



Lloyds TSB East Midlands 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 Midlands 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 Midlands and operating in both manufacturing and service sectors.

The East 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:

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8th July 2013

Growth in activity eases to three-month low

Key findings:

- Modest increase in output
- New business continues to rise markedly
- Inflationary pressures remain subdued

The Lloyds TSB East Midlands PMI® report suggested that while activity continued to increase in June, some growth momentum was lost during the month. That said, the rate of expansion in new business remained marked. Meanwhile, cost inflation was relatively muted and companies increased their output prices at only a marginal pace.

Output and demand

The headline Lloyds TSB East Midlands Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – fell to 52.3 in June, from 54.5 in the previous month. Although this signalled a sixth successive increase in activity in the region, the rate of growth eased to the slowest in three months, and was weaker than the UK economy average. The overall rise in activity in the region was centred on growth in the service sector.

A further marked increase in new business was recorded in June. The rate of growth eased slightly, however, and was slower than the UK average. A number of respondents indicated that the domestic market had been a key source of rising new orders.

Employment and backlogs

East Midlands private-sector firms left their workforce numbers broadly unchanged for the second month running. While some panellists had taken on extra staff as part of attempts to improve capacity, others had not replaced leaving staff. Services companies raised employment, while manufacturers recorded job cuts.

Although backlogs of work continued to fall in June, the rate of depletion eased to the slowest in 2013 so far. Manufacturers saw a faster reduction in outstanding business than service providers.

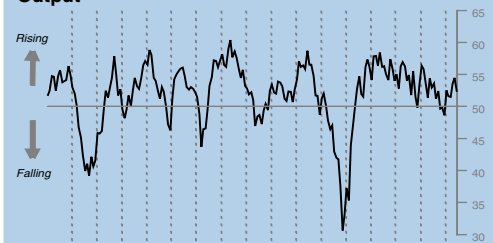
Input and output prices

Input prices continued to increase during June, but the rate of inflation remained relatively modest. Sector data suggested that inflationary pressures were greater at service providers than manufacturers.

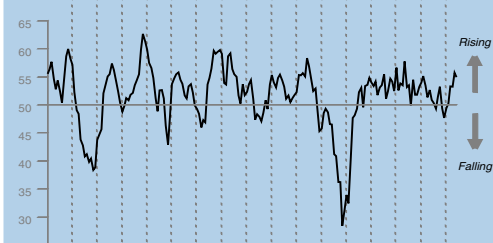
The rate of output price inflation in the East Midlands was marginal in June as around 98% of respondents left their charges unchanged during the month. The increase in output prices was slightly weaker than that recorded across the UK economy as a whole.

East Midlands Business Conditions

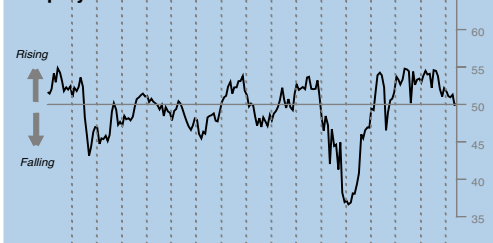
Output



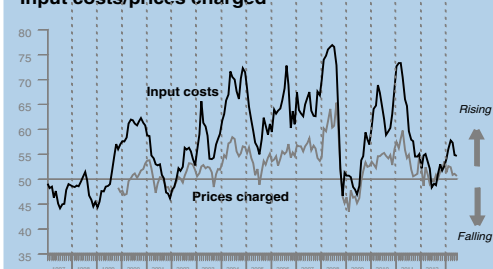
Order Books



Employment



Input costs/prices charged

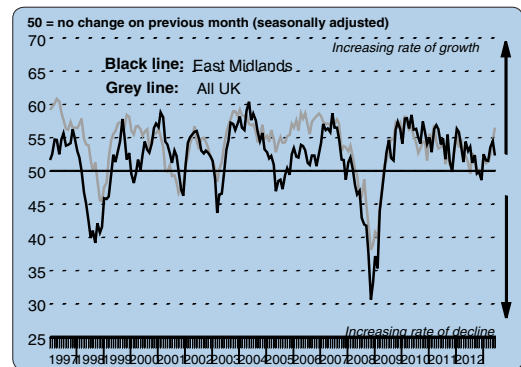




Output / Business Activity

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	21.8	54.0	24.1	48.9	49.7	49.7
	Nov	24.4	50.0	25.6	49.4	49.9	50.2
	Dec	29.1	38.4	32.6	48.3	48.6	49.9
2013	Jan	24.2	51.6	24.2	50.0	52.5	52.1
	Feb	29.5	47.7	22.7	53.4	51.6	51.2
	Mar	29.1	55.8	15.1	57.0	51.5	51.4
	Apr	28.0	53.8	18.3	54.8	53.6	52.4
	May	33.3	46.4	20.2	56.5	54.5	54.6
	Jun	22.2	63.3	14.4	53.9	52.3	56.5

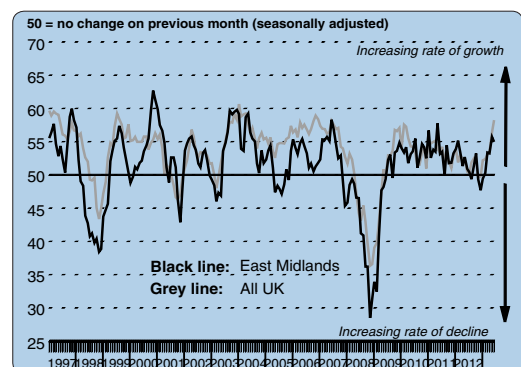


Business activity at East Midlands companies increased in June, as has been the case throughout 2013 so far. That said, the rate of expansion eased to the weakest in three months and was much slower than the UK economy average. Where growth of output was recorded, this was linked to signs of improving market conditions. Sector data suggested that overall growth was centred on the service sector.

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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	32.2	46.0	21.8	55.2	53.3	51.9
	Nov	25.6	43.3	31.1	47.2	49.4	49.6
	Dec	23.3	41.9	34.9	44.2	47.7	49.8
2013	Jan	24.2	48.4	27.5	48.4	49.5	52.2
	Feb	34.1	40.9	25.0	54.5	50.3	52.4
	Mar	31.4	52.3	16.3	57.6	53.4	53.1
	Apr	31.2	49.5	19.4	55.9	53.3	53.4
	May	28.6	58.3	13.1	57.7	55.7	56.4
	Jun	30.0	47.8	22.2	53.9	55.0	58.3

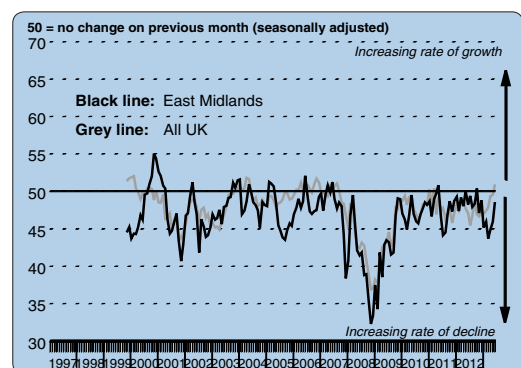


June data signalled a marked increase in new business, despite the rate of growth easing slightly from the previous month. That said, the rise in new orders at East Midlands companies was slower than the average for the UK as a whole. Some panellists highlighted the UK market as a source of growth in new business. New orders increased across both monitored sectors, led by services.

Business Outstanding

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	22.9	57.8	19.3	51.8	50.4	47.0
	Nov	14.0	64.0	22.1	45.9	47.1	46.7
	Dec	21.3	55.0	23.8	48.8	48.8	47.3
2013	Jan	12.6	57.5	29.9	41.4	45.2	47.0
	Feb	18.1	59.0	22.9	47.6	46.0	47.4
	Mar	12.0	63.9	24.1	44.0	43.7	47.9
	Apr	11.6	68.6	19.8	45.9	44.8	49.4
	May	14.1	61.5	24.4	44.9	46.0	49.6
	Jun	17.9	63.1	19.0	49.4	48.6	51.0

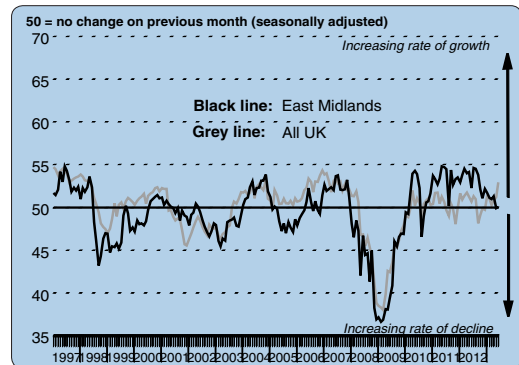


Although new orders increased markedly, companies in the East Midlands continued to work through outstanding business during June. However, the rate of depletion was only modest, and eased to the weakest since December 2012. In contrast to the trend in the East Midlands, backlogs of work increased at the UK level. Both sectors posted falling outstanding business, with the sharper fall noted at manufacturing firms.

Employment

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	13.8	73.6	12.6	50.6	52.1	49.1
	Nov	14.4	71.1	14.4	50.0	51.1	49.9
	Dec	14.0	79.1	7.0	53.5	52.2	49.8
2013	Jan	11.1	77.8	11.1	50.0	51.7	51.3
	Feb	11.4	77.3	11.4	50.0	51.2	51.0
	Mar	17.4	75.6	7.0	55.2	51.0	50.3
	Apr	12.9	78.5	8.6	52.2	51.3	50.8
	May	11.9	78.6	9.5	51.2	49.9	51.2
	Jun	10.0	80.0	10.0	50.0	50.1	53.0

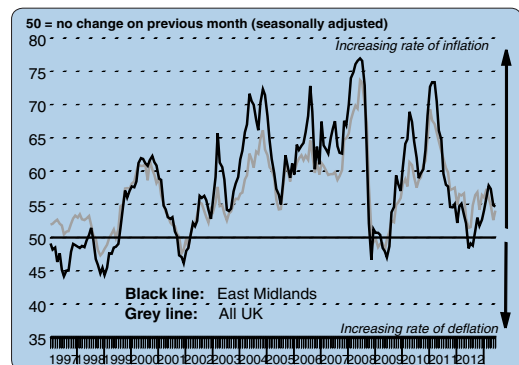


Employment was broadly unchanged for the second successive month in June, while a solid increase was seen across the UK as a whole. Where a rise in staffing levels was recorded, this was partly due to attempts to improve capacity. On the other hand, some respondents indicated that natural wastage had led to a drop in employment. There was a contrast between the two monitored sectors, with job creation recorded at service providers but job losses signalled in the manufacturing sector.

Input Prices / Costs

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

		East Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	16.1	72.4	11.5	52.3	53.0	56.9
	Nov	10.0	77.8	12.2	48.9	51.8	54.2
	Dec	9.3	83.7	7.0	51.2	52.7	56.4
2013	Jan	18.7	74.7	6.6	56.0	54.1	56.0
	Feb	23.0	71.3	5.7	58.6	56.2	57.4
	Mar	27.6	69.0	3.4	62.1	57.9	56.0
	Apr	28.0	68.8	3.2	62.4	57.3	54.9
	May	16.7	76.2	7.1	54.8	54.8	52.7
	Jun	15.6	80.0	4.4	55.6	54.7	54.1

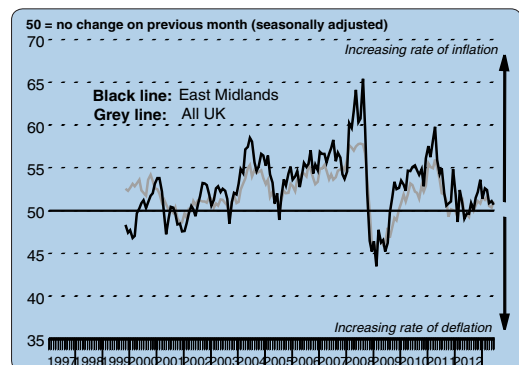


Input prices at East Midlands firms continued to increase in June, but the rate of inflation was broadly unchanged from the previous month, and much slower than the series average. Around 16% of respondents noted a rise in input prices over the month, while 4% recorded a fall. Sector data suggested that the overall increase in input costs was largely reflective of inflation at services companies.

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 Midlands Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	6.9	89.7	3.4	51.7	51.5	50.6
	Nov	6.7	88.9	4.4	51.1	52.2	51.1
	Dec	10.5	88.4	1.2	54.7	53.6	50.8
2013	Jan	8.8	86.8	4.4	52.2	51.4	51.5
	Feb	12.5	83.0	4.5	54.0	52.6	51.3
	Mar	8.0	88.5	3.4	52.3	52.4	51.7
	Apr	9.7	86.0	4.3	52.7	50.9	50.5
	May	7.1	89.3	3.6	51.8	51.1	50.4
	Jun	2.2	97.8	0.0	51.1	50.7	51.1

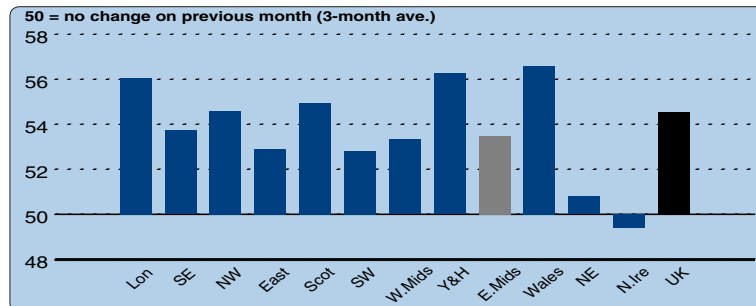


East Midlands companies increased their output prices marginally during June, with the rate of inflation easing slightly from that seen in May. The rise in the region was broadly in line with the UK economy average. Highlighting the weakness of the increase, nearly 98% of panellists left their charges unchanged over the month. Where a rise in output prices was recorded, this was linked to the passing on of higher input costs to clients.



Regional Comparisons: Output

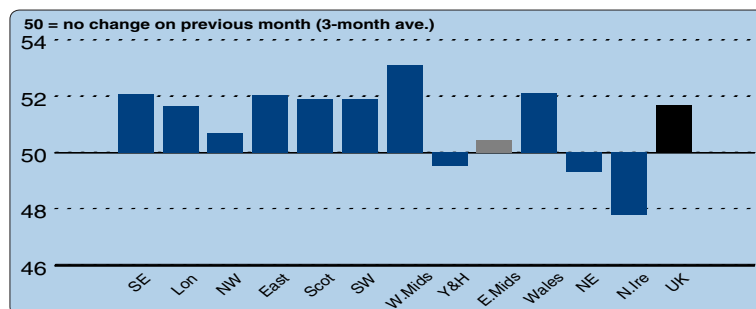
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector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