



# Lloyds TSB South 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.

To find out more about Lloyds TSB Commercial please visit

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

The South 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

## Private sector output growth accelerates in May

### Key findings:

- Fastest rise in activity since March 2012
- New business growth at 16-month high
- Input price inflation slows for third month running

The latest PMI® data from Lloyds TSB showed that the South East private sector economy showed signs of gaining momentum in May, as output and new business both increased at faster rates. This was accompanied by a further weakening in cost inflationary pressures, and a resumption of growth in factory gate prices.

### Output and demand

The headline Lloyds TSB South East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – remained above the no-change mark of 50.0 for the fifth month in succession in May, and rose sharply from 51.8 to 54.5. That signalled a robust rate of expansion that was the fastest since March 2012, broadly in line with the trend shown across the UK as a whole.

Growth was broad-based across manufacturing and services, with the latter sector posting the sharper rate of expansion.

The improved pace of output growth mainly reflected a sharper increase in new business inflows in May. Data signalled the strongest rate of expansion in new work since January 2012, mainly reflecting gains made at service providers.

### Employment and backlogs

Private sector companies in the South East expanded their workforces in May, but at only a fractional pace. Employment growth was confined to the service sector as manufacturing registered no change since April.

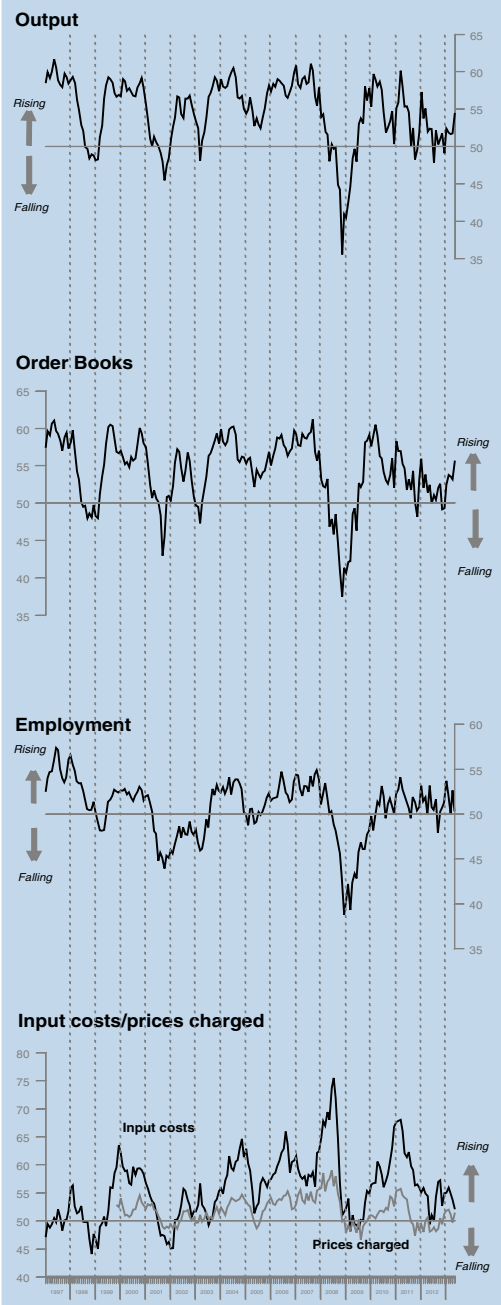
The level of outstanding business held by private sector firms declined further in May, with the rate of reduction the fastest in four months. The manufacturing sector in particular registered a sharp drop in backlogs.

### Input and output prices

Average input prices rose for the tenth successive month in May, but at the slowest rate in that sequence. Both sectors registered weaker increases in input prices, with manufacturing again seeing lower cost pressures than the service sector.

Average prices charged for goods and services rose for the fifth time in six months in May, following a marginal reduction in April. The rate of inflation was broadly in line with the long-run survey average.

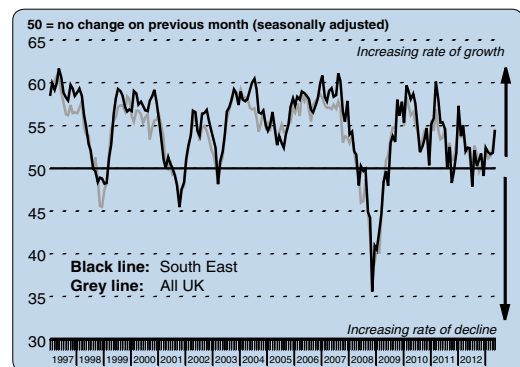
## South East Business Conditions



## 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	28.8	48.5	22.7	53.1	50.3	51.7
	Oct	25.7	52.6	21.6	52.0	51.0	49.7
	Nov	28.6	47.0	24.3	52.2	51.7	50.2
	Dec	24.6	46.9	28.6	48.0	49.1	49.9
2013	Jan	25.4	50.8	23.8	50.8	52.4	52.1
	Feb	27.5	53.3	19.2	54.1	51.9	51.2
	Mar	30.8	51.9	17.3	56.8	51.7	51.4
	Apr	28.9	50.6	20.6	54.2	51.8	52.4
	May	27.5	51.1	21.4	53.0	54.5	54.6

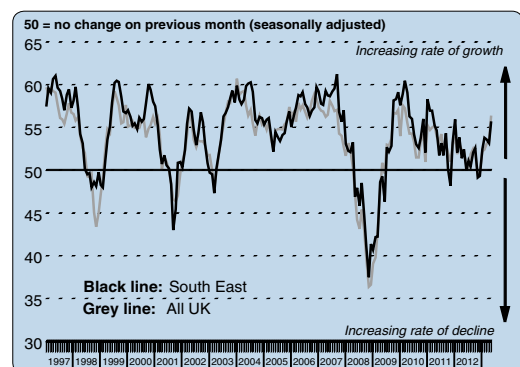


Private sector output across both manufacturing and services in the South East rose for the fifth month running in May. Moreover, having been previously stuck at a modest pace, the rate of expansion accelerated in the latest period to the fastest since March 2012. The seasonally adjusted Business Activity Index improved to 54.5, from 51.8, a figure broadly in line with the UK average. Growth was broad-based across manufacturing and services, with the latter registering the stronger rate of expansion.

## 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 East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	27.6	42.9	29.4	49.1	52.1	52.5
	Oct	28.2	50.0	21.8	53.2	52.6	51.9
	Nov	26.6	45.1	28.3	49.2	49.2	49.6
	Dec	27.2	40.5	32.4	47.4	49.3	49.8
2013	Jan	27.2	53.3	19.4	53.9	52.5	52.2
	Feb	31.5	48.1	20.4	55.5	53.8	52.4
	Mar	29.7	49.2	21.1	54.3	53.6	53.1
	Apr	29.6	49.7	20.7	54.5	53.2	53.4
	May	32.8	43.3	23.9	54.4	55.7	56.4

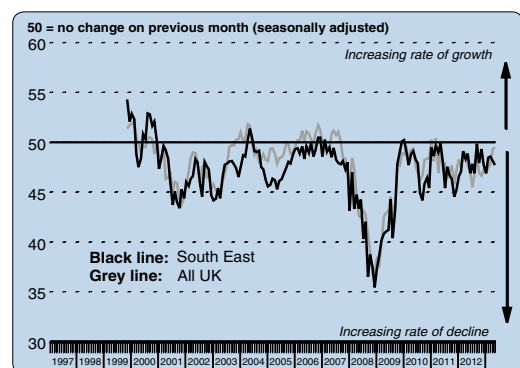


The seasonally adjusted Incoming New Business Index remained above the no-change mark of 50.0 in May, signalling further growth in new workloads at private sector firms in the South East. Moreover, the rate of expansion accelerated to the fastest since January 2012, and was stronger than the long-run survey average. A number of firms reported an improvement in market conditions and renewed optimism. Sector data signalled that services drove new business growth 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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	18.5	58.9	22.5	48.0	49.9	48.8
	Oct	14.6	63.9	21.5	46.5	47.9	47.0
	Nov	18.7	58.5	22.8	48.0	49.4	46.7
	Dec	12.3	57.7	30.1	41.1	47.8	47.3
2013	Jan	17.4	56.3	26.3	45.5	46.9	47.0
	Feb	18.6	62.9	18.6	50.0	48.5	47.4
	Mar	17.6	62.4	20.0	48.8	48.6	47.9
	Apr	15.1	66.9	18.1	48.5	48.1	49.4
	May	15.7	64.5	19.9	47.9	47.7	49.6

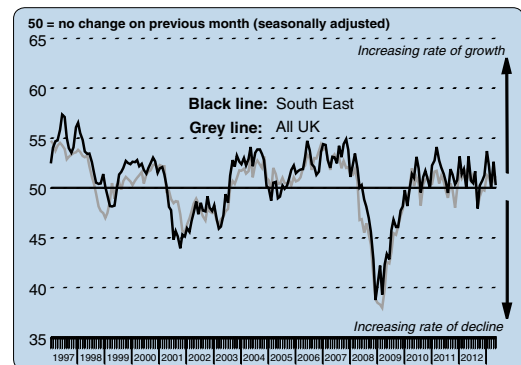


The volume of outstanding business in the South East private sector continued to decline in May, in line with the trend shown since early-2010. The seasonally adjusted Business Outstanding Index signalled the fastest rate of depletion since January, and a stronger decline than that registered across the UK private sector as a whole. Sector data signalled another sharp drop in manufacturing backlogs, while outstanding business at service providers fell at only a modest pace. Across the UK private sector as a whole, backlogs fell only marginally.

## Employment

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	11.6	75.6	12.8	49.4	47.9	48.1
	Oct	17.0	71.9	11.1	52.9	50.3	49.1
	Nov	15.1	72.6	12.4	51.3	50.8	49.9
	Dec	14.9	75.4	9.7	52.6	51.3	49.8
2013	Jan	14.4	76.8	8.8	52.8	53.7	51.3
	Feb	9.9	80.8	9.3	50.3	52.2	51.0
	Mar	12.4	76.2	11.4	50.5	50.0	50.3
	Apr	16.1	73.9	10.0	53.1	52.7	50.8
	May	12.6	73.6	13.7	49.5	50.3	51.2

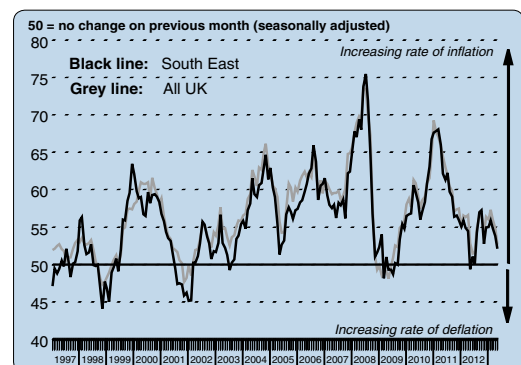


Job creation was maintained in the South East private sector economy in May. Employment has risen seven times in the past eight months. Firms reported taking on more staff to meet current and anticipated demand, and also to aid development of new products and services. The seasonally adjusted Employment Index fell over the month, however, and signalled only a fractional increase in workforces since April. The Index was also below the All-UK figure in the latest period.

## Input Prices / Costs

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	19.5	72.6	7.9	55.8	57.0	56.4
	Oct	18.1	74.9	7.0	55.6	57.3	56.9
	Nov	10.2	82.3	7.5	51.3	52.8	54.2
	Dec	10.3	85.1	4.6	52.9	55.0	56.4
2013	Jan	16.0	80.1	3.9	56.1	55.0	56.0
	Feb	15.9	81.9	2.2	56.9	55.9	57.4
	Mar	16.3	81.0	2.7	56.8	54.9	56.0
	Apr	18.8	77.3	3.9	57.5	53.8	54.9
	May	12.6	80.3	7.1	52.7	52.1	52.7

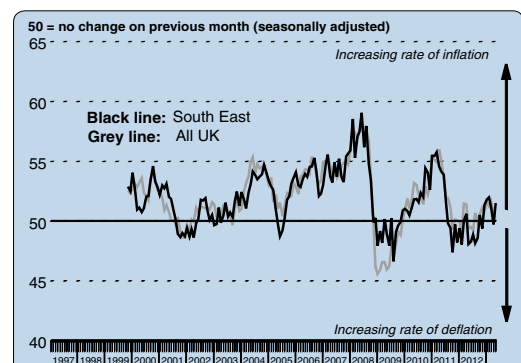


Survey data indicated weaker cost pressures at private sector firms in the South East in May. The rate of input price inflation eased for the third consecutive month, to the slowest in the current ten-month sequence of rising prices. The seasonally adjusted Input Prices Index also remained below the All-UK figure during the month, as has been the case since last November. Input price inflation remained stronger in services than in manufacturing. Service providers reported higher prices for fuel, salaries and food, while manufacturers mentioned rising import prices.

## 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?

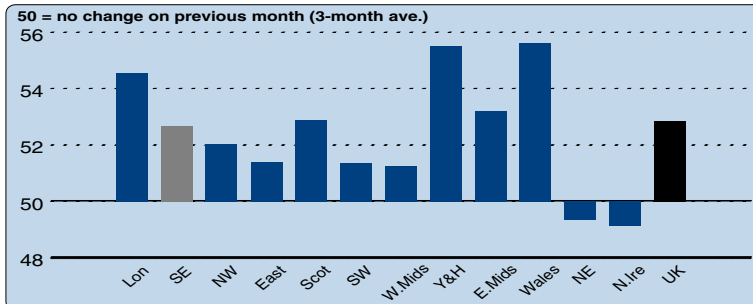
		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	6.1	84.8	9.1	48.5	48.6	50.0
	Oct	8.2	84.2	7.6	50.3	50.5	50.6
	Nov	5.4	86.0	8.6	48.4	49.4	51.1
	Dec	4.0	92.0	4.0	50.0	51.4	50.8
2013	Jan	11.6	83.4	5.0	53.3	51.8	51.5
	Feb	10.4	84.6	4.9	52.7	52.0	51.3
	Mar	6.0	89.1	4.9	50.5	51.2	51.7
	Apr	8.8	86.2	5.0	51.9	49.7	50.5
	May	10.4	84.1	5.5	52.5	51.5	50.4



The seasonally adjusted Output Prices Index rose back above the no-change mark of 50.0 in May, signalling higher prices charged for goods and services in the South East. Charges have risen five times in the past six months. Manufacturers in the region were more likely to raise their output prices than their counterparts in the service sector. The South East posted only a modest rate of output price inflation, yet one that was sharper than the UK average.

## Regional Comparisons: Output

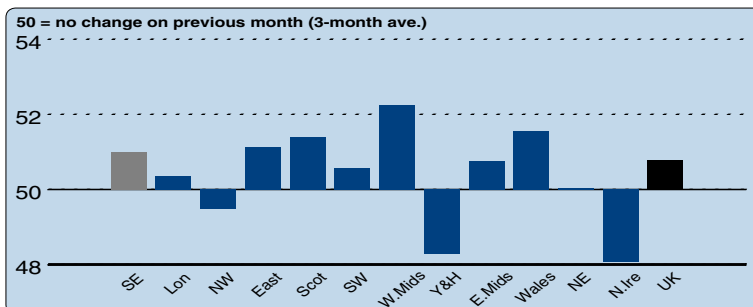
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales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