



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

The South 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.

For further information, please contact:

economics@markit.com

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10th June 2013

Business activity increases at quickest rate in a year

Key findings:

- New orders expand at quickest pace since last September
- Fastest rate of job creation since March 2011
- Input price inflation remains substantially below historical average

Business activity in the South West private sector economy increased for the second successive month in May. Furthermore, the rate of expansion was the quickest in 12 months. New business also rose at a marked pace, and for the second month in a row. Increased client demand led to the fastest expansion of payroll numbers since March 2011, while backlogs of work continued to decline.

Output and demand

The headline **Lloyds TSB South West Business Activity Index** – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 53.4 in May, up from 51.0 in April. This signalled a second successive month of increased output in the South West private sector. According to sector data, manufacturers in the region drove output growth overall. Meanwhile, activity in the UK private sector economy as a whole also increased in May, and at a solid pace.

New business in the South West increased for the second month in a row and at the quickest rate since last September. New order growth was generally associated with increased client demand at manufacturing plants in the region. New business also increased at the UK level, and at a sharper rate than that recorded in the South West.

Employment and backlogs

Staffing levels at South West private sector firms increased for the second successive month in May. Moreover, the rate of job creation was the quickest since March 2011. Employment in the UK private sector economy as a whole also increased in May.

Backlogs of work at private sector firms in the South West continued to fall in May. However, the rate of backlog depletion was the second-weakest in 22 months. At the UK level, outstanding business also declined, albeit marginally.

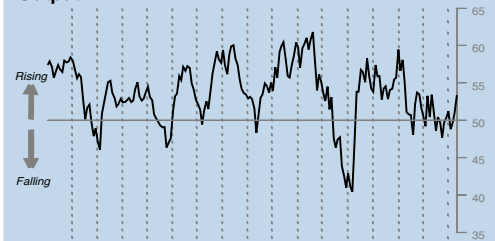
Input and output prices

Private sector companies in the South West reported a further increase in total operating costs in May. Though marked, the rate of inflation was substantially below the historical average.

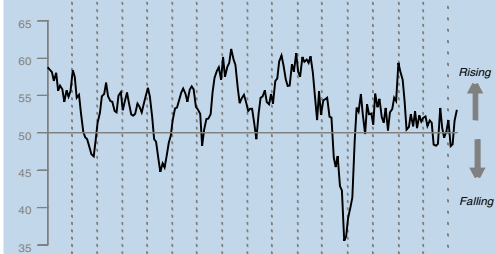
Output charges set by private sector firms in the South West increased modestly in May, following a marginal reduction in April.

South West Business Conditions

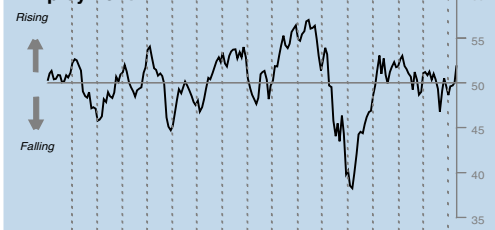
Output



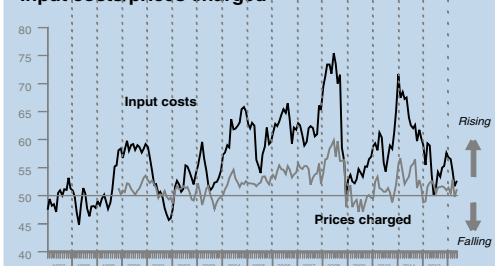
Order Books



Employment



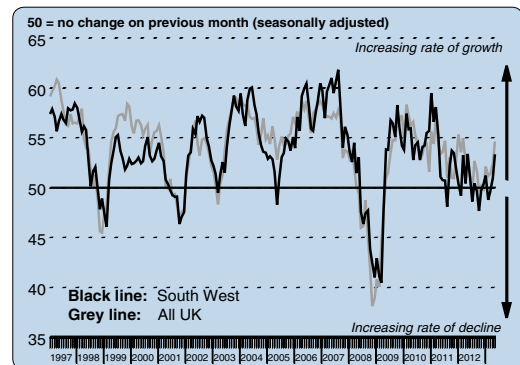
Input costs/prices charged



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?

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	21.2	55.8	23.1	49.0	49.6	51.7
	Oct	18.6	58.8	22.7	47.9	47.7	49.7
	Nov	21.1	56.9	22.0	49.5	49.7	50.2
	Dec	29.6	48.0	22.4	53.6	50.4	49.9
2013	Jan	18.4	57.1	24.5	46.9	51.2	52.1
	Feb	19.2	57.6	23.2	48.0	48.8	51.2
	Mar	25.5	58.5	16.0	54.8	49.7	51.4
	Apr	33.0	47.9	19.1	56.9	51.0	52.4
	May	23.7	64.5	11.8	55.9	53.4	54.6

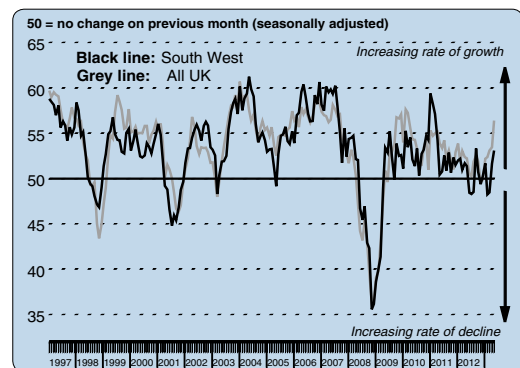


Business activity in the South West private sector economy increased for the second successive month in May. Nearly 24% of panellists recorded increased output and, after adjusting for seasonal factors, the rate of expansion accelerated to the quickest in a year. That said, growth in the South West remained below the average for the UK economy as a whole. According to sector data, manufacturers drove the overall increase in output, as business activity declined at service providers.

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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	23.3	59.2	17.5	52.9	53.3	52.5
	Oct	20.0	52.6	27.4	46.3	50.7	51.9
	Nov	25.5	45.3	29.2	48.1	49.4	49.6
	Dec	21.9	52.1	26.0	47.9	50.2	49.8
2013	Jan	23.2	50.5	26.3	48.4	51.7	52.2
	Feb	23.5	49.0	27.6	48.0	48.3	52.4
	Mar	28.0	47.3	24.7	51.6	48.5	53.1
	Apr	34.8	42.4	22.8	56.0	51.6	53.4
	May	27.5	56.0	16.5	55.5	53.1	56.4

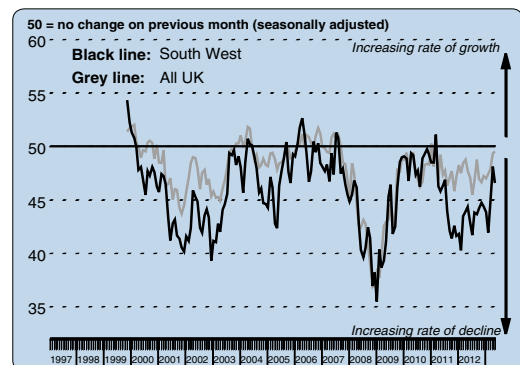


As was the case with output, total new orders placed at private sector firms in the South West increased for the second month in a row in May. Furthermore, it was the fastest increase in new business since last September, with nearly 28% of survey respondents reporting higher volumes of new orders. Though robust, the rate of expansion in the region was below the UK economy average, which was sharp. Anecdotal evidence suggested that increased client demand at manufacturing plants boosted new order growth in the latest survey period.

Business Outstanding

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

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	12.5	56.3	31.3	40.6	43.7	48.8
	Oct	10.9	63.0	26.1	42.4	44.2	47.0
	Nov	7.7	67.3	25.0	41.3	44.7	46.7
	Dec	6.6	68.1	25.3	40.7	44.4	47.3
2013	Jan	9.6	66.0	24.5	42.6	43.9	47.0
	Feb	8.5	68.1	23.4	42.6	42.0	47.4
	Mar	13.3	66.7	20.0	46.7	44.7	47.9
	Apr	19.5	60.9	19.5	50.0	48.1	49.4
	May	16.1	64.4	19.5	48.3	46.6	49.6

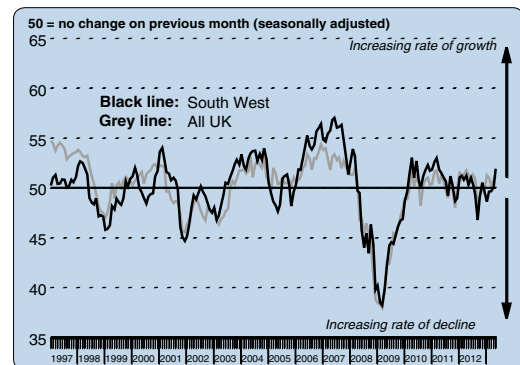


The level of outstanding business at South West private sector companies decreased for the twenty-sixth successive month in May. Though the rate of backlog depletion was marked, it was nonetheless the second-weakest in 22 months. Nearly 20% of panellists reported a lower level of work-in-hand, with sector data indicating that outstanding business fell across both monitored sectors in the region. Backlogs of work also fell across the UK private sector economy as a whole, albeit marginally.

Employment

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	13.7	67.6	18.6	47.5	46.8	48.1
	Oct	10.4	78.1	11.5	49.5	49.1	49.1
	Nov	14.8	72.2	13.0	50.9	50.5	49.9
	Dec	10.3	75.3	14.4	47.9	49.7	49.8
2013	Jan	10.4	69.8	19.8	45.3	48.6	51.3
	Feb	13.3	75.5	11.2	51.0	49.6	51.0
	Mar	14.0	77.4	8.6	52.7	49.7	50.3
	Apr	12.9	77.4	9.7	51.6	50.1	50.8
	May	18.5	75.0	6.5	56.0	52.0	51.2

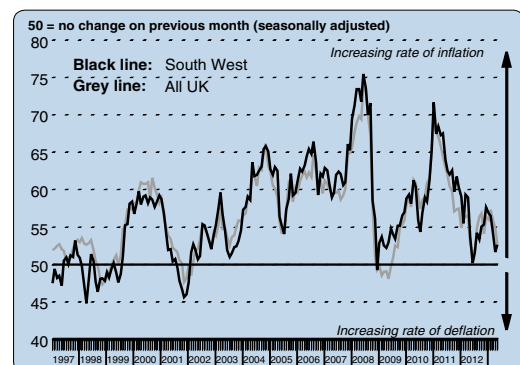


Employment levels rose for the second month in a row at private sector companies in the South West in May. After adjusting for seasonal factors, the rate of job creation was the quickest since March 2011, with more than 18% of panellists noting an expansion of workforce numbers. Sector data indicated that manufacturers boosted headcounts in the region in the latest survey period. Employment also increased in the UK private sector economy as a whole, and at the fastest pace in four months.

Input Prices / Costs

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	7.0	88.0	5.0	51.0	53.4	56.4
	Oct	11.6	82.1	6.3	52.6	55.1	56.9
	Nov	15.6	78.0	6.4	54.6	55.3	54.2
	Dec	16.7	78.1	5.2	55.7	57.6	56.4
2013	Jan	19.4	76.5	4.1	57.7	56.9	56.0
	Feb	20.4	74.5	5.1	57.7	56.5	57.4
	Mar	18.1	75.5	6.4	55.9	54.4	56.0
	Apr	12.9	79.6	7.5	52.7	51.7	54.9
	May	13.0	82.6	4.3	54.3	52.7	52.7

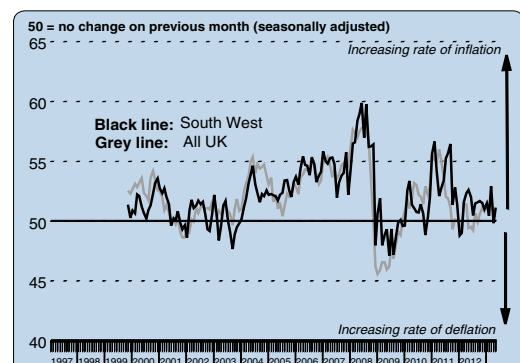


Private sector firms in the South West reported a further increase in average input costs during May. Despite quickening since April, the rate of input price inflation remained substantially below the series long-run average. The rate of inflation across the South West matched that recorded in the UK economy as a whole. Inflation in the South West was largely driven by service providers, who signalled a sharp increase in input costs.

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?

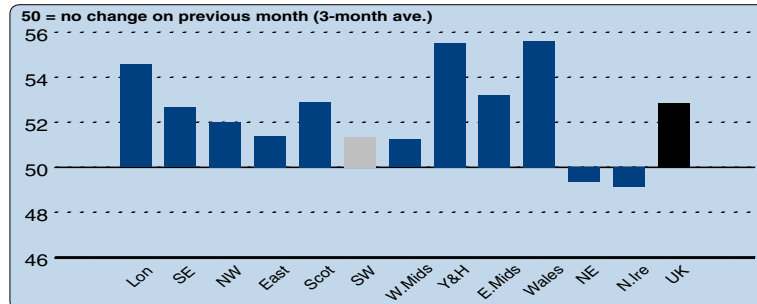
		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	6.9	88.1	5.0	51.0	51.6	50.0
	Oct	5.3	89.5	5.3	50.0	51.7	50.6
	Nov	8.3	83.3	8.3	50.0	51.5	51.1
	Dec	5.2	88.7	6.2	49.5	51.0	50.8
2013	Jan	12.2	83.7	4.1	54.1	51.5	51.5
	Feb	8.2	84.7	7.1	50.5	50.4	51.3
	Mar	13.8	80.9	5.3	54.3	52.9	51.7
	Apr	9.8	84.8	5.4	52.2	49.8	50.5
	May	8.6	88.2	3.2	52.7	51.2	50.4



Following on from a slight reduction during April, output charges increased at South West private sector firms in May. After adjusting for seasonality, however, the rate at which tariffs were raised was modest. Less than 9% of respondents increased their charges in the latest survey period. Output prices were also raised in the UK private sector economy as whole, albeit marginally. Anecdotal evidence suggested that some firms in the region raised their charges to reflect higher input costs.

Regional Comparisons: Output

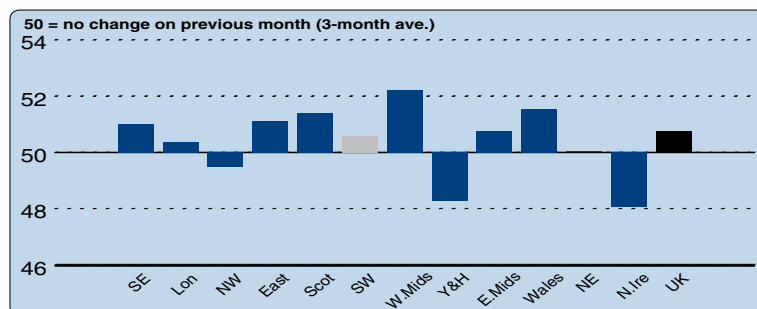
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales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