



# Lloyds TSB North West PMI®

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**The Lloyds TSB North West 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 West and operating in both manufacturing and service sectors.

The North West 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

## Slower growth in private sector output across the North West

### Key findings:

- Business activity increases at manufacturing and services companies
- Incoming new work rises for second consecutive month, albeit slightly
- Employee headcounts decline

Output in the North West private sector increased during March. That said, the rate of expansion was only slight, and slower than in February. Following a rise seen last month, employment levels fell, albeit slightly. On the price front, input costs increased sharply, while output prices rose only moderately.

### Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – fell from 52.2 in February to 50.4. The latest reading indicated that output expanded slightly and at a slower rate than in February. Nevertheless, the average reading for the first quarter of the year (51.0) exceeded Q4's reading of 50.4.

Incoming new business rose for the second consecutive month in March, but with service providers signalling a rise and manufacturers indicating a decrease, the overall rate of expansion was only slight and eased from February. At the UK level, the pace of growth in new orders was solid and the quickest in 12 months.

### Employment and backlogs

Staffing levels in the North West private sector fell slightly during March. In contrast to a decrease registered in the service sector, manufacturers indicated job creation. Employment levels across the region have increased only once in the past 13 months. Conversely, payroll numbers in the UK overall expanded, but only fractionally.

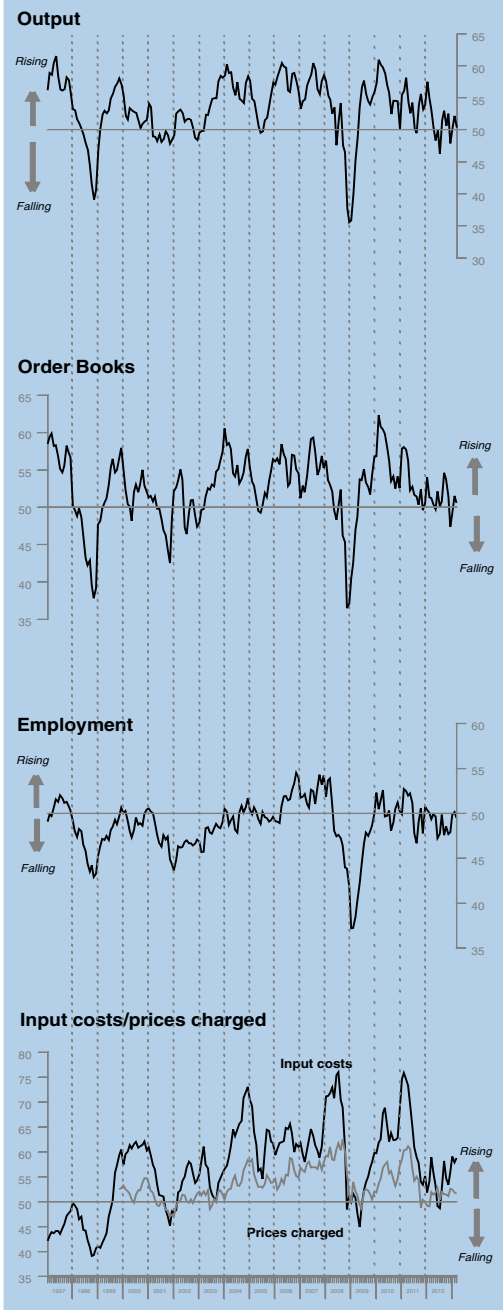
Meanwhile, outstanding business levels in the North West declined for the fifteenth consecutive month. With both services and manufacturing companies indicating a depletion, the overall rate of contraction remained solid.

### Input and output prices

Input costs at companies operating in the North West private sector rose during March, amid reports of higher raw material, commodities, fuel and electricity prices. The rate of cost inflation was sharp and faster than that seen at the national level.

Prices charged by North West companies increased in March. Despite rising for the thirteenth consecutive month, the rate of charge inflation was moderate and eased to a four-month low.

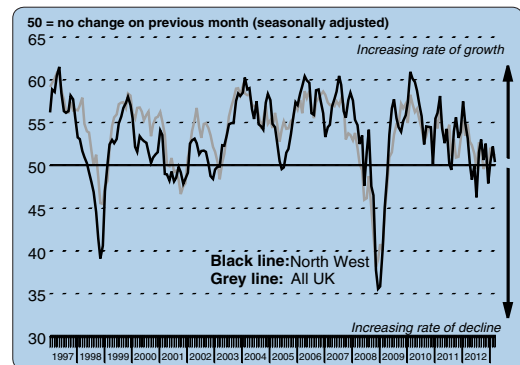
### North West Business Conditions



## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	18.6	46.5	34.9	41.9	46.3	49.6
	Aug	23.2	43.9	32.9	45.1	51.5	52.7
	Sep	37.4	40.7	22.0	57.7	53.0	51.7
	Oct	28.3	46.7	25.0	51.6	50.6	49.6
	Nov	32.6	43.0	24.4	54.1	52.5	50.2
	Dec	20.5	44.3	35.2	42.6	47.9	49.7
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.1
	Feb	32.7	55.1	12.2	60.2	52.2	51.1
	Mar	24.5	55.1	20.4	52.0	50.4	51.4

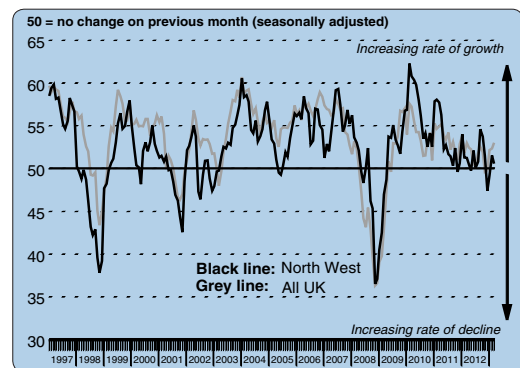


March data signalled output growth in the North West private sector, the third rise registered in successive months. Almost one-quarter of panellists indicated higher activity, while 20% noted a fall. Consequently, the pace of expansion was only slight and eased from February. Monitored companies linked output growth to increased levels of new orders. At the UK level, business activity rose for the third month running, albeit only slightly.

## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	25.9	41.2	32.9	46.5	50.1	50.2
	Aug	23.5	42.0	34.6	44.4	50.8	51.9
	Sep	34.8	40.4	24.7	55.1	54.6	52.6
	Oct	29.7	44.0	26.4	51.6	53.8	52.0
	Nov	27.1	42.4	30.6	48.2	51.5	49.6
	Dec	21.8	42.5	35.6	43.1	47.4	49.8
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.2
	Feb	34.0	46.4	19.6	57.2	51.5	52.3
	Mar	25.5	54.1	20.4	52.6	50.6	53.0

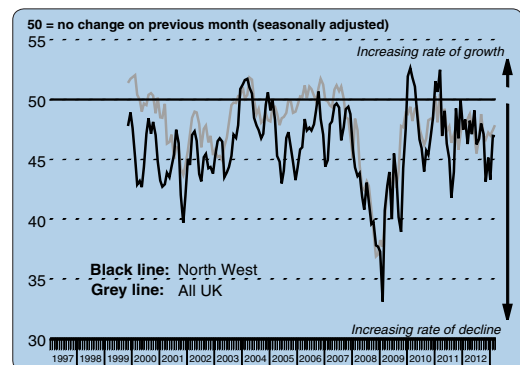


New orders received by private sector companies in the North West increased for the second consecutive month during March. However, the overall pace of growth was only slight and slower than that seen in February. Service providers reported higher levels of incoming new work, citing stronger demand. Conversely, manufacturers indicated a contraction, mentioning weak demand, a lack of consumer confidence and deteriorating economic conditions. At the UK level, new business inflows expanded solidly and at the fastest rate in a year.

## Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	11.3	52.5	36.3	37.5	46.3	45.5
	Aug	13.2	53.9	32.9	40.1	46.7	46.8
	Sep	15.3	60.0	24.7	45.3	48.0	48.8
	Oct	17.6	54.1	28.2	44.7	47.1	47.0
	Nov	11.0	54.9	34.1	38.4	43.1	46.7
	Dec	10.8	61.4	27.7	41.6	45.2	47.3
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9

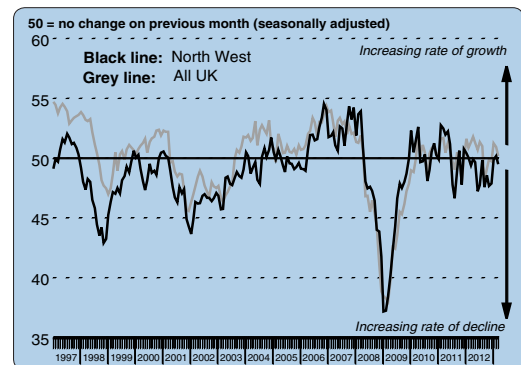


As has been the case since January 2012, companies operating in the North West private sector indicated a fall in outstanding business levels during March. That said, the pace of contraction was unchanged from February. The volume of work-in-hand (but not yet completed) decreased at both service providers and manufacturers, with the rate of decline faster in the latter. Unfinished business across the UK as whole also fell, but only moderately.

## Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	9.4	76.5	14.1	47.6	<b>47.8</b>	<b>51.3</b>
	Aug	11.3	78.8	10.0	50.6	<b>49.9</b>	<b>51.0</b>
	Sep	14.4	74.4	11.1	51.7	<b>47.6</b>	<b>48.2</b>
	Oct	11.8	76.3	11.8	50.0	<b>48.6</b>	<b>49.1</b>
	Nov	14.0	73.3	12.8	50.6	<b>47.7</b>	<b>49.9</b>
	Dec	5.7	83.0	11.4	47.2	<b>47.9</b>	<b>49.8</b>
2013	Jan	6.9	83.2	9.9	48.5	<b>49.9</b>	<b>51.3</b>
	Feb	10.3	79.4	10.3	50.0	<b>50.2</b>	<b>51.0</b>
	Mar	12.4	76.3	11.3	50.5	<b>49.5</b>	<b>50.2</b>

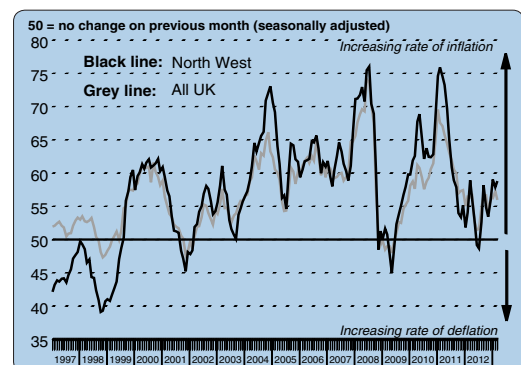


In contrast to a rise registered in February, payroll numbers in the North West private sector fell in March. However, the rate of contraction, as indicated by the seasonally adjusted Employment Index, was only slight. Whereas job losses were signalled in the service sector, manufacturing companies indicated higher staffing levels. Employee headcounts in the UK overall expanded for the third consecutive month, but only fractionally and at the slowest pace in that sequence.

## Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	14.0	67.4	18.6	47.7	<b>48.7</b>	<b>51.6</b>
	Aug	17.1	67.1	15.9	50.6	<b>52.6</b>	<b>54.9</b>
	Sep	23.1	72.5	4.4	59.3	<b>58.2</b>	<b>56.6</b>
	Oct	16.1	72.0	11.8	52.2	<b>54.8</b>	<b>56.7</b>
	Nov	11.8	78.8	9.4	51.2	<b>53.5</b>	<b>54.1</b>
	Dec	12.5	80.7	6.8	52.8	<b>56.0</b>	<b>56.3</b>
2013	Jan	21.8	71.3	6.9	57.4	<b>59.1</b>	<b>56.2</b>
	Feb	19.6	75.3	5.2	57.2	<b>57.9</b>	<b>57.3</b>
	Mar	31.6	66.3	2.0	64.8	<b>58.8</b>	<b>56.0</b>

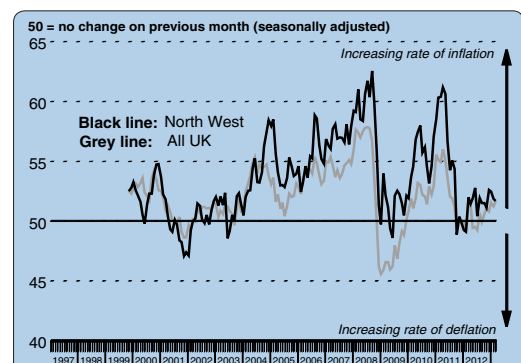


Average prices paid for inputs by private sector companies in the North West rose during March. With almost 32% of monitored firms indicating higher input costs and only 2% noting a fall, the overall rate of cost inflation was sharp and faster than the UK average. Anecdotal evidence suggested that raw materials, commodities, fuel, and electricity costs all rose. There were also reports of unfavourable exchange rates. Input prices across the region have increased in each month since August last year.

## 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?

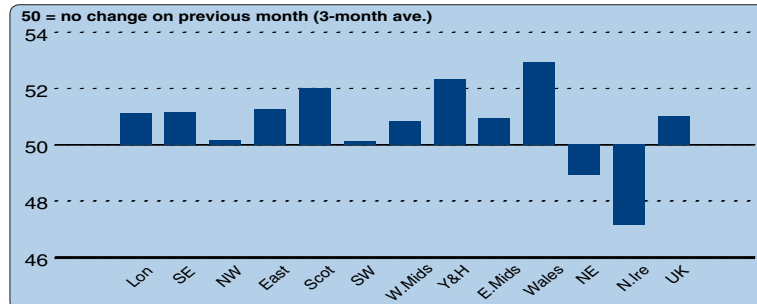
		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	10.5	79.1	10.5	50.0	<b>50.4</b>	<b>49.3</b>
	Aug	6.1	89.0	4.9	50.6	<b>51.9</b>	<b>50.7</b>
	Sep	7.7	90.1	2.2	52.7	<b>51.5</b>	<b>50.0</b>
	Oct	9.8	80.4	9.8	50.0	<b>51.5</b>	<b>50.6</b>
	Nov	9.3	80.2	10.5	49.4	<b>51.1</b>	<b>51.1</b>
	Dec	5.7	89.8	4.5	50.6	<b>52.6</b>	<b>50.8</b>
2013	Jan	12.7	82.4	4.9	53.9	<b>52.5</b>	<b>51.5</b>
	Feb	16.3	75.5	8.2	54.1	<b>51.9</b>	<b>51.3</b>
	Mar	9.1	82.8	8.1	50.5	<b>51.7</b>	<b>51.7</b>



Reflective of higher costs, prices charged by firms operating in the North West private sector increased during March. Despite rising for the thirteenth consecutive month, the overall rate of charge inflation was only moderate and broadly similar to that seen in February. Manufacturing and services companies both signalled higher prices charged. Meanwhile, average selling prices across the UK as whole increased for the sixth consecutive month, but only modestly.

## Regional Comparisons: Output

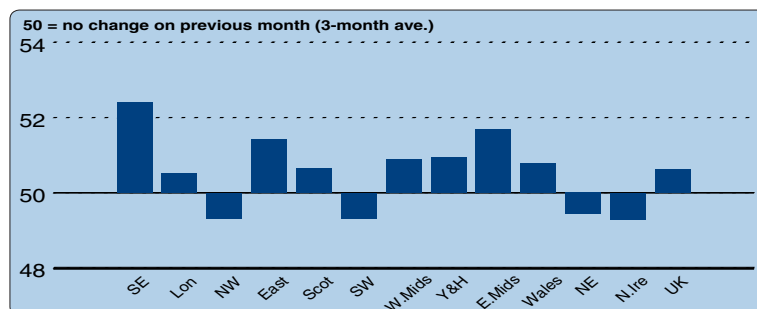
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern 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
<b>UK</b>	<b>(100.0%)</b>	<b>51.2</b>	<b>51.5</b>	<b>51.4</b>

## 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
<b>UK</b>	<b>(100.0%)</b>	<b>50.5</b>	<b>50.8</b>	<b>50.2</b>

## PMI Survey Methodology

### PMI surveys

*Purchasing Managers' Indexes*<sup>®</sup> (or *PMIs*<sup>®</sup>) 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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