



## Lloyds TSB London PMI®

### Lloyds TSB Commercial

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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.

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

The London 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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8th July 2013

## London records fastest expansion of business activity for almost two years

### Key findings:

- Output and new work both expand at strongest rate since July 2011
- Fastest job creation since August 2007
- Input cost inflation accelerates since May

London private sector companies signalled the strongest improvement in business conditions for almost two years in June, with both output and new order volumes rising at robust rates. Higher levels of demand placed some pressure on operating capacity during June, and this in turn contributed to the most marked expansion of employment numbers in the capital since August 2007.

### Output and demand

At 58.3 in June, up from 56.4 in May, the headline **Lloyds TSB London Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted above the 50.0 no-change value for the eighth consecutive month. The index was higher than the equivalent reading for the UK as a whole (56.5) and signalled the strongest expansion of London private sector output since July 2011. Higher levels of business activity reflected a sharp and accelerated improvement in new order volumes in June. The latest rise in new business was also the fastest for almost two years.

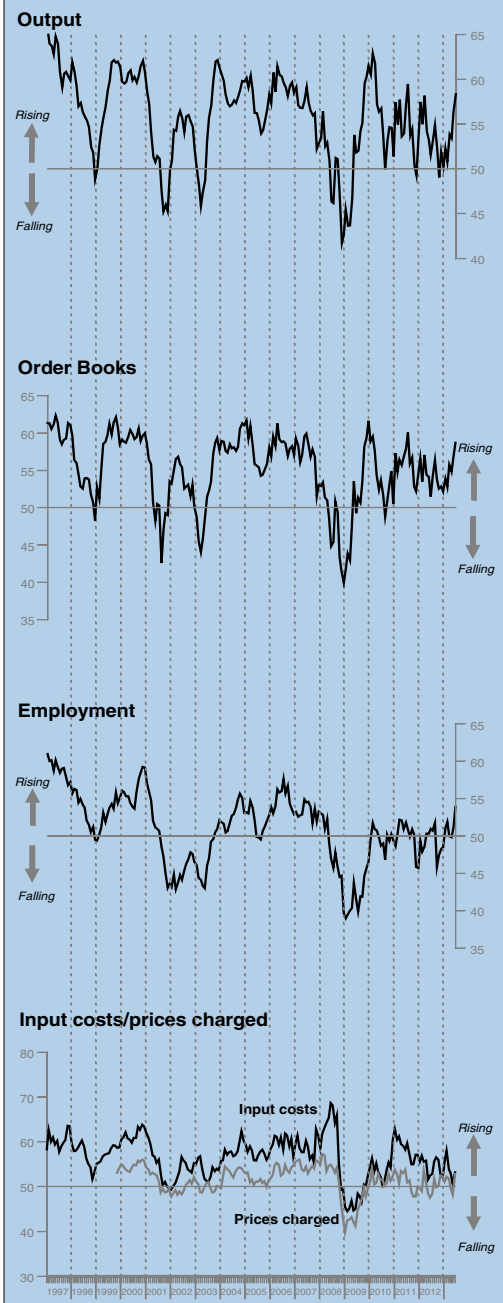
### Employment and backlogs

June data indicated a second consecutive monthly increase in unfinished business across the London private sector economy. Although the pace of backlog accumulation was only marginal, the latest rise was the most marked since March 2012. Increased pressure on operating capacity encouraged companies in the capital to take on additional staff during June. Moreover, the rate of job creation at London private sector firms accelerated to its fastest since August 2007.

### Input and output prices

Average cost burdens increased in the capital for the forty-fifth successive month during June. The rate of input price inflation accelerated to its fastest since March, but remained less marked than the trend for the UK as a whole. Anecdotal evidence suggested that increased utility bills had placed upwards pressure on operating costs in June. Meanwhile, prices charged by private sector firms in London rose for the first time in three months, and the rate of inflation was the sharpest since March 2012. Higher average tariffs were linked to stronger demand conditions and rising cost burdens in June.

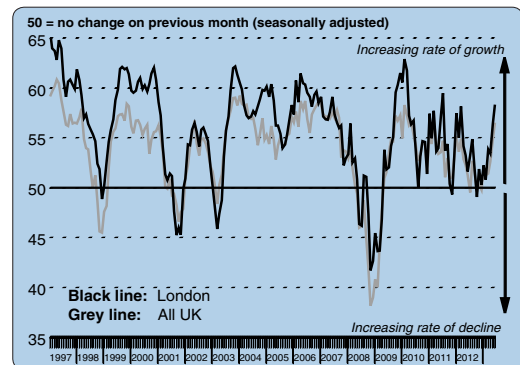
### London Business Conditions



## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	24.0	57.7	18.3	52.9	49.1	49.7
	Nov	23.6	59.1	17.3	53.2	51.9	50.2
	Dec	25.0	56.7	18.3	53.4	50.3	49.9
2013	Jan	17.8	61.4	20.8	48.5	52.3	52.1
	Feb	20.4	64.1	15.5	52.4	50.8	51.2
	Mar	23.0	64.0	13.0	55.0	53.8	51.4
	Apr	25.9	56.3	17.9	54.0	53.4	52.4
	May	24.0	61.0	15.0	54.5	56.4	54.6
	Jun	27.7	62.4	9.9	58.9	58.3	56.5

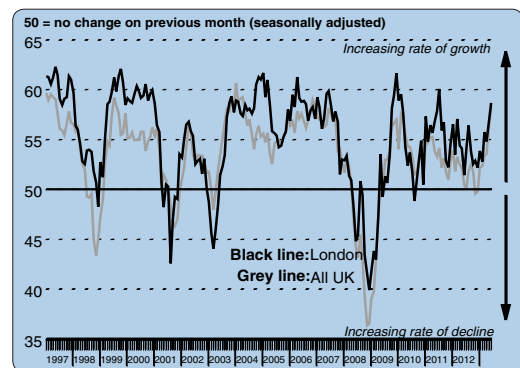


June data pointed to a sharp and accelerated expansion of business activity in the London private sector economy. At 58.3, up from 56.4 in May, the seasonally adjusted Business Activity Index indicated the strongest rate of output growth since July 2011. Higher levels of business activity have now been recorded for eight months running, with the latest expansion generally linked to improved business and consumer confidence.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	30.4	51.0	18.6	55.9	52.6	51.9
	Nov	22.6	59.4	17.9	52.4	52.9	49.6
	Dec	27.0	55.0	18.0	54.5	52.2	49.8
2013	Jan	22.4	61.2	16.3	53.1	53.9	52.2
	Feb	27.5	55.9	16.7	55.4	52.8	52.4
	Mar	26.5	61.2	12.2	57.1	55.8	53.1
	Apr	27.0	55.0	18.0	54.5	54.8	53.4
	May	26.0	59.0	15.0	55.5	56.9	56.4
	Jun	30.6	60.2	9.2	60.7	58.7	58.3

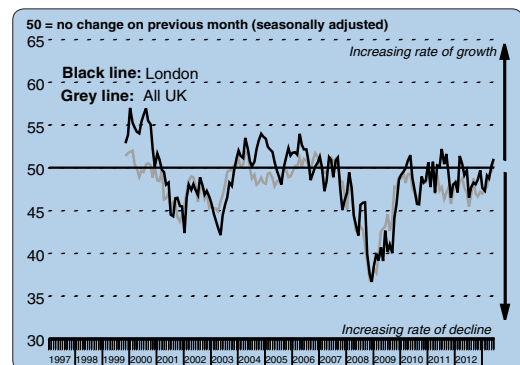


London private sector companies signalled a further strong rise in new business volumes during June. The seasonally adjusted Incoming New Business Index picked up from 56.9 in May to 58.7 in June, to indicate the fastest rate of expansion since July 2011. Growth of new work has now been recorded for 34 consecutive months, and the latest reading was slightly stronger than the equivalent for the UK as a whole (58.3).

## Business Outstanding

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	11.7	75.5	12.8	49.5	48.1	47.0
	Nov	13.9	70.3	15.8	49.0	48.6	46.7
	Dec	10.6	74.5	14.9	47.9	49.7	47.3
2013	Jan	10.9	71.7	17.4	46.7	47.6	47.0
	Feb	13.0	70.7	16.3	48.4	47.3	47.4
	Mar	15.4	70.3	14.3	50.5	49.1	47.9
	Apr	14.7	70.6	14.7	50.0	48.7	49.4
	May	14.4	71.1	14.4	50.0	50.3	49.6
	Jun	12.0	77.2	10.9	50.5	51.1	51.0

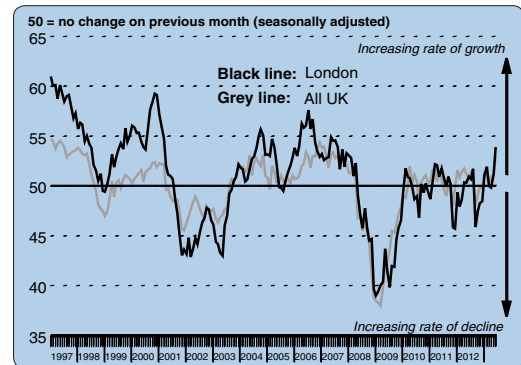


At 51.1 in June, up from 50.3 in May, the seasonally adjusted Business Outstanding Index was above the neutral 50.0 value for the second successive month. The latest reading was the highest since March 2012, but pointed to only a marginal rise in unfinished work at London private sector companies. Anecdotal evidence from survey respondents suggested that a sharp improvement in new business inflows had placed some pressure on operating capacity in June.

## Employment

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	13.5	72.1	14.4	49.5	47.4	49.1
	Nov	12.7	75.5	11.8	50.5	48.3	49.9
	Dec	9.6	77.9	12.5	48.6	48.5	49.8
2013	Jan	13.9	70.3	15.8	49.0	51.1	51.3
	Feb	17.5	72.8	9.7	53.9	51.9	51.0
	Mar	10.0	77.0	13.0	48.5	50.0	50.3
	Apr	14.3	75.9	9.8	52.2	49.9	50.8
	May	13.9	76.2	9.9	52.0	51.2	51.2
	Jun	10.9	82.2	6.9	52.0	53.9	53.0

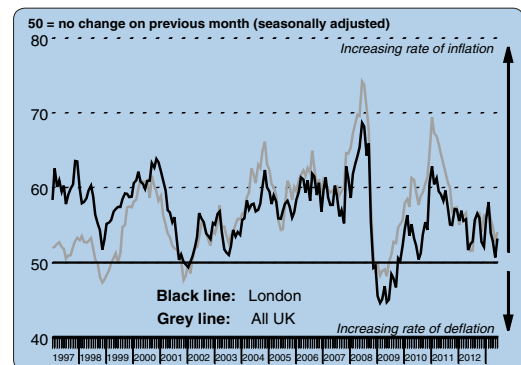


Job creation was maintained across the London private sector in June. The seasonally adjusted Employment Index registered 53.9, up from 51.2 in May and the highest reading since August 2007. Growth of staffing levels in the capital also increased at a faster pace than across the UK as a whole in June. Companies that hired additional workers mainly commented on stronger new order volumes and pressure on operating capacity at their units.

## Input Prices / Costs

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

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	12.5	83.7	3.8	54.3	56.0	56.9
	Nov	11.8	80.9	7.3	52.3	52.8	54.2
	Dec	7.8	85.4	6.8	50.5	52.1	56.4
2013	Jan	18.2	79.8	2.0	58.1	55.7	56.0
	Feb	22.3	72.8	4.9	58.7	58.1	57.4
	Mar	6.0	90.0	4.0	51.0	54.0	56.0
	Apr	11.6	85.7	2.7	54.5	52.9	54.9
	May	8.9	86.1	5.0	52.0	50.7	52.7
	Jun	9.9	85.1	5.0	52.5	53.2	54.1

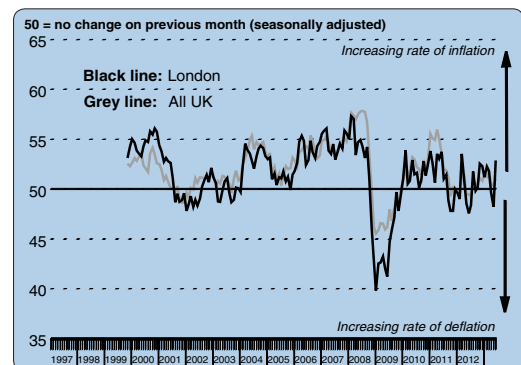


Input cost inflation accelerated in June, as highlighted by a rise in the seasonally adjusted Input Prices Index to 53.2 from 50.7 in May. The index signalled that cost inflation reached a three-month high in the London private sector, but the latest reading was still below the equivalent UK-wide figure (54.1). Reports from survey respondents suggested that higher utility bills had pushed up average input costs in June.

## 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?

		London Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	4.8	90.4	4.8	50.0	50.2	50.6
	Nov	8.2	84.5	7.3	50.5	52.6	51.1
	Dec	8.7	87.4	3.9	52.4	52.3	50.8
2013	Jan	10.9	85.1	4.0	53.5	51.2	51.5
	Feb	11.7	84.5	3.9	53.9	52.3	51.3
	Mar	3.0	94.0	3.0	50.0	51.8	51.7
	Apr	5.4	88.4	6.3	49.6	49.6	50.5
	May	4.0	90.1	5.9	49.0	48.3	50.4
	Jun	7.9	87.1	5.0	51.5	52.9	51.1

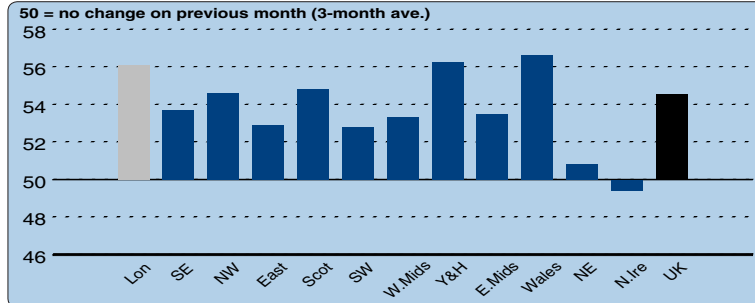


Average prices charged by private sector companies in London increased during June for the first time in three months. At 52.9, up from 48.3 in May, the seasonally adjusted Output Prices Index signalled the strongest rate of output charge inflation since March 2012. The latest reading was also slightly higher than the UK-wide figure for June (51.1). Some panel members noted that the improving demand environment had allowed them to pass on a proportion of their increased costs to clients.



## Regional Comparisons: Output

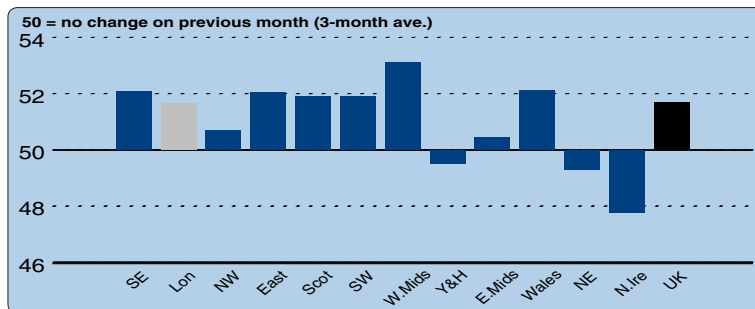
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector 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
<b>UK</b>	<b>(100.0%)</b>	<b>51.8</b>	<b>54.5</b>	<b>56.5</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). 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
<b>UK</b>	<b>(100.0%)</b>	<b>50.6</b>	<b>51.7</b>	<b>53.0</b>

## 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.

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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. They are 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.