



Lloyds TSB West Midlands PMI®

Lloyds TSB Commercial

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

The West Midlands 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

Stagnation of output in West Midlands private sector during March

Key findings:

- Activity unchanged despite fastest rise in new business for almost a year
- Further moderate employment growth
- Input price inflation at ten-month high; sharper rise in output charges

The latest Lloyds TSB West Midlands PMI® report indicated static output in the region's private sector economy during March. This was signalled by the headline Business Activity Index posting 50.0, down marginally from 50.7 in February. Activity was flat despite a stronger increase in new business and a further (albeit slower) fall in backlogs of work. Companies signalled another modest rise in staffing levels, while rates of input and output price inflation picked up.

Output and demand

Ending a three-month period of expansion, business activity in the West Midlands private sector stagnated in March. Higher activity at service providers was offset by a decline in manufacturing output. The region performed worse than the UK average, where a moderate increase was signalled.

Output failed to rise despite a solid increase in the level of new business received by West Midlands companies during March. Growth of new work was the fastest for just under a year, and above the UK average. Panellists commented that an improved demand environment and increased client willingness to spend had boosted inflows of new work.

Employment and backlogs

As has been the case throughout the first quarter of 2013, payroll numbers in the West Midlands private sector increased during March. That said, the rate of job hiring eased slightly since February and was modest overall. Employment growth was registered in both the manufacturing and service sectors.

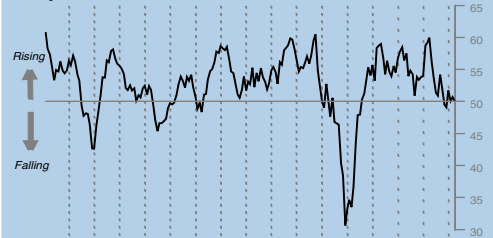
Higher staffing levels helped companies make further inroads into their backlogs of work during March. Outstanding business was down for an eleventh consecutive month, although the pace of decline eased to the weakest since last September.

Input and output prices

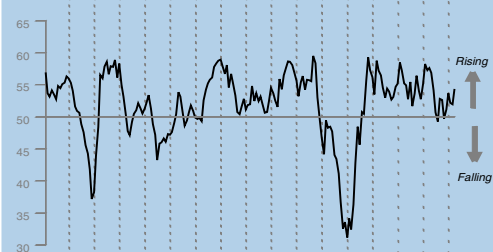
The rate of input price inflation in the West Midlands private sector quickened in March, reaching a ten-month high. Panellists commented that sterling's recent depreciation had raised the cost of imported items. Output prices also increased at a faster pace, with the latest rise the sharpest since September 2011.

West Midlands Business Conditions

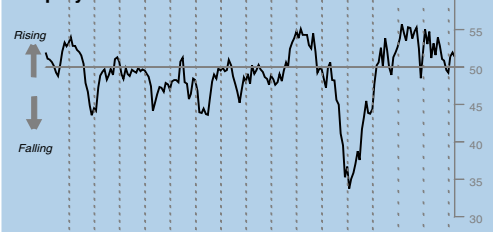
Output



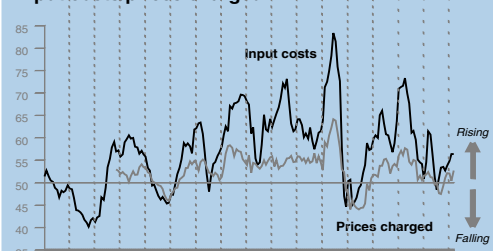
Order Books



Employment



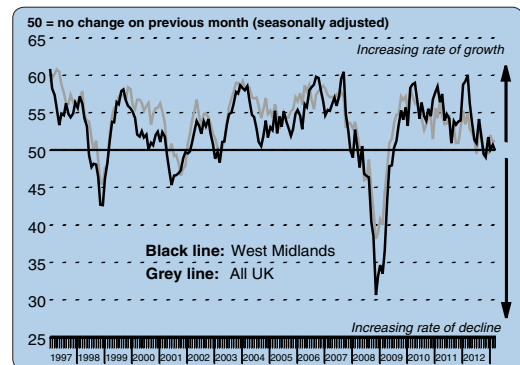
Input costs/prices charged



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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	28.7	46.1	25.2	51.7	50.9	49.6
	Aug	22.4	49.1	28.4	47.0	54.2	52.7
	Sep	25.4	43.9	30.7	47.4	52.1	51.7
	Oct	21.1	48.6	30.3	45.4	49.5	49.6
	Nov	26.3	50.0	23.7	51.3	49.1	50.2
	Dec	29.0	47.7	23.4	52.8	51.8	49.7
2013	Jan	21.1	47.4	31.6	44.7	50.1	52.1
	Feb	28.7	53.9	17.4	55.7	50.7	51.1
	Mar	29.9	51.3	18.8	55.6	50.0	51.4

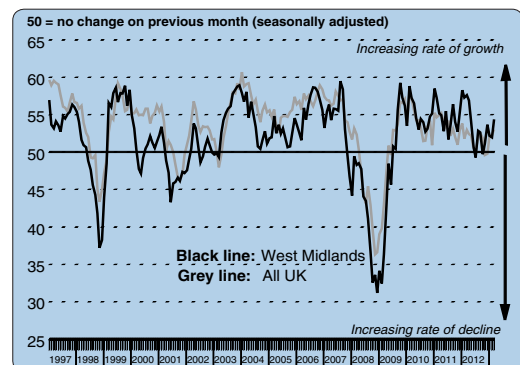


Private sector companies in the West Midlands reported a stagnation of output during March, following a marginal expansion in the previous month. That represented an underperformance relative to the UK average, where a moderate increase was signalled. Data showed that growth of business activity at service providers was offset by a decline in production at manufacturers.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	23.9	46.0	30.1	46.9	49.3	50.2
	Aug	24.8	43.4	31.9	46.5	52.9	51.9
	Sep	29.5	41.1	29.5	50.0	52.7	52.6
	Oct	19.8	51.9	28.3	45.8	49.7	52.0
	Nov	29.3	48.3	22.4	53.4	51.2	49.6
	Dec	28.6	45.7	25.7	51.4	53.7	49.8
2013	Jan	25.4	45.6	28.9	48.2	52.2	52.2
	Feb	29.2	49.6	21.2	54.0	52.0	52.3
	Mar	32.8	50.9	16.4	58.2	54.4	53.0

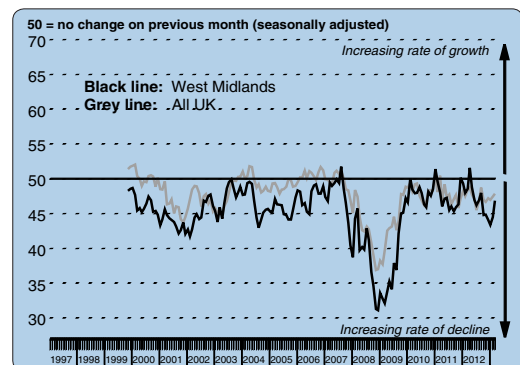


Growth of new business in the West Midlands private sector accelerated to the sharpest for just under a year in March. This was signalled by the seasonally adjusted Incoming New Business Index climbing to 54.4, from 52.0 in February. Improved demand conditions and clients' increased willingness to spend were cited by survey respondents as factors supporting the latest rise in new orders. The region posted a faster expansion of incoming new business than the UK as a whole.

Business Outstanding

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	15.2	59.0	25.7	44.8	46.2	45.5
	Aug	13.1	63.6	23.4	44.9	46.9	46.8
	Sep	11.0	63.3	25.7	42.7	48.0	48.8
	Oct	9.0	62.0	29.0	40.0	44.8	47.0
	Nov	12.5	64.3	23.2	44.6	44.9	46.7
	Dec	13.9	57.4	28.7	42.6	44.1	47.3
2013	Jan	14.0	57.9	28.0	43.0	43.4	47.0
	Feb	16.4	61.8	21.8	47.3	44.5	47.4
	Mar	21.1	60.6	18.3	51.4	46.9	47.9

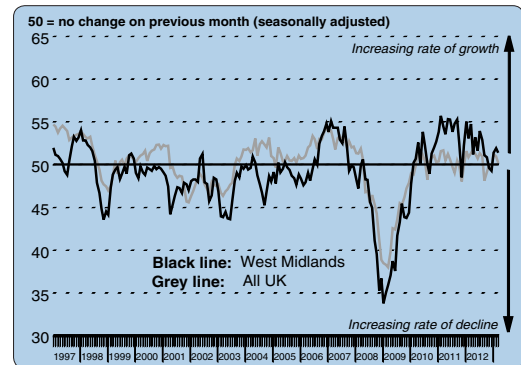


March data signalled a further reduction in outstanding business at West Midlands private sector firms. That said, the rate of contraction eased to the weakest since last September. This was highlighted by the seasonally adjusted Business Outstanding Index posting 46.9, up from 44.5 in February. Continuing the recent trend, the region saw a sharper drop in unfinished work than the UK average.

Employment

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	20.4	69.9	9.7	55.3	54.0	51.3
	Aug	12.2	77.4	10.4	50.9	52.9	51.0
	Sep	13.3	77.0	9.7	51.8	51.1	48.2
	Oct	14.0	74.8	11.2	51.4	50.9	49.1
	Nov	10.3	72.6	17.1	46.6	49.6	49.9
	Dec	10.3	76.6	13.1	48.6	49.3	49.8
2013	Jan	13.3	72.6	14.2	49.6	51.4	51.3
	Feb	15.2	74.1	10.7	52.2	52.0	51.0
	Mar	19.5	69.0	11.5	54.0	51.4	50.2

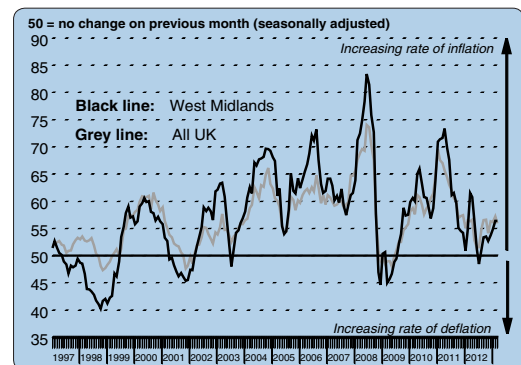


Employment at private sector firms in the West Midlands increased further during March, continuing the expansion seen throughout the first quarter of the year. However, the rate of jobs growth was only modest, having slowed since February. This was signalled by the seasonally adjusted Employment Index dropping from 52.0 to 51.4. Increased staffing levels were registered in both the manufacturing and service sectors during the latest survey period.

Input Prices / Costs

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	7.8	73.9	18.3	44.8	48.5	51.6
	Aug	12.9	74.1	12.9	50.0	51.1	54.9
	Sep	12.3	74.6	13.2	49.6	53.4	56.6
	Oct	12.8	77.1	10.1	51.4	53.6	56.7
	Nov	6.8	82.1	11.1	47.9	52.7	54.1
	Dec	10.3	80.4	9.3	50.5	53.8	56.3
2013	Jan	17.4	76.5	6.1	55.7	54.9	56.2
	Feb	29.6	64.3	6.1	61.7	56.4	57.3
	Mar	27.6	69.0	3.4	62.1	56.5	56.0

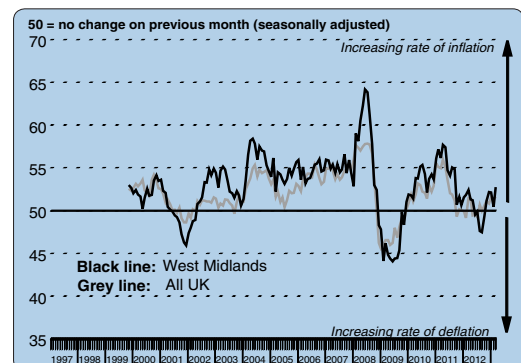


The rate of input price inflation faced by West Midlands private sector companies quickened to a ten-month high in March. This was signalled by the seasonally adjusted Input Prices Index inching up to 56.5, from 56.4 in February. The latest reading was slightly above the UK average. Cost inflation remained slightly stronger in the region's manufacturing sector than in services. A number of panellists reported that the recent weakening of the pound had raised the cost of imported items.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	4.3	90.4	5.2	49.6	49.9	49.3
	Aug	4.3	85.3	10.3	47.0	47.6	50.7
	Sep	4.4	85.8	9.7	47.3	47.5	50.0
	Oct	9.2	81.7	9.2	50.0	49.3	50.6
	Nov	7.6	86.4	5.9	50.8	51.1	51.1
	Dec	6.5	88.8	4.7	50.9	52.2	50.8
2013	Jan	13.0	80.9	6.1	53.5	52.1	51.5
	Feb	10.3	85.3	4.3	53.0	50.5	51.3
	Mar	11.1	86.3	2.6	54.3	52.8	51.7

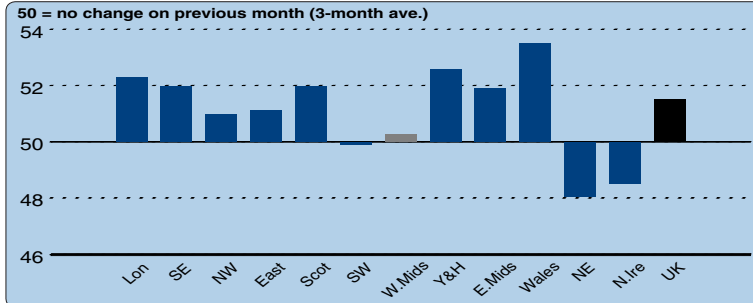


Although still indicative of a moderate rate of charge inflation in the West Midlands private sector, the seasonally adjusted Output Prices Index rose in March to its highest level since September 2011. Around 11% of panellists reported an increase in selling prices, compared with just under 3% that noted a decline. The region posted a slightly stronger rise in output prices than the UK average.



Regional Comparisons: Output

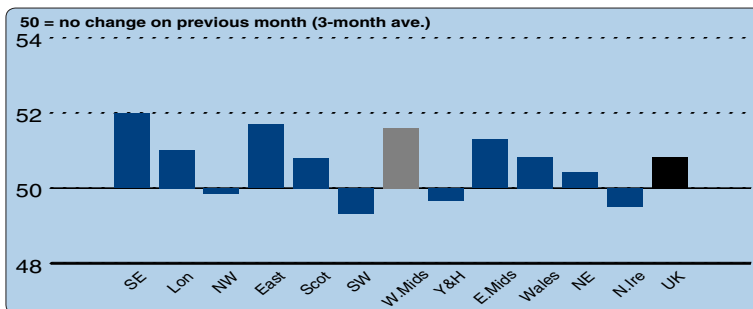
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern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

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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.