



## Lloyds TSB London 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.

To find out more about Lloyds TSB Commercial please visit

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**The Lloyds TSB London 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 London and operating in both manufacturing and service sectors.

The London 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:

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13th May 2013

## Solid rise in London private sector output during April

### Key findings:

- Business activity rises for the sixth month running
- New order growth eases slightly since March
- Employment levels remain broadly unchanged

London private sector firms continued to report rising levels of business activity and new work in April, with both rates of expansion stronger than those seen for the UK as a whole. Input cost inflation eased again, reaching its lowest in 2013 to date, while prices charged by firms in the capital dropped for the first time in seven months. Despite solid output growth and softer cost inflation in April, latest data indicated that private sector employment numbers were broadly unchanged on the month.

### Output and demand

At 53.4 in April, the headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – dipped slightly from March's seven-month high of 53.8. However, the latest reading was comfortably above the 50.0 no-change value, thereby signalling a further solid expansion of business activity. The index was also stronger than that recorded for the UK as a whole in April (52.4). Growth of business activity was supported by solid rises in new orders during the latest survey period. Higher levels of new work have now been recorded in each of the past 32 months.

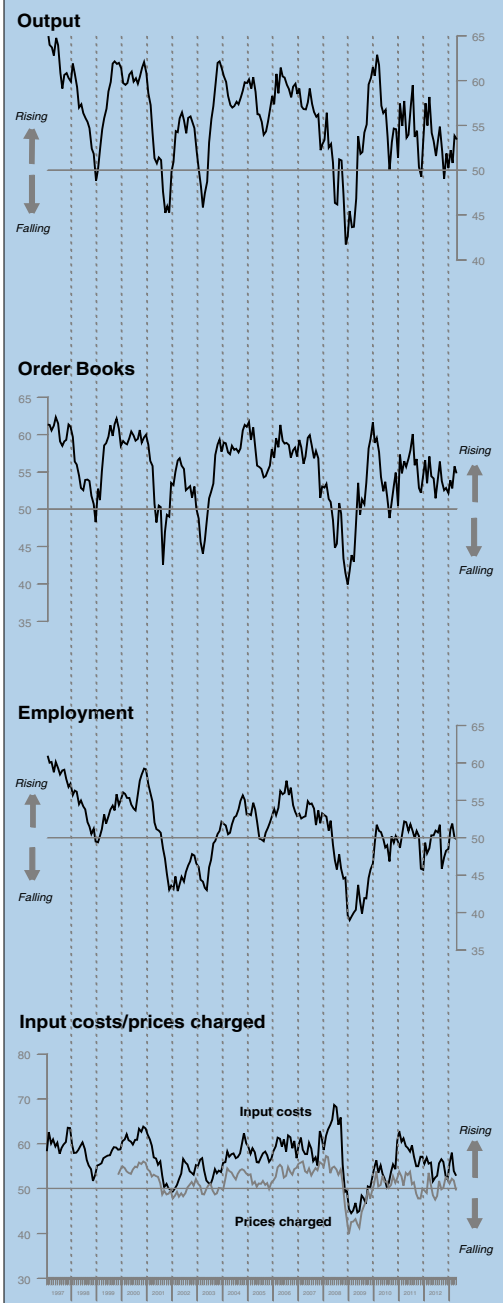
### Employment and backlogs

Staffing levels were again broadly unchanged in April. Anecdotal evidence from survey respondents suggested that efforts to maintain margins and a general lack of pressure on operating capacity had held back job hiring at their units. The latter was highlighted by a further reduction in unfinished business at companies in London. Lower levels of outstanding work had now been recorded for 12 months running, despite improvements in new business intakes throughout this period.

### Input and output prices

Average cost burdens increased in April, but the rate of inflation was well below the long-run survey average and the weakest since December 2012. Companies that reported a rise in their input costs generally cited higher energy bills at their units. Meanwhile, softer cost pressures and competition for new work resulted in a decrease in prices charged by London private sector firms for the first time since September 2012.

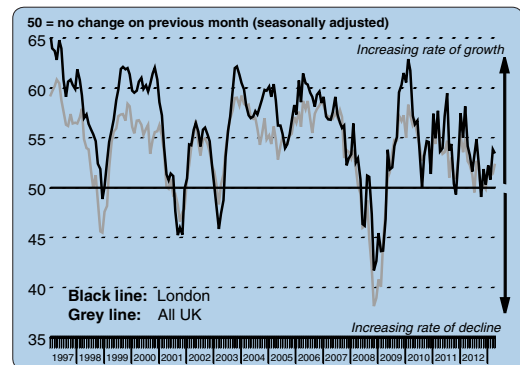
### London Business Conditions



## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	19.3	55.0	25.7	46.8	54.9	52.7
	Sep	23.5	52.9	23.5	50.0	52.1	51.7
	Oct	24.0	57.7	18.3	52.9	49.1	49.7
	Nov	23.6	59.1	17.3	53.2	51.9	50.2
	Dec	25.0	56.7	18.3	53.4	50.3	49.9
2013	Jan	17.8	61.4	20.8	48.5	52.3	52.1
	Feb	20.4	64.1	15.5	52.4	50.8	51.2
	Mar	23.0	64.0	13.0	55.0	53.8	51.4
	Apr	25.9	56.3	17.9	54.0	53.4	52.4

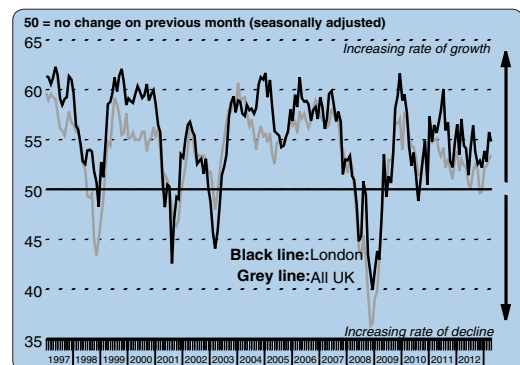


April data pointed to an expansion of business activity in the London private sector for the sixth consecutive month. At 53.4, down from 53.8 in March, the seasonally adjusted Business Activity Index signalled a solid pace of expansion that was faster than the wider UK trend. Although the rate of output growth eased since the previous month, it was the second-strongest since August 2012.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	24.5	52.8	22.6	50.9	56.4	51.9
	Sep	23.2	51.5	25.3	49.0	53.8	52.5
	Oct	30.4	51.0	18.6	55.9	52.6	51.9
	Nov	22.6	59.4	17.9	52.4	52.9	49.6
	Dec	27.0	55.0	18.0	54.5	52.2	49.8
2013	Jan	22.4	61.2	16.3	53.1	53.9	52.2
	Feb	27.5	55.9	16.7	55.4	52.8	52.4
	Mar	26.5	61.2	12.2	57.1	55.8	53.1
	Apr	27.0	55.0	18.0	54.5	54.8	53.4

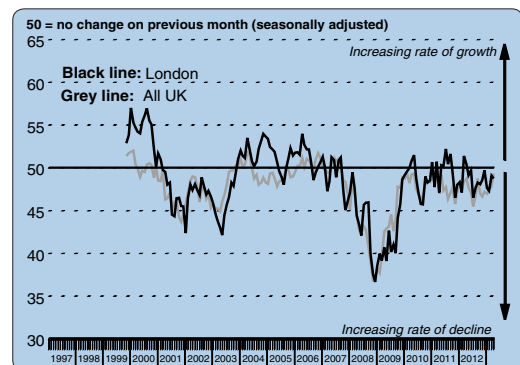


The seasonally adjusted Incoming New Business Index indicated a further solid improvement in new order books at London private sector companies. At 54.8 in April, the index dipped slightly from March's seven-month high of 55.8 but remained well above the 50.0 no-change value. Higher levels of new business have been recorded in each month since September 2010, and the latest rise was faster than the UK average.

## Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	11.2	70.4	18.4	46.4	47.7	46.8
	Sep	7.5	72.0	20.4	43.5	48.3	48.8
	Oct	11.7	75.5	12.8	49.5	48.1	47.0
	Nov	13.9	70.3	15.8	49.0	48.6	46.7
	Dec	10.6	74.5	14.9	47.9	49.7	47.3
2013	Jan	10.9	71.7	17.4	46.7	47.6	47.0
	Feb	13.0	70.7	16.3	48.4	47.3	47.4
	Mar	15.4	70.3	14.3	50.5	49.1	47.9
	Apr	14.7	70.6	14.7	50.0	48.7	49.4

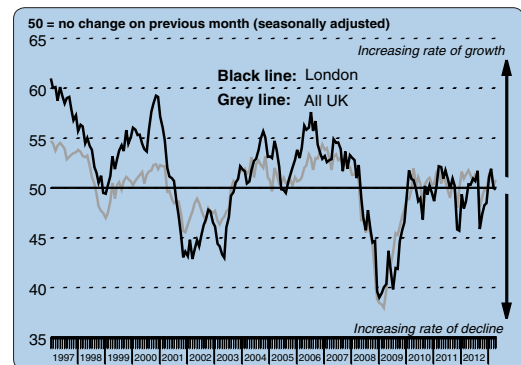


Despite a solid increase in new business intakes during April, latest data indicated a continued reduction in unfinished work at private sector companies in London. At 48.7, down slightly from 49.1 in March, the seasonally adjusted Business Outstanding Index was below the 50.0 no-change value for the twelfth consecutive month. The latest reading indicated only a marginal rate of decline, which broadly matched the UK-wide trend.

## Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	10.1	80.7	9.2	50.5	51.8	51.0
	Sep	11.8	73.5	14.7	48.5	45.9	48.1
	Oct	13.5	72.1	14.4	49.5	47.4	49.1
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.8
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3
	Feb	17.5	72.8	9.7	53.9	51.9	51.0
	Mar	10.0	77.0	13.0	48.5	50.0	50.3
	Apr	14.3	75.9	9.8	52.2	49.9	50.8

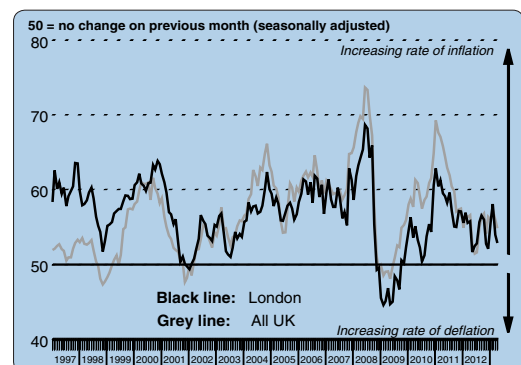


Private sector staffing levels were broadly unchanged in London during April. This was highlighted by the seasonally adjusted Employment Index registering 49.9 in April, from 50.0 during March. A stagnation of workforce numbers contrasted with a slight expansion of employment across the UK as a whole. Anecdotal evidence suggested that cautious job hiring trends in London reflected efforts to maintain margins and a general lack of pressure on operating capacity.

## Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	10.1	88.1	1.8	54.1	55.7	54.9
	Sep	12.7	86.3	1.0	55.9	56.6	56.4
	Oct	12.5	83.7	3.8	54.3	56.0	56.9
	Nov	11.8	80.9	7.3	52.3	52.8	54.2
	Dec	7.8	85.4	6.8	50.5	52.1	56.4
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.0
	Feb	22.3	72.8	4.9	58.7	58.1	57.4
	Mar	6.0	90.0	4.0	51.0	54.0	56.0
	Apr	11.6	85.7	2.7	54.5	52.9	54.9

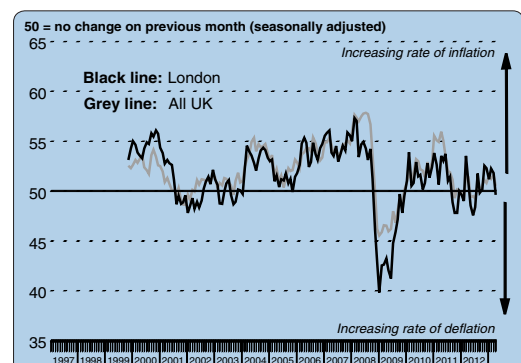


At 52.9 in April, down from 54.0 in March, the seasonally adjusted Input Prices Index signalled a further moderation in cost pressures at private sector companies in London. The latest reading was below the UK average (54.9) and indicated the weakest rise in input prices so far this year. Companies that reported higher cost burdens generally cited rising energy bills at their units in April.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	7.3	89.0	3.7	51.8	51.8	50.7
	Sep	4.9	90.2	4.9	50.0	49.9	50.0
	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7
	Apr	5.4	88.4	6.3	49.6	49.6	50.5

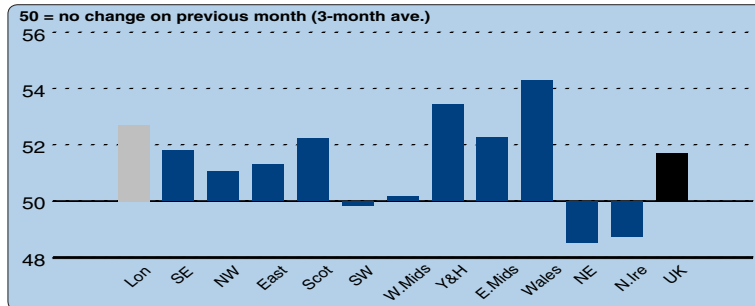


April data indicated a renewed decline in prices charged by private sector companies in London. At 49.6, down from 51.8 in March, the seasonally adjusted Output Prices Index registered below the 50.0 no-change value for the first time since September 2012. The latest reading indicated only a marginal fall in output charges in the capital, but this contrasted with a further increase across the UK as a whole.



## Regional Comparisons: Output

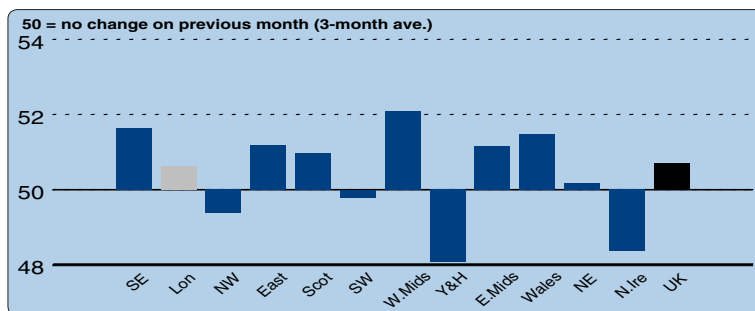
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland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

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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. They 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.