



Lloyds TSB South East 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 South 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 South East and operating in both manufacturing and service sectors.

The South 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.

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15th April 2013

Further solid rise in new business in March

Key findings:

- Rate of new business expansion little-changed from February's 11-month high
- Growth of total activity remains modest
- Flat trend in employment

The latest PMI® data from Lloyds TSB showed that the South East maintained a solid rate of new business expansion at the end of the first quarter of 2013, generating another rise in total output. New business growth remained stronger than the national average, although employment in the South East was unchanged from February.

Output and demand

The headline Lloyds TSB South East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – slipped further to 51.7 in March, from 51.9 in February, indicating a modest rate of growth in activity. The rate of expansion signalled was the lowest in 2013 so far and below the trend for 2012, although the first quarter as a whole (52.0) registered the strongest growth since Q2 2012.

The South East had posted the strongest increase in new business of all UK regions during February, but was overtaken by London, Yorkshire & Humber and the West Midlands in the latest period. The South East's rate of new business expansion eased slightly since February, but was nonetheless the second-strongest over the past year.

Employment and backlogs

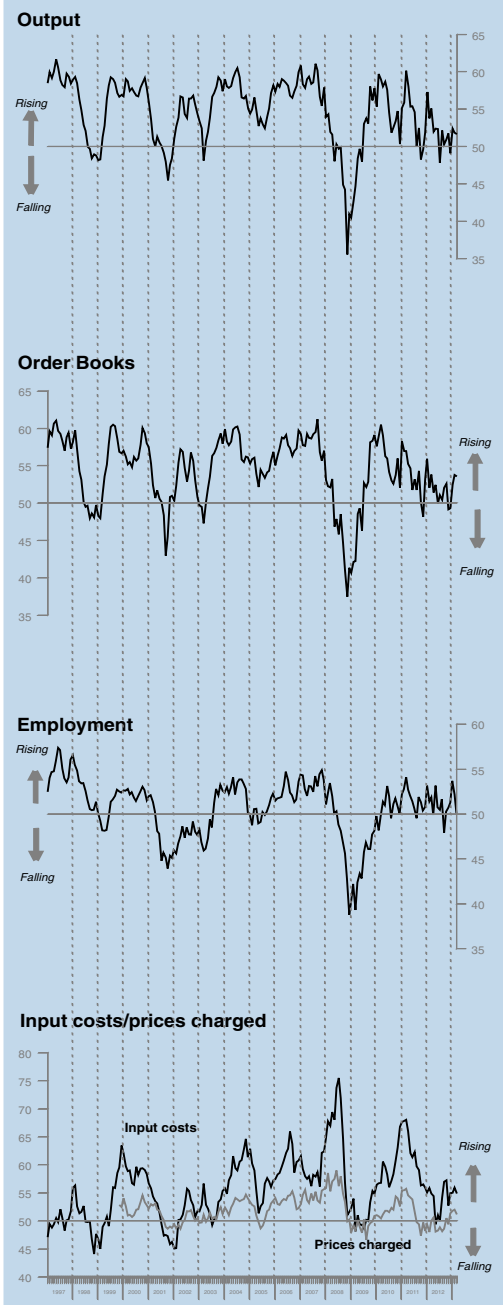
Having registered the joint-fastest increase in employment of all UK regions in February, the South East registered no change in workforces in the latest period. That ended a five-month sequence of job creation.

Although new business rose solidly in March and employment was unchanged, the volume of outstanding business continued to decline. The current sequence of backlog depletion now stretches to 38 months, although the South East posted the second-slowest rate of decline of all UK regions.

Input and output prices

Survey data indicated an eighth consecutive monthly rise in average input prices paid by private sector companies in the South East. The rate of inflation was solid, but slower than the long-run survey average. Firms reported higher prices for fuel, foodstuffs, utilities and labour. Meanwhile, prices charged for final goods and services rose for the fourth successive month, albeit at the weakest rate in this sequence.

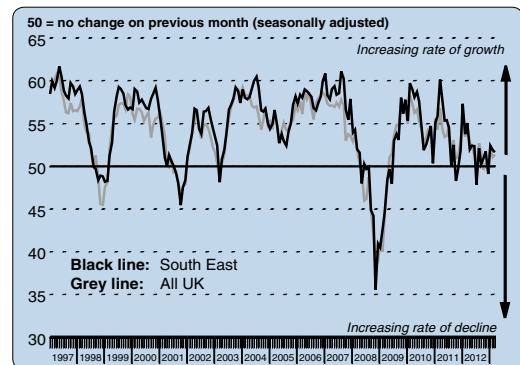
South East Business Conditions



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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	24.0	49.1	26.9	48.6	47.9	49.6
	Aug	23.5	50.6	25.9	48.8	52.2	52.7
	Sep	28.8	48.5	22.7	53.1	50.3	51.7
	Oct	25.7	52.6	21.6	52.0	51.0	49.6
	Nov	28.6	47.0	24.3	52.2	51.7	50.2
	Dec	24.6	46.9	28.6	48.0	49.1	49.7
2013	Jan	25.4	50.8	23.8	50.8	52.4	52.1
	Feb	27.5	53.3	19.2	54.1	51.9	51.1
	Mar	30.8	51.9	17.3	56.8	51.7	51.4

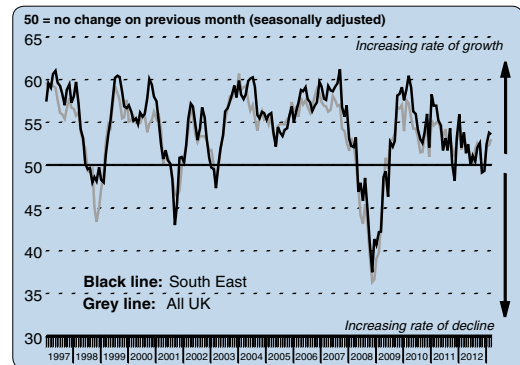


Private sector business activity in the South East rose for the third successive month in March. Higher business activity was mainly linked to incoming new work. The seasonally adjusted Business Activity Index has signalled expansion 14 times in the past 16 months, although the rate of growth indicated at the end of the first quarter remained modest. Output growth remained broad-based across manufacturing and services, and the overall rate of expansion was marginally stronger than the UK average.

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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	27.0	46.0	27.0	50.0	51.1	50.2
	Aug	24.9	46.7	28.4	48.2	50.5	51.9
	Sep	27.6	42.9	29.4	49.1	52.1	52.6
	Oct	28.2	50.0	21.8	53.2	52.6	52.0
	Nov	26.6	45.1	28.3	49.2	49.2	49.6
	Dec	27.2	40.5	32.4	47.4	49.3	49.8
2013	Jan	27.2	53.3	19.4	53.9	52.5	52.2
	Feb	31.5	48.1	20.4	55.5	53.8	52.3
	Mar	29.7	49.2	21.1	54.3	53.6	53.0

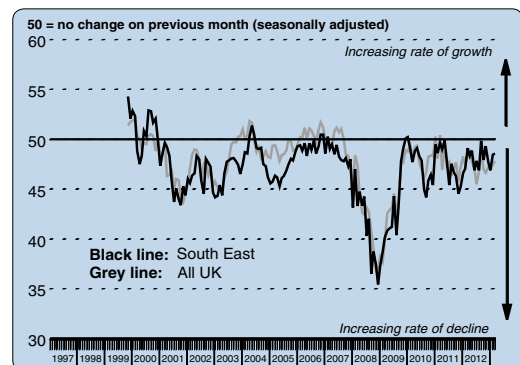


New business growth at private sector firms in the South East remained robust in March. The seasonally adjusted Incoming New Business Index remained above the no-change mark of 50.0 for the third month running, and was little-changed from February's 11-month high. The rate of expansion signalled was stronger than the UK average, but slightly weaker than the long-run survey trend for the South East. Within the South East private sector, service providers continued to record stronger growth than manufacturers.

Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	20.9	53.2	25.9	47.5	47.8	45.5
	Aug	12.8	66.0	21.2	45.8	46.9	46.8
	Sep	18.5	58.9	22.5	48.0	49.9	48.8
	Oct	14.6	63.9	21.5	46.5	47.9	47.0
	Nov	18.7	58.5	22.8	48.0	49.4	46.7
	Dec	12.3	57.7	30.1	41.1	47.8	47.3
2013	Jan	17.4	56.3	26.3	45.5	46.9	47.0
	Feb	18.6	62.9	18.6	50.0	48.5	47.4
	Mar	17.6	62.4	20.0	48.8	48.6	47.9

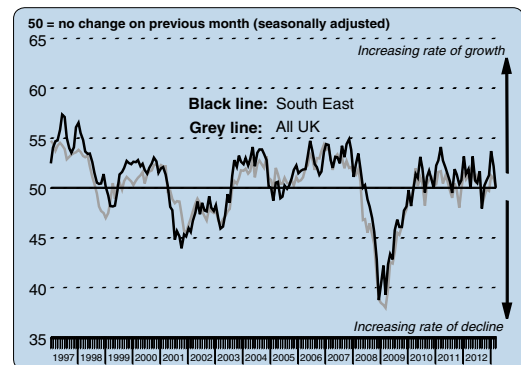


The volume of outstanding business held at private sector firms in the South East fell further in March. The current sequence of decline now stretches to 38 months. The rate of decline remained only modest, however, and was little-changed from one month previously. Among 12 UK regions covered, only London posted a weaker fall in backlogs than the South East in the latest period. Backlogs declined sharply at manufacturers, but fell only marginally at service providers.

Employment

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	12.0	76.6	11.4	50.3	50.5	51.3
	Aug	14.6	74.3	11.1	51.8	51.7	51.0
	Sep	11.6	75.6	12.8	49.4	47.9	48.2
	Oct	17.0	71.9	11.1	52.9	50.3	49.1
	Nov	15.1	72.6	12.4	51.3	50.8	49.9
	Dec	14.9	75.4	9.7	52.6	51.3	49.8
2013	Jan	14.4	76.8	8.8	52.8	53.7	51.3
	Feb	9.9	80.8	9.3	50.3	52.2	51.0
	Mar	12.4	76.2	11.4	50.5	50.0	50.2

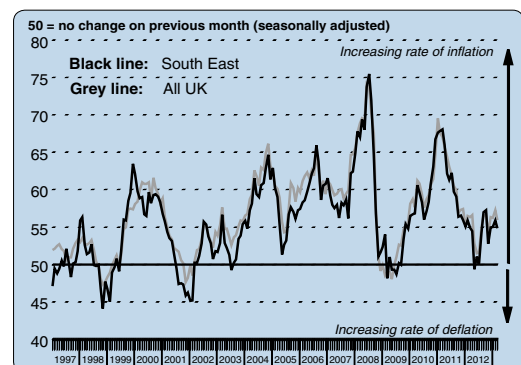


Survey data indicated no change in private sector employment in the South East in March. That followed a five-month sequence of job creation in the region, and the fastest increase in staffing in nearly two years back in January. Over three-quarters of the survey panel reported no change in headcounts since one month previously. Across the UK as a whole a fractional rise in employment was registered, the weakest in 2013 so far.

Input Prices / Costs

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

		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	8.0	81.0	10.9	48.6	50.0	51.6
	Aug	11.8	84.1	4.1	53.8	54.3	54.9
	Sep	19.5	72.6	7.9	55.8	57.0	56.6
	Oct	18.1	74.9	7.0	55.6	57.3	56.7
	Nov	10.2	82.3	7.5	51.3	52.8	54.1
	Dec	10.3	85.1	4.6	52.9	55.0	56.3
2013	Jan	16.0	80.1	3.9	56.1	55.0	56.2
	Feb	15.9	81.9	2.2	56.9	55.9	57.3
	Mar	16.3	81.0	2.7	56.8	54.9	56.0

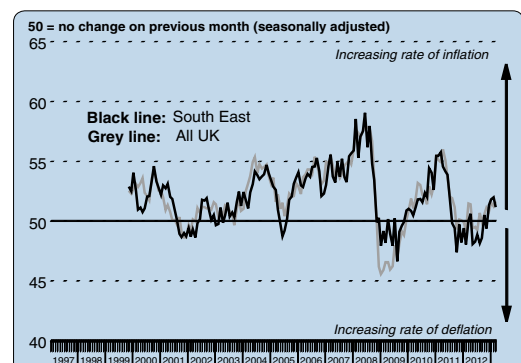


Private sector companies in the South East continued to face rising average input costs in March. The seasonally adjusted Input Prices Index remained above the no-change mark of 50.0 for the eighth successive month and signalled a further solid rate of inflation, albeit the slowest since last November. Input price inflation was also weak in the context of historic survey data, and below the UK average in the latest period. Firms linked higher costs to fuel, labour, utilities and foodstuffs. Input price inflation remained sharper in the service sector than in manufacturing.

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?

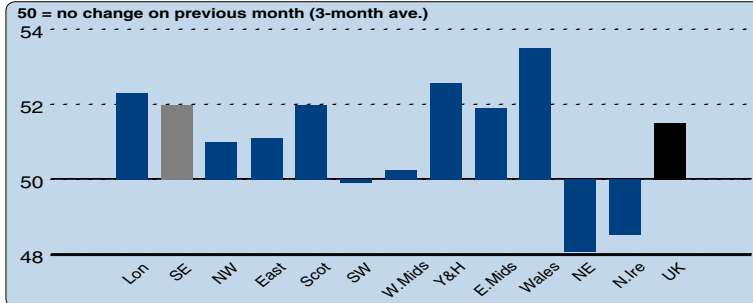
		South East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	2.9	93.1	4.0	49.4	48.9	49.3
	Aug	0.6	92.4	7.0	46.8	48.2	50.7
	Sep	6.1	84.8	9.1	48.5	48.6	50.0
	Oct	8.2	84.2	7.6	50.3	50.5	50.6
	Nov	5.4	86.0	8.6	48.4	49.4	51.1
	Dec	4.0	92.0	4.0	50.0	51.4	50.8
2013	Jan	11.6	83.4	5.0	53.3	51.8	51.5
	Feb	10.4	84.6	4.9	52.7	52.0	51.3
	Mar	6.0	89.1	4.9	50.5	51.2	51.7



Private sector companies in the South East raised their output prices for the fourth consecutive month in March. Higher charges were directly linked to firms passing on increased input costs. That said, the rate of output price inflation slowed to the weakest over the current sequence, and was also below the UK average. By sector, output price inflation slowed to a fractional rate in manufacturing, and remained modest in the service sector.

Regional Comparisons: Output

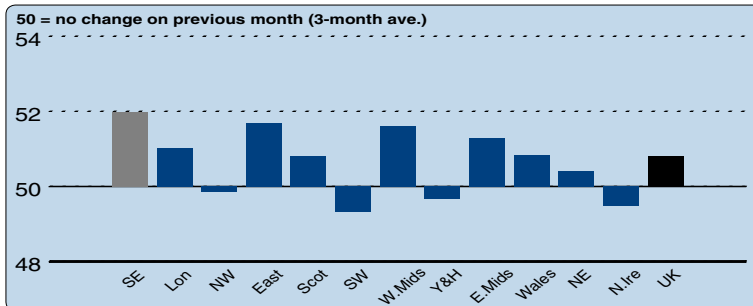
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern 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' Index[®] (*PMI*[®]) surveys 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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Markit Economics is a specialist compiler of business surveys and economic indices. *Purchasing Managers' Index*[®] (*PMI*[®]) surveys are 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. To learn more go to www.markit.com/economics.