



# Lloyds TSB North 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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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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[www.lloydstsb.com/business](http://www.lloydstsb.com/business)

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

The North 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.

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10th June 2013

## Business activity increases for first time in six months

### Key findings:

- Fastest rate of new order growth since September 2011
- Output charges reduced for first time in 11 months
- Staff numbers cut for second month in a row, albeit marginally

North East private sector firms signalled the first increase in business activity since last November in May. New orders also increased, and at the fastest pace since September 2011. Despite the expansion of output, staffing levels declined marginally for the second month in a row, while backlogs of work fell slightly.

### Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 51.2 in May, up from 49.5 in April, signalling the first expansion of business activity in six months. Activity also increased in the UK private sector economy as a whole, and at a solid pace.

Similarly, new business rose for the second month in a row in May. Furthermore, the rate of new order growth accelerated to the fastest since September 2011. Sector data indicated that growth was largely driven by manufacturers in the region. New business also increased across the UK private sector economy as a whole, and at a strong rate.

### Employment and backlogs

Staff numbers at North East private sector firms declined for the second month in a row in May, albeit only slightly. Employment across the UK private sector economy as a whole, however, increased modestly over the month.

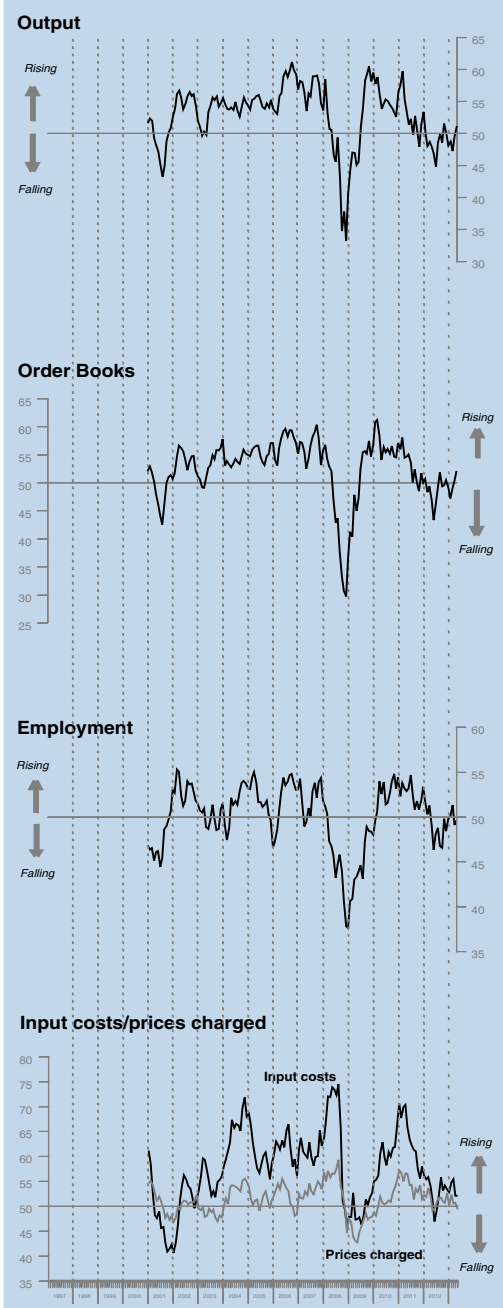
The level of outstanding business in the North East private sector declined for the third consecutive month in May. However, the rate of depletion was only marginal and the weakest in that sequence.

### Input and output prices

Private sector firms in the North East signalled a further rise in average input costs in May. However, the rate of inflation was modest and substantially below the series' long-run average. Inflation in the region was generally associated with service providers, which recorded a sharp rise in costs.

Meanwhile, output prices declined for the first time since last June. That said, the rate at which charges were cut was only marginal. Conversely, average tariffs in the UK private sector economy as a whole were raised slightly during May.

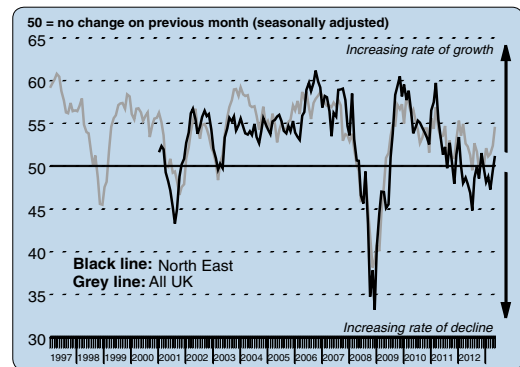
## North East Business Conditions



## 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?

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	25.5	57.4	17.0	54.3	50.0	51.7
	Oct	23.5	52.9	23.5	50.0	48.6	49.7
	Nov	16.7	62.5	20.8	47.9	51.6	50.2
	Dec	13.0	61.1	25.9	43.5	49.9	49.9
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.1
	Feb	28.6	49.0	22.4	53.1	48.7	51.2
	Mar	21.2	63.5	15.4	52.9	47.3	51.4
	Apr	19.1	61.7	19.1	50.0	49.5	52.4
	May	18.5	61.1	20.4	49.1	51.2	54.6

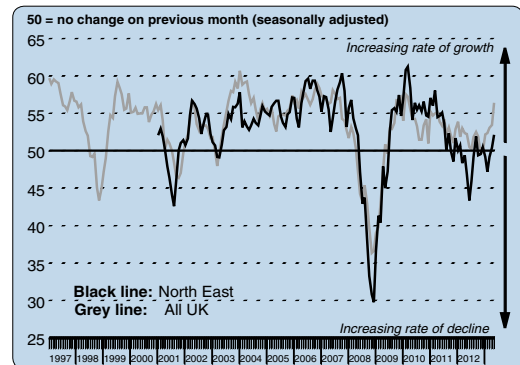


Private sector firms in the North East signalled the first increase in business activity since last November in May. That said, the rate of expansion was modest. Data linked output growth to the strong performance of the region's manufacturing sector, as activity continued to decline at service providers. Business activity in the UK private sector economy as a whole also increased during May, and at a solid pace.

## 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 East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	21.7	58.7	19.6	51.1	51.9	52.5
	Oct	24.0	46.0	30.0	47.0	49.4	51.9
	Nov	20.8	52.1	27.1	46.9	49.6	49.6
	Dec	26.4	47.2	26.4	50.0	50.5	49.8
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.2
	Feb	25.5	48.9	25.5	50.0	47.2	52.4
	Mar	28.0	56.0	16.0	56.0	49.2	53.1
	Apr	34.0	42.6	23.4	55.3	50.5	53.4
	May	26.4	60.4	13.2	56.6	52.2	56.4

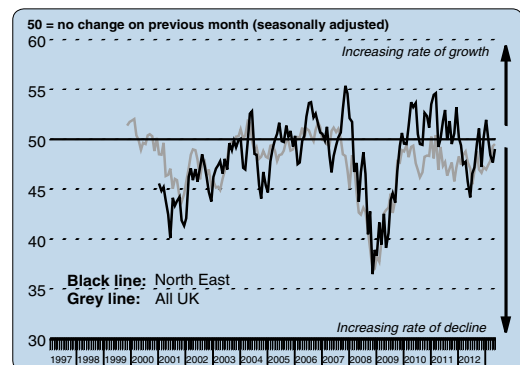


The amount of new business placed at North East private sector firms rose for the second successive month in May. Furthermore, the rate of new order growth was the quickest since September 2011, with more than 26% of panellists noting a rise in new business. As was the case with output, sector data generally attributed growth in new orders to the region's manufacturing sector. New orders in the UK private sector economy as a whole also increased in May, and at a much sharper pace than in the North East.

## Business Outstanding

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

		North East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	7.3	78.0	14.6	46.3	49.6	48.8
	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9
	Apr	18.6	60.5	20.9	48.8	47.7	49.4
	May	14.3	67.3	18.4	48.0	49.1	49.6

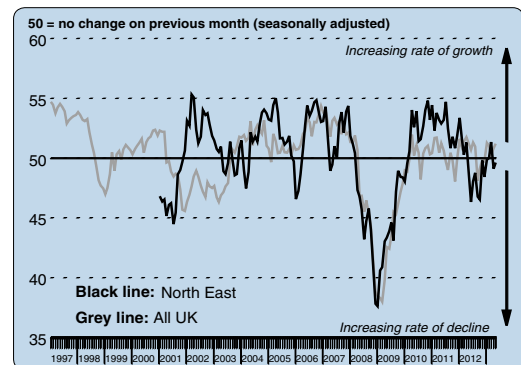


Backlogs of work at North East private sector firms declined for the third month in a row in May. However, the rate of backlog depletion was only marginal. More than 18% of respondents recorded a lower level of work-in-hand, compared with just over 14% that saw a rise. Furthermore, outstanding business fell across both monitored sectors in the region. At the UK level, backlogs of work also decreased during May, though only slightly.

## Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	12.8	72.3	14.9	48.9	46.8	48.1
	Oct	14.0	64.0	22.0	46.0	46.6	49.1
	Nov	17.0	63.8	19.1	48.9	49.8	49.9
	Dec	11.3	67.9	20.8	45.3	48.4	49.8
2013	Jan	14.0	74.0	12.0	51.0	49.9	51.3
	Feb	14.3	73.5	12.2	51.0	50.0	51.0
	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	50.8
	May	11.1	77.8	11.1	50.0	49.6	51.2

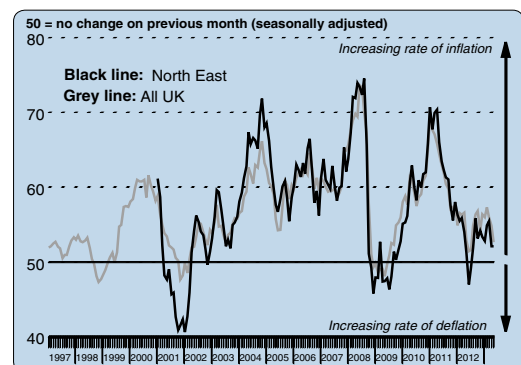


Employment levels in the North East private sector decreased for the second consecutive month in May. However, after adjusting for seasonality, the rate of job shedding eased since April and remained only marginal. In contrast, employment in the UK private sector economy as a whole increased during May, and at the quickest pace in four months. Sector data for the North East indicated that staff reductions at manufacturing plants drove the overall decline in employment.

## Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	13.3	86.7	0.0	56.7	55.9	56.4
	Oct	10.0	82.0	8.0	51.0	53.2	56.9
	Nov	8.7	82.6	8.7	50.0	54.2	54.2
	Dec	9.6	80.8	9.6	50.0	53.4	56.4
2013	Jan	14.6	75.0	10.4	52.1	52.9	56.0
	Feb	14.6	81.3	4.2	55.2	54.9	57.4
	Mar	20.4	75.5	4.1	58.2	55.5	56.0
	Apr	17.8	77.8	4.4	56.7	52.1	54.9
	May	19.2	73.1	7.7	55.8	52.1	52.7

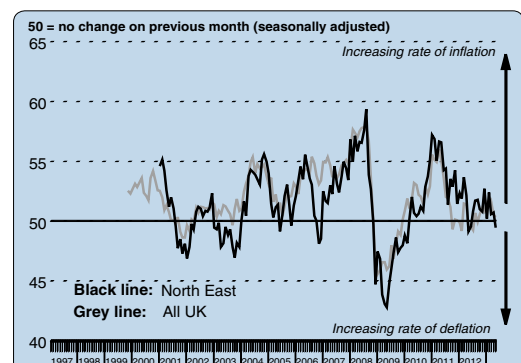


Average input costs faced by North East private sector companies continued to increase in May. The rate of inflation was unchanged from the previous month and modest overall, with approximately 19% of panellists recording higher operating costs. Inflation in the North East was generally associated with service providers, which signalled a sharp increase in costs in the latest survey period. In the UK private sector economy as a whole, input costs increased at the weakest rate in ten months, but still to a slightly greater degree than in the North East.

## 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?

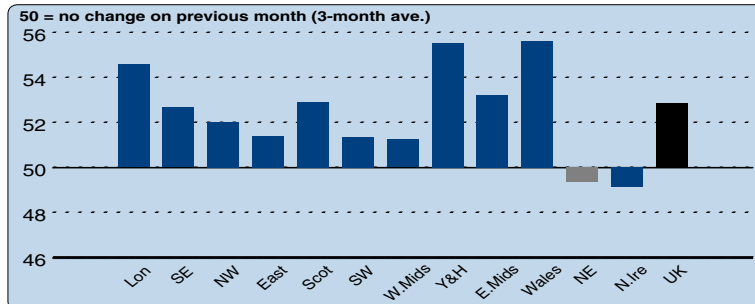
		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	4.3	93.5	2.2	51.1	51.8	50.0
	Oct	6.0	90.0	4.0	51.0	51.0	50.6
	Nov	4.3	91.5	4.3	50.0	50.8	51.1
	Dec	5.7	92.5	1.9	51.9	52.7	50.8
2013	Jan	6.1	87.8	6.1	50.0	50.2	51.5
	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7
	Apr	10.9	84.8	4.3	53.3	50.7	50.5
	May	9.4	79.2	11.3	49.1	49.4	50.4



Output charges in the North East private sector declined in May for the first time since last June. After adjusting for seasonal factors, however, the rate at which tariffs were cut was only slight. More than 11% of survey respondents reduced their output charges in May, compared with just over 9% that raised theirs. Meanwhile, average tariffs in the UK private sector economy as a whole increased slightly over the month.

## Regional Comparisons: Output

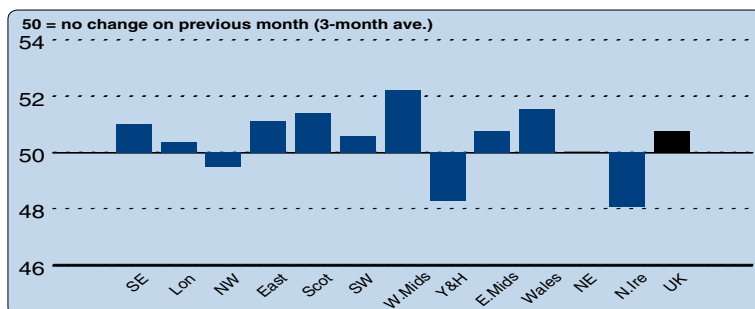
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Business activity increased in nine of the twelve UK regions monitored, led by Wales and Yorkshire & Humber respectively. Only the North East, Northern Ireland 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%)	52.5	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). 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%)	51.0	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.

## About Lloyds TSB Commercial and Markit Economics

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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.