



Lloyds TSB West Midlands PMI®

Lloyds TSB Commercial

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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 West 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 West Midlands and operating in both manufacturing and service sectors.

The West 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.

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8th July 2013

Growth of output accelerates to 14-month high in June

Key findings:

- Activity boosted by stronger rise in new business
- Rate of job creation quickens
- Modest increases in input and output prices

The latest Lloyds TSB West Midlands PMI® report signalled a faster rise in business activity in the region's private sector economy during June. The seasonally adjusted Business Activity Index climbed to 56.3, from 53.9 in May. The latest reading was the highest in 14 months. Output growth was supported by a sharper increase in new business. Employment also rose at a stronger rate, contributing to a slight decrease in backlogs of work. Input and output prices both increased at modest rates.

Output and demand

West Midlands private sector companies registered an increase in activity for the second month running in June. Furthermore, the pace of expansion accelerated to the fastest since April 2012. The service sector was the principal driver of activity growth during the latest survey period, although manufacturers also registered a solid rise in output.

Underpinning higher activity was a further increase in new business during June. The latest expansion of new work was the eighth in consecutive months. Anecdotal evidence suggested that improved demand conditions had led to the rise in new orders.

Employment and backlogs

Employment in the West Midlands private sector continued to rise in June, as companies recruited additional staff in response to increased workloads. The pace of job hiring accelerated to the fastest since July 2012.

Backlogs of work decreased further in the latest survey period, falling for a fourteenth consecutive month. However, the rate of contraction remained marginal.

Input and output prices

June data pointed to a further marginal increase in input prices. Sector data signalled that higher costs at service providers contrasted with a fall at manufacturers.

West Midlands private sector businesses meanwhile registered a modest rise in output prices during the latest survey period. That followed a slight decrease in the previous month. While some panellists indicated that charges had been increased in response to higher input costs, others noted that competitive pressures were a constraint on pricing power.

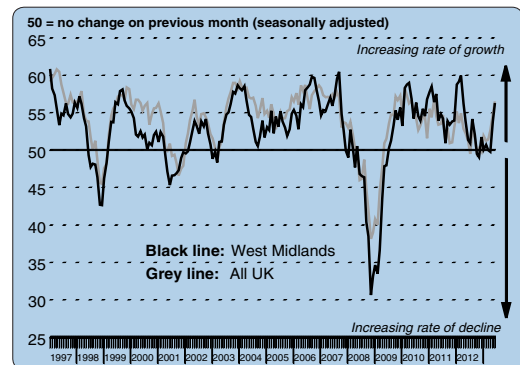
West Midlands Business Conditions



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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	21.1	48.6	30.3	45.4	49.5	49.7
	Nov	26.3	50.0	23.7	51.3	49.1	50.2
	Dec	29.0	47.7	23.4	52.8	51.8	49.9
2013	Jan	21.1	47.4	31.6	44.7	50.1	52.1
	Feb	28.7	53.9	17.4	55.7	50.7	51.2
	Mar	29.9	51.3	18.8	55.6	50.0	51.4
	Apr	27.7	52.7	19.6	54.0	49.8	52.4
	May	27.3	57.3	15.5	55.9	53.9	54.6
	Jun	34.9	53.2	11.9	61.5	56.3	56.5

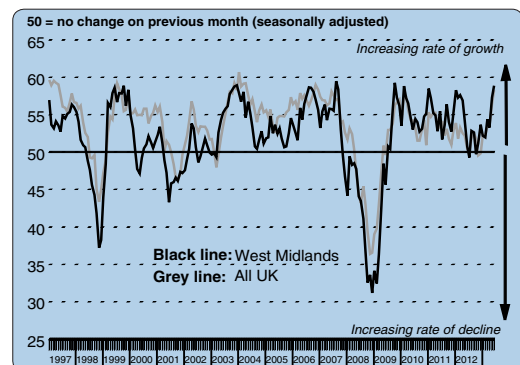


Business activity in the West Midlands private sector increased for a second consecutive month in June. Moreover, the rate of expansion accelerated to a strong pace that was the fastest in 14 months. This was highlighted by the seasonally adjusted Business Activity Index recording 56.3, up from 53.9 in May. That signalled a similar robust rate of growth to the UK average. Sector data indicated that expansion of output was sharper in services than manufacturing.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	19.8	51.9	28.3	45.8	49.7	51.9
	Nov	29.3	48.3	22.4	53.4	51.2	49.6
	Dec	28.6	45.7	25.7	51.4	53.7	49.8
2013	Jan	25.4	45.6	28.9	48.2	52.2	52.2
	Feb	29.2	49.6	21.2	54.0	52.0	52.4
	Mar	32.8	50.9	16.4	58.2	54.4	53.1
	Apr	31.8	47.3	20.9	55.5	53.3	53.4
	May	34.3	47.2	18.5	57.9	57.3	56.4
	Jun	37.6	48.6	13.8	61.9	58.9	58.3

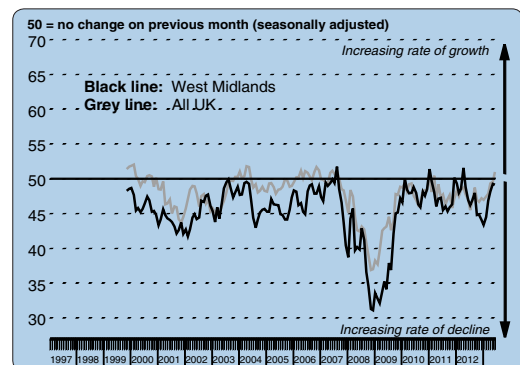


Incoming new business in the West Midlands private sector continued to rise in June, in line with the trend observed since last November. Around 38% of panellists reported an increase in new work during the latest survey period, which they generally attributed to improved demand conditions. This compared with approximately 14% of respondents that indicated a decline in new business.

Business Outstanding

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	9.0	62.0	29.0	40.0	44.8	47.0
	Nov	12.5	64.3	23.2	44.6	44.9	46.7
	Dec	13.9	57.4	28.7	42.6	44.1	47.3
2013	Jan	14.0	57.9	28.0	43.0	43.4	47.0
	Feb	16.4	61.8	21.8	47.3	44.5	47.4
	Mar	21.1	60.6	18.3	51.4	46.9	47.9
	Apr	15.2	69.5	15.2	50.0	48.2	49.4
	May	12.4	76.2	11.4	50.5	49.3	49.6
	Jun	17.0	67.9	15.1	50.9	49.2	51.0

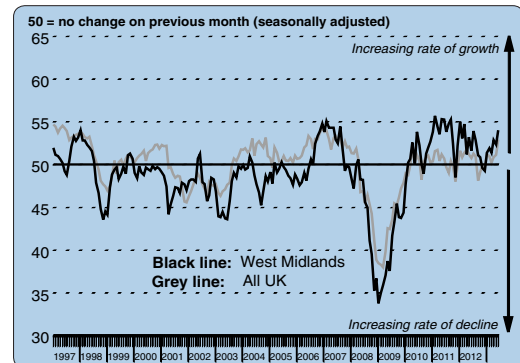


Private sector companies in the West Midlands signalled a decrease in outstanding business for the fourteenth successive month in June. However, the rate of contraction remained marginal, as signalled by the seasonally adjusted Business Outstanding Index recording slightly below the 50.0 mark. Across the UK as a whole, backlogs of work increased modestly in the latest survey period.

Employment

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	14.0	74.8	11.2	51.4	50.9	49.1
	Nov	10.3	72.6	17.1	46.6	49.6	49.9
	Dec	10.3	76.6	13.1	48.6	49.3	49.8
2013	Jan	13.3	72.6	14.2	49.6	51.4	51.3
	Feb	15.2	74.1	10.7	52.2	52.0	51.0
	Mar	19.5	69.0	11.5	54.0	51.4	50.3
	Apr	20.9	66.4	12.7	54.1	52.9	50.8
	May	18.5	67.6	13.9	52.3	52.4	51.2
	Jun	24.8	66.1	9.2	57.8	54.0	53.0

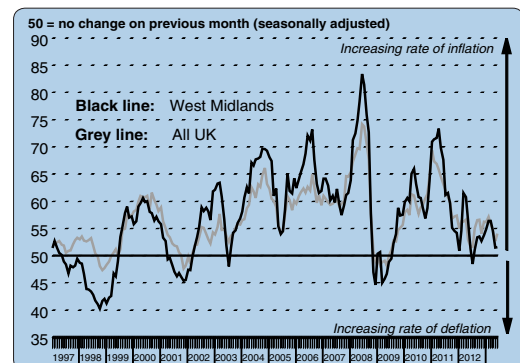


Reflecting improved trends in activity and new business, West Midlands private sector firms recruited staff at a stronger pace in June. At 54.0, up from 52.4 in May, the seasonally adjusted Employment Index was at its highest level since July 2012 and indicated a solid pace of expansion. In addition to increased current workloads, a number of panellists commented that additional workers had been hired in anticipation of future growth.

Input Prices / Costs

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

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	12.8	77.1	10.1	51.4	53.6	56.9
	Nov	6.8	82.1	11.1	47.9	52.7	54.2
	Dec	10.3	80.4	9.3	50.5	53.8	56.4
2013	Jan	17.4	76.5	6.1	55.7	54.9	56.0
	Feb	29.6	64.3	6.1	61.7	56.4	57.4
	Mar	27.6	69.0	3.4	62.1	56.5	56.0
	Apr	22.3	70.5	7.1	57.6	54.7	54.9
	May	10.9	78.2	10.9	50.0	51.5	52.7
	Jun	12.7	78.2	9.1	51.8	51.6	54.1

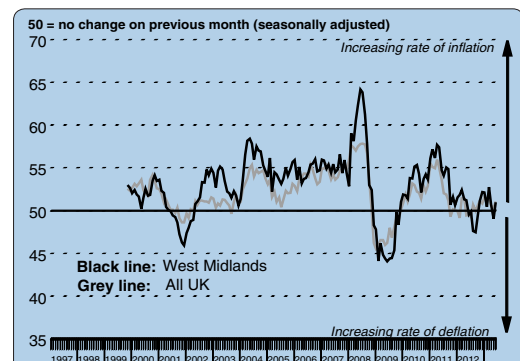


Input prices faced by private sector companies in the West Midlands increased at a moderate pace in June. This was signalled by the seasonally adjusted Input Prices Index recording 51.6, little-changed from 51.5 in May. Whereas service providers signalled strong input price inflation, manufacturers registered falling costs. The region saw a slower increase in input prices than the UK average.

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?

		West Midlands Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Oct	9.2	81.7	9.2	50.0	49.3	50.6
	Nov	7.6	86.4	5.9	50.8	51.1	51.1
	Dec	6.5	88.8	4.7	50.9	52.2	50.8
2013	Jan	13.0	80.9	6.1	53.5	52.1	51.5
	Feb	10.3	85.3	4.3	53.0	50.5	51.3
	Mar	11.1	86.3	2.6	54.3	52.8	51.7
	Apr	9.9	82.9	7.2	51.4	50.7	50.5
	May	6.4	84.5	9.1	48.6	49.1	50.4
	Jun	7.3	87.3	5.5	50.9	51.0	51.1

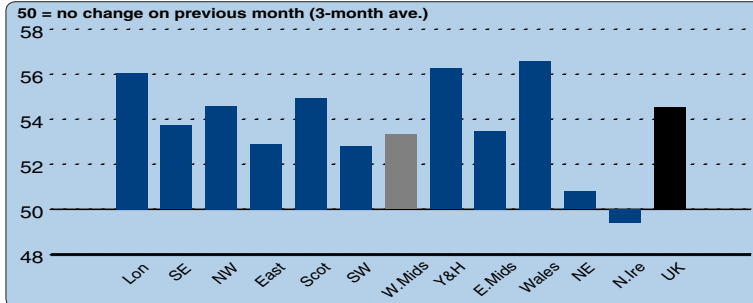


Prices charged by West Midlands private sector firms rose modestly in June. This was signalled by the seasonally adjusted Output Prices Index posting 51.0, up from 49.1 in May. The region posted a similar rate of charge inflation to the UK average. Those survey respondents that noted an increase in selling prices generally attributed this to higher input costs, although competitive pressures were reported to be a constraint on firms' pricing power.



Regional Comparisons: Output

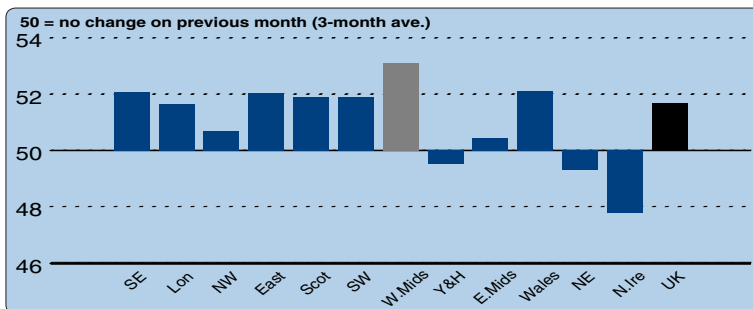
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector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