



Lloyds TSB North West PMI®

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Our team of well established and experienced relationship managers provide locally-based support to a wide range of businesses, discussing new strategies and ideas as well helping them to access other sources of guidance.

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 West 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 West and operating in both manufacturing and service sectors.

The North West 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 in private sector output remains sluggish and slower than the UK overall

Key findings:

- Business activity expands at service providers but falls at manufacturers
- New work increases at fastest pace since October 2012
- Rate of job shedding fastest in year-to-date

Private sector firms in the North West signalled output growth during April. However, with services firms posting higher business activity but manufacturers noting a fall, the overall rate of expansion remained marginal. Similarly, incoming new work rose in the service sector, and fell at goods producers. Meanwhile, companies cut their staffing levels further in April.

Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose slightly to 50.6 in April from 50.4 in March. The latest reading pointed to a marginal rise in output, that was slower than the UK economy average (52.4).

Services firms in the North West signalled higher levels of incoming new work, mentioning increased marketing and strengthening demand from domestic and export clients. Conversely, manufacturers indicated a fall. Subsequently, the overall rate of expansion across the private sector was moderate, but nonetheless the fastest since last October.

Employment and backlogs

Payroll numbers in the North West private sector fell slightly in April, and the rate of job cuts accelerated to the fastest in 2013 so far. Manufacturing and services companies both indicated lower employment levels, with some mentioning recruitment freezes at their units. In contrast, job creation was signalled in the UK overall.

Backlogs of work decreased further in April. The rate of depletion was, however, moderate and eased to a seven-month low. At the UK level, business outstanding also fell, but only slightly.

Input and output prices

As has been observed in each month since August 2012, input prices in the North West private sector rose during April. The rate of cost inflation was strong and faster than that seen across the UK as a whole. Firms mentioned that fuel, steel and utility costs had all increased.

Consequently, average tariffs rose for a further month. The rate of charge inflation was, however, marginal and the weakest in nine months. Output prices in the UK overall also increased marginally.

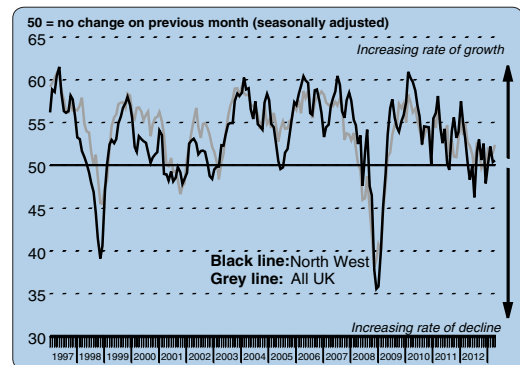
North West Business Conditions



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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	23.2	43.9	32.9	45.1	51.5	52.7
	Sep	37.4	40.7	22.0	57.7	53.0	51.7
	Oct	28.3	46.7	25.0	51.6	50.6	49.7
	Nov	32.6	43.0	24.4	54.1	52.5	50.2
	Dec	20.5	44.3	35.2	42.6	47.9	49.9
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.1
	Feb	32.7	55.1	12.2	60.2	52.2	51.2
	Mar	24.5	55.1	20.4	52.0	50.4	51.4
	Apr	25.7	49.5	24.8	50.5	50.6	52.4

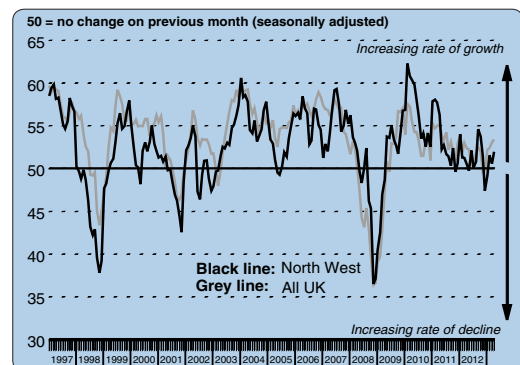


Companies operating in the North West private sector indicated output growth during April. Despite business activity rising for the fourth consecutive month, the rate of expansion was marginal and broadly unchanged from March. In contrast to an increase signalled by service providers, goods-producing firms registered a fall in production. Business activity across the UK as a whole rose only moderately, but at the fastest rate 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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	23.5	42.0	34.6	44.4	50.8	51.9
	Sep	34.8	40.4	24.7	55.1	54.6	52.5
	Oct	29.7	44.0	26.4	51.6	53.8	51.9
	Nov	27.1	42.4	30.6	48.2	51.5	49.6
	Dec	21.8	42.5	35.6	43.1	47.4	49.8
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.2
	Feb	34.0	46.4	19.6	57.2	51.5	52.4
	Mar	25.5	54.1	20.4	52.6	50.6	53.1
	Apr	31.7	44.6	23.8	54.0	52.0	53.4

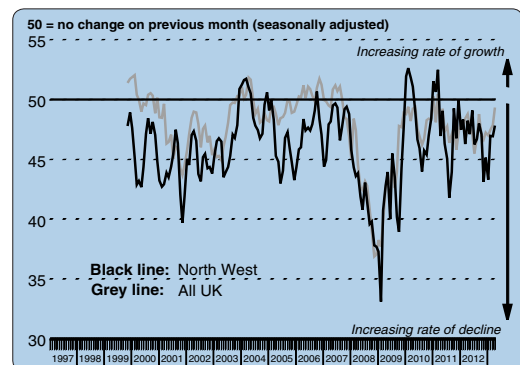


April data pointed to a third successive rise in new orders placed at private sector firms in the North West. The rate of growth was moderate, but accelerated to the fastest since October last year. Services companies reported higher levels of incoming new work, citing increased marketing and resilient demand from both domestic and foreign clients. Conversely, manufacturers noted a fall and some mentioned weaker export demand. At the UK level, incoming new business expanded for the fourth month running, with pace of growth solid and slightly faster than in March.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	13.2	53.9	32.9	40.1	46.7	46.8
	Sep	15.3	60.0	24.7	45.3	48.0	48.8
	Oct	17.6	54.1	28.2	44.7	47.1	47.0
	Nov	11.0	54.9	34.1	38.4	43.1	46.7
	Dec	10.8	61.4	27.7	41.6	45.2	47.3
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4

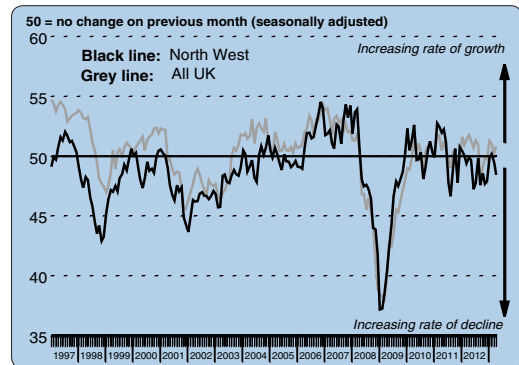


Backlogs of work in the North West private sector fell during April, marking a 16-month period of decline. That said, the rate of depletion was moderate and the slowest in seven months. Manufacturers and service providers both indicated lower volumes of work-in-hand (but not yet completed). Unfinished business levels across the UK as a whole fell for the twenty-fifth consecutive month, albeit only slightly.

Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	11.3	78.8	10.0	50.6	49.9	51.0
	Sep	14.4	74.4	11.1	51.7	47.6	48.1
	Oct	11.8	76.3	11.8	50.0	48.6	49.1
	Nov	14.0	73.3	12.8	50.6	47.7	49.9
	Dec	5.7	83.0	11.4	47.2	47.9	49.8
2013	Jan	6.9	83.2	9.9	48.5	49.9	51.3
	Feb	10.3	79.4	10.3	50.0	50.2	51.0
	Mar	12.4	76.3	11.3	50.5	49.5	50.3
	Apr	7.0	84.0	9.0	49.0	48.5	50.8

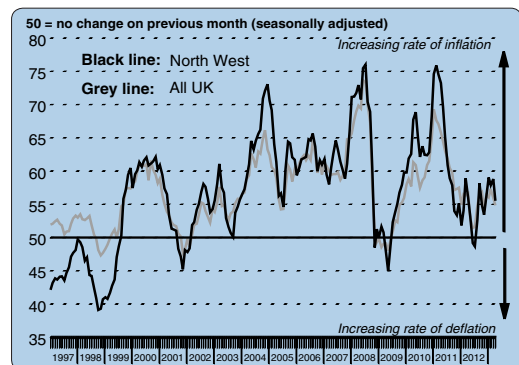


Employment levels in the North West private sector fell for the second month running in April. Despite accelerating from March, the rate of job shedding was only slight, with 9% of firms reporting lower employee headcounts and the vast majority (84%) indicating no change. Manufacturing and services companies both signalled lower staffing levels. At the UK level, workforces increased for the fourth successive month, but only slightly.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	17.1	67.1	15.9	50.6	52.6	54.9
	Sep	23.1	72.5	4.4	59.3	58.2	56.4
	Oct	16.1	72.0	11.8	52.2	54.8	56.9
	Nov	11.8	78.8	9.4	51.2	53.5	54.2
	Dec	12.5	80.7	6.8	52.8	56.0	56.4
2013	Jan	21.8	71.3	6.9	57.4	59.1	56.0
	Feb	19.6	75.3	5.2	57.2	57.9	57.4
	Mar	31.6	66.3	2.0	64.8	58.8	56.0
	Apr	22.0	67.0	11.0	55.5	55.5	54.9

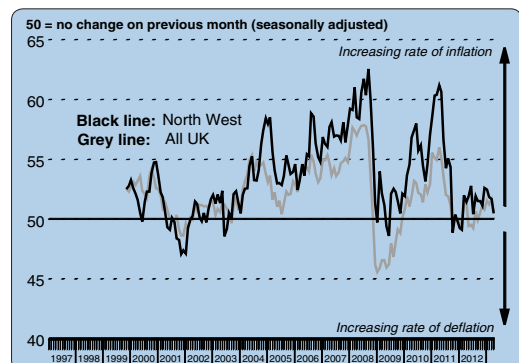


Private sector companies operating in the North West indicated higher prices paid for inputs during April, extending the current sequence of inflation to nine months. The rise in input prices was strong, but the weakest in five months. Increased purchase prices were signalled by both manufacturers and service providers. Higher fuel and raw material costs were frequently mentioned. At the UK level, the rise in input prices was robust, but the rate of inflation eased to a five-month low.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	6.1	89.0	4.9	50.6	51.9	50.7
	Sep	7.7	90.1	2.2	52.7	51.5	50.0
	Oct	9.8	80.4	9.8	50.0	51.5	50.6
	Nov	9.3	80.2	10.5	49.4	51.1	51.1
	Dec	5.7	89.8	4.5	50.6	52.6	50.8
2013	Jan	12.7	82.4	4.9	53.9	52.5	51.5
	Feb	16.3	75.5	8.2	54.1	51.9	51.3
	Mar	9.1	82.8	8.1	50.5	51.7	51.7
	Apr	9.9	83.2	6.9	51.5	50.5	50.5

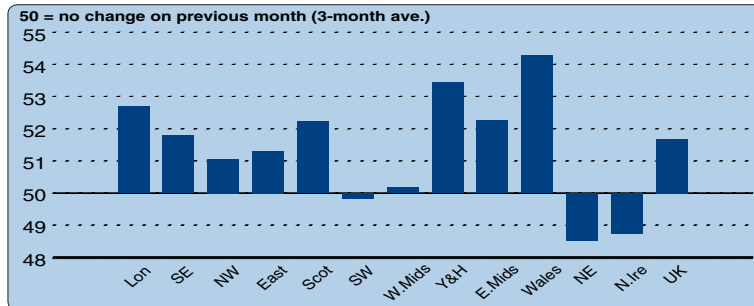


Private sector firms in the North West passed on part of their increased cost burdens to clients by raising their selling prices in April. That said, output charges rose only marginally and at the weakest rate since July 2012. Average selling prices increased in both the service and manufacturing sectors. At the UK level, the rate of charge inflation was also marginal and the slowest in the current seven-month sequence of rising tariffs.



Regional Comparisons: Output

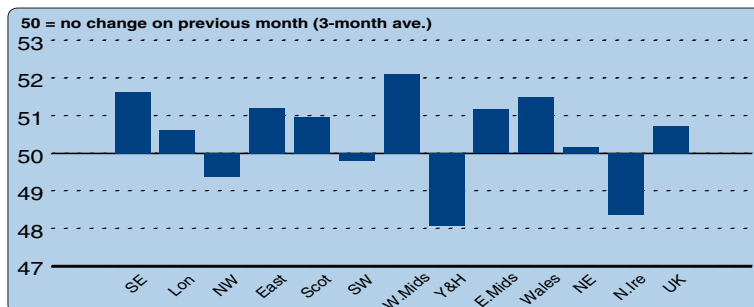
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland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