



## Lloyds TSB North East 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 North East 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 North East and operating in both manufacturing and service sectors.

The North East 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

## Fastest increase in business activity since January 2012

### Key findings:

- New order growth accelerates to solid pace
- Output charges cut at the quickest rate in nearly four years
- Employment levels decline, albeit marginally

Business activity increased in the North East private sector for the second successive month in June. Though modest, the rate of growth was the strongest in 17 months. New business also rose over the month, and at the fastest rate since March 2011. Staffing levels, however, were reduced for the third month in a row, albeit marginally. Backlogs of work also fell over the month.

### Output and demand

The headline **Lloyds TSB North East Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 51.7 in June, up from 51.2 in May, signalling a further increase in business activity during June. Output also rose in the UK private sector economy as a whole, and at a sharper pace.

Total new orders increased for the third consecutive month in June. Moreover, the rate of growth quickened to a solid pace that was the fastest since March 2011. Sector data suggested that the increase in new business was led by manufacturers in the region. New orders meanwhile increased sharply in the UK private sector economy as a whole.

### Employment and backlogs

Employment levels in the North East private sector declined for the third month running. That said, the rate of job shedding was only marginal. Workforce numbers across the UK as a whole, however, increased at a solid pace in June.

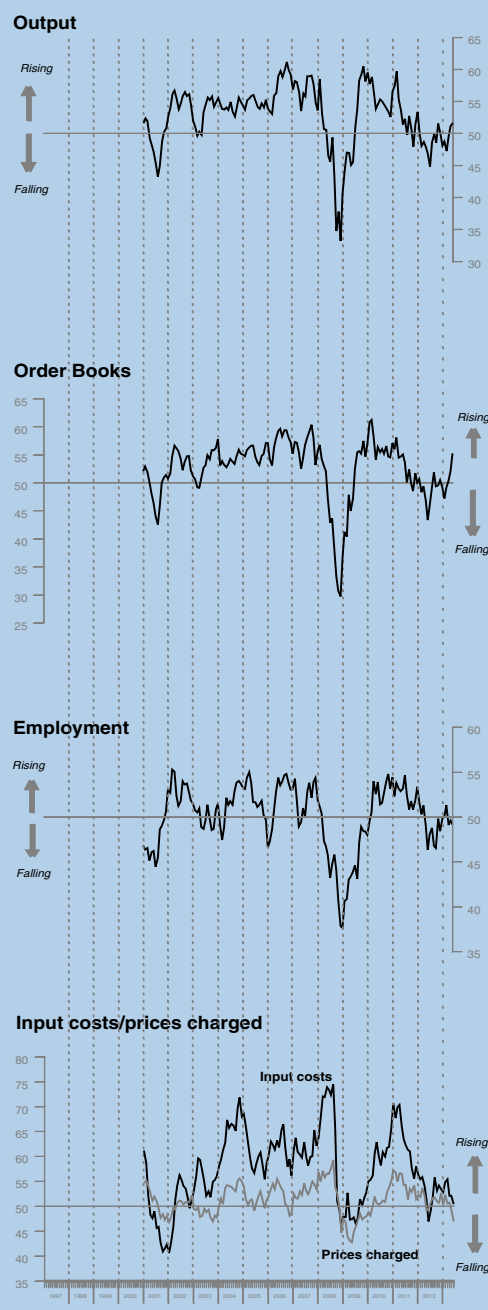
Backlogs of work at private sector firms in the North East fell for the fourth successive month, albeit slightly. In the UK private sector economy as a whole, the level of work-in-hand increased for the first time since March 2011.

### Input and output prices

Private sector firms in the North East saw a further increase in average input costs in June. That said, the rate of input price inflation was the weakest in the current eleven-month sequence. Sector data indicated that higher input costs were generally centred on the region's service providers.

In contrast, North East private sector firms cut their output charges for the second month running, and at the quickest rate since July 2009. Meanwhile, average tariffs increased slightly in the UK private sector economy as a whole.

### North East Business Conditions

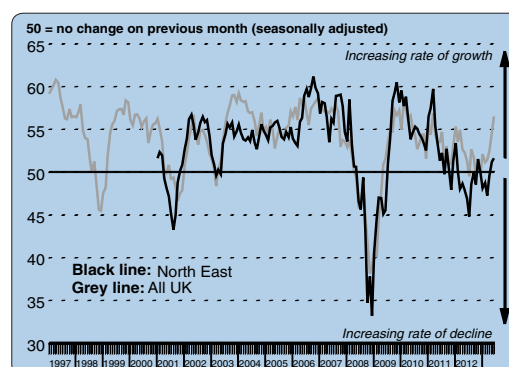




## Output / Business Activity

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	23.5	52.9	23.5	50.0	48.6	49.7
	Nov	16.7	62.5	20.8	47.9	51.6	50.2
	Dec	13.0	61.1	25.9	43.5	49.9	49.9
2013	Jan	26.0	50.0	24.0	51.0	48.1	52.1
	Feb	28.6	49.0	22.4	53.1	48.7	51.2
	Mar	21.2	63.5	15.4	52.9	47.3	51.4
	Apr	19.1	61.7	19.1	50.0	49.5	52.4
	May	18.5	61.1	20.4	49.1	51.2	54.6
	Jun	25.5	52.9	21.6	52.0	51.7	56.5

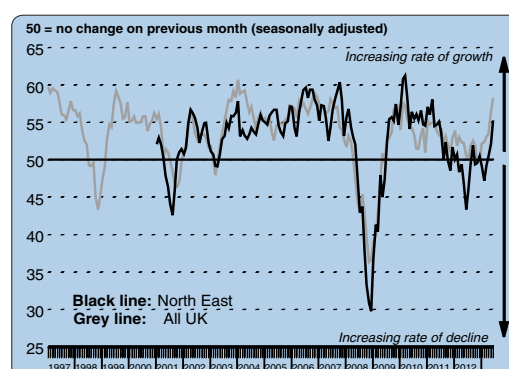


North East private sector firms signalled the second successive increase in business activity in June. The rate of expansion, though modest, was the quickest since January 2012. That said, it was substantially weaker than the UK private sector economy average. Nonetheless, more than one-in-four survey respondents recorded an increased amount of activity in the region, while nearly 22% saw a reduction. Sector data indicated that the North East's manufacturing industry drove output growth, as service providers in the region saw a further decline in activity over the month.

## 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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	24.0	46.0	30.0	47.0	49.4	51.9
	Nov	20.8	52.1	27.1	46.9	49.6	49.6
	Dec	26.4	47.2	26.4	50.0	50.5	49.8
2013	Jan	30.0	36.0	34.0	48.0	49.2	52.2
	Feb	25.5	48.9	25.5	50.0	47.2	52.4
	Mar	28.0	56.0	16.0	56.0	49.2	53.1
	Apr	34.0	42.6	23.4	55.3	50.5	53.4
	May	26.4	60.4	13.2	56.6	52.2	56.4
	Jun	36.0	52.0	12.0	62.0	55.3	58.3

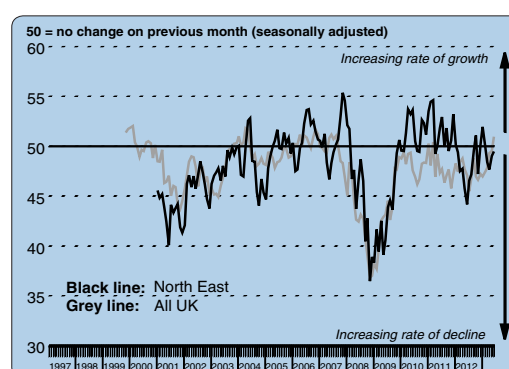


Total new orders placed at private sector companies in the North East increased for the third month in a row in June. Furthermore, the rate of growth was the strongest since March 2011, with exactly 36% of panellists noting a rise in new orders. Both service providers and manufacturers in the region recorded an expansion of order book volumes, but growth was faster among the latter. New business also increased in the UK private sector economy as whole, and at a sharper pace than that recorded in the North East.

## Business Outstanding

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	22.2	64.4	13.3	54.4	51.1	47.0
	Nov	18.2	56.8	25.0	46.6	47.3	46.7
	Dec	15.7	62.7	21.6	47.1	50.2	47.3
2013	Jan	20.9	65.1	14.0	53.5	52.0	47.0
	Feb	18.2	68.2	13.6	52.3	50.1	47.4
	Mar	10.9	71.7	17.4	46.7	48.5	47.9
	Apr	18.6	60.5	20.9	48.8	47.7	49.4
	May	14.3	67.3	18.4	48.0	49.1	49.6
	Jun	19.6	67.4	13.0	53.3	49.5	51.0



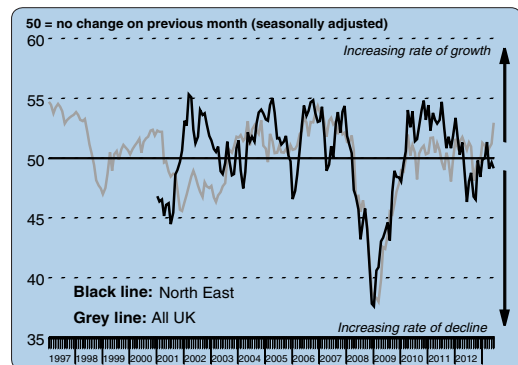
The level of outstanding business at private sector firms in the North East declined for the fourth consecutive month in June. That said, the rate of depletion was only marginal, and the weakest in the current sequence. Data suggested that backlogs of work fell across both monitored sectors in the region. Meanwhile, the level of work-in-hand in the UK private sector economy as a whole increased for the first time since March 2011, albeit marginally.



Employment

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	14.0	64.0	22.0	46.0	46.6	49.1
	Nov	17.0	63.8	19.1	48.9	49.8	49.9
	Dec	11.3	67.9	20.8	45.3	48.4	49.8
2013	Jan	14.0	74.0	12.0	51.0	49.9	51.3
	Feb	14.3	73.5	12.2	51.0	50.0	51.0
	Mar	13.5	80.8	5.8	53.8	51.4	50.3
	Apr	8.5	76.6	14.9	46.8	49.1	50.8
	May	11.1	77.8	11.1	50.0	49.6	51.2
	Jun	14.0	74.0	12.0	51.0	49.2	53.0

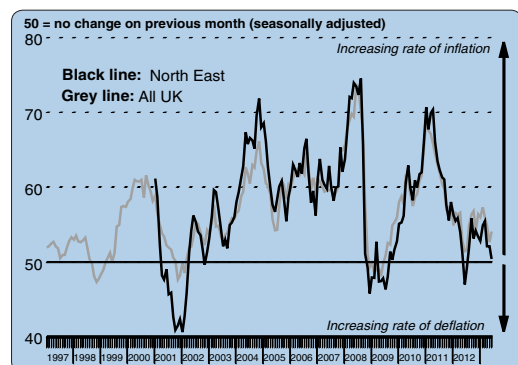


The seasonally adjusted Employment Index signalled that staffing levels in the North East private sector declined for the third successive month in June. Although the rate of job shedding quickened slightly since May, it remained marginal overall. According to sector data, job cuts in manufacturing led to the reduction of workforce numbers in the region, as services employment rose. Conversely, staffing levels in the UK private sector economy as a whole increased at a solid pace in June.

Input Prices / Costs

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

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	10.0	82.0	8.0	51.0	53.2	56.9
	Nov	8.7	82.6	8.7	50.0	54.2	54.2
	Dec	9.6	80.8	9.6	50.0	53.4	56.4
2013	Jan	14.6	75.0	10.4	52.1	52.9	56.0
	Feb	14.6	81.3	4.2	55.2	54.9	57.4
	Mar	20.4	75.5	4.1	58.2	55.5	56.0
	Apr	17.8	77.8	4.4	56.7	52.1	54.9
	May	19.2	73.1	7.7	55.8	52.1	52.7
	Jun	10.0	84.0	6.0	52.0	50.4	54.1

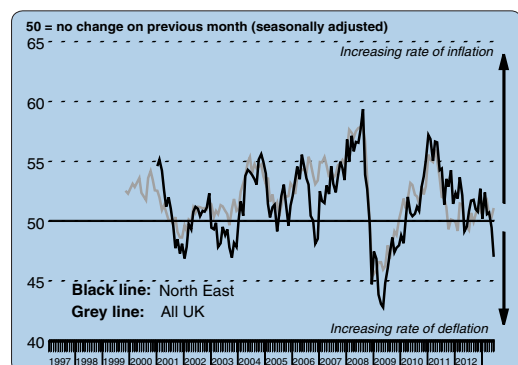


North East private sector companies signalled a further rise in input costs in June. After adjusting for seasonal factors, however, the rate of input price inflation eased to a marginal pace that was the weakest in the current eleven-month sequence. Furthermore, inflation in the region was substantially weaker than the UK private sector economy average. Input costs continued to rise sharply at service providers in the North East, but decreased at manufacturers in the region.

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?

		North East Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	6.0	90.0	4.0	51.0	51.0	50.6
	Nov	4.3	91.5	4.3	50.0	50.8	51.1
	Dec	5.7	92.5	1.9	51.9	52.7	50.8
2013	Jan	6.1	87.8	6.1	50.0	50.2	51.5
	Feb	13.0	76.1	10.9	51.1	52.4	51.3
	Mar	4.0	92.0	4.0	50.0	50.6	51.7
	Apr	10.9	84.8	4.3	53.3	50.7	50.5
	May	9.4	79.2	11.3	49.1	49.4	50.4
	Jun	6.1	83.7	10.2	48.0	47.0	51.1

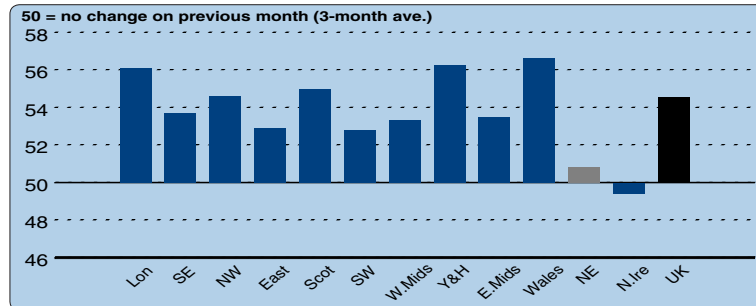


North East private sector firms lowered their output charges for the second month in a row in June. The rate of reduction accelerated since May to a marked pace that was the fastest in nearly four years. Just over 10% of panellists cut their tariffs in the latest survey period, while approximately 6% signalled an increase. Sector data indicated that reductions were generally made by service providers in the region. Meanwhile, output charges increased slightly in the UK private sector economy as a whole.



## Regional Comparisons: Output

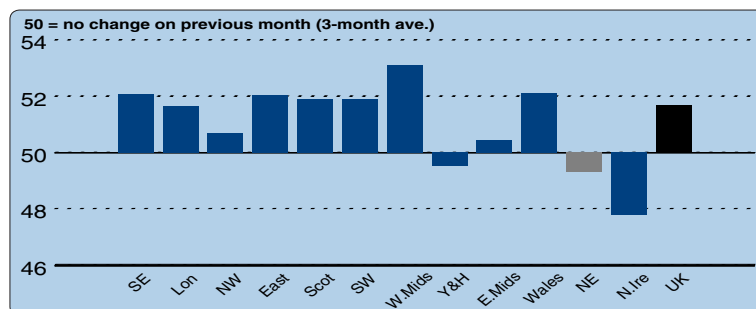
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector 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	55.0	57.3
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.

## 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.