



Lloyds TSB East of England 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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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 East of England PMI® (Purchasing Managers' Index®) is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in June 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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:

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8th July 2013

Business activity increases at fastest pace in 16 months

Key findings:

- Output and new orders both increase markedly
- Rate of job creation accelerates
- Output charges decline for the first time since last October

The latest survey results signalled a sharp increase in East of England private sector output. In line with a rise in activity, June data pointed to solid growth in new work. Order book volumes rose at the quickest pace since April 2011. The rate of job creation also picked up, as companies responded to higher order intakes. Meanwhile, output charges fell for the first time in eight survey periods.

Output and demand

The headline seasonally adjusted **Lloyds TSB East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 55.0 in June, up from May's 52.2. Activity has now increased for seven months running, and the latest rise was the fastest since February 2012. Sector data suggested that an expansion in activity at service providers was the driver behind the overall expansion.

New business also increased at an accelerated pace in June, as companies secured new clients and introduced new products. While the rate of growth in new work was sharp overall, it remained below the overall UK average for a sixth consecutive survey period.

Employment and backlogs

East of England private sector companies reported a further rise in employment levels in June, and linked the increase to higher new business. The hiring of additional workers was mainly centred around the services sector.

Levels of outstanding business fell in June, with 16% of companies reporting a depletion of backlogs of work. Work-in-hand fell at the fastest pace in three survey periods.

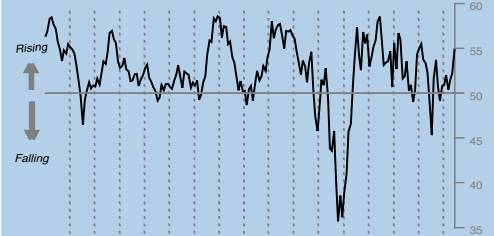
Input and output prices

Private sector companies in the East of England faced higher cost burdens in June, extending the current sequence of rising input prices to 50 months. There was some anecdotal evidence that the latest rise in input prices was driven by increased utility bills. While the rate of cost inflation accelerated from that seen in May, the latest increase was weaker than the overall UK average.

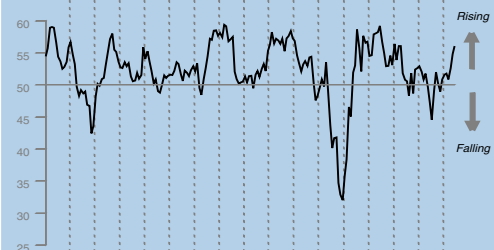
Despite higher cost burdens, East of England companies lowered their output charges slightly. Some panellists attributed the decline to lower prices for raw materials.

East of England Business Conditions

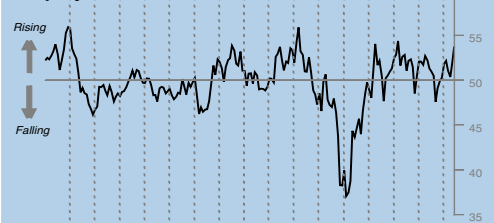
Output



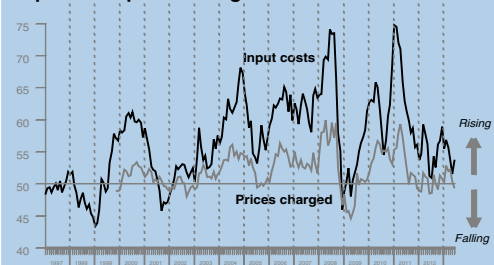
Order Books



Employment



Input costs/prices charged

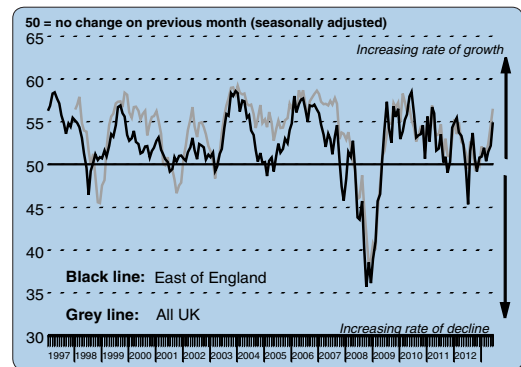




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	23.6	48.2	28.2	47.7	50.7	49.7
	Nov	22.5	50.5	27.0	47.7	49.2	50.2
	Dec	27.7	43.8	28.6	49.6	50.8	49.9
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.1
	Feb	31.8	50.0	18.2	56.8	52.0	51.2
	Mar	20.4	59.3	20.4	50.0	50.4	51.4
	Apr	30.2	48.3	21.6	54.3	51.5	52.4
	May	22.7	59.1	18.2	52.3	52.2	54.6
	Jun	28.7	53.0	18.3	55.2	55.0	56.5

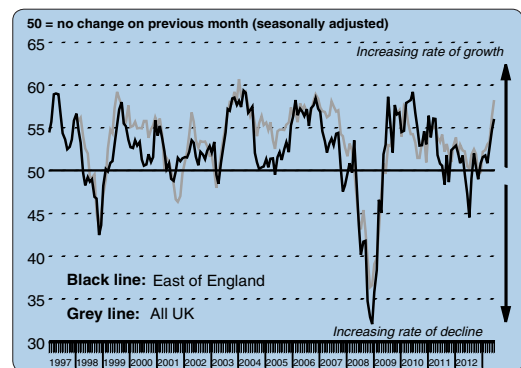


East of England private sector companies reported a further rise in activity in June, extending the current sequence of growth to seven months. Around 29% of panellists indicated a rise in activity, while 18% reported a decline. The pace of expansion quickened markedly from May, and was the fastest since February 2012. According to anecdotal evidence, the latest rise was mainly driven by increased order intakes.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	23.9	45.0	31.2	46.3	50.3	51.9
	Nov	24.8	47.7	27.5	48.6	49.0	49.6
	Dec	28.8	48.6	22.5	53.2	50.9	49.8
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.2
	Feb	31.2	49.5	19.3	56.0	51.8	52.4
	Mar	25.9	53.6	20.5	52.7	50.9	53.1
	Apr	32.5	50.9	16.7	57.9	52.7	53.4
	May	26.6	56.0	17.4	54.6	54.8	56.4
	Jun	29.6	50.4	20.0	54.8	56.1	58.3

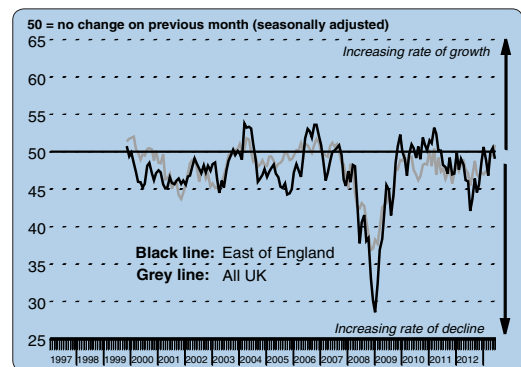


Incoming new business placed at East of England private sector companies increased in June, highlighted by the seasonally adjusted New Orders Index posting above the no-change mark of 50.0. Order intakes have now risen for seven successive survey periods, and the latest increase was the sharpest since April 2011. Sector data suggested that lower new business at manufacturers was offset by a sharp rise at service providers. Companies that reported higher incoming new work linked this to the securing of new clients and the introduction of new products.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	14.4	57.7	27.9	43.3	44.6	47.0
	Nov	13.6	58.3	28.2	42.7	45.6	46.7
	Dec	17.9	56.6	25.5	46.2	48.7	47.3
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0
	Feb	18.1	61.0	21.0	48.6	48.8	47.4
	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4
	May	14.7	70.6	14.7	50.0	50.6	49.6
	Jun	13.9	70.4	15.7	49.1	49.1	51.0

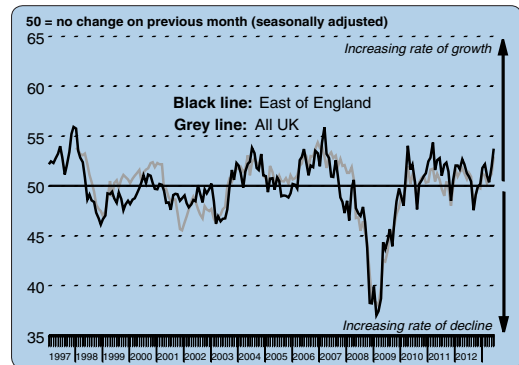


Levels of work outstanding in the East of England private sector economy declined in June, and for the fourth time in five survey periods. The rate of depletion was the sharpest in three months, although modest overall. An increase in work-in-hand at service providers was offset by a solid decrease at manufacturers. The latest fall in outstanding business in the region was in contrast to an increase at the overall UK level.

Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	11.0	77.1	11.9	49.5	49.1	49.1
	Nov	14.5	73.6	11.8	51.4	49.9	49.9
	Dec	12.5	78.6	8.9	51.8	50.2	49.8
2013	Jan	14.4	70.3	15.3	49.5	51.8	51.3
	Feb	16.5	75.2	8.3	54.1	52.2	51.0
	Mar	15.3	75.7	9.0	53.2	51.0	50.3
	Apr	16.5	72.2	11.3	52.6	50.4	50.8
	May	12.0	82.4	5.6	53.2	52.0	51.2
	Jun	14.2	80.5	5.3	54.4	53.8	53.0

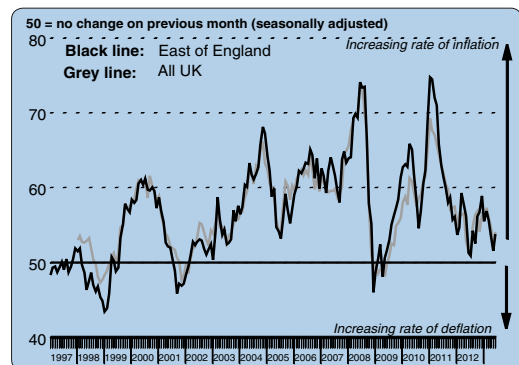


The seasonally adjusted Employment Index registered above the no-change mark of 50.0 in June, with 14% of companies hiring additional workers. Staffing levels have now increased for seven successive survey periods, and the rate of job creation accelerated to the quickest since March 2011. Increased incoming new business was the primary factor highlighted by firms that increased their payroll numbers.

Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	16.4	79.1	4.5	55.9	56.2	56.9
	Nov	14.5	77.3	8.2	53.2	56.7	54.2
	Dec	14.2	83.2	2.7	55.8	58.9	56.4
2013	Jan	13.4	81.3	5.4	54.0	55.5	56.0
	Feb	20.0	76.4	3.6	58.2	56.9	57.4
	Mar	22.1	73.5	4.4	58.8	55.7	56.0
	Apr	16.4	77.6	6.0	55.2	53.7	54.9
	May	10.0	80.9	9.1	50.5	51.6	52.7
	Jun	13.0	83.5	3.5	54.8	53.8	54.1

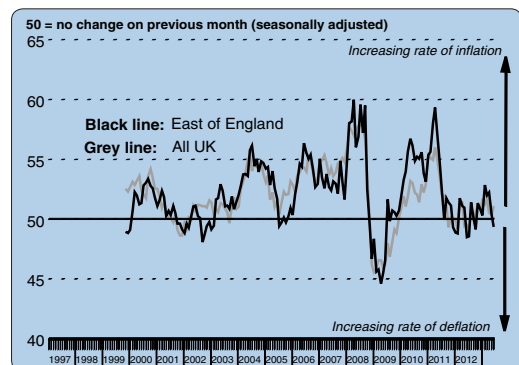


The latest survey data signalled a further increase in input costs at East of England private sector companies. The rate of input price inflation was the highest in three months, although below the overall UK average. While service providers faced higher cost burdens in the latest survey period, manufacturing companies reported falling input costs. Some companies linked the overall rise in input prices to increased utility 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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	5.5	85.3	9.2	48.2	49.2	50.6
	Nov	7.3	90.0	2.7	52.3	51.3	51.1
	Dec	6.3	87.4	6.3	50.0	50.8	50.8
2013	Jan	9.1	83.6	7.3	50.9	50.3	51.5
	Feb	14.7	79.8	5.5	54.6	52.9	51.3
	Mar	12.4	79.6	8.0	52.2	52.0	51.7
	Apr	11.3	86.1	2.6	54.3	52.2	50.5
	May	2.8	93.5	3.7	49.5	50.4	50.4
	Jun	6.1	85.1	8.8	48.7	49.4	51.1

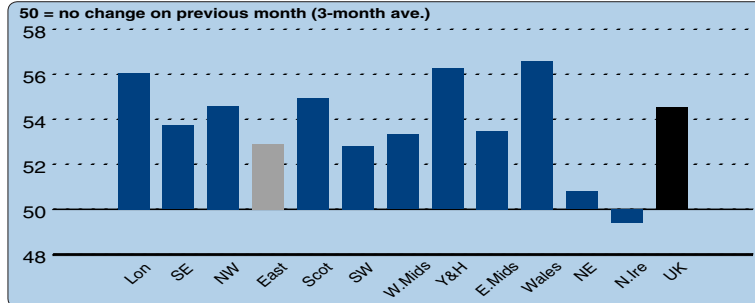


Private sector firms in the East of England lowered their charges in June, and for the first time since last October. The fall in output prices in the region contrasted with a further rise at the overall UK level. The rate of charge inflation was, however, only slight, as the majority of panellists reported unchanged output prices from May. According to anecdotal evidence, the decline was partly driven by falling prices for some raw materials.



Regional Comparisons: Output

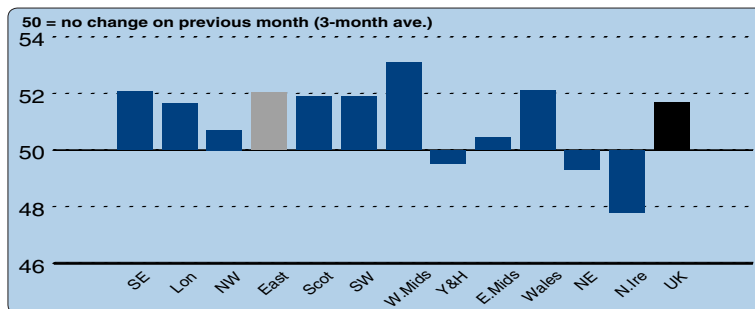
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector activity. Wales and Yorkshire & Humber registered the fastest rates of output expansion.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.1	56.1	58.3
South East	(14.7%)	51.6	53.7	54.8
North West	(9.5%)	51.6	54.6	58.1
East of England	(8.7%)	51.1	52.9	55.0
Scotland	(8.3%)	52.0	54.8	57.0
South West	(7.7%)	50.4	52.8	54.1
West Midlands	(7.3%)	51.5	53.3	56.3
Yorks & Humber	(7.0%)	53.0	56.3	55.5
East Midlands	(6.4%)	51.8	53.5	52.3
Wales	(3.6%)	53.3	56.6	56.7
North East	(3.2%)	49.2	50.8	51.7
N.Ireland	(2.2%)	46.3	49.4	49.8
UK	(100.0%)	51.8	54.5	56.5

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). Higher levels of employment were recorded in the majority of UK regions on average during the three months to June. The West Midlands posted the fastest rise in workforce numbers, while Northern Ireland saw the most marked drop in staffing levels.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.2	52.1	53.3
London	(12.3%)	50.1	51.7	53.9
North West	(10.9%)	49.3	50.7	53.2
East of England	(9.6%)	50.8	52.0	53.8
Scotland	(8.7%)	50.9	51.9	52.5
South West	(8.6%)	50.0	51.9	53.7
West Midlands	(8.6%)	51.8	53.1	54.0
Yorks & Humber	(8.2%)	50.0	49.5	51.7
East Midlands	(7.3%)	52.0	50.5	50.1
Wales	(4.6%)	50.5	52.1	52.6
North East	(3.9%)	49.0	49.3	49.2
N.Ireland	(2.7%)	47.8	47.8	47.9
UK	(100.0%)	50.6	51.7	53.0

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.