



## Lloyds TSB South West 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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To find out more about Lloyds TSB Commercial please visit

[www.lloydstsb.com/business](http://www.lloydstsb.com/business)

The Lloyds TSB South 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 South West and operating in both manufacturing and service sectors.

The South 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.

For further information, please contact:

[economics@markit.com](mailto:economics@markit.com)

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13th May 2013

## Business activity increases for the first time in three months during April

### Key findings:

- Both output and new orders rise for the first time since January
- Employment broadly stable, following four months of job shedding
- Input price inflation eases to nine-month low

South West private sector firms signalled an increased amount of business activity in April. Though growth was only slight, it was the first time that activity had increased since January. Similarly, new business rose for the first time in three months and at a modest pace. Staff numbers were relatively unchanged, while backlogs of work fell modestly. Output charges were cut for the first time in 14 months, albeit only slightly.

### Output and demand

The headline Lloyds TSB South West Business Activity Index – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 51.0 in April, up from 49.7 in March. This signalled the first expansion of output in the South West private sector in three months. Output at the UK level also increased, and at a quicker pace. Sector data for the region linked business activity growth to the strong performance of the manufacturing sector.

Volumes of new business at South West private sector firms increased modestly in April, and for the first time in three months. As was the case with output, manufacturers in the region drove the overall increase in new business. New orders also rose at the UK level, and at a solid pace.

### Employment and backlogs

Employment levels were broadly stable at private sector firms in the South West during April, following four months of job shedding. The UK as a whole, meanwhile, signalled a slight increase in payroll numbers.

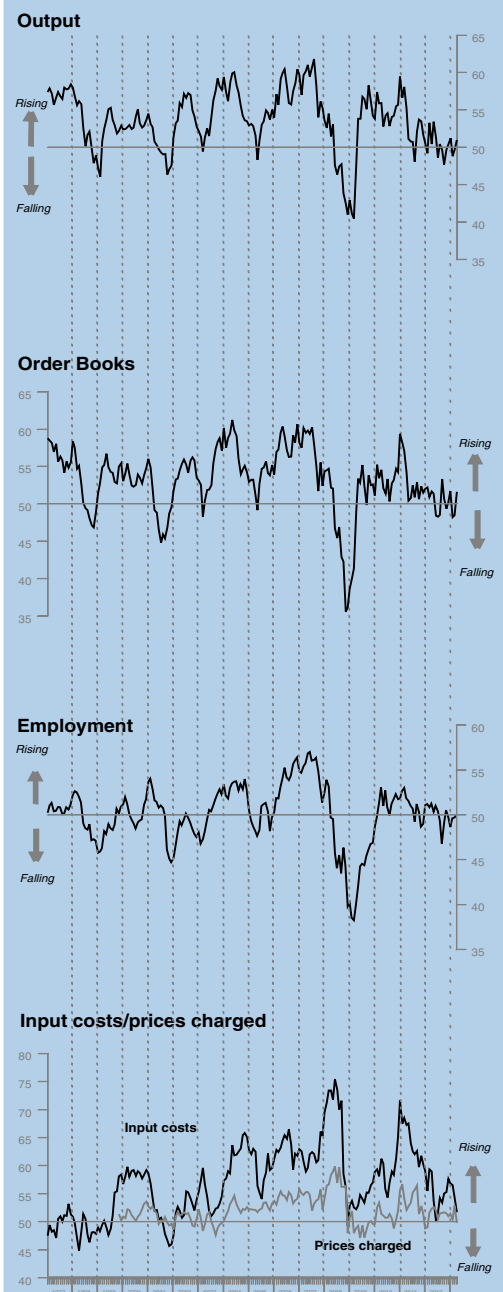
Backlogs of work fell in the South West during April. However, the rate of depletion was the weakest in the current sequence of reduction. Outstanding business also fell at the UK level, albeit marginally.

### Input and output prices

Average input costs faced by private sector firms in the South West increased in April. That said, the rate of inflation was the weakest in nine months.

Average tariffs charged by private sector firms were cut in April. Though the rate of reduction was only fractional, it was the first time that charges had been lowered in 14 months.

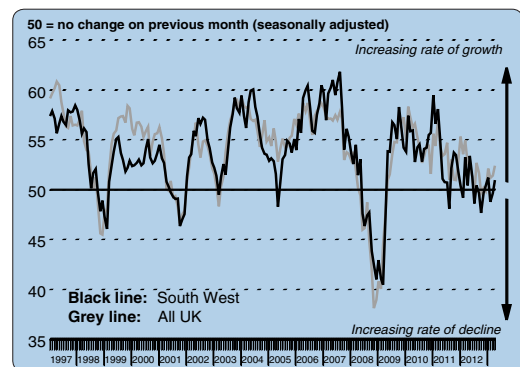
### South West Business Conditions



## 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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
<b>2012</b>	Aug	20.2	50.0	29.8	45.2	<b>50.5</b>	<b>52.7</b>
	Sep	21.2	55.8	23.1	49.0	<b>49.6</b>	<b>51.7</b>
	Oct	18.6	58.8	22.7	47.9	<b>47.7</b>	<b>49.7</b>
	Nov	21.1	56.9	22.0	49.5	<b>49.7</b>	<b>50.2</b>
	Dec	29.6	48.0	22.4	53.6	<b>50.4</b>	<b>49.9</b>
<b>2013</b>	Jan	18.4	57.1	24.5	46.9	<b>51.2</b>	<b>52.1</b>
	Feb	19.2	57.6	23.2	48.0	<b>48.8</b>	<b>51.2</b>
	Mar	25.5	58.5	16.0	54.8	<b>49.7</b>	<b>51.4</b>
	Apr	33.0	47.9	19.1	56.9	<b>51.0</b>	<b>52.4</b>

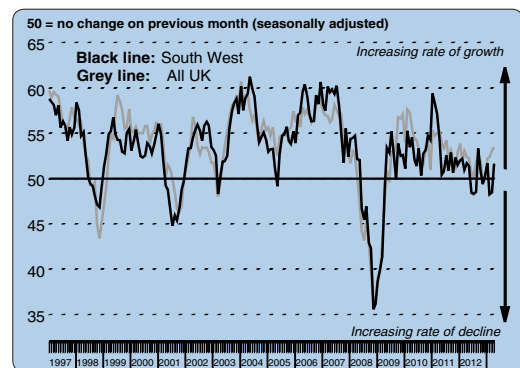


Following on from two months of contraction, business activity in the South West private sector increased in April. Though the rate of expansion was only slight, it was the second-strongest in ten months. According to sector data, renewed growth of business activity was driven by the region's manufacturing sector, with a number of panellists linking growth to increased new order volumes. Output also increased at the UK level, and at a faster rate than that recorded in the South West.

## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
<b>2012</b>	Aug	16.8	51.5	31.7	42.6	<b>48.5</b>	<b>51.9</b>
	Sep	23.3	59.2	17.5	52.9	<b>53.3</b>	<b>52.5</b>
	Oct	20.0	52.6	27.4	46.3	<b>50.7</b>	<b>51.9</b>
	Nov	25.5	45.3	29.2	48.1	<b>49.4</b>	<b>49.6</b>
	Dec	21.9	52.1	26.0	47.9	<b>50.2</b>	<b>49.8</b>
<b>2013</b>	Jan	23.2	50.5	26.3	48.4	<b>51.7</b>	<b>52.2</b>
	Feb	23.5	49.0	27.6	48.0	<b>48.3</b>	<b>52.4</b>
	Mar	28.0	47.3	24.7	51.6	<b>48.5</b>	<b>53.1</b>
	Apr	34.8	42.4	22.8	56.0	<b>51.6</b>	<b>53.4</b>

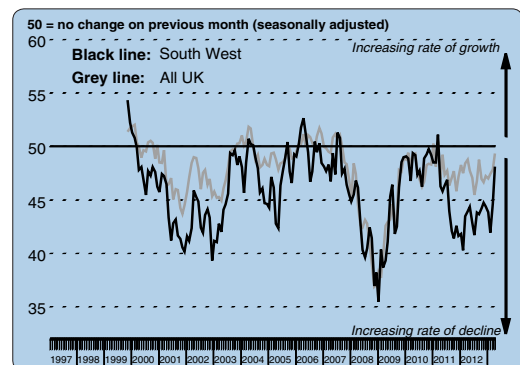


New business placed at private sector firms in the South West increased for the first time since January in April. The rate of new order growth was modest, but nonetheless the second-quickest since last September. That said, it was weaker than the UK trend, which posted a solid increase in new business. As was the case with business activity, sector data attributed the expansion of new business in the South West to the strong performance of the manufacturing sector.

## Business Outstanding

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
<b>2012</b>	Aug	12.4	61.9	25.8	43.3	<b>43.8</b>	<b>46.8</b>
	Sep	12.5	56.3	31.3	40.6	<b>43.7</b>	<b>48.8</b>
	Oct	10.9	63.0	26.1	42.4	<b>44.2</b>	<b>47.0</b>
	Nov	7.7	67.3	25.0	41.3	<b>44.7</b>	<b>46.7</b>
	Dec	6.6	68.1	25.3	40.7	<b>44.4</b>	<b>47.3</b>
<b>2013</b>	Jan	9.6	66.0	24.5	42.6	<b>43.9</b>	<b>47.0</b>
	Feb	8.5	68.1	23.4	42.6	<b>42.0</b>	<b>47.4</b>
	Mar	13.3	66.7	20.0	46.7	<b>44.7</b>	<b>47.9</b>
	Apr	19.5	60.9	19.5	50.0	<b>48.1</b>	<b>49.4</b>

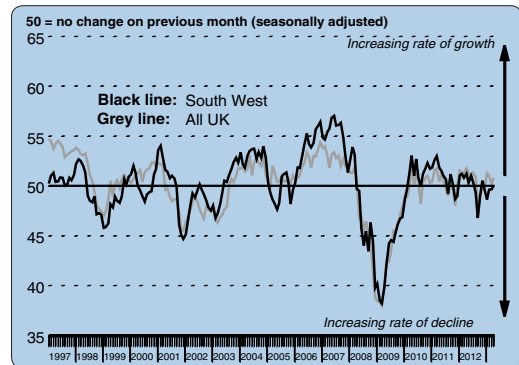


The volume of outstanding business continued to fall across private sector firms in the South West during April. However, the rate of depletion was the weakest since backlogs of work started to decline in April 2011. The level of work-in-hand fell across both the manufacturing and service sectors in the region, and at a more pronounced rate at service providers. The volume of outstanding business for the UK as a whole also fell in April, but at a weaker pace than in the South West.

## Employment

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
<b>2012</b>	Aug	8.7	79.6	11.7	48.5	<b>49.4</b>	<b>51.0</b>
	Sep	13.7	67.6	18.6	47.5	<b>46.8</b>	<b>48.1</b>
	Oct	10.4	78.1	11.5	49.5	<b>49.1</b>	<b>49.1</b>
	Nov	14.8	72.2	13.0	50.9	<b>50.5</b>	<b>49.9</b>
	Dec	10.3	75.3	14.4	47.9	<b>49.7</b>	<b>49.8</b>
<b>2013</b>	Jan	10.4	69.8	19.8	45.3	<b>48.6</b>	<b>51.3</b>
	Feb	13.3	75.5	11.2	51.0	<b>49.6</b>	<b>51.0</b>
	Mar	14.0	77.4	8.6	52.7	<b>49.7</b>	<b>50.3</b>
	Apr	12.9	77.4	9.7	51.6	<b>50.1</b>	<b>50.8</b>

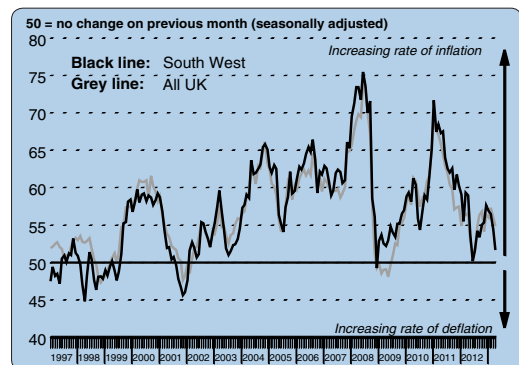


Staffing levels at South West private sector firms were broadly unchanged in April, following a four-month period of reduction. Overall employment was relatively stable in the region, as a modest rate of job creation in the manufacturing sector offset cuts made to staff numbers in the service sector. Meanwhile, employment across the UK as a whole increased over the month, albeit marginally.

## Input Prices / Costs

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
<b>2012</b>	Aug	15.8	77.2	6.9	54.5	<b>54.3</b>	<b>54.9</b>
	Sep	7.0	88.0	5.0	51.0	<b>53.4</b>	<b>56.4</b>
	Oct	11.6	82.1	6.3	52.6	<b>55.1</b>	<b>56.9</b>
	Nov	15.6	78.0	6.4	54.6	<b>55.3</b>	<b>54.2</b>
	Dec	16.7	78.1	5.2	55.7	<b>57.6</b>	<b>56.4</b>
<b>2013</b>	Jan	19.4	76.5	4.1	57.7	<b>56.9</b>	<b>56.0</b>
	Feb	20.4	74.5	5.1	57.7	<b>56.5</b>	<b>57.4</b>
	Mar	18.1	75.5	6.4	55.9	<b>54.4</b>	<b>56.0</b>
	Apr	12.9	79.6	7.5	52.7	<b>51.7</b>	<b>54.9</b>

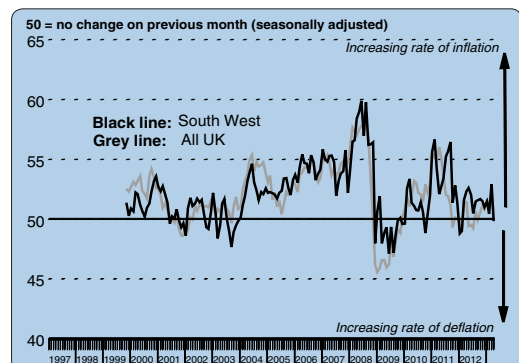


Average input costs continued to rise at private sector firms in the South West during April. That said, the rate of inflation was modest and the weakest since last July. Manufacturers in the region signalled a slight reduction in overall cost burdens, amid reports of lower raw material costs, while input costs rose sharply at service providers. At the UK level input cost inflation eased, but was solid overall.

## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
<b>2012</b>	Aug	8.7	86.5	4.8	51.9	<b>51.5</b>	<b>50.7</b>
	Sep	6.9	88.1	5.0	51.0	<b>51.6</b>	<b>50.0</b>
	Oct	5.3	89.5	5.3	50.0	<b>51.7</b>	<b>50.6</b>
	Nov	8.3	83.3	8.3	50.0	<b>51.5</b>	<b>51.1</b>
	Dec	5.2	88.7	6.2	49.5	<b>51.0</b>	<b>50.8</b>
<b>2013</b>	Jan	12.2	83.7	4.1	54.1	<b>51.5</b>	<b>51.5</b>
	Feb	8.2	84.7	7.1	50.5	<b>50.4</b>	<b>51.3</b>
	Mar	13.8	80.9	5.3	54.3	<b>52.9</b>	<b>51.7</b>
	Apr	9.8	84.8	5.4	52.2	<b>49.8</b>	<b>50.5</b>

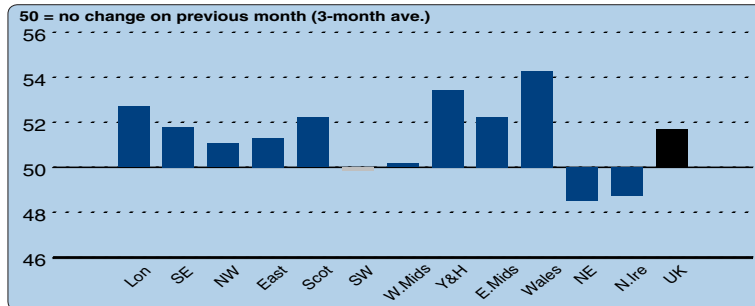


Average tariffs charged by South West private sector firms decreased during April. Although the rate of discounting was only fractional, it was the first time that output charges were cut in 14 months. Sector data for the region indicated that average tariffs were cut by manufacturers, but were raised in the service sector (albeit both at marginal rates). The UK as a whole, meanwhile, signalled a further increase in output charges, though at the weakest pace in seven months of rising output prices.



## Regional Comparisons: Output

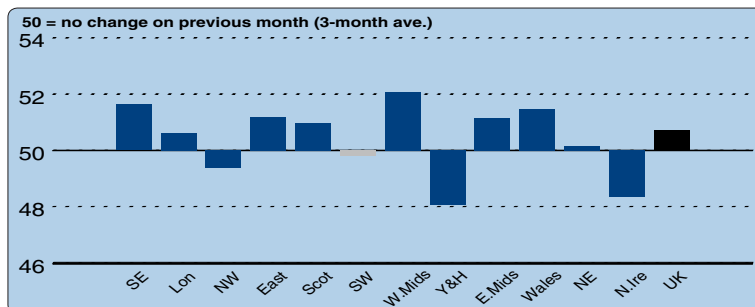
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland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

## 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. 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.