



## Lloyds TSB South 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 South 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 South East and operating in both manufacturing and service sectors.

The South 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.

For further information, please contact:

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13th May 2013

## Output growth maintained at moderate pace in April

### Key findings:

- Total activity increases only modestly despite robust rise in new business
- Output prices fall for first time since November
- Growth in employment resumes

The latest PMI® data from Lloyds TSB showed that the South East private sector continued to expand at the start of the second quarter, but that output growth failed to gain momentum. This was despite a further robust rise in new business volumes, and partly reflected a weak manufacturing performance. On a positive note, employment growth recovered and inflationary pressures were the weakest in five months.

### Output and demand

The headline **Lloyds TSB South East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – remained above the no-change mark of 50.0 for the fourth month in succession in April, posting 51.8. That signalled a modest rate of expansion that was little-changed from those seen in the previous two months. The index also remained below its post-crisis average of 53.9 at the start of the second quarter.

The South East's private sector companies registered another robust rise in new business volumes in April. The pace of growth was broadly in line with the UK trend, and mainly reflected demand growth in the service sector.

### Employment and backlogs

April data signalled a resumption of workforce growth in the South East, following a pause in March. Moreover, of 12 UK regions covered, only the West Midlands posted a stronger increase in private sector employment than the South East.

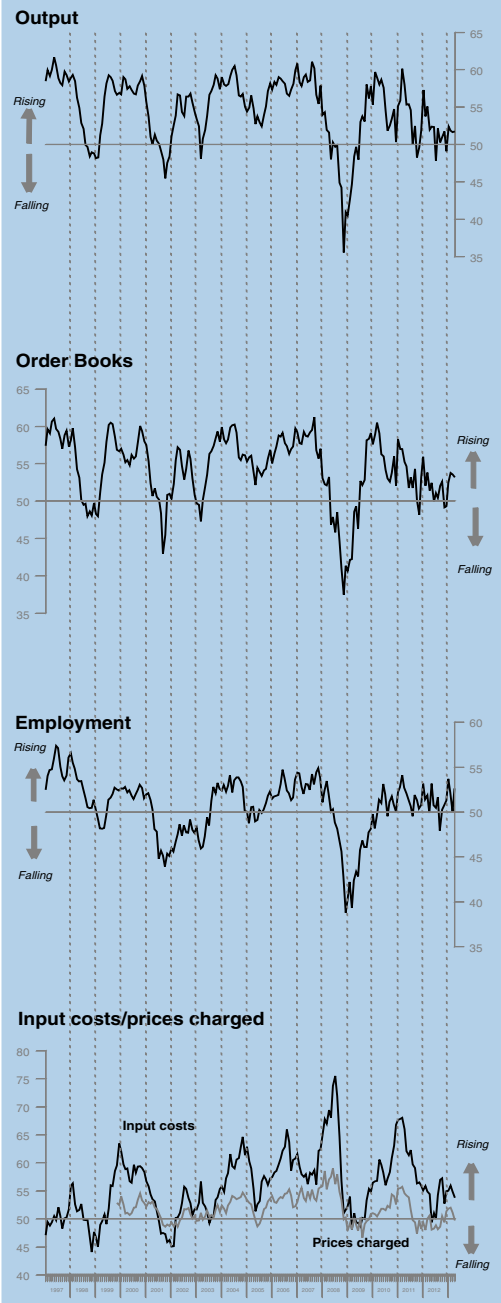
With new business growth remaining below the long-run survey average in April, the volume of incomplete work continued to decline. The rate of contraction remained modest, however, as outstanding business at service providers fell only marginally.

### Input and output prices

Average input prices rose for the ninth successive month in April, but at the slowest rate since November. Cost pressures were notably weak in manufacturing, while service providers linked higher input costs to labour and indexed purchase prices.

Meanwhile, prices charged fell marginally for the first time in five months, reflecting lower factory gate prices. Service providers' charges were broadly flat over the month.

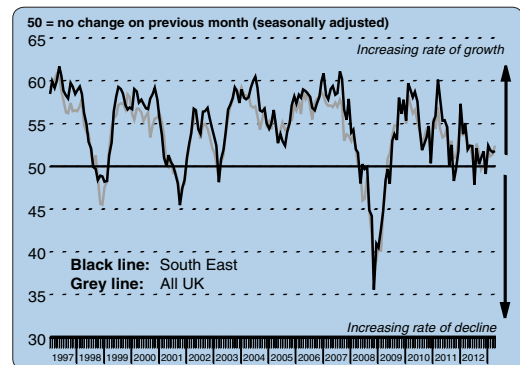
### South East Business Conditions



## 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	23.5	50.6	25.9	48.8	52.2	52.7
	Sep	28.8	48.5	22.7	53.1	50.3	51.7
	Oct	25.7	52.6	21.6	52.0	51.0	49.7
	Nov	28.6	47.0	24.3	52.2	51.7	50.2
	Dec	24.6	46.9	28.6	48.0	49.1	49.9
2013	Jan	25.4	50.8	23.8	50.8	52.4	52.1
	Feb	27.5	53.3	19.2	54.1	51.9	51.2
	Mar	30.8	51.9	17.3	56.8	51.7	51.4
	Apr	28.9	50.6	20.6	54.2	51.8	52.4

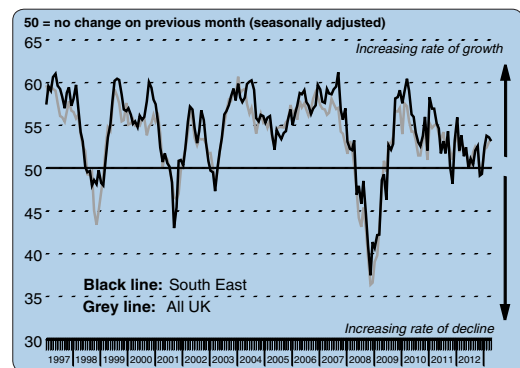


Survey data indicated a fourth successive monthly increase in business activity at private sector firms in the South East. The rate of expansion remained modest, however, and was little-changed from those registered in February and March. Sector data indicated that the service sector drove overall expansion, as manufacturing production was broadly flat over the month. Across the UK as a whole, output rose at the strongest pace since last August. Firms in the South East reported improving market conditions and winning 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	24.9	46.7	28.4	48.2	50.5	51.9
	Sep	27.6	42.9	29.4	49.1	52.1	52.5
	Oct	28.2	50.0	21.8	53.2	52.6	51.9
	Nov	26.6	45.1	28.3	49.2	49.2	49.6
	Dec	27.2	40.5	32.4	47.4	49.3	49.8
2013	Jan	27.2	53.3	19.4	53.9	52.5	52.2
	Feb	31.5	48.1	20.4	55.5	53.8	52.4
	Mar	29.7	49.2	21.1	54.3	53.6	53.1
	Apr	29.6	49.7	20.7	54.5	53.2	53.4

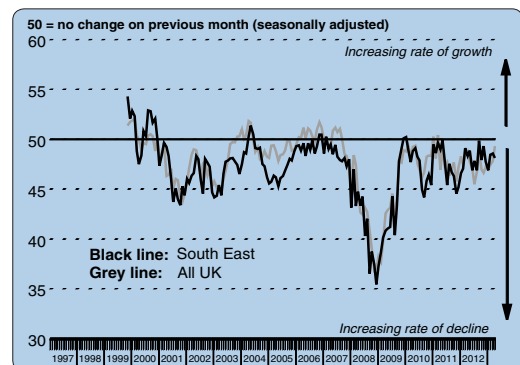


The seasonally adjusted Incoming New Business Index remained above the no-change mark of 50.0 in April, and the latest figure signalled a further robust rate of new order growth in the South East (albeit the slowest since January). The latest index reading was also broadly in line with the UK average for April, but remained weaker than the historic survey average. New business in the service sector accounted for the overall rise in April, as manufacturing new orders registered a marginal decline. Firms reported successful marketing campaigns and expanded client bases.

## Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	12.8	66.0	21.2	45.8	46.9	46.8
	Sep	18.5	58.9	22.5	48.0	49.9	48.8
	Oct	14.6	63.9	21.5	46.5	47.9	47.0
	Nov	18.7	58.5	22.8	48.0	49.4	46.7
	Dec	12.3	57.7	30.1	41.1	47.8	47.3
2013	Jan	17.4	56.3	26.3	45.5	46.9	47.0
	Feb	18.6	62.9	18.6	50.0	48.5	47.4
	Mar	17.6	62.4	20.0	48.8	48.6	47.9
	Apr	15.1	66.9	18.1	48.5	48.1	49.4

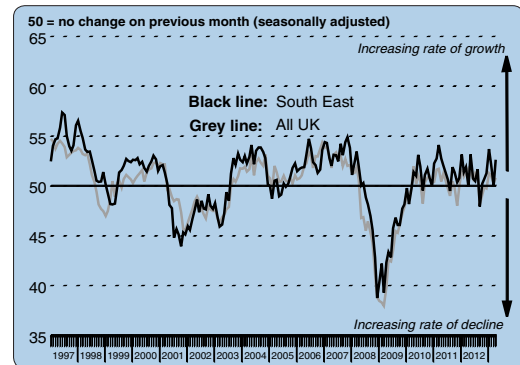


The volume of outstanding business held at private sector firms in the South East declined in April, continuing the trend shown since February 2010. The rate of backlog depletion accelerated slightly to the fastest since January, and was also slightly sharper than the UK average. Manufacturing backlogs continued to fall at a marked pace, while only a marginal fall was registered in the service sector. Firms linked falling backlogs to completed projects not being replaced, and delays from clients placing new orders.

## Employment

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	14.6	74.3	11.1	51.8	51.7	51.0
	Sep	11.6	75.6	12.8	49.4	47.9	48.1
	Oct	17.0	71.9	11.1	52.9	50.3	49.1
	Nov	15.1	72.6	12.4	51.3	50.8	49.9
	Dec	14.9	75.4	9.7	52.6	51.3	49.8
2013	Jan	14.4	76.8	8.8	52.8	53.7	51.3
	Feb	9.9	80.8	9.3	50.3	52.2	51.0
	Mar	12.4	76.2	11.4	50.5	50.0	50.3
	Apr	16.1	73.9	10.0	53.1	52.7	50.8

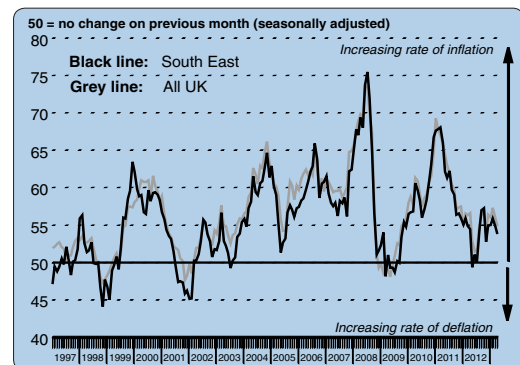


Private sector employment in the South East rose for the sixth time in the past seven months in April, compared with a four-month sequence of job creation at the national level. Having signalled no change in jobs in March, the seasonally adjusted Employment Index improved to a three-month high in the latest period. Moreover, of 12 UK regions covered in total, only the West Midlands posted a stronger rate of private sector employment growth than the South East at the start of the second quarter. Recruitment at service providers was linked to rising business requirements.

## Input Prices / Costs

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	11.8	84.1	4.1	53.8	54.3	54.9
	Sep	19.5	72.6	7.9	55.8	57.0	56.4
	Oct	18.1	74.9	7.0	55.6	57.3	56.9
	Nov	10.2	82.3	7.5	51.3	52.8	54.2
	Dec	10.3	85.1	4.6	52.9	55.0	56.4
2013	Jan	16.0	80.1	3.9	56.1	55.0	56.0
	Feb	15.9	81.9	2.2	56.9	55.9	57.4
	Mar	16.3	81.0	2.7	56.8	54.9	56.0
	Apr	18.8	77.3	3.9	57.5	53.8	54.9

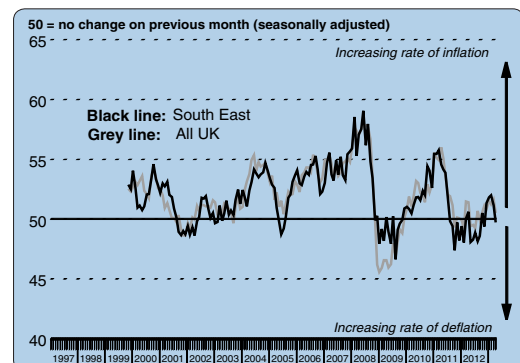


Average input prices faced by companies in the South East's private sector rose for the ninth successive month in April. That said, the rate of inflation eased for the second month running, to the weakest since last November. The seasonally adjusted Input Prices Index was also below the All-UK figure, as has been the case for the past six months. Input price inflation slowed to a weak pace in manufacturing, but remained sharp at service providers. Greater cost pressures at service providers were linked to salaries, plastic prices and also indexed purchase prices in general.

## 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Aug	0.6	92.4	7.0	46.8	48.2	50.7
	Sep	6.1	84.8	9.1	48.5	48.6	50.0
	Oct	8.2	84.2	7.6	50.3	50.5	50.6
	Nov	5.4	86.0	8.6	48.4	49.4	51.1
	Dec	4.0	92.0	4.0	50.0	51.4	50.8
2013	Jan	11.6	83.4	5.0	53.3	51.8	51.5
	Feb	10.4	84.6	4.9	52.7	52.0	51.3
	Mar	6.0	89.1	4.9	50.5	51.2	51.7
	Apr	8.8	86.2	5.0	51.9	49.7	50.5

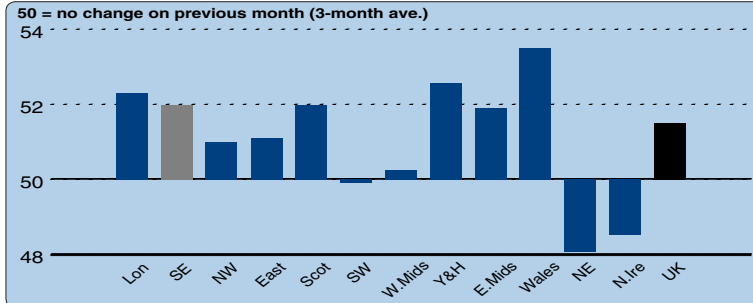


Prices charged for goods and services in the South East fell on average in April, following a four-month sequence of inflation. This discounting contrasted with a slight rise in output prices across the UK as a whole, but was only marginal. Sector data signalled a slight fall in factory gate prices and a broadly flat trend in the service sector. Manufacturers linked lower output prices to falling costs of some raw materials.



## Regional Comparisons: Output

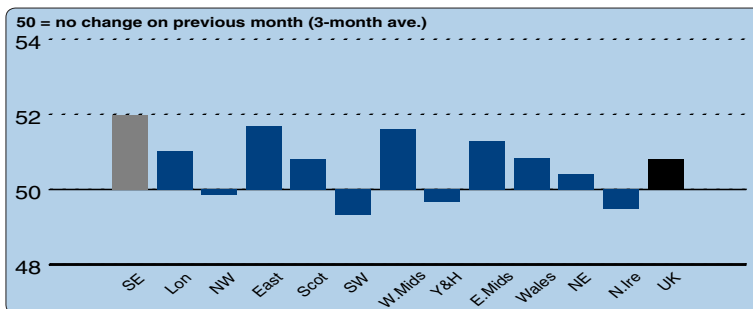
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland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