



Lloyds TSB North East 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.

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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 North East 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 North East and operating in both manufacturing and service sectors.

The North East 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:

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15th April 2013

Sharper reduction in business activity

Key findings:

- New orders decline at marginal pace
- Quickest rate of input price inflation since last September
- Employment levels increase at fastest pace since February 2012

The North East private sector registered a decreased level of business activity for the fourth month in a row in March. Furthermore, the rate of reduction accelerated to a solid pace. New business also declined for the third month in a row, though only slightly. Employment levels increased at a modest pace, as backlogs of work fell moderately. Input costs rose solidly, but output charges were raised only slightly.

Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 47.3 in March, down from 48.7 in February. This signalled a solid reduction in activity that was the fastest out of all 12 UK regions.

New business also decreased in March, albeit only marginally. Sector data indicated that the overall decline in new orders in the region was broad-based across manufacturing and services. Meanwhile, at the UK level, new business rose at a solid pace.

Employment and backlogs

Employment at North East private sector firms increased during March. Although modest, the rate of job creation was nevertheless the fastest since February 2012. Workforce numbers also expanded across the UK private sector economy as a whole, albeit marginally.

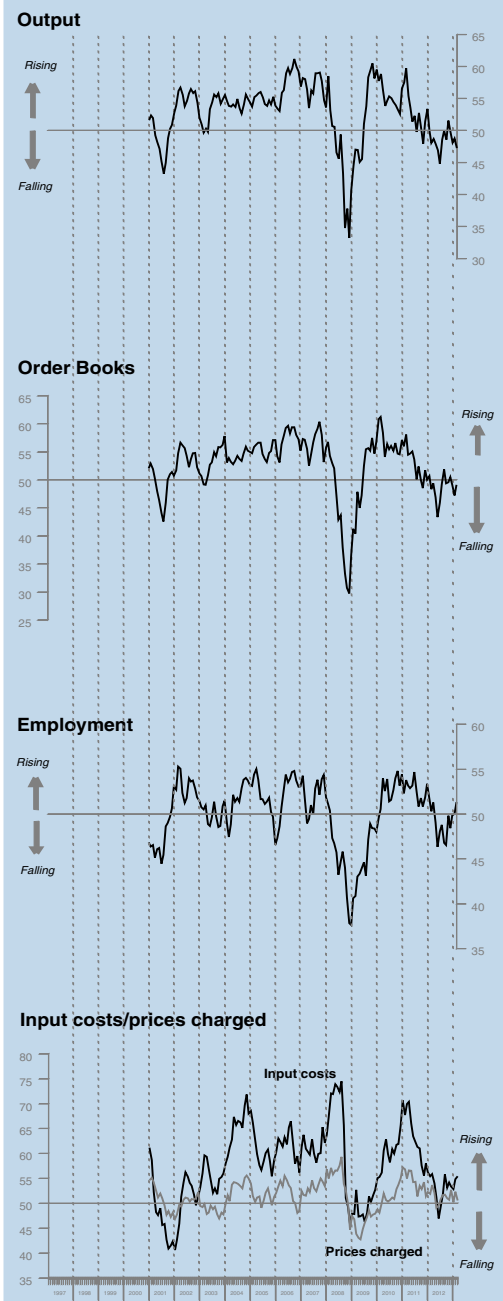
Volumes of outstanding business declined in March, following broadly no change in February. The UK as a whole also saw a decline in work-in-hand, and at a slightly quicker pace than in the North East.

Input and output prices

Input costs increased for the eighth month in a row in March. The rate of input price inflation accelerated since February to the fastest pace since last September. The UK private sector economy also registered a sharp rate of inflation, which was slightly above that recorded in the North East.

North East private sector firms increased their output charges in March, albeit marginally. The rate of increase in the UK private sector economy as a whole was quicker than in the North East, with average tariffs increasing modestly.

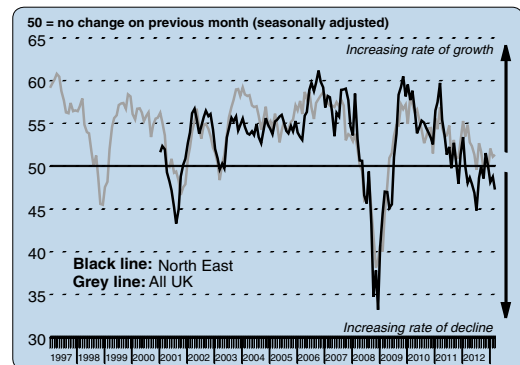
North East Business Conditions



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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	19.1	53.2	27.7	45.7	44.8	49.6
	Aug	28.0	44.0	28.0	50.0	48.6	52.7
	Sep	25.5	57.4	17.0	54.3	50.0	51.7
	Oct	23.5	52.9	23.5	50.0	48.6	49.6
	Nov	16.7	62.5	20.8	47.9	51.6	50.2
	Dec	13.0	61.1	25.9	43.5	49.9	49.7
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.1
	Feb	28.6	49.0	22.4	53.1	48.7	51.1
	Mar	21.2	63.5	15.4	52.9	47.3	51.4

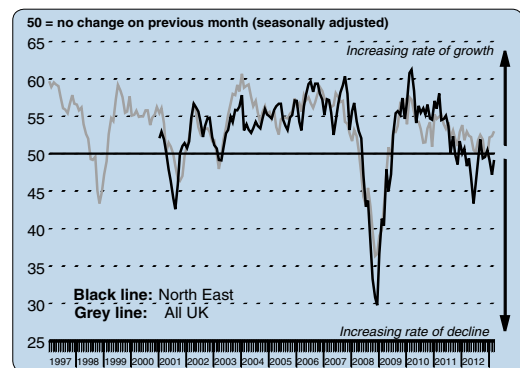


Business activity at North East private sector firms decreased for the fourth successive month in March. The seasonally adjusted Business Activity Index posted at 47.3, signalling a solid rate of reduction which was the fastest since last July. Furthermore, it was the quickest rate of contraction out of all 12 UK regions. Sector data indicated that the decline mainly reflected the weak performance of service providers in the region.

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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	25.0	47.7	27.3	48.9	46.0	50.2
	Aug	30.6	40.8	28.6	51.0	49.3	51.9
	Sep	21.7	58.7	19.6	51.1	51.9	52.6
	Oct	24.0	46.0	30.0	47.0	49.4	52.0
	Nov	20.8	52.1	27.1	46.9	49.6	49.6
	Dec	26.4	47.2	26.4	50.0	50.5	49.8
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.2
	Feb	25.5	48.9	25.5	50.0	47.2	52.3
	Mar	28.0	56.0	16.0	56.0	49.2	53.0

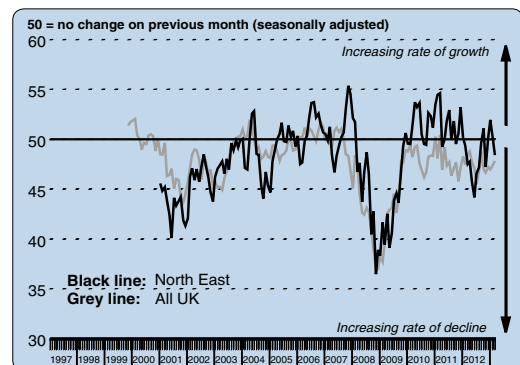


New business fell at private sector firms in the North East for the third month running in March. The rate of reduction eased since February and was only marginal overall. However, both manufacturers and service providers in the region signalled a reduced amount of new orders. Conversely, new business in the UK private sector economy as a whole increased for the third consecutive month and at a solid pace.

Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	22.0	65.9	12.2	54.9	46.6	45.5
	Aug	16.3	62.8	20.9	47.7	47.2	46.8
	Sep	7.3	78.0	14.6	46.3	49.6	48.8
	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9

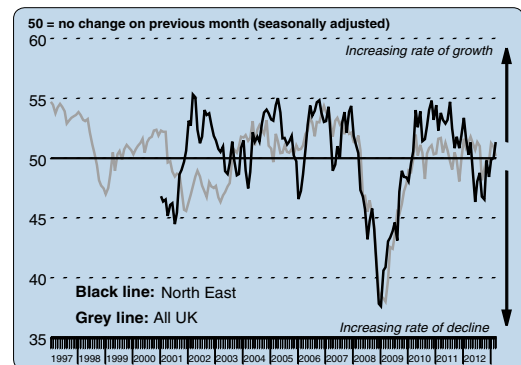


The seasonally adjusted Business Outstanding Index signalled a lower level of work-in-hand at North East private sector firms in March. This was the first time that volumes of outstanding business have fallen in the region since last November. Moreover, the rate of backlog depletion was modest overall. The UK private sector economy as a whole also registered a lower level of work-in-hand, and at a slightly faster rate of depletion than that recorded in the North East.

Employment

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	10.9	78.3	10.9	50.0	48.1	51.3
	Aug	14.0	76.0	10.0	52.0	48.8	51.0
	Sep	12.8	72.3	14.9	48.9	46.8	48.2
	Oct	14.0	64.0	22.0	46.0	46.6	49.1
	Nov	17.0	63.8	19.1	48.9	49.8	49.9
	Dec	11.3	67.9	20.8	45.3	48.4	49.8
2013	Jan	14.0	74.0	12.0	51.0	49.9	51.3
	Feb	14.3	73.5	12.2	51.0	50.0	51.0
	Mar	13.5	80.8	5.8	53.8	51.4	50.2

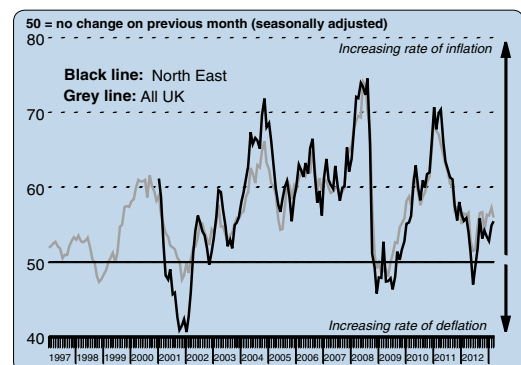


The seasonally adjusted Employment Index signalled an expansion of workforce numbers in the North East private sector in March, following an unchanged level of employment in February. Although modest, the rate of job creation was the strongest since February 2012, and was the joint-quickest out of all 12 UK regions. According to sector data, payroll numbers increased across both manufacturing and services.

Input Prices / Costs

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	15.6	73.3	11.1	52.2	49.3	51.6
	Aug	18.8	79.2	2.1	58.3	51.9	54.9
	Sep	13.3	86.7	0.0	56.7	55.9	56.6
	Oct	10.0	82.0	8.0	51.0	53.2	56.7
	Nov	8.7	82.6	8.7	50.0	54.2	54.1
	Dec	9.6	80.8	9.6	50.0	53.4	56.3
2013	Jan	14.6	75.0	10.4	52.1	52.9	56.2
	Feb	14.6	81.3	4.2	55.2	54.9	57.3
	Mar	20.4	75.5	4.1	58.2	55.5	56.0

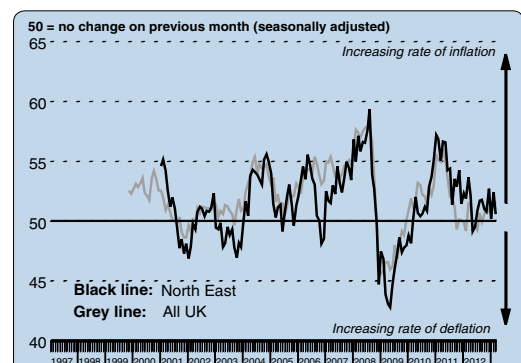


Average input costs at North East private sector firms increased for the eighth month in a row in March. After adjusting for seasonality, the rate of input price inflation accelerated to a solid pace, the fastest since last September. The rise in input costs largely reflected higher cost burdens in the region's service sector. Cost inflation in the UK private sector economy as a whole was also sharp, and slightly quicker than that recorded in the North East.

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?

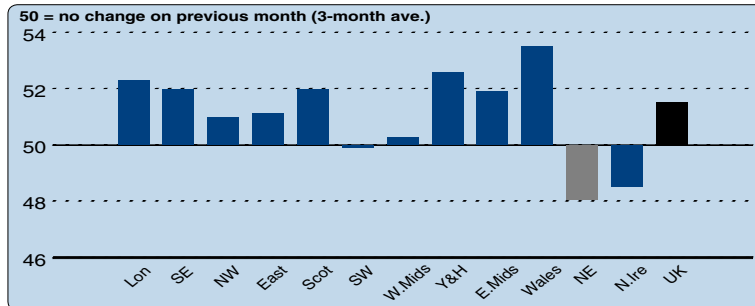
		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	8.7	89.1	2.2	53.3	50.8	49.3
	Aug	6.3	91.7	2.1	52.1	51.7	50.7
	Sep	4.3	93.5	2.2	51.1	51.8	50.0
	Oct	6.0	90.0	4.0	51.0	51.0	50.6
	Nov	4.3	91.5	4.3	50.0	50.8	51.1
	Dec	5.7	92.5	1.9	51.9	52.7	50.8
2013	Jan	6.1	87.8	6.1	50.0	50.2	51.5
	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7



Output charges set by private sector firms in the North East increased for the ninth successive month in March. The seasonally adjusted Output Prices Index posted at 50.6, signalling a marginal rate of increase overall. Sector data indicated that service providers raised their average tariffs, while goods producers lowered their output charges. The UK private sector economy as a whole also reported higher output charges, and at a faster pace of increase than in the North East.

Regional Comparisons: Output

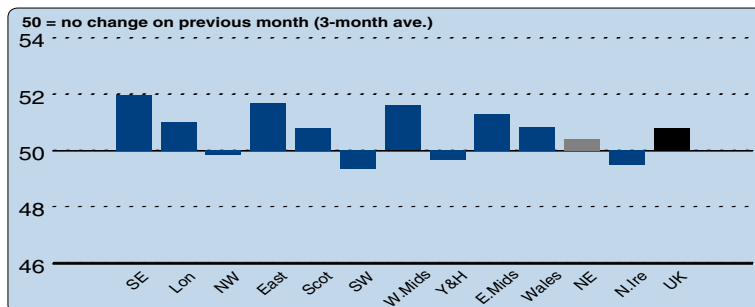
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern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

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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.