



Lloyds TSB North East 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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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 North East 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 North East and operating in both manufacturing and service sectors.

The North East 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

Business activity falls marginally in April

Key findings:

- New orders increase for the first time in 2013, albeit slightly
- Input price inflation eases to eight-month low
- Staff numbers are cut for the first time in three months

Business activity in the North East private sector decreased for the fifth successive month in April. That said, the rate of contraction eased to the weakest in 2013 so far. Meanwhile, new orders increased slightly during April, and for the first time since last December. Employment levels declined marginally following a modest increase in March, while backlogs of work fell the second month in a row.

Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 49.5 in April, up from 47.3 in March, signalling only a slight reduction in activity in the region. Output for the UK private sector economy as a whole, however, increased modestly.

Meanwhile, new business in the North East increased for the first time in 2013 so far, albeit only slightly. Data indicated that new order growth was centred on the region's manufacturing sector. New business at the UK level also increased in April, and at a solid pace.

Employment and backlogs

After a modest increase in staff numbers in March, employment in the North East private sector decreased during April. That said the rate of job shedding was only slight. Meanwhile, payroll numbers increased marginally across the UK private sector economy as a whole.

Backlogs of work fell for the second successive month during April. Furthermore, the rate of depletion quickened since March to a modest pace. The volume of outstanding business also declined across the UK as a whole, albeit slightly.

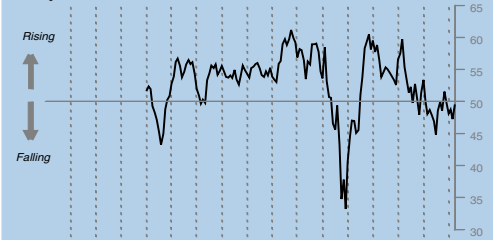
Input and output prices

Input costs rose for the ninth consecutive month at private sector firms in the North East during April. However, the rate of input price inflation eased to the slowest since last August. Inflation also eased across the UK private sector economy during April, but remained solid overall.

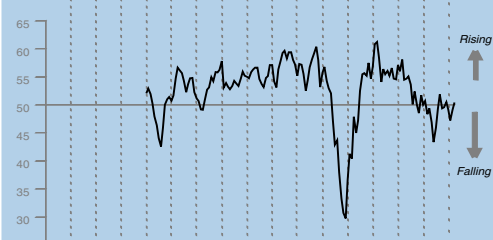
Output charges in the North East increased for the tenth successive month in April. That said, tariffs were raised only slightly. Output charges were also increased marginally at the UK level.

North East Business Conditions

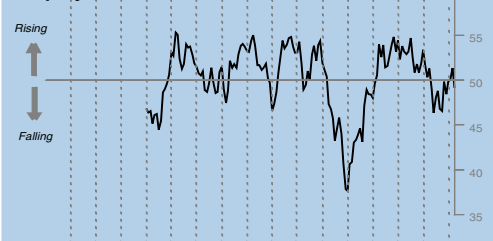
Output



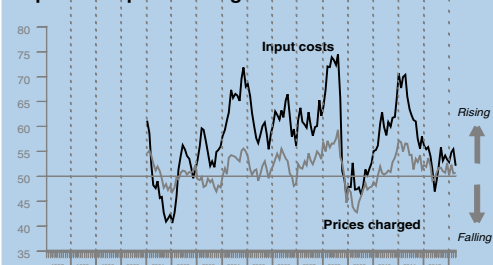
Order Books



Employment



Input costs/prices charged

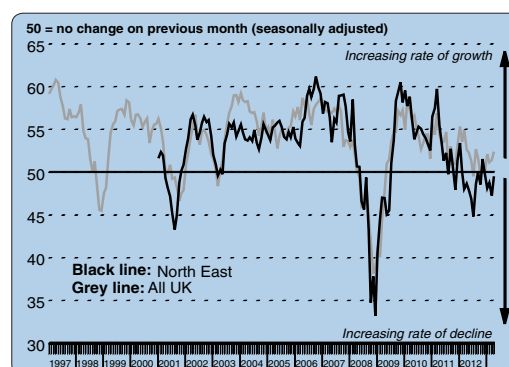




Output / Business Activity

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	28.0	44.0	28.0	50.0	48.6	52.7
	Sep	25.5	57.4	17.0	54.3	50.0	51.7
	Oct	23.5	52.9	23.5	50.0	48.6	49.7
	Nov	16.7	62.5	20.8	47.9	51.6	50.2
	Dec	13.0	61.1	25.9	43.5	49.9	49.9
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.1
	Feb	28.6	49.0	22.4	53.1	48.7	51.2
	Mar	21.2	63.5	15.4	52.9	47.3	51.4
	Apr	19.1	61.7	19.1	50.0	49.5	52.4

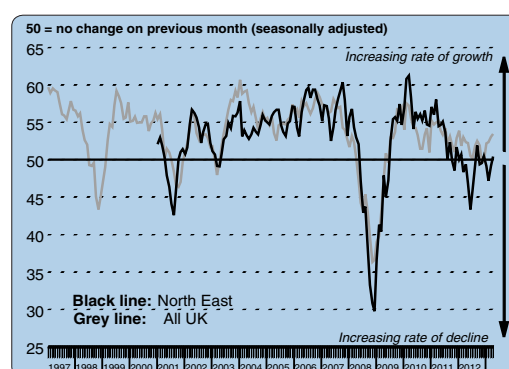


Business activity in the North East private sector decreased for the fifth consecutive month in April. That said, the rate of reduction was only slight and the weakest since the start of the year, as signalled by the seasonally adjusted Business Activity Index, which posted at 49.5. Sector data indicated that lower output in the region resulted from decreased activity at service providers. In contrast, output in the UK private sector economy as a whole expanded modestly.

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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	30.6	40.8	28.6	51.0	49.3	51.9
	Sep	21.7	58.7	19.6	51.1	51.9	52.5
	Oct	24.0	46.0	30.0	47.0	49.4	51.9
	Nov	20.8	52.1	27.1	46.9	49.6	49.6
	Dec	26.4	47.2	26.4	50.0	50.5	49.8
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.2
	Feb	25.5	48.9	25.5	50.0	47.2	52.4
	Mar	28.0	56.0	16.0	56.0	49.2	53.1
	Apr	34.0	42.6	23.4	55.3	50.5	53.4

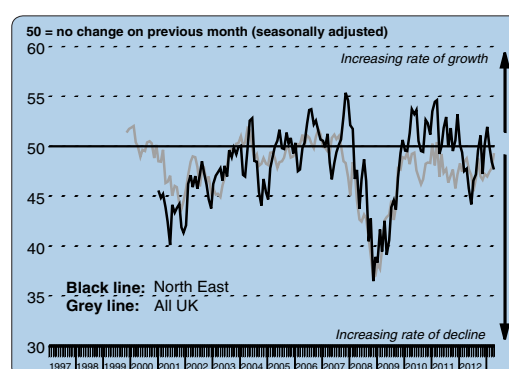


New business placed at North East private sector firms increased for the first time in 2013 in April. Although the rate of expansion was marginal, it was only the second time that new order growth has been recorded in the region in seven months. The rise in new business was attributed to higher new order volumes in the region's manufacturing sector. The UK private sector economy as a whole also saw higher new order volumes, with new business rising at a solid rate.

Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	16.3	62.8	20.9	47.7	47.2	46.8
	Sep	7.3	78.0	14.6	46.3	49.6	48.8
	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9
	Apr	18.6	60.5	20.9	48.8	47.7	49.4

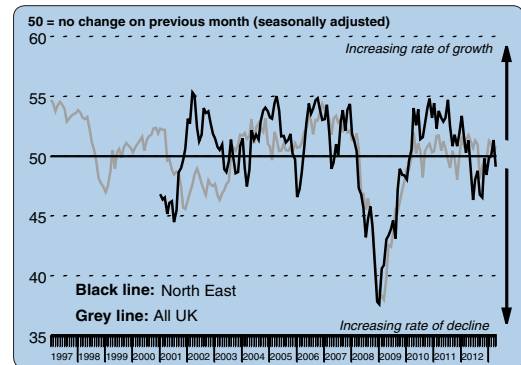


The volume of outstanding business at private sector firms in the North East declined for the second successive month in April. Furthermore, the rate of depletion accelerated since March to the sharpest since last November. Backlogs of work fell across both monitored sectors, though at a faster pace at manufacturers. The UK private sector economy as a whole recorded a lower level of work-in-hand, though the rate of depletion was only slight.

Employment

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	14.0	76.0	10.0	52.0	48.8	51.0
	Sep	12.8	72.3	14.9	48.9	46.8	48.1
	Oct	14.0	64.0	22.0	46.0	46.6	49.1
	Nov	17.0	63.8	19.1	48.9	49.8	49.9
	Dec	11.3	67.9	20.8	45.3	48.4	49.8
2013	Jan	14.0	74.0	12.0	51.0	49.9	51.3
	Feb	14.3	73.5	12.2	51.0	50.0	51.0
	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	50.8

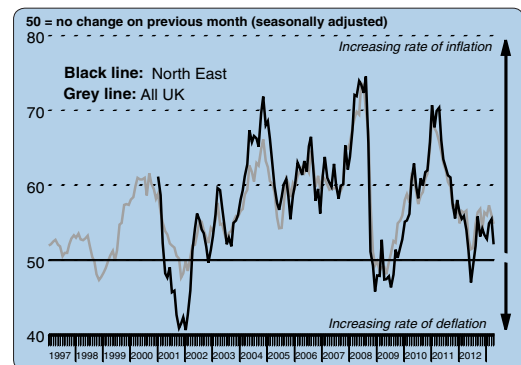


Following on from a modest rate of job creation in March, employment levels in the North East private sector decreased in April. That said, the seasonally adjusted Employment Index indicated only a marginal rate of job shedding, posting at 49.1. Meanwhile, the UK private sector economy as a whole registered a slight expansion of payroll numbers. A number of panellists from the North East suggested that staff numbers fell due to a drop in business activity.

Input Prices / Costs

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	18.8	79.2	2.1	58.3	51.9	54.9
	Sep	13.3	86.7	0.0	56.7	55.9	56.4
	Oct	10.0	82.0	8.0	51.0	53.2	56.9
	Nov	8.7	82.6	8.7	50.0	54.2	54.2
	Dec	9.6	80.8	9.6	50.0	53.4	56.4
2013	Jan	14.6	75.0	10.4	52.1	52.9	56.0
	Feb	14.6	81.3	4.2	55.2	54.9	57.4
	Mar	20.4	75.5	4.1	58.2	55.5	56.0
	Apr	17.8	77.8	4.4	56.7	52.1	54.9

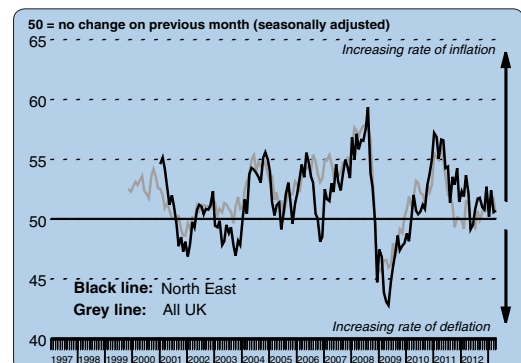


Average input costs in the North East private sector increased for the ninth successive month in April. However, after adjusting for seasonality, the rate of input price inflation eased to a modest pace that was the weakest since last August. Sector data indicated that higher input costs at service providers drove inflation in the latest survey period. Cost inflation was also recorded for the UK private sector economy as a whole and was solid.

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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	6.3	91.7	2.1	52.1	51.7	50.7
	Sep	4.3	93.5	2.2	51.1	51.8	50.0
	Oct	6.0	90.0	4.0	51.0	51.0	50.6
	Nov	4.3	91.5	4.3	50.0	50.8	51.1
	Dec	5.7	92.5	1.9	51.9	52.7	50.8
2013	Jan	6.1	87.8	6.1	50.0	50.2	51.5
	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7
	Apr	10.9	84.8	4.3	53.3	50.7	50.5

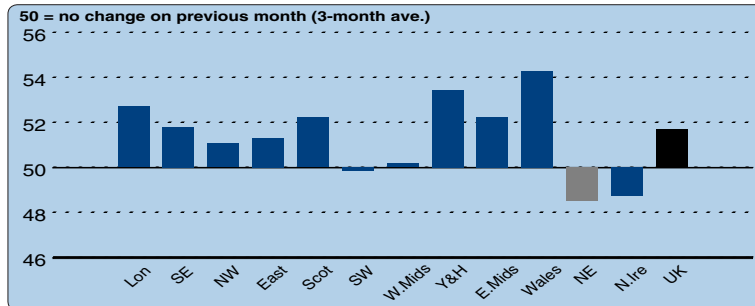


Output charges set by North East private sector firms increased for the tenth consecutive month in April. After adjusting for seasonal factors, the rate of increase was broadly unchanged from March and remained marginal. Furthermore, it was one of the weakest increases in the current sequence. The UK private sector economy as a whole also registered increased output charges in April, with inflation at a similarly marginal pace as that recorded in the North East.



Regional Comparisons: Output

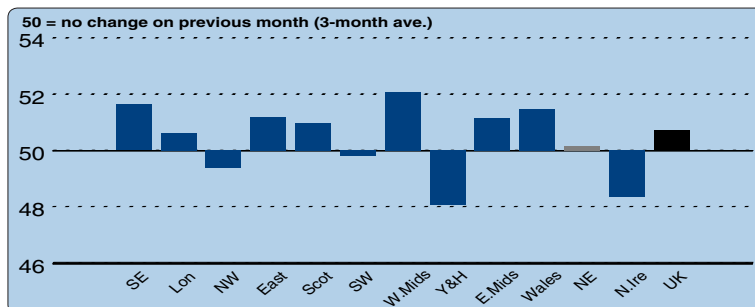
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland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

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 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.