



## Lloyds TSB North West 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.

We put great emphasis on a long-term relationship-led approach to banking and are committed to providing firms with a service that goes beyond day-to-day banking facilities.

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.

To find out more about Lloyds TSB Commercial please visit

[www.lloydstsb.com/business](http://www.lloydstsb.com/business)

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

The North West 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](mailto:economics@markit.com)

The intellectual property rights to the Lloyds TSB North West PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

8th July 2013

## North West economy posts strongest expansion since March 2011

### Key findings:

- Business activity and new order growth exceeds UK-wide trend
- Output rises at strongest rate in over two years
- Solid increase in workforce numbers

The North West economy continued to improve at an accelerated rate in June, and the latest output expansion surpassed the UK average. Growth of activity and new orders picked up for the third consecutive month, and was sharp in both cases. Firms also took on extra staff during the month.

### Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – posted 58.1 in June (up from 55.1), indicating the strongest improvement in operating conditions across the region in over two years. Companies commented that strengthening business and consumer confidence, new contract wins and improved weather conditions were the reasons behind the rise in output.

With both manufacturers and service providers posting growth, new orders expanded at the sharpest rate since May 2010. Panellists stated that demand from domestic and foreign clients was stronger, with some firms also reporting new product launches.

### Employment and backlogs

Higher output levels led companies to increase their workforce numbers during June. The overall rate of job creation was solid, and the quickest in over five years. Employment growth was centred in the manufacturing sector.

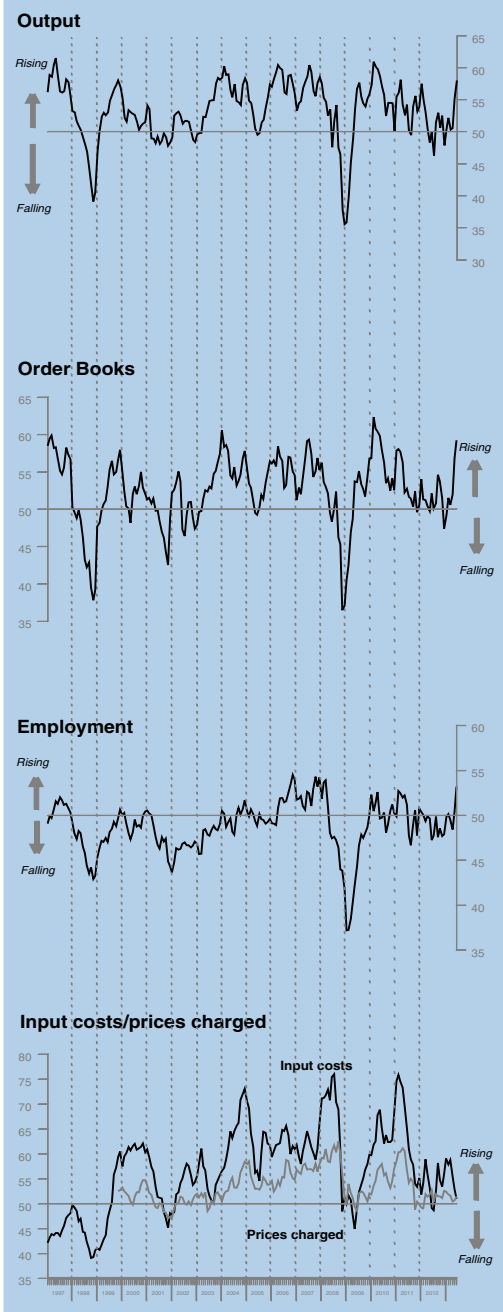
Backlogs of work decreased during June, although only slightly. The fall in outstanding business volumes across the region contrasted with an accumulation registered at the UK level for the first since March 2011.

### Input and output prices

Private sector firms in the North West reported higher prices paid for inputs during June. Nevertheless, the rate of cost inflation was moderate and weaker than that seen across the UK as a whole. Service providers reported higher energy and food costs. Conversely, manufacturers indicated lower input prices and commented on falling costs for key raw materials and packaging.

Output prices were increased for the sixteenth month running. Although only modest, the rise in prices charged was faster than the UK average.

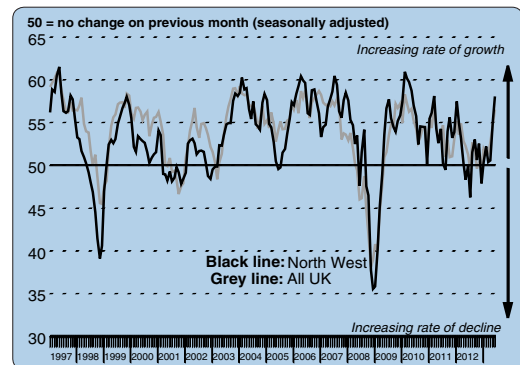
### North West Business Conditions



## 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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	28.3	46.7	25.0	51.6	50.6	49.7
	Nov	32.6	43.0	24.4	54.1	52.5	50.2
	Dec	20.5	44.3	35.2	42.6	47.9	49.9
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.1
	Feb	32.7	55.1	12.2	60.2	52.2	51.2
	Mar	24.5	55.1	20.4	52.0	50.4	51.4
	Apr	25.7	49.5	24.8	50.5	50.6	52.4
	May	42.6	47.9	9.6	66.5	55.1	54.6
	Jun	38.3	47.9	13.8	62.2	58.1	56.5

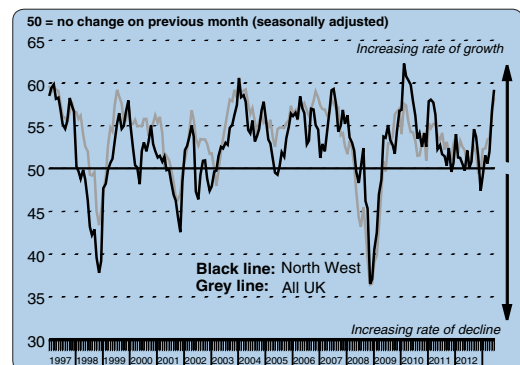


June data highlighted a further rise in business activity across the North West private sector, marking a six-month sequence of expansion. Moreover, the rate of increase accelerated to the sharpest in over two years, and was faster than the UK economy average. Manufacturing and services companies both signalled output growth, citing strengthening business and consumer confidence, new contract wins and improved weather conditions.

## 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 West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	29.7	44.0	26.4	51.6	53.8	51.9
	Nov	27.1	42.4	30.6	48.2	51.5	49.6
	Dec	21.8	42.5	35.6	43.1	47.4	49.8
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.2
	Feb	34.0	46.4	19.6	57.2	51.5	52.4
	Mar	25.5	54.1	20.4	52.6	50.6	53.1
	Apr	31.7	44.6	23.8	54.0	52.0	53.4
	May	35.1	48.9	16.0	59.6	56.8	56.4
	Jun	38.3	46.8	14.9	61.7	59.2	58.3

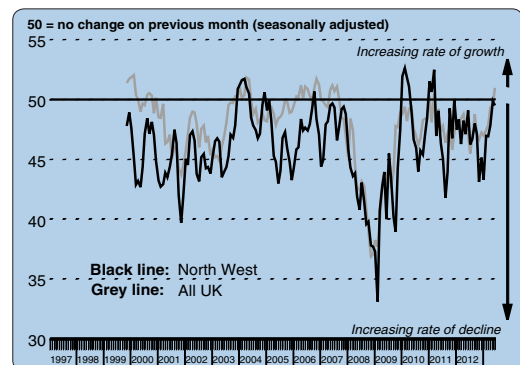


Companies operating in the North West signalled increased volumes of incoming new work during June. Services and manufacturing firms both indicated higher levels of new orders. Subsequently, the rise in new business was sharp and the quickest since May 2010. Furthermore, the pace of growth was faster than the UK average. Anecdotal evidence suggested that domestic and foreign demand were stronger. There were also mentions of new product launches at some companies.

## Business Outstanding

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

		North West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	17.6	54.1	28.2	44.7	47.1	47.0
	Nov	11.0	54.9	34.1	38.4	43.1	46.7
	Dec	10.8	61.4	27.7	41.6	45.2	47.3
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6
	Jun	13.0	71.7	15.2	48.9	49.5	51.0

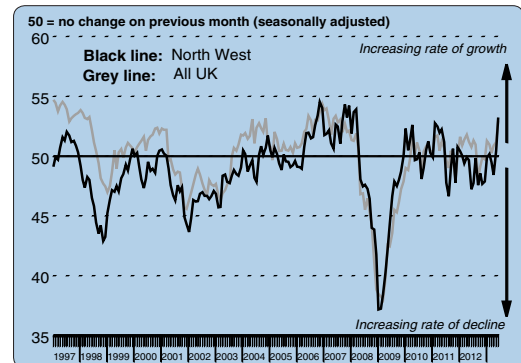


Backlogs of work in the North West private sector fell in June. Manufacturing firms linked the latest fall in outstanding business levels to job creation and spare capacity. Service providers, however, signalled higher volumes of work-in-hand and commented on new order growth. Consequently, the overall rate of depletion was only marginal. At the UK level, backlogs of work were accumulated for the first time since March 2011, albeit only slightly.

## Employment

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	11.8	76.3	11.8	50.0	<b>48.6</b>	<b>49.1</b>
	Nov	14.0	73.3	12.8	50.6	<b>47.7</b>	<b>49.9</b>
	Dec	5.7	83.0	11.4	47.2	<b>47.9</b>	<b>49.8</b>
2013	Jan	6.9	83.2	9.9	48.5	<b>49.9</b>	<b>51.3</b>
	Feb	10.3	79.4	10.3	50.0	<b>50.2</b>	<b>51.0</b>
	Mar	12.4	76.3	11.3	50.5	<b>49.5</b>	<b>50.3</b>
	Apr	7.0	84.0	9.0	49.0	<b>48.5</b>	<b>50.8</b>
	May	11.7	81.9	6.4	52.7	<b>50.4</b>	<b>51.2</b>
Jun	16.0	78.7	5.3	55.3	<b>53.2</b>	<b>53.0</b>	

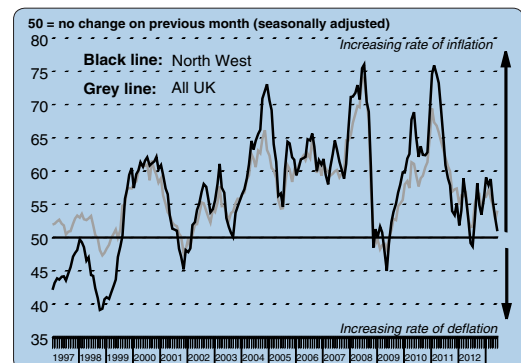


For the second consecutive month, private sector companies in the North West signalled higher workforce numbers in June. The rate of job creation accelerated to the fastest in over five years, and was solid overall. Manufacturers commented that additional hiring reflected new contract wins and attempts to reduce outstanding business levels. Payroll numbers in the UK overall rose at the quickest pace since August 2007.

## Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	16.1	72.0	11.8	52.2	<b>54.8</b>	<b>56.9</b>
	Nov	11.8	78.8	9.4	51.2	<b>53.5</b>	<b>54.2</b>
	Dec	12.5	80.7	6.8	52.8	<b>56.0</b>	<b>56.4</b>
2013	Jan	21.8	71.3	6.9	57.4	<b>59.1</b>	<b>56.0</b>
	Feb	19.6	75.3	5.2	57.2	<b>57.9</b>	<b>57.4</b>
	Mar	31.6	66.3	2.0	64.8	<b>58.8</b>	<b>56.0</b>
	Apr	22.0	67.0	11.0	55.5	<b>55.5</b>	<b>54.9</b>
	May	17.0	76.6	6.4	55.3	<b>52.9</b>	<b>52.7</b>
Jun	11.7	79.8	8.5	51.6	<b>51.0</b>	<b>54.1</b>	

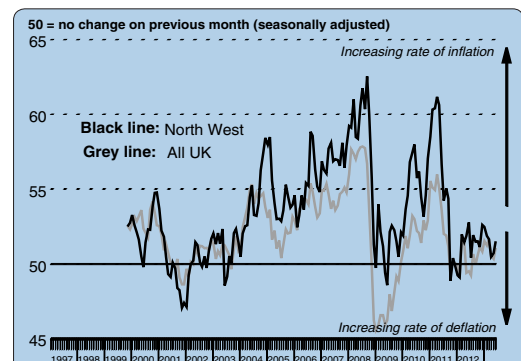


Continuing the trend that started in August 2012, input costs faced by firms in the North West rose in June. Service providers signalled a further increase in purchase prices and generally commented on higher energy and food costs. Conversely, manufacturers indicated a decrease, citing lower prices paid for key raw materials and packaging. The overall rate of cost inflation in the North West private sector was only slight and much slower than that seen at the national level.

## 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 West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	9.8	80.4	9.8	50.0	<b>51.5</b>	<b>50.6</b>
	Nov	9.3	80.2	10.5	49.4	<b>51.1</b>	<b>51.1</b>
	Dec	5.7	89.8	4.5	50.6	<b>52.6</b>	<b>50.8</b>
2013	Jan	12.7	82.4	4.9	53.9	<b>52.5</b>	<b>51.5</b>
	Feb	16.3	75.5	8.2	54.1	<b>51.9</b>	<b>51.3</b>
	Mar	9.1	82.8	8.1	50.5	<b>51.7</b>	<b>51.7</b>
	Apr	9.9	83.2	6.9	51.5	<b>50.5</b>	<b>50.5</b>
	May	9.5	85.3	5.3	52.1	<b>50.7</b>	<b>50.4</b>
Jun	7.4	86.3	6.3	50.5	<b>51.5</b>	<b>51.1</b>	

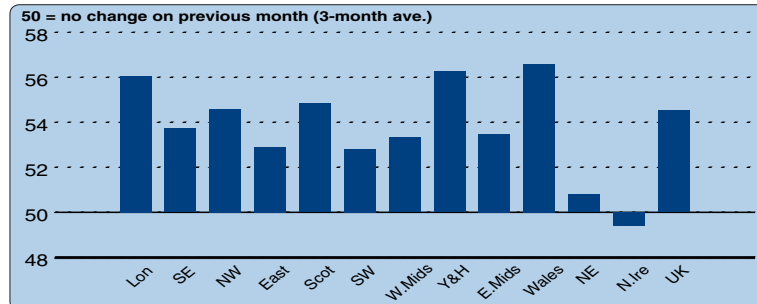


North West companies raised their prices charged for the sixteenth consecutive month in June. Despite being only moderate, the overall rate of charge inflation accelerated from May and was stronger than the UK average. Whereas 7% of panellists reported higher average selling prices, the vast majority (86%) indicated no change from one month previously. Output price inflation at the UK level was at a three-month high.



## Regional Comparisons: Output

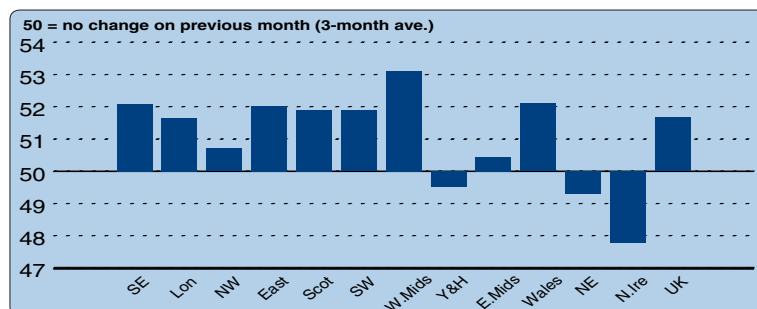
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector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

**Lloyds TSB Commercial** is a trading name of Lloyds TSB Bank plc and Lloyds TSB Scotland plc and serves customers with an annual turnover of up to £15M.

Lloyds TSB Bank plc Registered office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Telephone: 020 7626 1500.

Lloyds TSB Scotland plc Registered office: Henry Duncan House, 120 George Street, Edinburgh EH2 4LH. Registered in Scotland no. 95237. Telephone: 0131 225 4555.

Authorised and regulated by the Financial Services Authority.

Lending is subject to status.

The Lloyds Banking Group includes Lloyds TSB Bank plc and a number of other companies using brands including Lloyds TSB, Halifax and Bank of Scotland, and their associated companies.

**Markit Economics** is a specialist compiler of business surveys and economic indices, including the *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).