



# Lloyds TSB Yorkshire & Humber PMI®

## Lloyds TSB Commercial

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The Lloyds TSB Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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

## Strong new order growth supports fastest rise in output since August 2012

### Key findings:

- New business increases at strongest rate in almost two years
- Output growth accelerates in March
- Job losses recorded for second month running

Lloyds TSB Yorkshire & Humber PMI® data pointed to the strongest expansion in private sector output in seven months during March. The rate of activity growth was solid and largely reflective of a strong rise in new business, as well as a further depletion of backlogs of work. However, private sector employment in Yorkshire & Humber fell for the second month running, as manufacturers continued to report job losses in March.

### Output and demand

Business activity in the Yorkshire & Humber private sector rose for the fifth consecutive month in March. Moreover, the latest increase was solid and the strongest since last August. Higher levels of output reflected an increase in services activity, but manufacturing production was broadly unchanged over the month.

The increase in private sector output generally reflected larger volumes of new business, which companies in turn attributed to new contract wins and greater client demand. New order growth was the strongest for almost two years in March, and the second-fastest among the nine English regions.

### Employment and backlogs

Firms continued to report lower levels of work-in-hand (but not yet completed) in the latest survey period. The latest depletion of outstanding business was solid and faster than that recorded one month previously.

Despite higher new order volumes, private sector firms reduced their workforces for the second month running in March. The rate of job losses was moderate and in contrast with a fractional rise in employment across the UK as a whole. However, the decline was largely confined to manufacturing, as service providers hired additional staff in March.

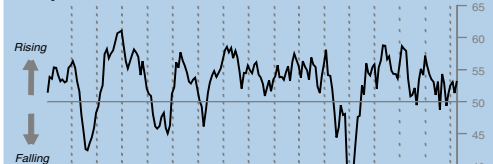
### Input and output prices

Input prices continued to rise in March, with panellists commonly reporting increased costs for fuel and salaries. Overall, the rate of inflation was the strongest in five months, but weaker than the long-run series average.

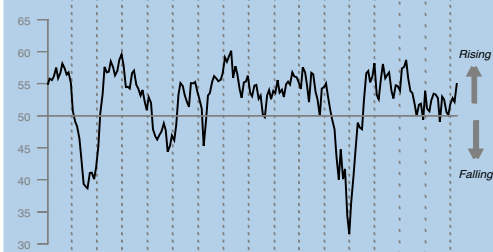
Output charges meanwhile fell for the second consecutive month, albeit only marginally. Firms that reduced their selling prices attributed this to stronger competitive pressures. Overall, Yorkshire & Humber was the only English region to record lower average tariffs in the latest survey period.

### Yorkshire & Humber Business Conditions

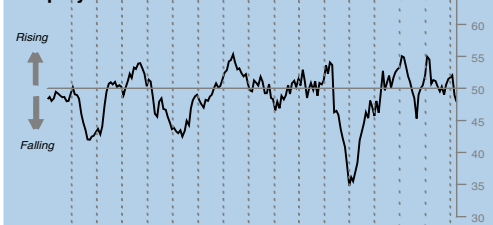
#### Output



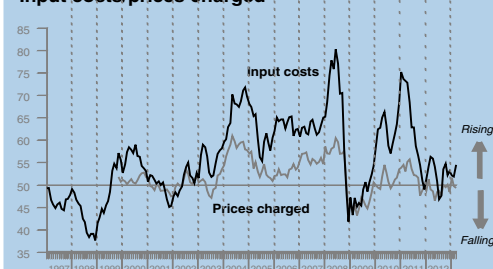
#### Order Books



#### Employment



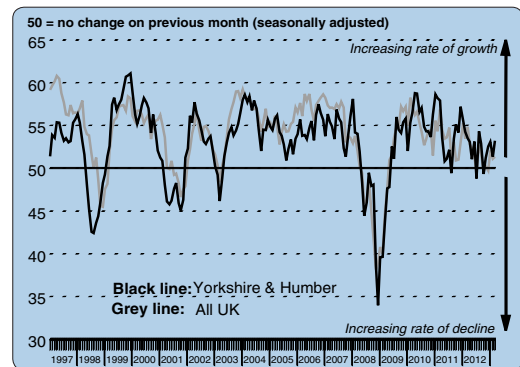
#### Input costs/prices charged



## 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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	19.5	51.7	28.7	45.4	48.8	49.6
	Aug	25.8	46.1	28.1	48.9	54.3	52.7
	Sep	33.7	47.2	19.1	57.3	52.9	51.7
	Oct	30.3	40.4	29.3	50.5	49.4	49.6
	Nov	29.7	50.5	19.8	54.9	51.2	50.2
	Dec	27.8	51.1	21.1	53.3	52.5	49.7
2013	Jan	27.5	40.7	31.9	47.8	53.1	52.1
	Feb	32.6	43.5	23.9	54.3	51.3	51.1
	Mar	29.7	51.6	18.7	55.5	53.3	51.4

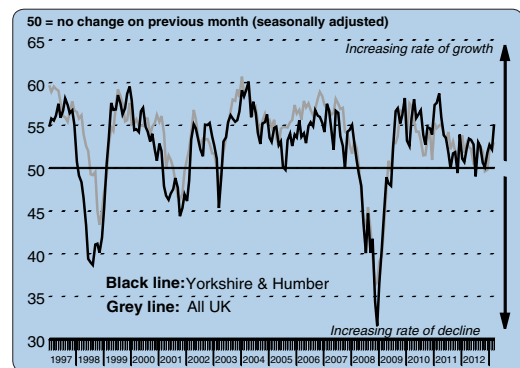


Output in Yorkshire & Humber's private sector continued to rise in March, taking the current sequence of growth to five months. Almost 30% of survey respondents reported higher levels of activity compared with February, with many attributing this to increased new business. Overall, the rate of growth was the strongest since August 2012 and the second-fastest among the nine English regions, behind London. However, the expansion largely reflected higher services activity as manufacturing output was broadly unchanged over the month.

## 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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	21.2	42.4	36.5	42.4	49.1	50.2
	Aug	28.4	39.8	31.8	48.3	53.0	51.9
	Sep	37.9	35.6	26.4	55.7	52.5	52.6
	Oct	28.6	40.8	30.6	49.0	50.6	52.0
	Nov	27.8	47.8	24.4	51.7	50.1	49.6
	Dec	28.1	44.9	27.0	50.6	51.8	49.8
2013	Jan	31.1	35.6	33.3	48.9	52.8	52.2
	Feb	37.4	38.5	24.2	56.6	52.2	52.3
	Mar	38.2	40.4	21.3	58.4	55.2	53.0

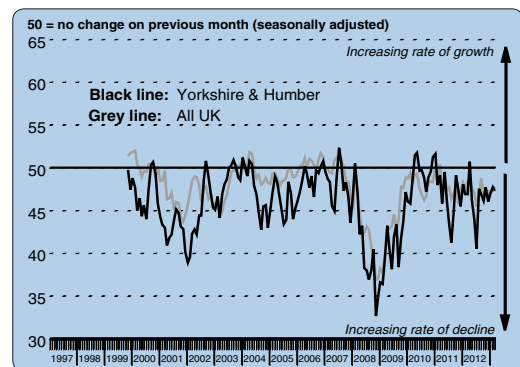


The volume of new business received by private sector companies rose strongly during March. Moreover, the rate of new order growth was the fastest in almost two years and the second-strongest among all nine English regions. Firms that reported an increase in new work (approximately 38%) commented on new contract wins and greater client demand. Sector data suggested that both manufacturers and service providers saw an increase in new business in March, with the latter seeing the stronger rise.

## Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Jul	13.5	52.7	33.8	39.9	40.5	45.5
	Aug	17.7	65.8	16.5	50.6	47.6	46.8
	Sep	15.0	60.0	25.0	45.0	47.0	48.8
	Oct	21.8	48.3	29.9	46.0	46.2	47.0
	Nov	18.8	57.5	23.8	47.5	47.7	46.7
	Dec	12.2	58.5	29.3	41.5	46.1	47.3
2013	Jan	16.7	57.1	26.2	45.2	47.0	47.0
	Feb	16.9	62.7	20.5	48.2	47.8	47.4
	Mar	18.5	58.0	23.5	47.5	47.3	47.9

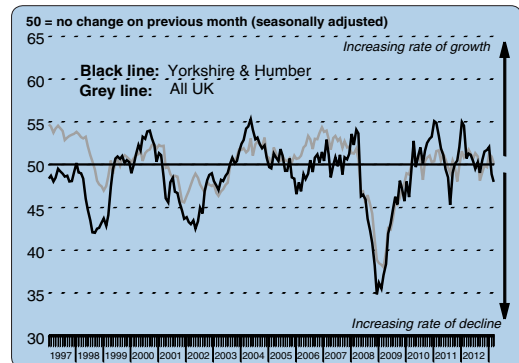


The seasonally adjusted Business Outstanding Index remained below the 50.0 no-change threshold in March, signalling a further depletion of backlogs of work at private sector firms. The latest index reading was consistent with a solid reduction in work-in-hand and, having fallen over the month, indicated a faster rate of contraction. Outstanding business fell at both manufacturing and services companies in the latest survey period, with the stronger rate of decline registered in the manufacturing sector.

## Employment

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

		Yorkshire & Humber Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Jul	17.2	67.8	14.9	51.1	49.6
	Aug	12.4	74.2	13.5	49.4	50.3
	Sep	12.4	75.3	12.4	50.0	49.1
	Oct	13.3	77.6	9.2	52.0	50.6
	Nov	15.4	72.5	12.1	51.6	51.5
	Dec	13.5	77.5	9.0	52.2	51.8
2013	Jan	11.1	80.0	8.9	51.1	52.1
	Feb	7.6	80.4	12.0	47.8	48.9
	Mar	14.3	71.4	14.3	50.0	48.0

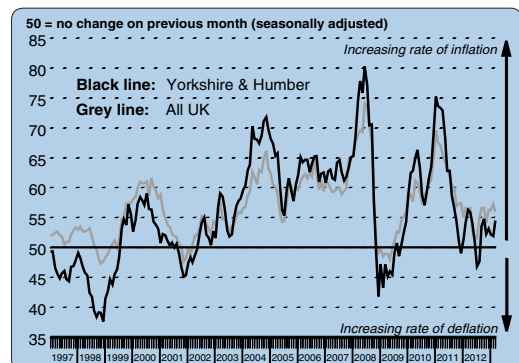


Private sector employment in Yorkshire & Humber fell for the second month running in March, as indicated by the seasonally adjusted Employment Index posting below the 50.0 no-change mark. The latest reduction in staff numbers was the fastest since August 2011. However, while job losses were recorded by manufacturing companies, services providers hired additional staff in the latest survey period. The overall reduction in Yorkshire & Humber private sector employment contrasted with a slight increase across the UK as a whole.

## Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Jul	11.6	68.6	19.8	45.9	51.6
	Aug	9.0	75.3	15.7	46.6	47.7
	Sep	18.2	67.0	14.8	51.7	53.6
	Oct	21.2	67.7	11.1	55.1	54.8
	Nov	8.9	80.0	11.1	48.9	52.3
	Dec	10.0	76.7	13.3	48.3	53.2
2013	Jan	18.7	71.4	9.9	54.4	56.2
	Feb	21.7	69.6	8.7	56.5	52.0
	Mar	25.3	72.5	2.2	61.5	54.5

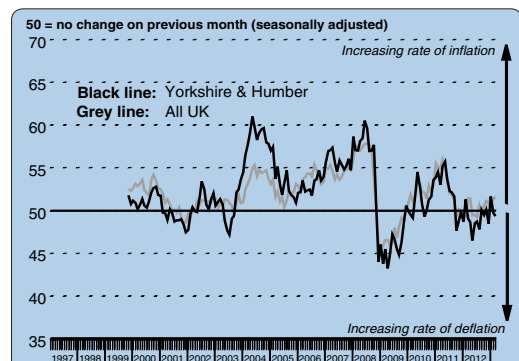


Input costs faced by monitored companies increased in March, continuing the trend that has been recorded in each month since last September. One-in-four firms reported larger cost burdens since February, with panellists commenting on higher fuel prices, unfavourable exchange rates and greater salary bills. Overall, the rate of input price inflation was the fastest in five months, but slower than the long-run series average.

## 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?

		Yorkshire & Humber Companies				All UK
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Jul	3.4	88.5	8.0	47.7	48.7
	Aug	2.2	87.6	10.1	46.1	47.8
	Sep	6.8	86.4	6.8	50.0	50.1
	Oct	6.1	84.8	9.1	48.5	49.5
	Nov	3.3	92.3	4.4	49.5	50.1
	Dec	2.2	90.0	7.8	47.2	48.5
2013	Jan	13.2	83.5	3.3	54.9	51.7
	Feb	13.0	79.3	7.6	52.7	49.8
	Mar	7.7	81.3	11.0	48.4	49.4

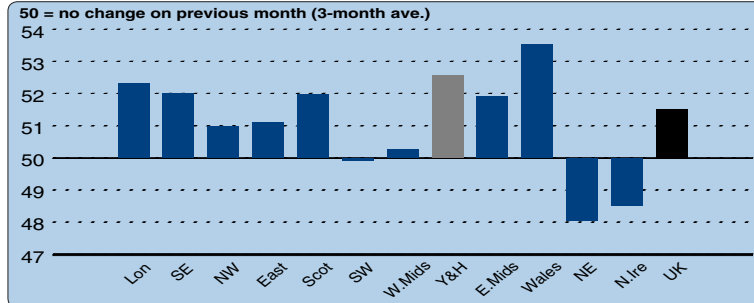


Average selling prices fell for the second consecutive month in March, with anecdotal evidence linking this to stronger competitive pressures. However, the latest reduction in output charges was only marginal and largely confined to the service sector as manufacturers raised their factory gate prices over the month. Yorkshire & Humber was the only English region to record lower average tariffs in the latest survey period.



## Regional Comparisons: Output

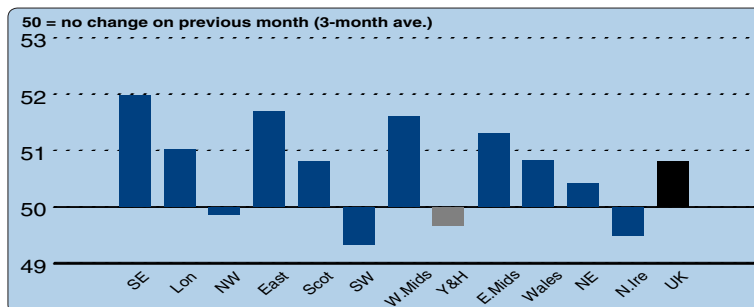
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were seen in nine of the twelve UK regions on average in the first quarter of 2013. The South West, North East and Northern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

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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 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.