



Lloyds TSB East Midlands 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.

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The Lloyds TSB East Midlands PMI® (Purchasing Managers' Index®) is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in May 2013 from a representative panel of companies based in the East Midlands and operating in both manufacturing and service sectors.

The East Midlands 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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10th June 2013

Fastest rise in activity since February 2012

Key findings:

- Output and new orders rise at sharper rates
- Employment broadly unchanged
- Cost inflation eases

The Lloyds TSB East Midlands PMI® report pointed to strengthening growth momentum in May, with output and new orders both increasing at accelerated rates. However, employment stagnated during the month. On the price front, input costs increased at the slowest pace in four months and charges were raised modestly.

Output and demand

The headline Lloyds TSB East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose to 54.5 in May from 53.6 in the previous month. This signalled a solid increase in activity that was the fastest since February 2012 and broadly in line with the UK average. Activity has risen in the East Midlands throughout 2013 so far. Sector data suggested that overall growth was largely centred on service providers.

Improved weather and strengthening demand were reported by those panellists that registered an increase in activity. New order growth also quickened during the month, but was slightly slower than that recorded across the UK as a whole. New business has increased in four successive months.

Employment and backlogs

Despite accelerated growth of new work, companies in the East Midlands continued to deplete outstanding business in May. The pace of reduction eased, but remained solid and was much stronger than the UK average.

Employment was broadly unchanged at East Midlands firms in May, ending a 31-month sequence of job creation. Some panellists reported that leaving staff had not been replaced. Services companies took on extra staff, but manufacturers posted a fall in employment.

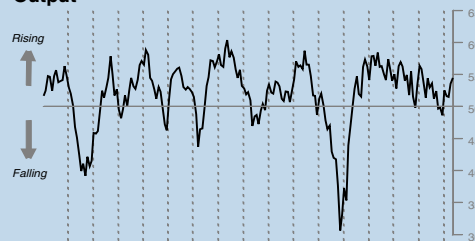
Input and output prices

The rate of input cost inflation eased for the second month running in May, and was the slowest since January. That said, the increase in the East Midlands was still faster than the UK economy average. A number of respondents indicated that exchange rate fluctuations had been behind the rise in input costs.

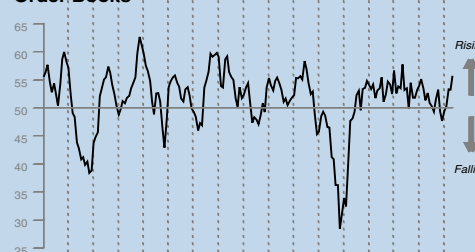
Companies passed part of the rise in input prices on to their clients during May, leading to a tenth consecutive increase in prices charged. That said, the rate of inflation was only modest, and broadly unchanged from the previous month.

East Midlands Business Conditions

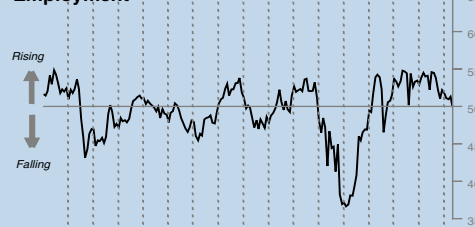
Output



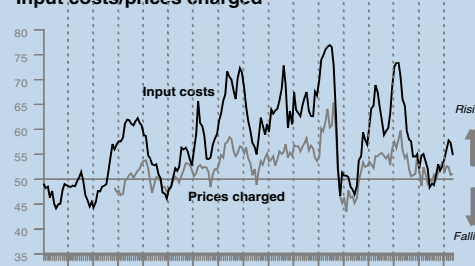
Order Books



Employment



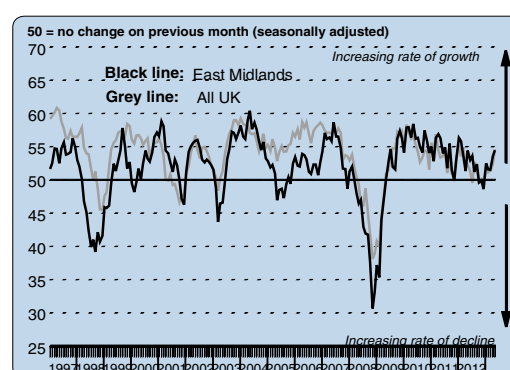
Input costs/prices charged



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?

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Sep	30.2	50.0	19.8	55.2	52.4
	Oct	21.8	54.0	24.1	48.9	49.7
	Nov	24.4	50.0	25.6	49.4	49.9
	Dec	29.1	38.4	32.6	48.3	48.6
2013	Jan	24.2	51.6	24.2	50.0	52.5
	Feb	29.5	47.7	22.7	53.4	51.6
	Mar	29.1	55.8	15.1	57.0	51.5
	Apr	28.0	53.8	18.3	54.8	53.6
	May	33.3	46.4	20.2	56.5	54.6

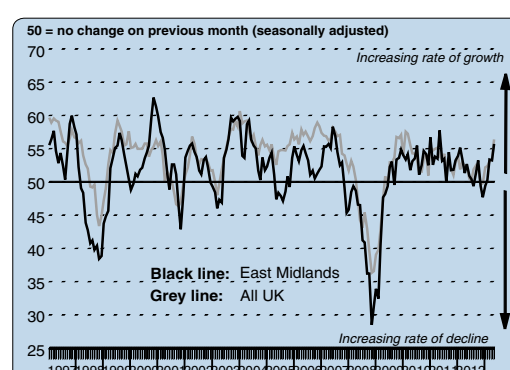


Business activity in the East Midlands rose again in May, extending the current sequence of growth to five months. Furthermore, the rate of expansion was solid and the sharpest since February 2012. The increase in activity in the region was broadly in line with the UK economy average. Respondents partly linked higher output to improved weather conditions, while strengthening demand was also a factor. The overall rise in activity was largely reflective of growth in the service sector.

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?

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Sep	32.6	41.9	25.6	53.5	51.5
	Oct	32.2	46.0	21.8	55.2	53.3
	Nov	25.6	43.3	31.1	47.2	49.4
	Dec	23.3	41.9	34.9	44.2	47.7
2013	Jan	24.2	48.4	27.5	48.4	49.5
	Feb	34.1	40.9	25.0	54.5	50.3
	Mar	31.4	52.3	16.3	57.6	53.4
	Apr	31.2	49.5	19.4	55.9	53.3
	May	28.6	58.3	13.1	57.7	55.7

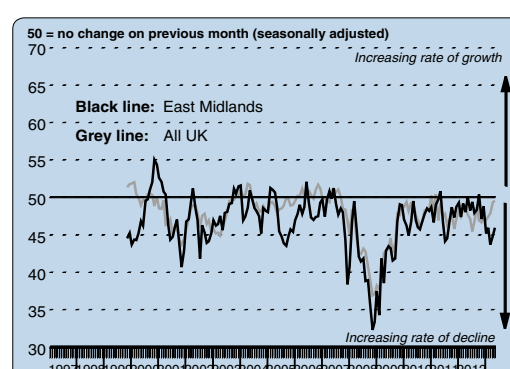


New orders increased markedly in May, with the rate of expansion the fastest in two years. That said, the rise in new business at East Midlands companies was slower than the average seen across the UK economy as a whole. New orders have increased continuously since February. Both monitored sectors recorded growth of new business, with the rate of expansion sharper at services companies.

Business Outstanding

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Sep	13.6	63.0	23.5	45.1	48.4
	Oct	22.9	57.8	19.3	51.8	50.4
	Nov	14.0	64.0	22.1	45.9	47.1
	Dec	21.3	55.0	23.8	48.8	48.8
2013	Jan	12.6	57.5	29.9	41.4	45.2
	Feb	18.1	59.0	22.9	47.6	46.0
	Mar	12.0	63.9	24.1	44.0	43.7
	Apr	11.6	68.6	19.8	45.9	44.8
	May	14.1	61.5	24.4	44.9	46.0

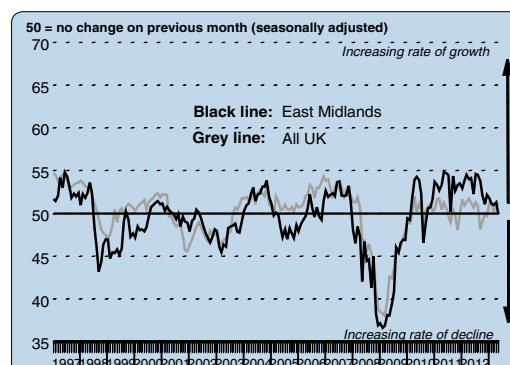


As has been the case in each of the past seven months, outstanding business at East Midlands companies decreased in May. Although slowing from the previous month, the rate of depletion remained solid and was sharper than that recorded at the UK level. More than 24% of respondents posted a fall in backlogs, against 14% that registered a rise. Outstanding business decreased across both sectors.

Employment

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Sep	19.8	74.4	5.8	57.0	53.8
	Oct	13.8	73.6	12.6	50.6	52.1
	Nov	14.4	71.1	14.4	50.0	51.1
	Dec	14.0	79.1	7.0	53.5	52.2
2013	Jan	11.1	77.8	11.1	50.0	51.7
	Feb	11.4	77.3	11.4	50.0	51.2
	Mar	17.4	75.6	7.0	55.2	51.0
	Apr	12.9	78.5	8.6	52.2	51.3
	May	11.9	78.6	9.5	51.2	49.9

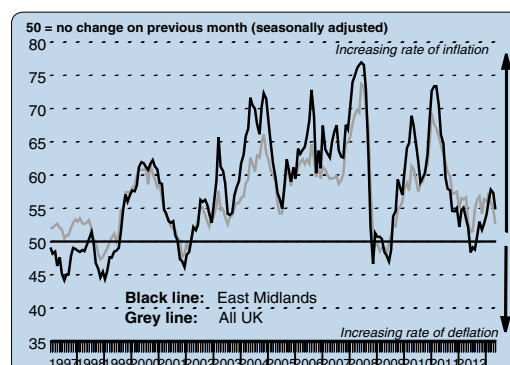


Employment at East Midlands companies was broadly unchanged during May, ending a sequence of job creation that had stretched for more than two-and-a-half years. The stagnation in the region compared with a modest rise in staffing levels across the UK economy as a whole. Where a decrease in employment was recorded, this was mainly linked to the non-replacement of leaving staff. Staffing levels increased at service providers, but job cuts were registered at manufacturers.

Input Prices / Costs

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

East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Sep	12.8	73.3	14.0	49.4	51.1
	Oct	16.1	72.4	11.5	52.3	53.0
	Nov	10.0	77.8	12.2	48.9	51.8
	Dec	9.3	83.7	7.0	51.2	52.7
2013	Jan	18.7	74.7	6.6	56.0	54.1
	Feb	23.0	71.3	5.7	58.6	56.2
	Mar	27.6	69.0	3.4	62.1	57.9
	Apr	28.0	68.8	3.2	62.4	57.3
	May	16.7	76.2	7.1	54.8	54.8

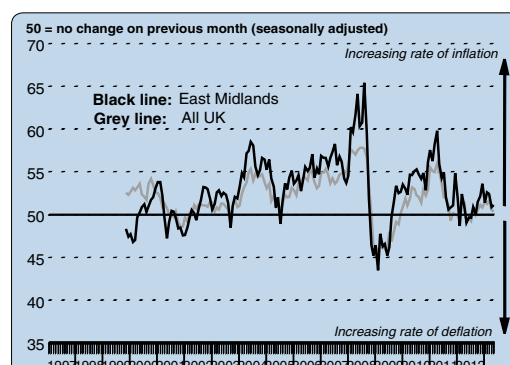


Input prices continued to increase in May, extending the current period of inflation to nine months. The rate of inflation at East Midlands companies slowed to the weakest in four months, but was still faster than the UK economy average. A number of respondents mentioned that exchange rate fluctuations had been behind rising input prices, but others reported a decrease in costs for some raw materials.

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?

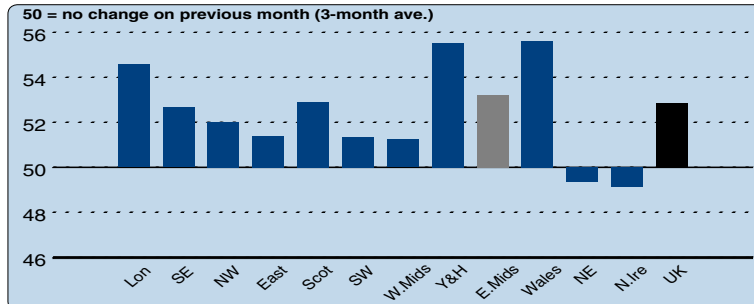
East Midlands Companies					All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index
2012	Sep	4.7	90.7	4.7	50.0	50.1
	Oct	6.9	89.7	3.4	51.7	51.5
	Nov	6.7	88.9	4.4	51.1	52.2
	Dec	10.5	88.4	1.2	54.7	53.6
2013	Jan	8.8	86.8	4.4	52.2	51.4
	Feb	12.5	83.0	4.5	54.0	52.6
	Mar	8.0	88.5	3.4	52.3	52.4
	Apr	9.7	86.0	4.3	52.7	50.9
	May	7.1	89.3	3.6	51.8	51.1



East Midlands companies increased their output prices for a tenth consecutive month in May. The rate of inflation was modest and broadly unchanged from that seen in April. However, the rise in charges in the region was stronger than at the UK level. According to panellists, higher output prices largely reflected the passing on of increased input costs to clients. Charges rose across both monitored sectors.

Regional Comparisons: Output

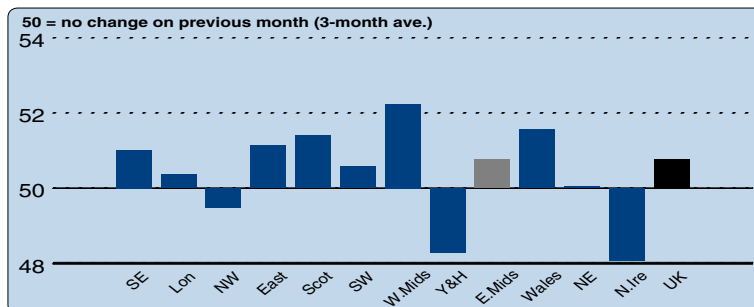
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales and Yorkshire & Humber. Only the North East and Northern Ireland posted a decline in activity.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	52.5	54.6	56.4
South East	(14.7%)	51.4	52.7	54.5
North West	(9.5%)	50.9	52.0	55.1
East of England	(8.7%)	50.7	51.4	52.2
Scotland	(8.3%)	51.6	52.9	54.4
South West	(7.7%)	50.2	51.4	53.4
West Midlands	(7.3%)	51.1	51.2	53.9
Yorks & Humber	(7.0%)	52.8	55.5	57.6
East Midlands	(6.4%)	51.8	53.2	54.5
Wales	(3.6%)	52.7	55.6	56.7
North East	(3.2%)	48.8	49.3	51.2
N.Ireland	(2.2%)	45.7	49.1	49.6
UK	(100.0%)	51.4	52.8	54.6

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). Staffing levels increased in the vast majority of UK regions on average in the three months to May. The West Midlands registered the fastest pace of jobs growth. Lower employment numbers were seen in Northern Ireland, the North West and Yorkshire & Humber.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.0	51.0	50.3
London	(12.3%)	49.8	50.4	51.2
North West	(10.9%)	48.8	49.5	50.4
East of England	(9.6%)	50.6	51.1	52.0
Scotland	(8.7%)	50.8	51.4	52.0
South West	(8.6%)	49.7	50.6	52.0
West Midlands	(8.6%)	51.6	52.2	52.4
Yorks & Humber	(8.2%)	49.9	48.3	49.6
East Midlands	(7.3%)	52.2	50.8	49.9
Wales	(4.6%)	50.3	51.6	51.4
North East	(3.9%)	48.7	50.0	49.6
N.Ireland	(2.7%)	47.8	48.1	48.1
UK	(100.0%)	50.4	50.8	51.2

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.