



Lloyds TSB East Midlands PMI®

Lloyds TSB Commercial

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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 East Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East 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.

For further information, please contact:

economics@markit.com

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13th May 2013

Growth in activity picks up to nine-month high in April

Key findings:

- Solid increases in output and new orders
- Cost inflation remains solid
- Output prices rise at slower pace

The Lloyds TSB East Midlands PMI® report pointed to a further expansion of output in the region's private sector, and at a faster pace. New business growth was solid, and firms took on extra staff. On the price front, the rate of input cost inflation remained solid but companies raised their output prices at a reduced rate.

Output and demand

The headline seasonally adjusted Lloyds TSB East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to 53.6 in April from 51.5 in March. The index has posted above the no-change mark of 50.0 throughout 2013 so far, and the latest reading pointed to the fastest expansion of activity in nine months. Output increased at a faster pace in the East Midlands than across the UK as a whole.

A combination of improved weather conditions and higher new orders contributed to growth of activity, according to panellists. New business increased at a solid pace that was broadly in line with that recorded in March. Sector data indicated that new orders rose more quickly at service providers than at manufacturing firms.

Employment and backlogs

Backlogs of work decreased again, and at a marked pace that was much faster than the UK average. That said, the rate of depletion was slower than in March.

Companies in the East Midlands took on extra staff for the thirty-first month in a row during April. The rate of job creation was modest, but picked up slightly and was faster than the UK economy average. Respondents partly attributed higher staffing levels to company expansion plans.

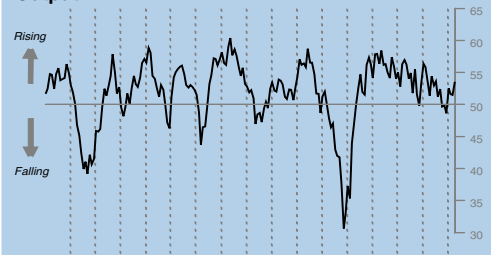
Input and output prices

Another solid increase in input costs was recorded in April, with some respondents linking cost inflation to sterling weakness. The rate of inflation slowed slightly over the month, but remained much faster than the UK economy average.

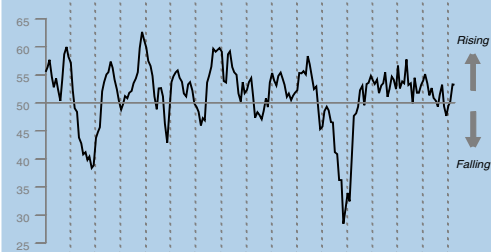
Although companies raised their output prices for a ninth successive month in April, the rate of inflation slowed to the weakest since September 2012. The rise in the region was broadly in line with the UK average. Those respondents that increased their prices charged linked this to the passing on of higher input costs to clients. However, some panellists reported having lowered their output prices in an attempt to secure new orders.

East Midlands Business Conditions

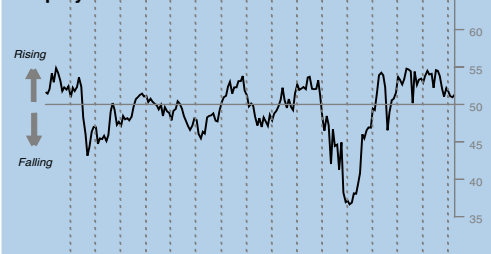
Output



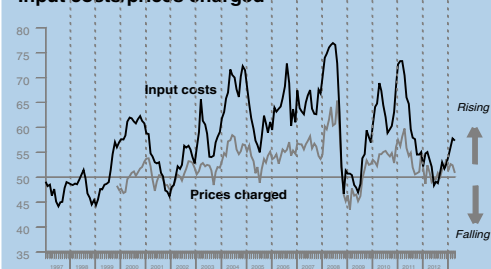
Order Books



Employment



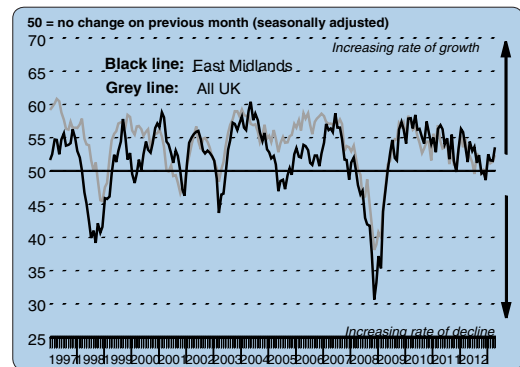
Input costs/prices charged



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?

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	16.9	50.6	32.6	42.1	51.2	52.7
	Sep	30.2	50.0	19.8	55.2	52.4	51.7
	Oct	21.8	54.0	24.1	48.9	49.7	49.7
	Nov	24.4	50.0	25.6	49.4	49.9	50.2
	Dec	29.1	38.4	32.6	48.3	48.6	49.9
2013	Jan	24.2	51.6	24.2	50.0	52.5	52.1
	Feb	29.5	47.7	22.7	53.4	51.6	51.2
	Mar	29.1	55.8	15.1	57.0	51.5	51.4
	Apr	28.0	53.8	18.3	54.8	53.6	52.4

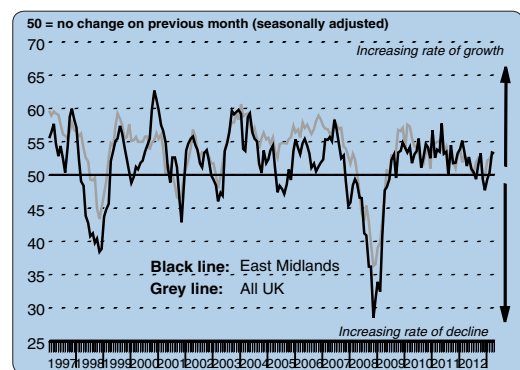


As has been the case throughout 2013 to date, business activity increased at East Midlands companies during April. Furthermore, the rate of expansion was solid, and the fastest since July 2012. The rise in output in the region was also faster than the UK economy average. According to respondents, higher new orders and improved weather conditions had been behind the rise in activity. Services activity increased at a sharper pace than manufacturing output.

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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	18.0	44.9	37.1	40.4	49.4	51.9
	Sep	32.6	41.9	25.6	53.5	51.5	52.5
	Oct	32.2	46.0	21.8	55.2	53.3	51.9
	Nov	25.6	43.3	31.1	47.2	49.4	49.6
	Dec	23.3	41.9	34.9	44.2	47.7	49.8
2013	Jan	24.2	48.4	27.5	48.4	49.5	52.2
	Feb	34.1	40.9	25.0	54.5	50.3	52.4
	Mar	31.4	52.3	16.3	57.6	53.4	53.1
	Apr	31.2	49.5	19.4	55.9	53.3	53.4

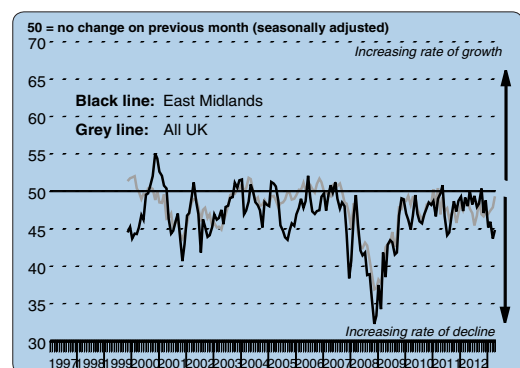


April data signalled a third successive rise in new orders at East Midlands private sector companies. The rate of growth was solid, and little-changed from that recorded in March. The expansion in the region was broadly in line with the average seen across the UK economy as a whole. Panellists mentioned improvements in weather and economic conditions. Sector data indicated that service providers saw a faster rise in new orders than their manufacturing counterparts.

Business Outstanding

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	10.7	63.1	26.2	42.3	48.0	46.8
	Sep	13.6	63.0	23.5	45.1	48.4	48.8
	Oct	22.9	57.8	19.3	51.8	50.4	47.0
	Nov	14.0	64.0	22.1	45.9	47.1	46.7
	Dec	21.3	55.0	23.8	48.8	48.8	47.3
2013	Jan	12.6	57.5	29.9	41.4	45.2	47.0
	Feb	18.1	59.0	22.9	47.6	46.0	47.4
	Mar	12.0	63.9	24.1	44.0	43.7	47.9
	Apr	11.6	68.6	19.8	45.9	44.8	49.4

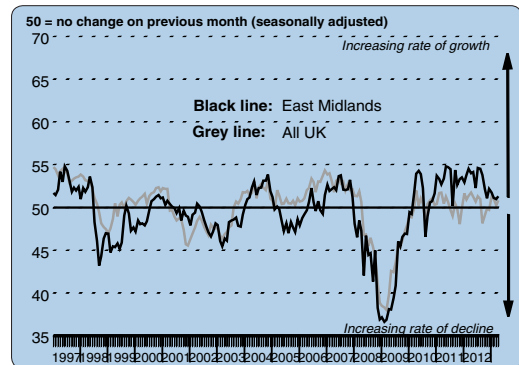


East Midlands companies continued to work through outstanding business during April, resulting in a sixth successive monthly reduction in backlogs of work. Despite easing slightly from the previous month, the rate of depletion of work-in-hand was marked, and much faster than the UK average. Backlogs fell more quickly at manufacturers than at services companies.

Employment

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	18.0	71.9	10.1	53.9	54.5	51.0
	Sep	19.8	74.4	5.8	57.0	53.8	48.1
	Oct	13.8	73.6	12.6	50.6	52.1	49.1
	Nov	14.4	71.1	14.4	50.0	51.1	49.9
	Dec	14.0	79.1	7.0	53.5	52.2	49.8
2013	Jan	11.1	77.8	11.1	50.0	51.7	51.3
	Feb	11.4	77.3	11.4	50.0	51.2	51.0
	Mar	17.4	75.6	7.0	55.2	51.0	50.3
	Apr	12.9	78.5	8.6	52.2	51.3	50.8

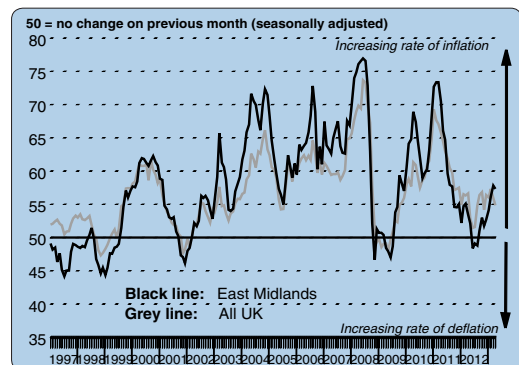


Employment rose for the thirty-first successive month at East Midlands firms during April. The rate of job creation was only slight, but marginally quicker than that seen at the UK level. The overall increase in staffing levels was mainly centred on the service sector. Close to 13% of respondents took on extra staff during the month, partly in line with company expansion plans. In contrast, around 9% lowered employment.

Input Prices / Costs

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

		East Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	12.4	73.0	14.6	48.9	48.8	54.9
	Sep	12.8	73.3	14.0	49.4	51.1	56.4
	Oct	16.1	72.4	11.5	52.3	53.0	56.9
	Nov	10.0	77.8	12.2	48.9	51.8	54.2
	Dec	9.3	83.7	7.0	51.2	52.7	56.4
2013	Jan	18.7	74.7	6.6	56.0	54.1	56.0
	Feb	23.0	71.3	5.7	58.6	56.2	57.4
	Mar	27.6	69.0	3.4	62.1	57.9	56.0
	Apr	28.0	68.8	3.2	62.4	57.3	54.9

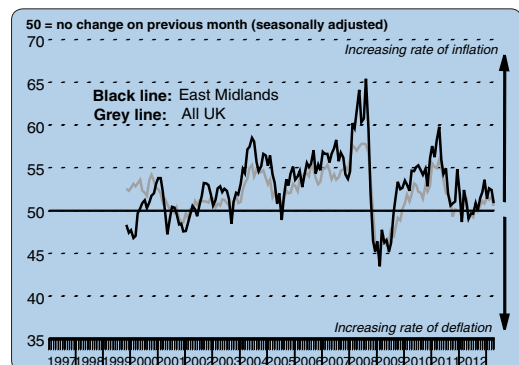


The rate of input cost inflation remained solid in April, despite easing slightly from that seen in March. The increase in input prices in the East Midlands was faster than the UK economy average. Input costs in the region have now risen in eight consecutive months. Anecdotal evidence suggested that sterling weakness had led to higher prices for imported items. Exactly 28% of panellists recorded an increase in input costs, against 3% that posted a decrease.

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 Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	6.7	85.4	7.9	49.4	50.9	50.7
	Sep	4.7	90.7	4.7	50.0	50.1	50.0
	Oct	6.9	89.7	3.4	51.7	51.5	50.6
	Nov	6.7	88.9	4.4	51.1	52.2	51.1
	Dec	10.5	88.4	1.2	54.7	53.6	50.8
2013	Jan	8.8	86.8	4.4	52.2	51.4	51.5
	Feb	12.5	83.0	4.5	54.0	52.6	51.3
	Mar	8.0	88.5	3.4	52.3	52.4	51.7
	Apr	9.7	86.0	4.3	52.7	50.9	50.5

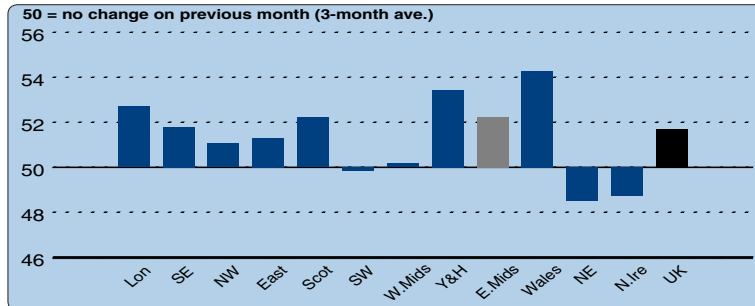


April data pointed to a rise in output prices at East Midlands companies, extending the current sequence of inflation to nine months. The latest increase was slight and the slowest since September 2012, but was broadly in line with that seen across the UK as a whole. Where charges were raised, this was largely in response to higher input costs. On the other hand, some respondents reduced output prices in an attempt to stimulate new business.



Regional Comparisons: Output

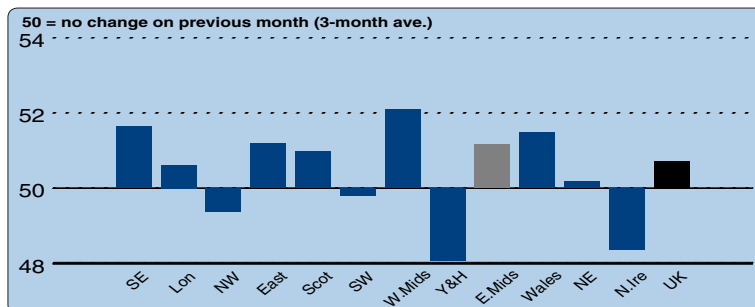
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland 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
UK	(100.0%)	51.2	51.7	52.4

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). 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
UK	(100.0%)	50.4	50.7	50.8

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.

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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 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.