



# Lloyds TSB London PMI®

## Lloyds TSB Commercial

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**The Lloyds TSB London 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 London and operating in both manufacturing and service sectors.

The London 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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10th June 2013

## Output growth accelerates to 14 month high in London

### Key findings:

- Robust expansion of private sector business activity...
- ...new work also rises at fastest pace since March 2012
- Employment increases marginally

May data indicated a continued improvement in business conditions across the capital, with output and new orders rising at stronger rates than in the previous month. The latest survey also pointed to a slight rebound in employment numbers, alongside softer cost pressures at private sector companies in London.

### Output and demand

The headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 56.4 in May, up from 53.4 in April and above the 50.0 no-change value for the seventh successive month. The latest reading indicated a strong rise in business activity and the fastest pace of expansion since March 2012. Increased output levels were supported by greater client demand as new business volumes also expanded at the most marked pace for 14 months. A number of survey respondents attributed rising inflows of new work to improvements in business confidence and a greater willingness among clients to commit to new projects.

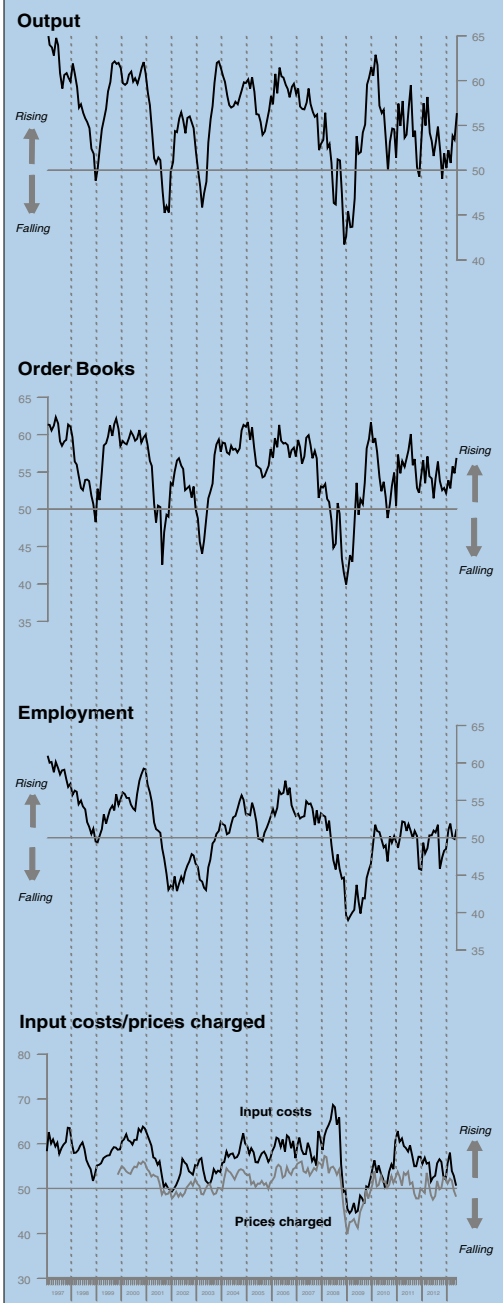
### Employment and backlogs

Staffing levels in the London private sector increased for the first time in three months during May. The rate of job creation was only marginal, but broadly in line with that seen across the UK as whole. Companies that took on additional workers generally cited greater business requirements and associated pressures on operating capacity. This was highlighted by an increase in work-in-hand (but not yet completed) at companies in the capital for the first time since April 2012.

### Input and output prices

Average cost burdens increased in May, thereby extending the current period of input price inflation to 44 months. Higher average costs were generally linked to greater energy bills. That said, the overall pace of cost inflation eased to its lowest since July 2010 and was weaker than the UK-wide trend. Softer cost pressures provided some scope to reduce output charges in May, with prices charged by London companies falling for the second month running. Although only moderate, the pace of price discounting was the most marked since June 2012.

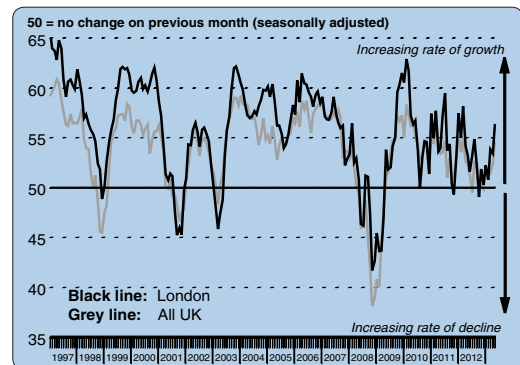
### London Business Conditions



## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	23.5	52.9	23.5	50.0	<b>52.1</b>	<b>51.7</b>
	Oct	24.0	57.7	18.3	52.9	<b>49.1</b>	<b>49.7</b>
	Nov	23.6	59.1	17.3	53.2	<b>51.9</b>	<b>50.2</b>
	Dec	25.0	56.7	18.3	53.4	<b>50.3</b>	<b>49.9</b>
2013	Jan	17.8	61.4	20.8	48.5	<b>52.3</b>	<b>52.1</b>
	Feb	20.4	64.1	15.5	52.4	<b>50.8</b>	<b>51.2</b>
	Mar	23.0	64.0	13.0	55.0	<b>53.8</b>	<b>51.4</b>
	Apr	25.9	56.3	17.9	54.0	<b>53.4</b>	<b>52.4</b>
	May	24.0	61.0	15.0	54.5	<b>56.4</b>	<b>54.6</b>

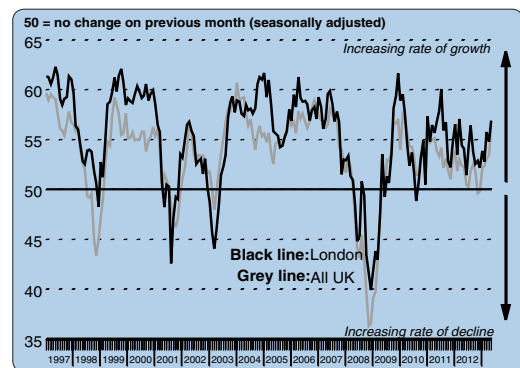


London private sector companies indicated a robust and accelerated expansion of business activity at their units in May. At 56.4, up from 53.4 in April, the seasonally adjusted Business Activity Index was above the 50.0 no-change value for the seventh successive month and remained higher than the equivalent UK-wide figure (54.6). Moreover, the latest reading indicated that output growth in the capital picked up to its strongest since March 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	23.2	51.5	25.3	49.0	<b>53.8</b>	<b>52.5</b>
	Oct	30.4	51.0	18.6	55.9	<b>52.6</b>	<b>51.9</b>
	Nov	22.6	59.4	17.9	52.4	<b>52.9</b>	<b>49.6</b>
	Dec	27.0	55.0	18.0	54.5	<b>52.2</b>	<b>49.8</b>
2013	Jan	22.4	61.2	16.3	53.1	<b>53.9</b>	<b>52.2</b>
	Feb	27.5	55.9	16.7	55.4	<b>52.8</b>	<b>52.4</b>
	Mar	26.5	61.2	12.2	57.1	<b>55.8</b>	<b>53.1</b>
	Apr	27.0	55.0	18.0	54.5	<b>54.8</b>	<b>53.4</b>
	May	26.0	59.0	15.0	55.5	<b>56.9</b>	<b>56.4</b>

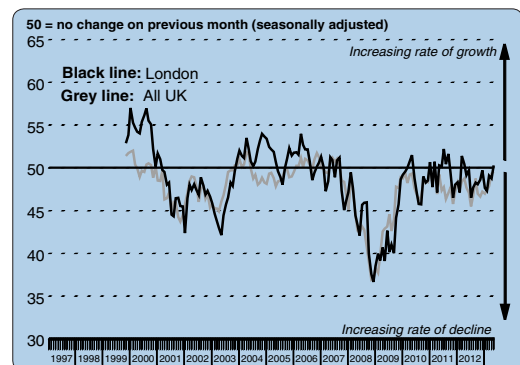


The seasonally adjusted Incoming New Business Index registered 56.9 in May, up from 54.8 during the previous month, to signal the fastest expansion of incoming new work since March 2012. Latest data also indicated that new business volumes rose at a slightly faster rate than that seen across the UK economy as a whole. Anecdotal evidence from survey respondents suggested that improving business confidence among clients had boosted new order volumes in May.

## Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	7.5	72.0	20.4	43.5	<b>48.3</b>	<b>48.8</b>
	Oct	11.7	75.5	12.8	49.5	<b>48.1</b>	<b>47.0</b>
	Nov	13.9	70.3	15.8	49.0	<b>48.6</b>	<b>46.7</b>
	Dec	10.6	74.5	14.9	47.9	<b>49.7</b>	<b>47.3</b>
2013	Jan	10.9	71.7	17.4	46.7	<b>47.6</b>	<b>47.0</b>
	Feb	13.0	70.7	16.3	48.4	<b>47.3</b>	<b>47.4</b>
	Mar	15.4	70.3	14.3	50.5	<b>49.1</b>	<b>47.9</b>
	Apr	14.7	70.6	14.7	50.0	<b>48.7</b>	<b>49.4</b>
	May	14.4	71.1	14.4	50.0	<b>50.3</b>	<b>49.6</b>

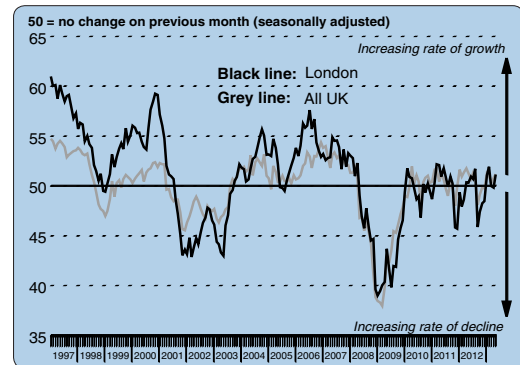


Backlogs of work increased moderately in May, thereby ending a 12 month period of continuous decline. At 50.3, up from 48.7 in April, the seasonally adjusted Business Outstanding Index was above the equivalent figure for the UK as a whole and stronger than its long-run average (48.6). Some survey respondents suggested that rising volumes of new business had placed pressure on operating capacity and in turn resulted in an accumulation of unfinished work in May.

## Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	11.8	73.5	14.7	48.5	45.9	48.1
	Oct	13.5	72.1	14.4	49.5	47.4	49.1
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.8
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3
	Feb	17.5	72.8	9.7	53.9	51.9	51.0
	Mar	10.0	77.0	13.0	48.5	50.0	50.3
	Apr	14.3	75.9	9.8	52.2	49.9	50.8
	May	13.9	76.2	9.9	52.0	51.2	51.2

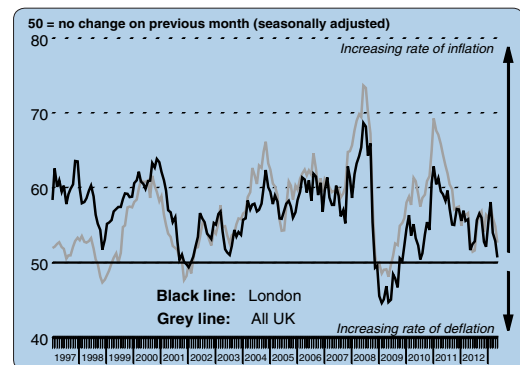


At 51.2 in May, up from 49.9 in April, the seasonally adjusted Employment Index indicated a return to net job creation across the London private sector economy. The increase in staffing levels was the first since February, with the rate of growth broadly in line with the UK-wide trend. Companies that recruited additional staff in May generally commented on improving business confidence and greater pressure on operating capacity.

## Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	12.7	86.3	1.0	55.9	56.6	56.4
	Oct	12.5	83.7	3.8	54.3	56.0	56.9
	Nov	11.8	80.9	7.3	52.3	52.8	54.2
	Dec	7.8	85.4	6.8	50.5	52.1	56.4
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.0
	Feb	22.3	72.8	4.9	58.7	58.1	57.4
	Mar	6.0	90.0	4.0	51.0	54.0	56.0
	Apr	11.6	85.7	2.7	54.5	52.9	54.9
	May	8.9	86.1	5.0	52.0	50.7	52.7

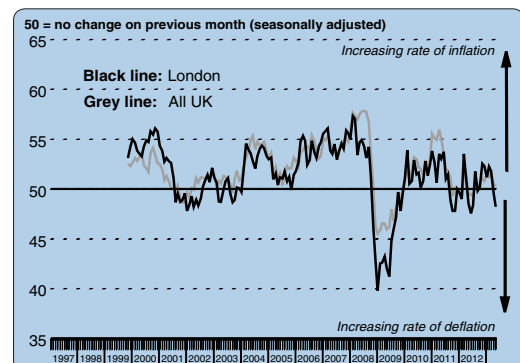


May data indicated a further moderation in cost inflation across the London private sector economy. The seasonally adjusted Input Prices Index dipped to 50.7 from 52.9 in April, thereby signalling the slowest rate of inflation since July 2010. Input prices also increased at a slower pace than the UK-wide trend in May. Higher energy prices were cited as the main source of rising cost burdens during the latest survey period.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	4.9	90.2	4.9	50.0	49.9	50.0
	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7
	Apr	5.4	88.4	6.3	49.6	49.6	50.5
	May	4.0	90.1	5.9	49.0	48.3	50.4

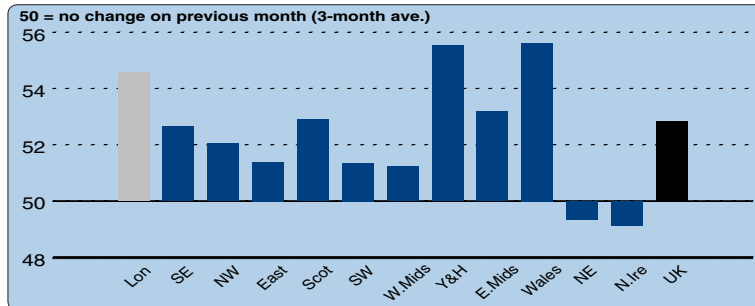


The seasonally adjusted Output Prices Index registered 48.3 in May, down from 49.6 in April, to remain below the 50.0 no-change value for the second month running. Although the latest drop in average prices charged was only marginal, the rate of discounting was the most marked since June 2012. Anecdotal evidence suggested that softer cost pressures had encouraged some companies to stimulate client demand through price reductions in May.



## Regional Comparisons: Output

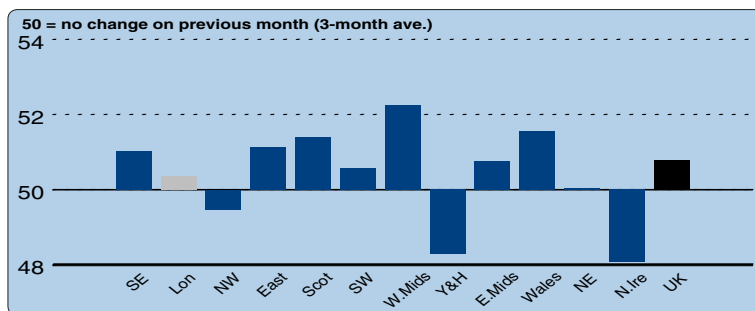
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales 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
<b>UK</b>	<b>(100.0%)</b>	<b>51.4</b>	<b>52.8</b>	<b>54.6</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). 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
<b>UK</b>	<b>(100.0%)</b>	<b>50.4</b>	<b>50.8</b>	<b>51.2</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.

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