



Lloyds TSB North West 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 North West 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 West and operating in both manufacturing and service sectors.

The North 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.

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10th June 2013

Output expands at fastest rate since January 2012

Key findings:

- Business activity growth faster than UK economy average
- New orders increase sharply
- Input price inflation weakest in nine months

Output growth in the North West private sector picked up pace in May, backed by a sharp rise in new orders. Subsequently, firms hired additional staff. On the price front, input cost inflation eased to the weakest in nine months, whereas output charges were little-changed from April.

Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from 50.6 in April to 55.1, indicating a solid increase in output. Moreover, the rate of expansion was the quickest since January 2012, and faster than the UK average.

New orders placed at private sector companies in the North West increased sharply in May, and at a rate that was the fastest in 26 months. Anecdotal evidence suggested that demand was stronger and market conditions had improved. At the UK level, new order growth accelerated to the sharpest in over three years.

Employment and backlogs

Employment levels across the North West private sector rose for the first time in three months during May, albeit marginally. Manufacturers reported higher payroll numbers, citing anticipated rises in demand. In contrast, services companies signalled lower staffing levels and commented on voluntary redundancy plans and attempts to reduce costs.

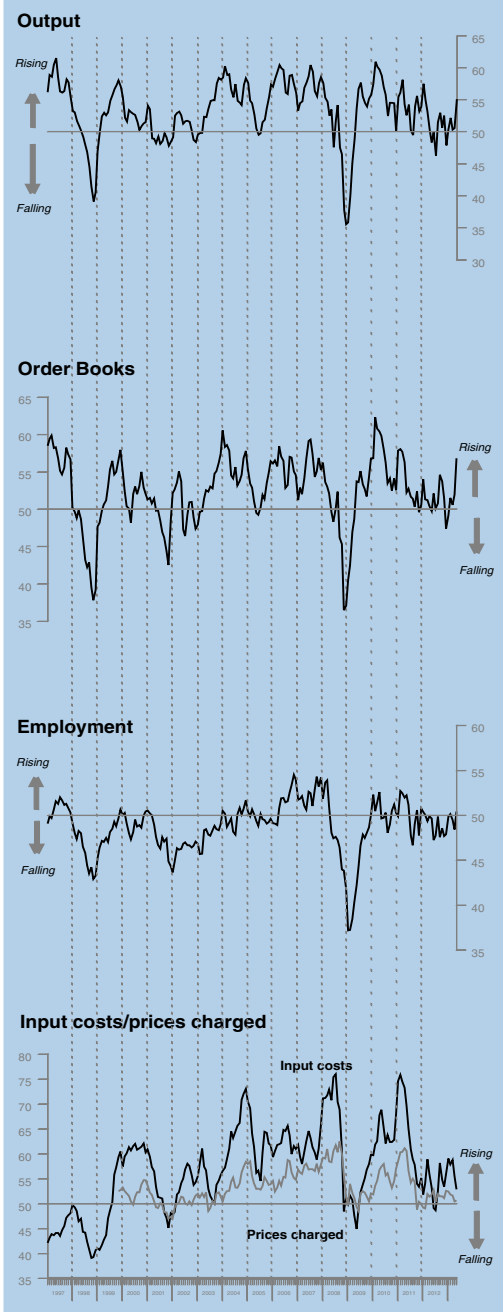
Outstanding business volumes were broadly unchanged in May, as rises in the service sector were offset by falls at manufacturers. At the UK level, unfinished business fell, but only marginally.

Input and output prices

Input prices in the North West private sector rose in May, amid reports of higher raw material, food, dairy and utility costs. That said, the rate of inflation was moderate, and the weakest in nine months. Input price inflation across the UK as a whole was at a 10-month low.

In attempts to restore margins and pass on to clients part of their increased cost burdens, private sector firms raised their selling prices in May. The overall rate of charge inflation was, however, only slight and little-change from April's nine-month low. Average selling prices at the national level also increased, though marginally.

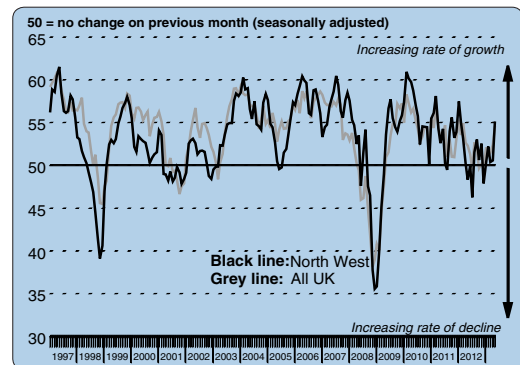
North West Business Conditions



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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	37.4	40.7	22.0	57.7	53.0	51.7
	Oct	28.3	46.7	25.0	51.6	50.6	49.7
	Nov	32.6	43.0	24.4	54.1	52.5	50.2
	Dec	20.5	44.3	35.2	42.6	47.9	49.9
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.1
	Feb	32.7	55.1	12.2	60.2	52.2	51.2
	Mar	24.5	55.1	20.4	52.0	50.4	51.4
	Apr	25.7	49.5	24.8	50.5	50.6	52.4
	May	42.6	47.9	9.6	66.5	55.1	54.6

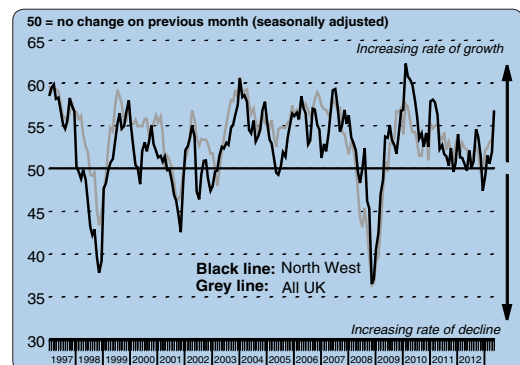


Business activity in the North West private sector increased for the fifth successive month in May, amid reports of higher inflows of incoming new work from domestic and foreign clients. The rate of growth was solid and the fastest since January 2012. Service providers and manufacturers both indicated higher output levels. At the UK level business activity also rose solidly, with the pace of expansion accelerating to the quickest 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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	34.8	40.4	24.7	55.1	54.6	52.5
	Oct	29.7	44.0	26.4	51.6	53.8	51.9
	Nov	27.1	42.4	30.6	48.2	51.5	49.6
	Dec	21.8	42.5	35.6	43.1	47.4	49.8
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.2
	Feb	34.0	46.4	19.6	57.2	51.5	52.4
	Mar	25.5	54.1	20.4	52.6	50.6	53.1
	Apr	31.7	44.6	23.8	54.0	52.0	53.4
	May	35.1	48.9	16.0	59.6	56.8	56.4

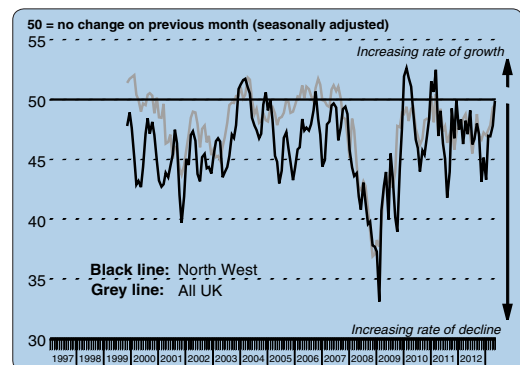


May data pointed to a further rise in new business inflow across the North West private sector, the fourth in consecutive months. The overall rate of growth accelerated to the fastest in 26 months, and was in line with that seen in the UK overall. Approximately 35% of monitored companies reported new order growth, citing stronger demand and improved market conditions. Conversely, 16% of respondents noted a fall. Incoming new business in the UK as a whole expanded for the fifth month running, and at the fastest pace in over three years.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	15.3	60.0	24.7	45.3	48.0	48.8
	Oct	17.6	54.1	28.2	44.7	47.1	47.0
	Nov	11.0	54.9	34.1	38.4	43.1	46.7
	Dec	10.8	61.4	27.7	41.6	45.2	47.3
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6

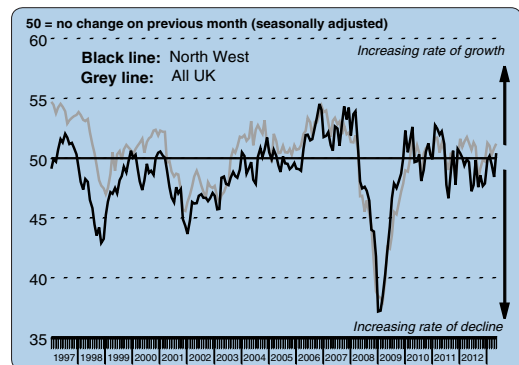


Private sector companies operating in the North West indicated that backlogs of work were broadly unchanged in May. Increases in the service sector were offset by a depletion registered at manufacturers. Outstanding business levels in the UK economy average fell for the twenty-sixth month running, albeit only fractionally and at the slowest pace in that sequence.

Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	14.4	74.4	11.1	51.7	47.6	48.1
	Oct	11.8	76.3	11.8	50.0	48.6	49.1
	Nov	14.0	73.3	12.8	50.6	47.7	49.9
	Dec	5.7	83.0	11.4	47.2	47.9	49.8
2013	Jan	6.9	83.2	9.9	48.5	49.9	51.3
	Feb	10.3	79.4	10.3	50.0	50.2	51.0
	Mar	12.4	76.3	11.3	50.5	49.5	50.3
	Apr	7.0	84.0	9.0	49.0	48.5	50.8
	May	11.7	81.9	6.4	52.7	50.4	51.2

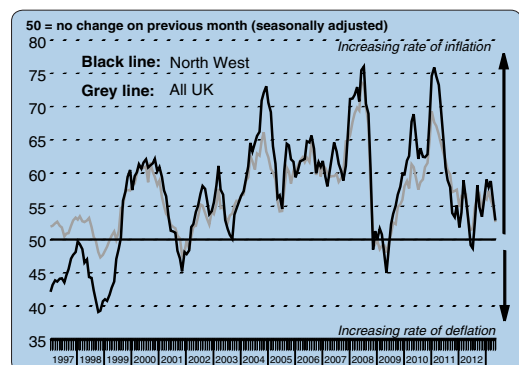


Payroll numbers in the North West private sector rose during May, after contracting in the previous two months. The overall rate of growth was, however, only marginal and weaker than the trend seen across the UK as a whole. Manufacturing companies reported higher staffing levels, citing anticipated rises in demand. In contrast, service providers signalled lower employment levels and some commented on voluntary redundancy programmes and cost reduction. At the UK level, job creation was registered for the fifth consecutive month.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	23.1	72.5	4.4	59.3	58.2	56.4
	Oct	16.1	72.0	11.8	52.2	54.8	56.9
	Nov	11.8	78.8	9.4	51.2	53.5	54.2
	Dec	12.5	80.7	6.8	52.8	56.0	56.4
2013	Jan	21.8	71.3	6.9	57.4	59.1	56.0
	Feb	19.6	75.3	5.2	57.2	57.9	57.4
	Mar	31.6	66.3	2.0	64.8	58.8	56.0
	Apr	22.0	67.0	11.0	55.5	55.5	54.9
	May	17.0	76.6	6.4	55.3	52.9	52.7

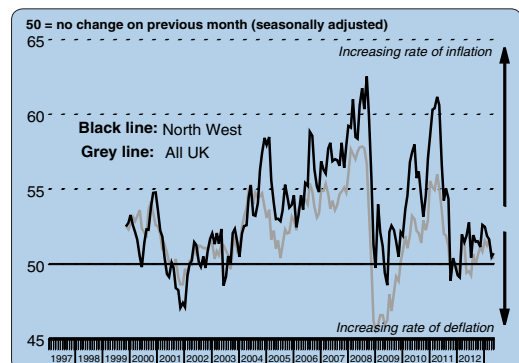


As has been observed in each month since last August, prices paid by private sector companies in the North West rose during May. Nonetheless, the overall rate of cost inflation was moderate and the weakest in nine months. Furthermore, the pace of increase was broadly in line with that seen across the UK economy average. Manufacturing and services companies both signalled higher purchase prices. Anecdotal evidence suggested that raw material, food, dairy and utilities costs all had increased over the month.

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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	7.7	90.1	2.2	52.7	51.5	50.0
	Oct	9.8	80.4	9.8	50.0	51.5	50.6
	Nov	9.3	80.2	10.5	49.4	51.1	51.1
	Dec	5.7	89.8	4.5	50.6	52.6	50.8
2013	Jan	12.7	82.4	4.9	53.9	52.5	51.5
	Feb	16.3	75.5	8.2	54.1	51.9	51.3
	Mar	9.1	82.8	8.1	50.5	51.7	51.7
	Apr	9.9	83.2	6.9	51.5	50.5	50.5
	May	9.5	85.3	5.3	52.1	50.7	50.4

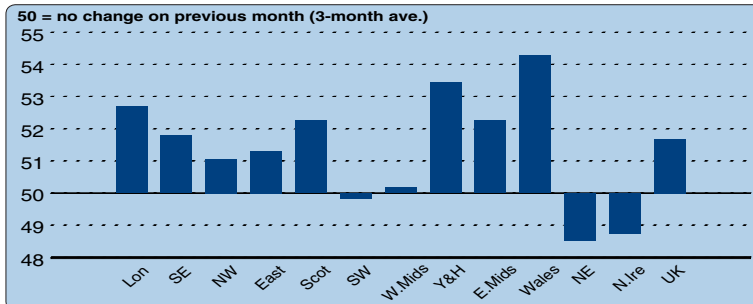


Companies operating in the North West private sector indicated higher prices charged during May, taking the current inflationary sequence to 15 months. The overall rate of increase was, however, only slight and little-changed from April. Furthermore, the seasonally adjusted Output Prices Index posted below the long-run series average. Surveyed firms indicated that average selling prices were increased in line with higher input costs and attempts to restore margins. Output price inflation at the UK level has now been recorded for eight successive months.



Regional Comparisons: Output

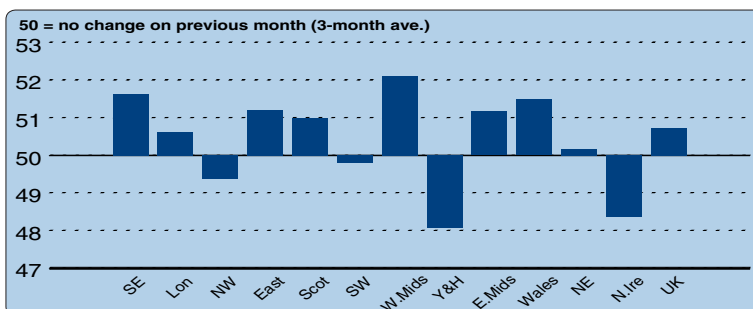
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales 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.

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