



Lloyds TSB West Midlands PMI®

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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 West Midlands 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 West Midlands and operating in both manufacturing and service sectors.

The West Midlands 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 rises at fastest rate for nine months in May

Key findings:

- Output growth accelerates amid sharper increase in new work
- Further expansion of employment
- Input price inflation eases to nine-month low

The latest Lloyds TSB West Midlands PMI® report highlighted a solid rise in business activity in the region's private sector economy during May. The seasonally adjusted Business Activity Index posted 53.9, up from 49.8 in April. That was its highest reading since last August. Underpinning the expansion of output was a sharper increase in new business. Employment continued to rise, while backlogs of work decreased slightly. Input price inflation moderated to a nine-month low, while output charges fell marginally.

Output and demand

Output at West Midlands private sector firms increased in May following a fractional drop in the previous month. Although slower than that recorded across the UK as a whole, growth in the region was nevertheless faster than the survey's long-run average. The service sector was the main engine of expansion, with manufacturers signalling only a slight increase in activity.

Supporting the rise in activity was further growth of incoming new business during May. The latest increase in new work was the strongest since March 2012. Improved demand conditions, higher levels of confidence among clients and new product launches were reported by panellists to have boosted new orders.

Employment and backlogs

Staffing levels at West Midlands firms rose for a fifth successive month during May, with survey respondents generally commenting on the need to meet higher workloads. That said, the rate of job creation was modest and slower than in the previous survey period.

Backlogs of work decreased further in May, extending the current sequence of contraction to 13 months. However, the latest fall was only slight and the weakest in that period.

Input and output prices

The rate of input price inflation in the West Midlands private sector moderated further in May. The latest increase in costs was the weakest in nine months, primarily reflecting lower raw material prices for manufacturers.

Prices charged by private sector companies in the West Midlands meanwhile decreased in May for the first time since last October, albeit only slightly.

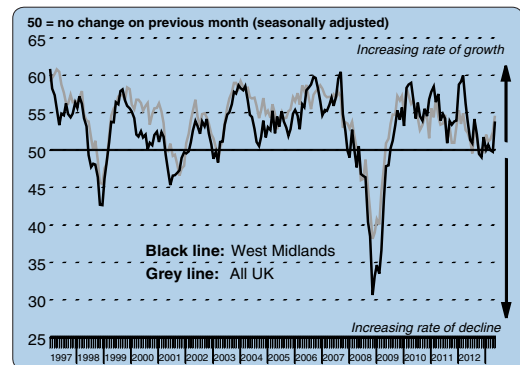
West Midlands Business Conditions



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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	25.4	43.9	30.7	47.4	52.1	51.7
	Oct	21.1	48.6	30.3	45.4	49.5	49.7
	Nov	26.3	50.0	23.7	51.3	49.1	50.2
	Dec	29.0	47.7	23.4	52.8	51.8	49.9
2013	Jan	21.1	47.4	31.6	44.7	50.1	52.1
	Feb	28.7	53.9	17.4	55.7	50.7	51.2
	Mar	29.9	51.3	18.8	55.6	50.0	51.4
	Apr	27.7	52.7	19.6	54.0	49.8	52.4
	May	27.3	57.3	15.5	55.9	53.9	54.6

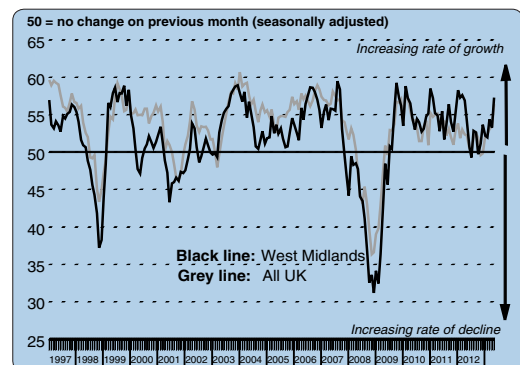


The seasonally adjusted Business Activity Index climbed to a nine-month high of 53.9 in May, from 49.8 in April, signalling a solid expansion of West Midlands private sector output following a fractional fall in the previous survey period. That said, the region saw a slower increase in activity than the UK average. Data showed that the service sector was the main source of activity growth, as manufacturers signalled only a marginal pace 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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	29.5	41.1	29.5	50.0	52.7	52.5
	Oct	19.8	51.9	28.3	45.8	49.7	51.9
	Nov	29.3	48.3	22.4	53.4	51.2	49.6
	Dec	28.6	45.7	25.7	51.4	53.7	49.8
2013	Jan	25.4	45.6	28.9	48.2	52.2	52.2
	Feb	29.2	49.6	21.2	54.0	52.0	52.4
	Mar	32.8	50.9	16.4	58.2	54.4	53.1
	Apr	31.8	47.3	20.9	55.5	53.3	53.4
	May	34.3	47.2	18.5	57.9	57.3	56.4

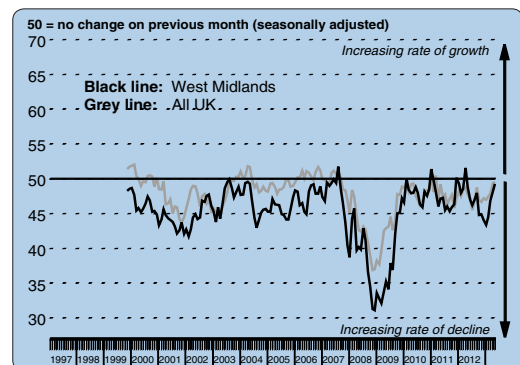


The level of new business placed with private sector companies in the West Midlands increased strongly during May. Accelerating sharply since the previous survey period, the rate of expansion was the fastest since March 2012. Anecdotal evidence suggested that higher new orders were supported by improved demand conditions, greater client confidence and the launch of new product lines. Sector data indicated that new business growth was largely confined to service providers 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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	11.0	63.3	25.7	42.7	48.0	48.8
	Oct	9.0	62.0	29.0	40.0	44.8	47.0
	Nov	12.5	64.3	23.2	44.6	44.9	46.7
	Dec	13.9	57.4	28.7	42.6	44.1	47.3
2013	Jan	14.0	57.9	28.0	43.0	43.4	47.0
	Feb	16.4	61.8	21.8	47.3	44.5	47.4
	Mar	21.1	60.6	18.3	51.4	46.9	47.9
	Apr	15.2	69.5	15.2	50.0	48.2	49.4
	May	12.4	76.2	11.4	50.5	49.3	49.6

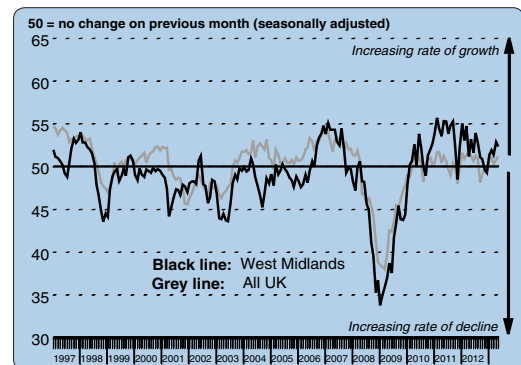


Outstanding business in the West Midlands private sector decreased for a thirteenth consecutive month in May. However, the rate of contraction was only marginal and the weakest in that sequence. The vast majority of panellists (approximately 76%) signalled no change in unfinished work since April. Across the UK as a whole, backlogs of work also fell slightly during the latest survey period.

Employment

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	13.3	77.0	9.7	51.8	51.1	48.1
	Oct	14.0	74.8	11.2	51.4	50.9	49.1
	Nov	10.3	72.6	17.1	46.6	49.6	49.9
	Dec	10.3	76.6	13.1	48.6	49.3	49.8
2013	Jan	13.3	72.6	14.2	49.6	51.4	51.3
	Feb	15.2	74.1	10.7	52.2	52.0	51.0
	Mar	19.5	69.0	11.5	54.0	51.4	50.3
	Apr	20.9	66.4	12.7	54.1	52.9	50.8
	May	18.5	67.6	13.9	52.3	52.4	51.2

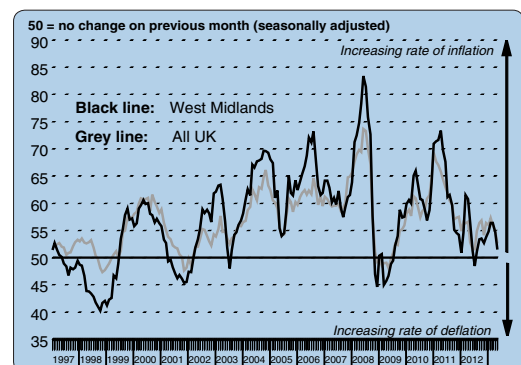


Employment in the West Midlands private sector increased for a fifth consecutive month during May. However, the rate of expansion was only modest and slower than in the previous survey period. Panellists generally commented that additional staff had been recruited to meet increased workloads. The region posted a sharper expansion of payroll numbers than the UK average.

Input Prices / Costs

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	12.3	74.6	13.2	49.6	53.4	56.4
	Oct	12.8	77.1	10.1	51.4	53.6	56.9
	Nov	6.8	82.1	11.1	47.9	52.7	54.2
	Dec	10.3	80.4	9.3	50.5	53.8	56.4
2013	Jan	17.4	76.5	6.1	55.7	54.9	56.0
	Feb	29.6	64.3	6.1	61.7	56.4	57.4
	Mar	27.6	69.0	3.4	62.1	56.5	56.0
	Apr	22.3	70.5	7.1	57.6	54.7	54.9
	May	10.9	78.2	10.9	50.0	51.5	52.7

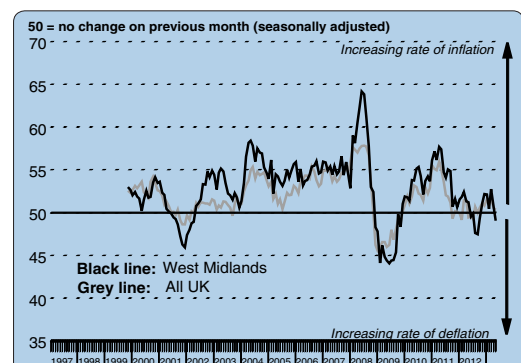


The rate of input price inflation in the West Midlands private sector eased further in May, reaching a nine-month low. The latest increase in costs was only modest and slower than the UK average. Data signalled that robust cost inflation in the service sector was offset by declining input prices in manufacturing (primarily reflecting easing price pressures for a number of commodities).

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Sep	4.4	85.8	9.7	47.3	47.5	50.0
	Oct	9.2	81.7	9.2	50.0	49.3	50.6
	Nov	7.6	86.4	5.9	50.8	51.1	51.1
	Dec	6.5	88.8	4.7	50.9	52.2	50.8
2013	Jan	13.0	80.9	6.1	53.5	52.1	51.5
	Feb	10.3	85.3	4.3	53.0	50.5	51.3
	Mar	11.1	86.3	2.6	54.3	52.8	51.7
	Apr	9.9	82.9	7.2	51.4	50.7	50.5
	May	6.4	84.5	9.1	48.6	49.1	50.4

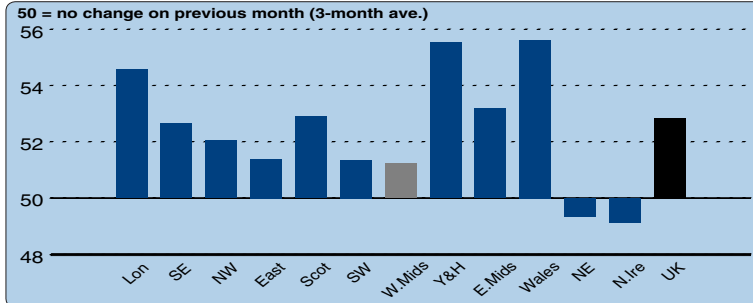


May data signalled a reduction in output prices in the West Midlands private sector. Although only marginal, it was the first decrease in charges since last October. A combination of competitive pressures and lower input price inflation were reported to have led to the reduction in selling prices. Across the UK overall, charges increased marginally during the latest survey period.



Regional Comparisons: Output

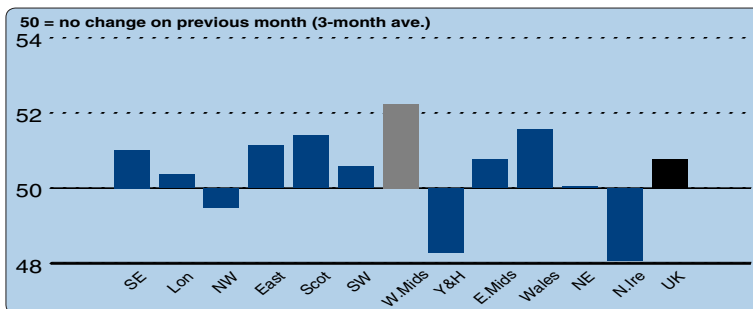
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Higher levels of business activity were recorded in 10 of the 12 UK regions on average during the three months to May, with the strongest growth seen in Wales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