



# Lloyds TSB East of England 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.

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**The Lloyds TSB East of England PMI® (Purchasing Managers' Index®)** is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in April 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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13th May 2013

## Growth of new work accelerates to fastest pace since January 2012

### Key findings:

- Output increases for fifth month running
- New order growth strengthens
- Marginal rise in employment levels

Companies in the East of England registered a further rise in output levels during April, extending the current sequence of growth to five months. New orders also increased, and at the fastest pace since January 2012. Meanwhile, employment levels rose for a fifth consecutive month, albeit only slightly.

### Output and demand

The headline seasonally adjusted **Lloyds TSB East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 51.5 in April, up from March's 50.4. Weather improvements after an unusually cold winter and the securing of new clients accounted for much of the latest rise, according to panellists.

New business placed at East of England companies increased during April. Driven by a solid rise of new work at service providers, the pace of expansion accelerated to the highest since January 2012, but remained below the overall UK average. There was some anecdotal evidence that improved business confidence among clients accounted for much of the latest increase.

### Employment and backlogs

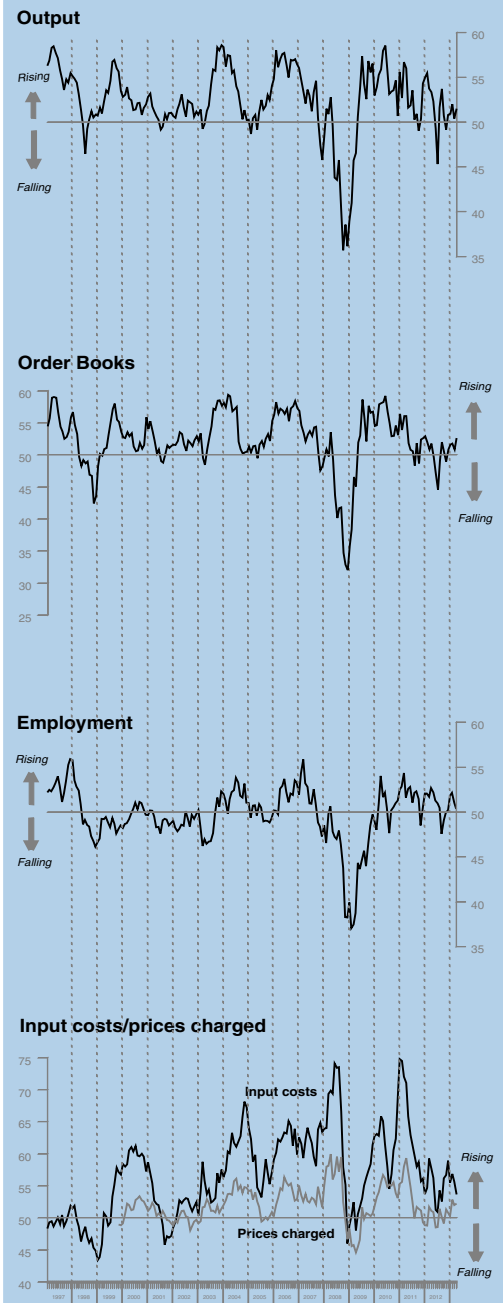
While workforce numbers in the East of England increased for a fifth straight month, the latest rate of job creation eased from March and was only marginal. Where higher employment levels were reported, companies often linked this to a rise in order book volumes. Meanwhile, backlogs of work were broadly unchanged from the previous survey period, with 62% of respondents indicating no-change in outstanding business.

### Input and output prices

April data indicated a further increase in input costs, albeit at the slowest pace in seven survey periods. Sector data suggested that companies in both the manufacturing and service sectors faced higher cost burdens in April. Panellists attributed the cost rise to increased utility bills and higher import prices.

In response to higher input costs, East of England companies raised their output charges during the latest survey period. The rate of charge inflation was up fractionally from March and remained above the overall UK average for the third month in a row.

### East of England Business Conditions

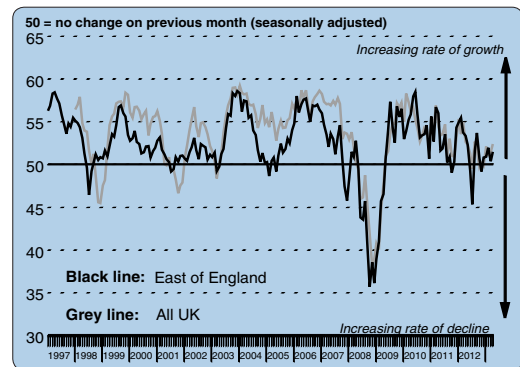




## Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	16.2	59.5	24.3	45.9	51.6	52.7
	Sep	25.9	50.9	23.1	51.4	53.7	51.7
	Oct	23.6	48.2	28.2	47.7	50.7	49.7
	Nov	22.5	50.5	27.0	47.7	49.2	50.2
	Dec	27.7	43.8	28.6	49.6	50.8	49.9
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.1
	Feb	31.8	50.0	18.2	56.8	52.0	51.2
	Mar	20.4	59.3	20.4	50.0	50.4	51.4
	Apr	30.2	48.3	21.6	54.3	51.5	52.4

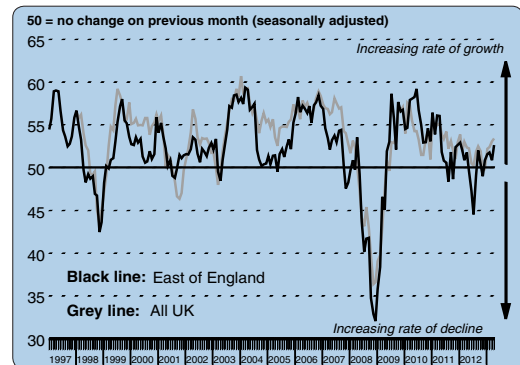


April data signalled a fifth consecutive monthly rise in output levels at East of England companies, with 30% of panellists reporting an increase in business activity. The rate of expansion picked up from March, but was below the overall UK average. Sector data suggested that a solid decline in output levels in the manufacturing sector was offset by an expansion at service providers. According to anecdotal evidence, the latest rise was driven by weather improvements and the securing of new clients.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	21.1	57.8	21.1	50.0	49.1	51.9
	Sep	30.8	49.5	19.6	55.6	52.0	52.5
	Oct	23.9	45.0	31.2	46.3	50.3	51.9
	Nov	24.8	47.7	27.5	48.6	49.0	49.6
	Dec	28.8	48.6	22.5	53.2	50.9	49.8
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.2
	Feb	31.2	49.5	19.3	56.0	51.8	52.4
	Mar	25.9	53.6	20.5	52.7	50.9	53.1
	Apr	32.5	50.9	16.7	57.9	52.7	53.4

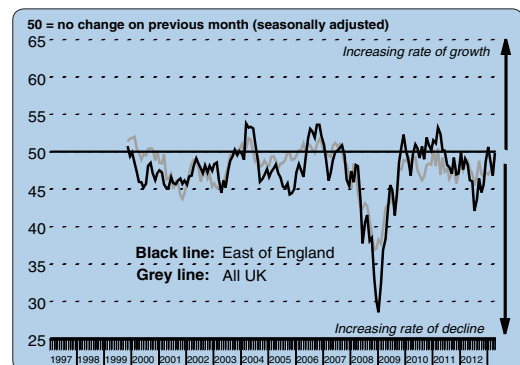


Companies in the East of England private sector indicated increased their order book volumes in April, with the seasonally adjusted New Orders Index posting above the no-change mark of 50.0. Incoming new orders have now increased for five successive months, and at the fastest pace since January 2012. The rise was centred around the services sector, and some companies linked growth of new work to improved business confidence among clients.

## Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	11.7	66.0	22.3	44.7	43.6	46.8
	Sep	15.5	60.2	24.3	45.6	46.4	48.8
	Oct	14.4	57.7	27.9	43.3	44.6	47.0
	Nov	13.6	58.3	28.2	42.7	45.6	46.7
	Dec	17.9	56.6	25.5	46.2	48.7	47.3
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0
	Feb	18.1	61.0	21.0	48.6	48.8	47.4
	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4

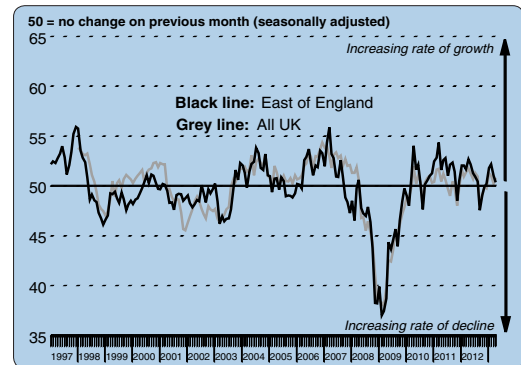


The latest survey data indicated broadly unchanged levels of outstanding business at East of England companies. This was highlighted by the seasonally adjusted Business Outstanding Index posting close to the neutral 50.0 threshold. Exactly 20% of respondents reported more work-in-hand, while 18% signalled a decline. The latest reading was the highest in three months and above the overall UK average.

## Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	8.2	82.7	9.1	49.5	<b>50.5</b>	<b>51.0</b>
	Sep	7.5	81.3	11.2	48.1	<b>47.6</b>	<b>48.1</b>
	Oct	11.0	77.1	11.9	49.5	<b>49.1</b>	<b>49.1</b>
	Nov	14.5	73.6	11.8	51.4	<b>49.9</b>	<b>49.9</b>
	Dec	12.5	78.6	8.9	51.8	<b>50.2</b>	<b>49.8</b>
2013	Jan	14.4	70.3	15.3	49.5	<b>51.8</b>	<b>51.3</b>
	Feb	16.5	75.2	8.3	54.1	<b>52.2</b>	<b>51.0</b>
	Mar	15.3	75.7	9.0	53.2	<b>51.0</b>	<b>50.3</b>
	Apr	16.5	72.2	11.3	52.6	<b>50.4</b>	<b>50.8</b>

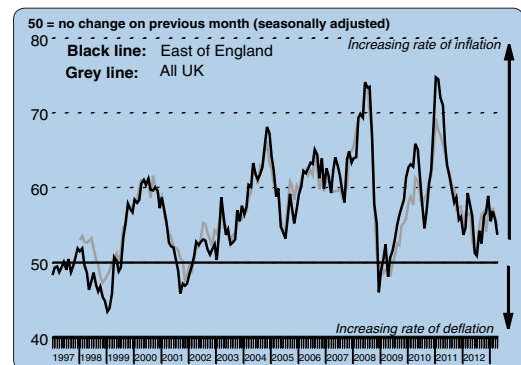


Workforce numbers in the East of England private sector increased during the latest survey period, with around 17% of companies hiring additional staff. April data marked the fifth successive monthly rise in employment levels, but the rate of job creation was slight, and the weakest in four months. Increased new orders was often reported by panellists to have contributed to the latest rise in staffing levels.

## Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	11.8	82.7	5.5	53.2	<b>54.3</b>	<b>54.9</b>
	Sep	11.1	80.6	8.3	51.4	<b>52.6</b>	<b>56.4</b>
	Oct	16.4	79.1	4.5	55.9	<b>56.2</b>	<b>56.9</b>
	Nov	14.5	77.3	8.2	53.2	<b>56.7</b>	<b>54.2</b>
	Dec	14.2	83.2	2.7	55.8	<b>58.9</b>	<b>56.4</b>
2013	Jan	13.4	81.3	5.4	54.0	<b>55.5</b>	<b>56.0</b>
	Feb	20.0	76.4	3.6	58.2	<b>56.9</b>	<b>57.4</b>
	Mar	22.1	73.5	4.4	58.8	<b>55.7</b>	<b>56.0</b>
	Apr	16.4	77.6	6.0	55.2	<b>53.7</b>	<b>54.9</b>

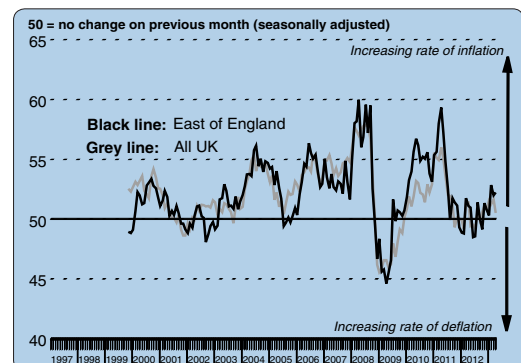


Companies in the East of England recorded a further rise in input costs during April. Around 16% of panellists faced higher input prices, while 6% reported a fall. Manufacturers and service providers both indicated higher cost burdens and commented on increased utility bills and import prices. The rate of cost inflation eased, however, and was the weakest in seven months.

## 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	6.4	88.2	5.5	50.5	<b>51.4</b>	<b>50.7</b>
	Sep	4.7	92.5	2.8	50.9	<b>50.1</b>	<b>50.0</b>
	Oct	5.5	85.3	9.2	48.2	<b>49.2</b>	<b>50.6</b>
	Nov	7.3	90.0	2.7	52.3	<b>51.3</b>	<b>51.1</b>
	Dec	6.3	87.4	6.3	50.0	<b>50.8</b>	<b>50.8</b>
2013	Jan	9.1	83.6	7.3	50.9	<b>50.3</b>	<b>51.5</b>
	Feb	14.7	79.8	5.5	54.6	<b>52.9</b>	<b>51.3</b>
	Mar	12.4	79.6	8.0	52.2	<b>52.0</b>	<b>51.7</b>
	Apr	11.3	86.1	2.6	54.3	<b>52.2</b>	<b>50.5</b>

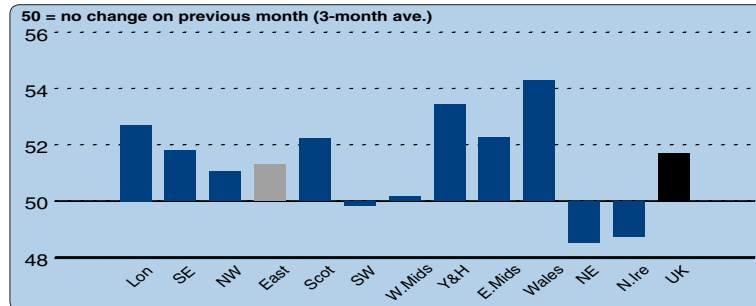


Average prices charged by East of England companies continued to increase in April. Factory gate prices have now risen for six successive survey periods and the latest rate of charge inflation was fractionally up from March. There was some anecdotal evidence that increased input costs accounted for much of the latest rise in charges. April data suggested that companies in both the manufacturing and service sectors raised their output prices.



## Regional Comparisons: Output

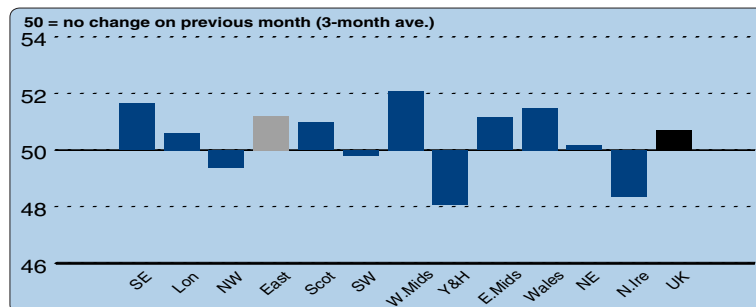
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland and South West registered lower output on average in the three months to April.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.2	52.7	53.4
South East	(14.7%)	51.2	51.8	51.8
North West	(9.5%)	50.3	51.1	50.6
East of England	(8.7%)	50.7	51.3	51.5
Scotland	(8.3%)	51.3	52.3	53.1
South West	(7.7%)	50.2	49.8	51.0
West Midlands	(7.3%)	51.1	50.2	49.8
Yorks & Humber	(7.0%)	52.2	53.4	55.7
East Midlands	(6.4%)	51.8	52.2	53.6
Wales	(3.6%)	52.2	54.3	56.4
North East	(3.2%)	48.5	48.5	49.5
N.Ireland	(2.2%)	45.0	48.7	48.9
<b>UK</b>	<b>(100.0%)</b>	<b>51.2</b>	<b>51.7</b>	<b>52.4</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). Jobs growth was registered in the majority of UK regions during the three months to April, with West Midlands companies posting the fastest expansion. Meanwhile, Yorkshire & Humber saw the most marked slide in workforce numbers.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.3	51.6	52.7
London	(12.3%)	49.7	50.6	49.9
North West	(10.9%)	48.7	49.4	48.5
East of England	(9.6%)	50.6	51.2	50.4
Scotland	(8.7%)	50.7	51.0	51.2
South West	(8.6%)	49.6	49.8	50.1
West Midlands	(8.6%)	51.7	52.1	52.9
Yorks & Humber	(8.2%)	50.1	48.1	47.3
East Midlands	(7.3%)	52.5	51.2	51.3
Wales	(4.6%)	50.0	51.5	52.3
North East	(3.9%)	48.7	50.2	49.1
N.Ireland	(2.7%)	47.7	48.4	47.3
<b>UK</b>	<b>(100.0%)</b>	<b>50.4</b>	<b>50.7</b>	<b>50.8</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<sup>®</sup> (PMI<sup>®</sup>) 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.