



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

The South 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.

For further information, please contact:

economics@markit.com

The intellectual property rights to the South West 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

Business activity falls marginally in March

Key findings:

- Output and new orders both decrease for the second month in a row
- Fastest rise in output charges since September 2011
- Outstanding business declines solidly

Business activity in the South West private sector declined for the second successive month in March. That said, the rate of reduction was fractional. New business also fell for the second month in a row, and at a modest pace. Backlogs of work declined solidly, while staff numbers fell only marginally. Output charges were raised at the strongest rate in 18 months.

Output and demand

The headline **Lloyds TSB South West Business Activity Index** – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 49.7 in March, up from 48.8 in February. This signalled a fractional contraction of output at private sector firms in the South West, while the UK economy as a whole saw a modest expansion. Sector data indicated that the region's service sector drove the overall decline in business activity during March.

New business fell at South West private sector firms for the second month in a row in February. Overall, new orders declined modestly in the region. The UK economy average, however, registered a solid pace of new order growth.

Employment and backlogs

Workforce numbers decreased for the fourth consecutive month in March. That said, the rate of reduction remained marginal, reflecting further job shedding in the services sector in the region. The UK as a whole signalled a fractional expansion in staff numbers.

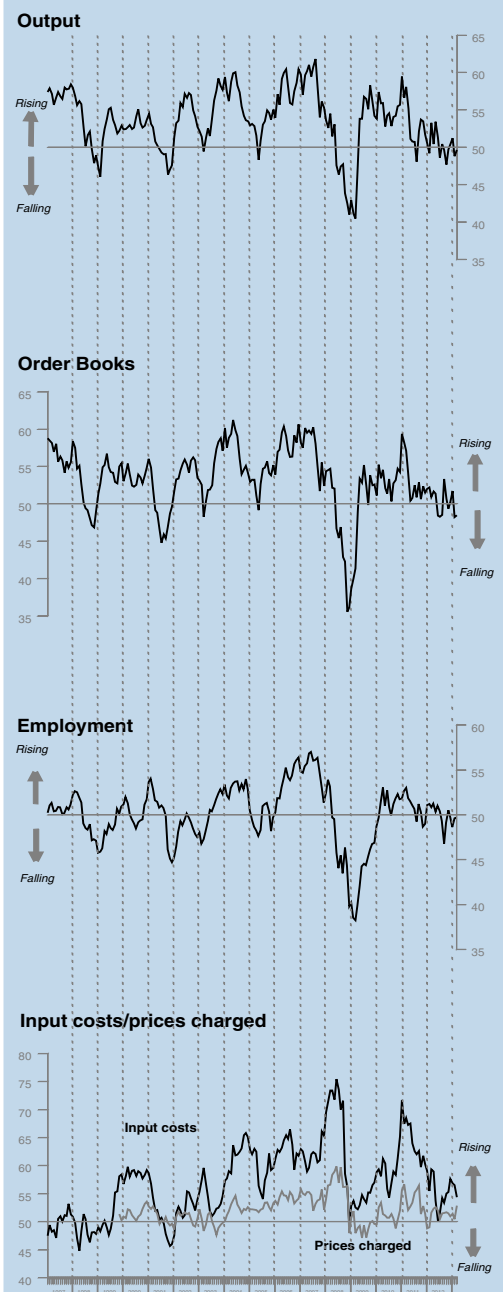
The volume of outstanding business in the South West declined during March. Though solid, the rate of backlog depletion eased since February to the joint-weakest since July 2011. Moreover, both monitored sectors recorded a lower level of work-in-hand. The UK economy, meanwhile, registered a modest reduction in backlogged work.

Input and output prices

Input costs faced by the South West private sector increased in March. The rate of inflation eased since the previous month, but was solid overall.

Average tariffs rose for the thirteenth consecutive month in March. The rate of increase accelerated since February and was the fastest registered in all 12 UK regions.

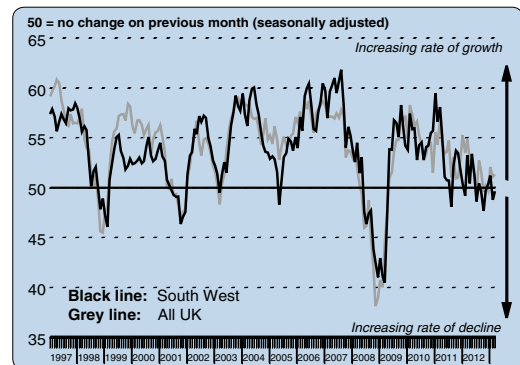
South West Business Conditions



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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	21.4	55.3	23.3	49.0	48.6	49.6
	Aug	20.2	50.0	29.8	45.2	50.5	52.7
	Sep	21.2	55.8	23.1	49.0	49.6	51.7
	Oct	18.6	58.8	22.7	47.9	47.7	49.6
	Nov	21.1	56.9	22.0	49.5	49.7	50.2
	Dec	29.6	48.0	22.4	53.6	50.4	49.7
2013	Jan	18.4	57.1	24.5	46.9	51.2	52.1
	Feb	19.2	57.6	23.2	48.0	48.8	51.1
	Mar	25.5	58.5	16.0	54.8	49.7	51.4

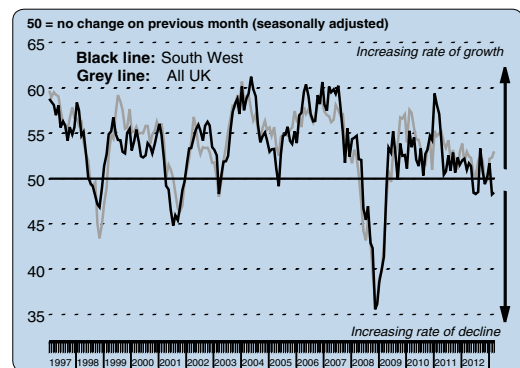


Business activity in the South West private sector decreased for the second successive month in March. That said, the seasonally adjusted Business Activity Index signalled only a fractional rate of reduction. Sector data indicated that the overall decline reflected the weak performance of the region's service sector. Meanwhile, at the UK level, business activity increased for the third month in a row, and at a modest pace.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	25.7	50.5	23.8	51.0	48.3	50.2
	Aug	16.8	51.5	31.7	42.6	48.5	51.9
	Sep	23.3	59.2	17.5	52.9	53.3	52.6
	Oct	20.0	52.6	27.4	46.3	50.7	52.0
	Nov	25.5	45.3	29.2	48.1	49.4	49.6
	Dec	21.9	52.1	26.0	47.9	50.2	49.8
2013	Jan	23.2	50.5	26.3	48.4	51.7	52.2
	Feb	23.5	49.0	27.6	48.0	48.3	52.3
	Mar	28.0	47.3	24.7	51.6	48.5	53.0

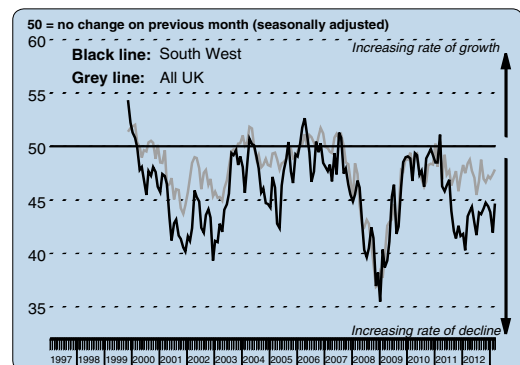


New orders placed at private sector firms in South West fell for the second consecutive month in March. The seasonally adjusted New Orders Index posted 48.5 in March, up slightly from February's seven-month low, signalling a modest reduction in new business. Out of all 12 UK regions, the South West had the second-fastest decline in new business. As the case with business activity, the reduction in new business was linked to the service sector. Conversely, the UK as a whole registered solid new order growth in March.

Business Outstanding

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	12.5	63.5	24.0	44.3	41.7	45.5
	Aug	12.4	61.9	25.8	43.3	43.8	46.8
	Sep	12.5	56.3	31.3	40.6	43.7	48.8
	Oct	10.9	63.0	26.1	42.4	44.2	47.0
	Nov	7.7	67.3	25.0	41.3	44.7	46.7
	Dec	6.6	68.1	25.3	40.7	44.4	47.3
2013	Jan	9.6	66.0	24.5	42.6	43.9	47.0
	Feb	8.5	68.1	23.4	42.6	42.0	47.4
	Mar	13.3	66.7	20.0	46.7	44.7	47.9

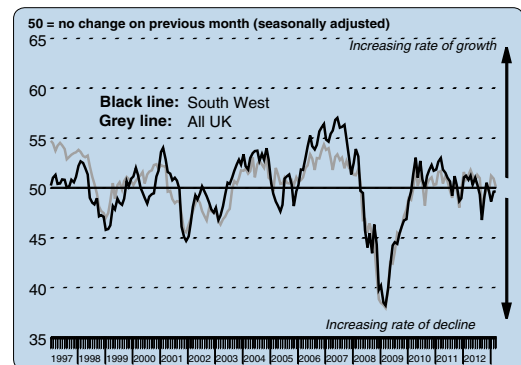


The seasonally adjusted Business Outstanding Index posted 44.7 in March, indicating a solid rate of backlog depletion in the South West private sector. That said, it was the joint-weakest rate of reduction since July 2011. Sector data indicated that work-in-hand fell across both monitored sectors in the region, and at a relatively faster pace at service providers. The UK economy also saw a reduced volume of outstanding business, though the rate of depletion was modest overall.

Employment

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	8.8	83.3	7.8	50.5	50.4	51.3
	Aug	8.7	79.6	11.7	48.5	49.4	51.0
	Sep	13.7	67.6	18.6	47.5	46.8	48.2
	Oct	10.4	78.1	11.5	49.5	49.1	49.1
	Nov	14.8	72.2	13.0	50.9	50.5	49.9
	Dec	10.3	75.3	14.4	47.9	49.7	49.8
2013	Jan	10.4	69.8	19.8	45.3	48.6	51.3
	Feb	13.3	75.5	11.2	51.0	49.6	51.0
	Mar	14.0	77.4	8.6	52.7	49.7	50.2

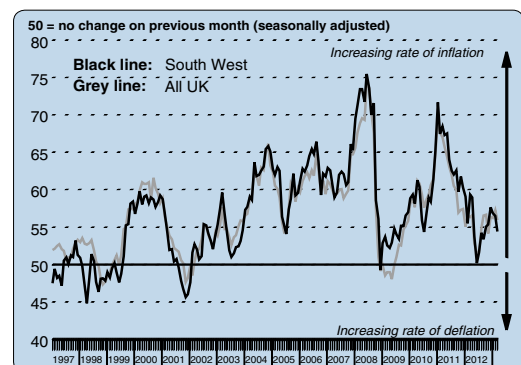


Employment levels in the South West private sector fell for the fourth successive month in March. That said, the seasonally adjusted Employment Index posted fractionally below the 50.0 mark, signalling only a slight reduction in workforce numbers. Job shedding in region's service sector was responsible for the overall decline, as manufacturers reported a net increase in payroll numbers. Employment at the UK level increased for the third month running in March, albeit only slightly.

Input Prices / Costs

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	14.9	75.2	9.9	52.5	51.6	51.6
	Aug	15.8	77.2	6.9	54.5	54.3	54.9
	Sep	7.0	88.0	5.0	51.0	53.4	56.6
	Oct	11.6	82.1	6.3	52.6	55.1	56.7
	Nov	15.6	78.0	6.4	54.6	55.3	54.1
	Dec	16.7	78.1	5.2	55.7	57.6	56.3
2013	Jan	19.4	76.5	4.1	57.7	56.9	56.2
	Feb	20.4	74.5	5.1	57.7	56.5	57.3
	Mar	18.1	75.5	6.4	55.9	54.4	56.0

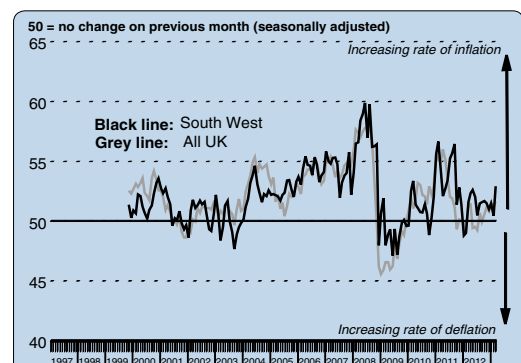


Private sector firms in the South West signalled a further increase in average input costs during March. After adjusting for seasonality, the rate of inflation eased since February but was solid overall. Furthermore, cost burdens rose across both monitored sectors, with inflation sharper in the service sector. Inflation at the UK level was sharp, and higher than that recorded in the South West.

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?

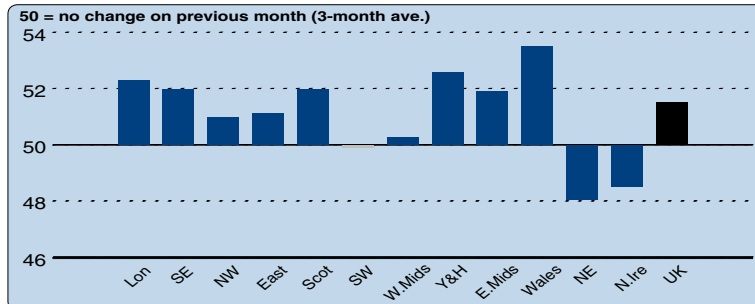
		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	9.8	80.4	9.8	50.0	50.5	49.3
	Aug	8.7	86.5	4.8	51.9	51.5	50.7
	Sep	6.9	88.1	5.0	51.0	51.6	50.0
	Oct	5.3	89.5	5.3	50.0	51.7	50.6
	Nov	8.3	83.3	8.3	50.0	51.5	51.1
	Dec	5.2	88.7	6.2	49.5	51.0	50.8
2013	Jan	12.2	83.7	4.1	54.1	51.5	51.5
	Feb	8.2	84.7	7.1	50.5	50.4	51.3
	Mar	13.8	80.9	5.3	54.3	52.9	51.7



Average tariffs set by firms in the South West increased during March. The seasonally adjusted Output Prices Index posted at 52.9, indicating the rate of increase accelerated since February to a marked pace. Furthermore, both the manufacturing and service sectors raised their tariffs in the latest survey period. The South West posted the steepest increase in charges of all 12 UK regions in March.

Regional Comparisons: Output

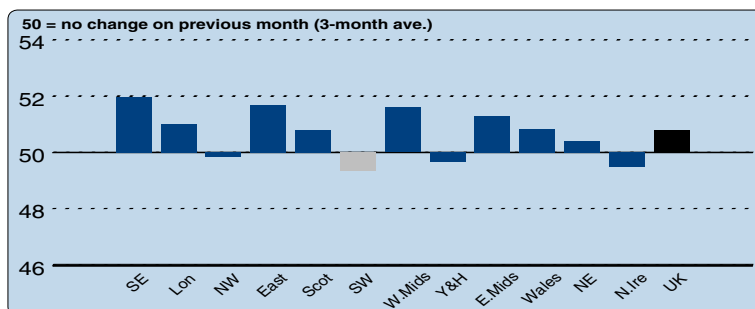
The graph below shows the regional PMI Employment Indexes for the UK. An average of the latest three months is used (see also the table to the right). Job creation was recorded in eight of the twelve UK regions monitored by the survey in the first quarter of 2013. Employment growth was strongest in the South East, while the South West posted the most marked drop in staffing levels.



	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. 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.