



Lloyds TSB South West 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 South 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 South West and operating in both manufacturing and service sectors.

The South 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.

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8th July 2013

Quickest expansion of business activity since April 2011

Key findings:

- Rate of job creation fastest since February 2008
- New orders expand at solid pace
- Input price inflation remains historically weak

South West private sector firms signalled the fastest expansion in business activity since April 2011 in June. New business rose for the third month in a row, and at a solid pace. Staffing levels expanded at the quickest rate since February 2008 on the back of stronger client demand. Backlogs of work meanwhile fell marginally.

Output and demand

The headline **Lloyds TSB South West Business Activity Index** – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 54.1 in June, up from 53.4 in May. This signalled the strongest expansion of output in the region for 26 months. Furthermore, business activity in the South West has now increased for three consecutive months. Sector data indicated that growth was largely centred on manufacturers in the region. Business activity in the UK as a whole also increased in June, and at a sharp rate.

New orders rose for the third month in a row in June. Moreover, the rate of expansion was the quickest since March 2011. As was the case with output, growth in new orders was linked to the region's manufacturing sector. New business also increased in the UK economy as a whole, and at a sharper pace than in the South West.

Employment and backlogs

Employment at South West private sector firms increased for the third month running in June. Furthermore, the rate of job creation accelerated to the fastest since February 2008. Staffing levels also increased at a sharper pace across the UK economy as a whole.

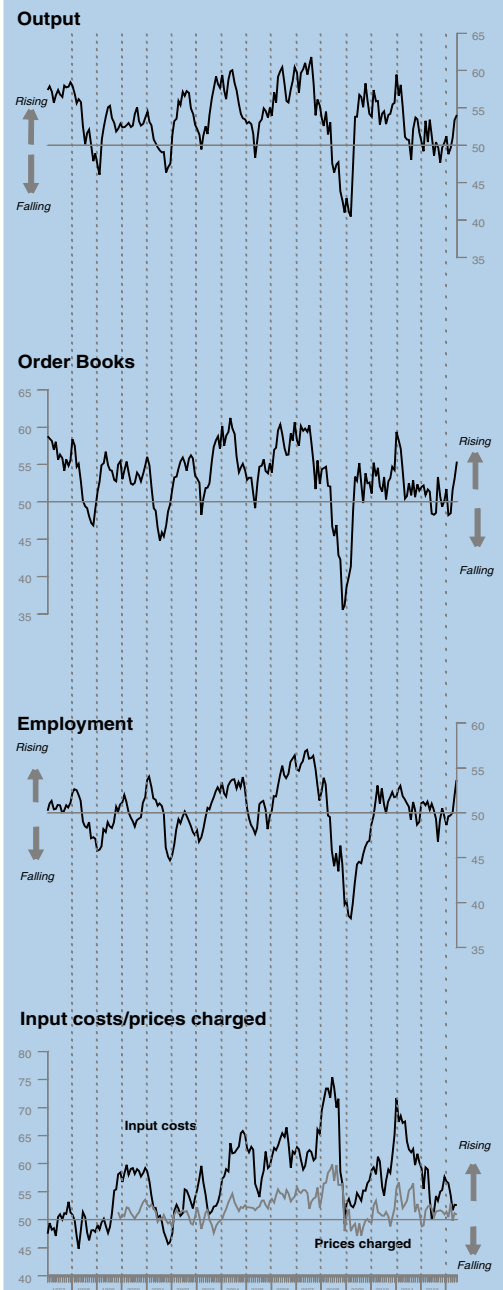
Outstanding business at private sector firms in the South West fell for the twenty-seventh successive month in June. That said, the rate of depletion was only marginal. In contrast, backlogs of work in the UK economy as a whole increased.

Input and output prices

Average input costs continued to increase in the South West during June. However, the rate of input price inflation remained substantially weaker than the historical survey average.

Average tariffs set by private sector companies increased for the second month in a row. That said, charges were raised only slightly.

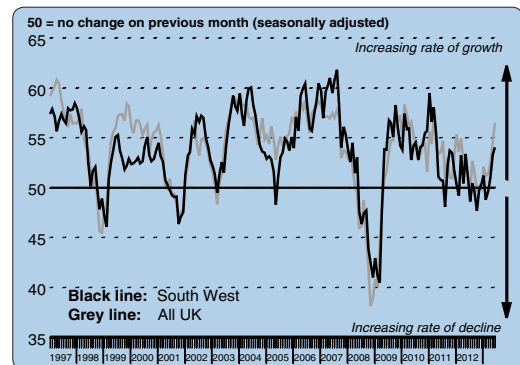
South West Business Conditions



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?

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	18.6	58.8	22.7	47.9	47.7	49.7
	Nov	21.1	56.9	22.0	49.5	49.7	50.2
	Dec	29.6	48.0	22.4	53.6	50.4	49.9
2013	Jan	18.4	57.1	24.5	46.9	51.2	52.1
	Feb	19.2	57.6	23.2	48.0	48.8	51.2
	Mar	25.5	58.5	16.0	54.8	49.7	51.4
	Apr	33.0	47.9	19.1	56.9	51.0	52.4
	May	23.7	64.5	11.8	55.9	53.4	54.6
	Jun	27.7	54.3	18.1	54.8	54.1	56.5

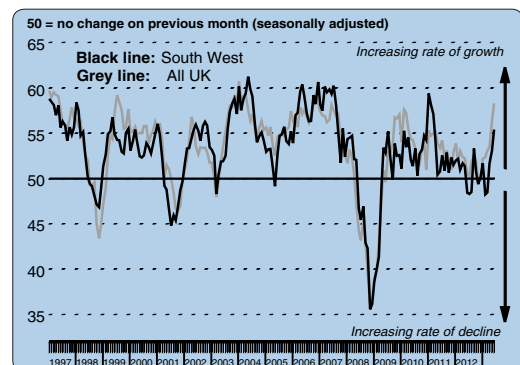


South West private sector firms signalled an increased amount of business activity for the third consecutive month in June. The rate of expansion accelerated from May to the strongest since April 2011, but remained below the pace recorded in the UK economy as a whole. Nonetheless, nearly 28% of panellists reported an increased amount of output. According to sector data, the rise in activity in the South West was largely centred on the manufacturing sector in the region.

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?

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	20.0	52.6	27.4	46.3	50.7	51.9
	Nov	25.5	45.3	29.2	48.1	49.4	49.6
	Dec	21.9	52.1	26.0	47.9	50.2	49.8
2013	Jan	23.2	50.5	26.3	48.4	51.7	52.2
	Feb	23.5	49.0	27.6	48.0	48.3	52.4
	Mar	28.0	47.3	24.7	51.6	48.5	53.1
	Apr	34.8	42.4	22.8	56.0	51.6	53.4
	May	27.5	56.0	16.5	55.5	53.1	56.4
	Jun	38.5	39.6	22.0	58.2	55.4	58.3

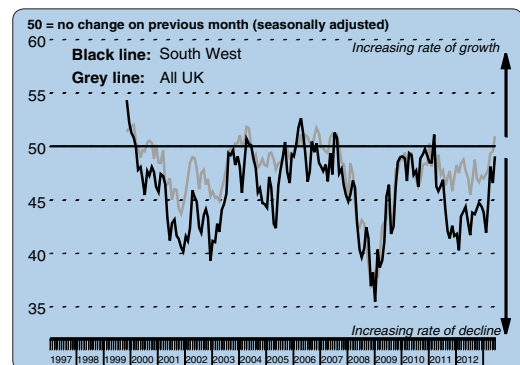


Total new orders placed at South West private sector firms increased for the third successive month in June. After adjusting for seasonal factors, new order growth quickened to a solid rate, with more than 38% of respondents noting a higher intake of new work. The being said, new business expanded at a sharper pace in the UK economy as a whole. As was the case with output, growth in new orders in the South West was largely driven by manufacturers.

Business Outstanding

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

		South West Companies			All UK		
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	10.9	63.0	26.1	42.4	44.2	47.0
	Nov	7.7	67.3	25.0	41.3	44.7	46.7
	Dec	6.6	68.1	25.3	40.7	44.4	47.3
2013	Jan	9.6	66.0	24.5	42.6	43.9	47.0
	Feb	8.5	68.1	23.4	42.6	42.0	47.4
	Mar	13.3	66.7	20.0	46.7	44.7	47.9
	Apr	19.5	60.9	19.5	50.0	48.1	49.4
	May	16.1	64.4	19.5	48.3	46.6	49.6
	Jun	16.9	68.5	14.6	51.1	49.1	51.0

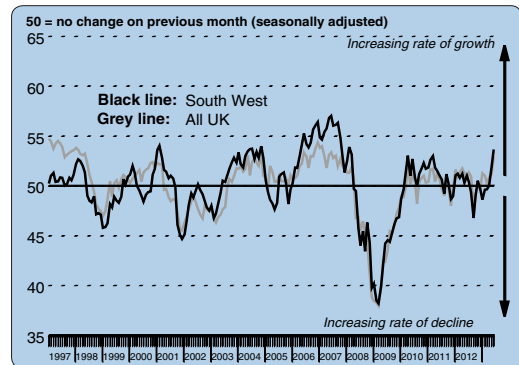


Private sector firms in the South West signalled a lower level of work-in-hand for the twenty-seventh month in a row during June. However, the rate of reduction eased to a marginal pace that was the weakest in the current sequence. The volume of outstanding business fell across both monitored sectors in the region. Meanwhile, backlogs of work in the UK economy as a whole increased, albeit marginally.

Employment

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	10.4	78.1	11.5	49.5	49.1	49.1
	Nov	14.8	72.2	13.0	50.9	50.5	49.9
	Dec	10.3	75.3	14.4	47.9	49.7	49.8
2013	Jan	10.4	69.8	19.8	45.3	48.6	51.3
	Feb	13.3	75.5	11.2	51.0	49.6	51.0
	Mar	14.0	77.4	8.6	52.7	49.7	50.3
	Apr	12.9	77.4	9.7	51.6	50.1	50.8
	May	18.5	75.0	6.5	56.0	52.0	51.2
	Jun	26.9	64.5	8.6	59.1	53.7	53.0

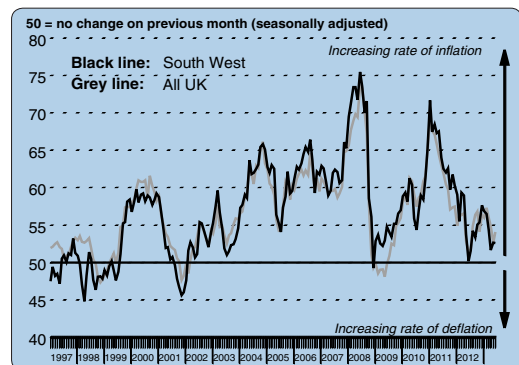


Private sector companies in the South West increased their staffing levels for the third successive month in June. The rate of job creation accelerated to a solid pace that was the fastest since February 2008. Approximately 27% of panellists increased their headcounts, while around 9% recorded job shedding over the month. Furthermore, the rate of expansion in the South West was slightly quicker than that recorded for the UK economy as a whole. Sector data indicated that manufacturers drove the overall expansion of workforce numbers.

Input Prices / Costs

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

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	11.6	82.1	6.3	52.6	55.1	56.9
	Nov	15.6	78.0	6.4	54.6	55.3	54.2
	Dec	16.7	78.1	5.2	55.7	57.6	56.4
2013	Jan	19.4	76.5	4.1	57.7	56.9	56.0
	Feb	20.4	74.5	5.1	57.7	56.5	57.4
	Mar	18.1	75.5	6.4	55.9	54.4	56.0
	Apr	12.9	79.6	7.5	52.7	51.7	54.9
	May	13.0	82.6	4.3	54.3	52.7	52.7
	Jun	10.6	84.0	5.3	52.7	52.6	54.1

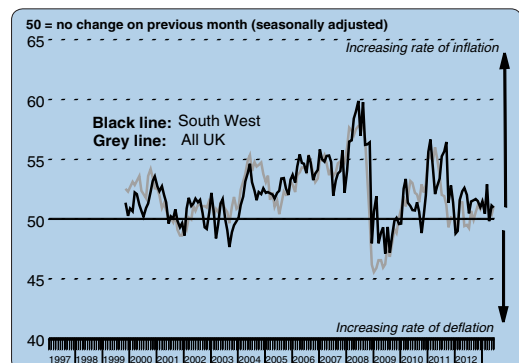


Input costs faced by South West private sector firms continued to rise in June. The rate of input price inflation was relatively unchanged from May and remained moderate. Nearly 11% of survey respondents reported an increase in costs, while just over 5% saw a reduction. However, inflation in the region was weaker than the solid rate recorded for the UK economy as a whole. According to sector data, higher costs in the service sector led to increased average input costs in the South West.

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?

		South West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	5.3	89.5	5.3	50.0	51.7	50.6
	Nov	8.3	83.3	8.3	50.0	51.5	51.1
	Dec	5.2	88.7	6.2	49.5	51.0	50.8
2013	Jan	12.2	83.7	4.1	54.1	51.5	51.5
	Feb	8.2	84.7	7.1	50.5	50.4	51.3
	Mar	13.8	80.9	5.3	54.3	52.9	51.7
	Apr	9.8	84.8	5.4	52.2	49.8	50.5
	May	8.6	88.2	3.2	52.7	51.2	50.4
	Jun	8.5	83.0	8.5	50.0	51.0	51.1

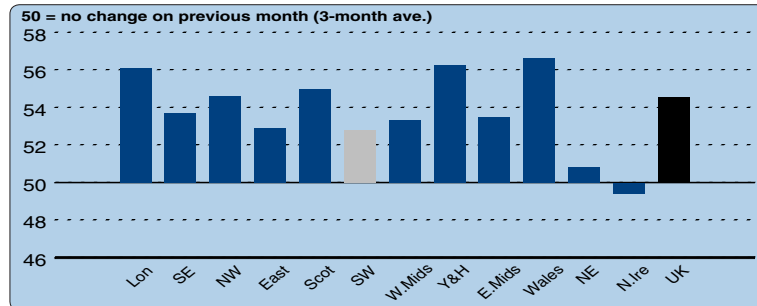


Private sector companies in the South West raised their output charges for the second month in a row in June. That said, the rate of increase was similar to that recorded in the previous month and only marginal. Average tariffs in the UK economy as a whole also rose slightly. Manufacturers in the South West raised their output charges, while service providers left their tariffs unchanged from the previous month.



Regional Comparisons: Output

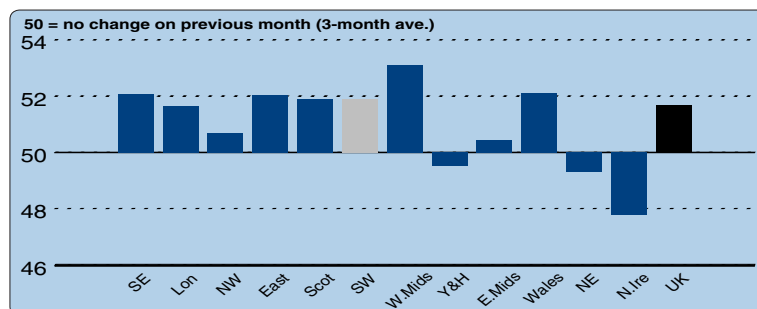
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector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