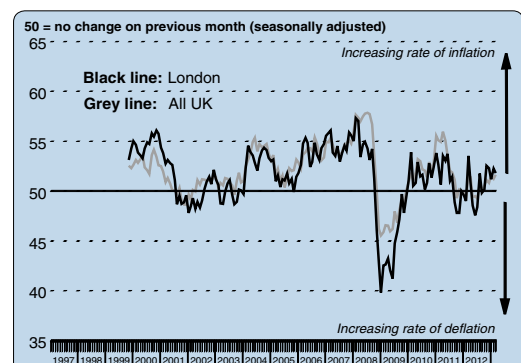


March data pointed to a moderation in input cost inflation at London private sector firms. At 54.0, the seasonally adjusted Input Prices Index dropped markedly from the 19-month high of 58.1 registered during February. The latest rise in cost burdens was the slowest so far in 2013 and weaker than that seen across the UK as a whole. Companies that reported an increase in their cost burdens mostly cited rising salaries and higher fuel bills.

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?

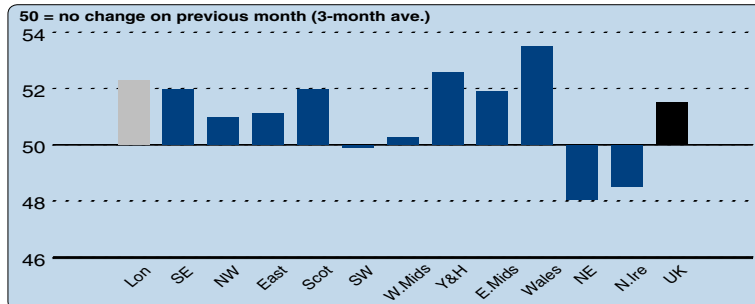
		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	3.8	88.5	7.7	48.1	48.4	49.3
	Aug	7.3	89.0	3.7	51.8	51.8	50.7
	Sep	4.9	90.2	4.9	50.0	49.9	50.0
	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7



At 51.8 in March, down slightly from 52.3 in February, the seasonally adjusted Output Prices Index indicated only a moderate pace of prices charged inflation that was broadly in line with the wider UK trend. Higher average tariffs have been recorded in each month since October 2012, with survey respondents generally citing the need to pass on a proportion of their rising costs to clients.

Regional Comparisons: Output

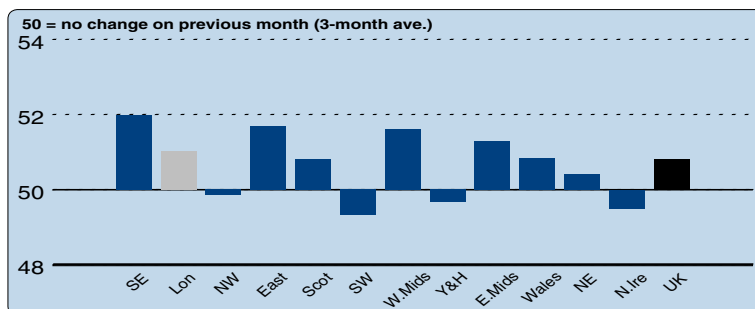
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern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

Lloyds TSB Commercial is a trading name of Lloyds TSB Bank plc and Lloyds TSB Scotland plc and serves customers with an annual turnover of up to £15M.

Lloyds TSB Bank plc Registered office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Telephone: 020 7626 1500.

Lloyds TSB Scotland plc Registered office: Henry Duncan House, 120 George Street, Edinburgh EH2 4LH. Registered in Scotland no. 95237. Telephone: 0131 225 4555.

Authorised and regulated by the Financial Services Authority.

Lending is subject to status.

The Lloyds Banking Group includes Lloyds TSB Bank plc and a number of other companies using brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies.

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. They 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.