



# Lloyds TSB Yorkshire & Humber PMI®

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The Lloyds TSB Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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 activity sustained in June, albeit at weaker pace

### Key findings:

- Strong increases in both activity and new business
- First rise in employment in five months
- Rate of input price inflation eases to ten-month low

Lloyds TSB Yorkshire & Humber PMI® data indicated a further robust expansion of private sector output in June. Although the rate of growth eased from May's 26-month high, it was still faster than the long-run series average. Firms linked the increase in activity to a rise in new business, which similarly rose strongly over the month. Meanwhile, employment increased for the first time since January, and the rate of input price inflation eased to a ten-month low.

### Output and demand

Business activity in Yorkshire & Humber's private sector rose further during June, with both manufacturing output and services activity rising over the month. The rate of growth remained strong, despite having eased to a weaker pace than the UK average.

Approximately 26% of surveyed firms reported an increase in output, with a number of panellists linking this to higher volumes of new business. Incoming new work rose strongly in June, and at a rate faster than the long-run series average. UK data similarly signalled an increase in new orders, with the latest rise the sharpest for six-and-a-half years.

### Employment and backlogs

Reflecting recent increases in new business, the level of work-in-hand at monitored companies rose during June. Although the rate of backlog accumulation was only marginal, the increase was nonetheless the first since April 2012.

Private sector employment in Yorkshire & Humber increased in June, ending a four-month sequence of job losses. That said, job creation was only modest and largely centred on the service sector, as manufacturers continued to reduce their workforces.

### Input and output prices

Firms reported a further rise in average input costs during the latest survey period. However, the rate of increase eased for the third month running and was the weakest since last August. The slower rate of inflation contrasted with an acceleration across the UK as a whole.

Meanwhile, output charges increased for the second month running in June. Although the latest rise was little-changed from May's modest pace, it was the second-fastest among the 12 UK regions, behind London.

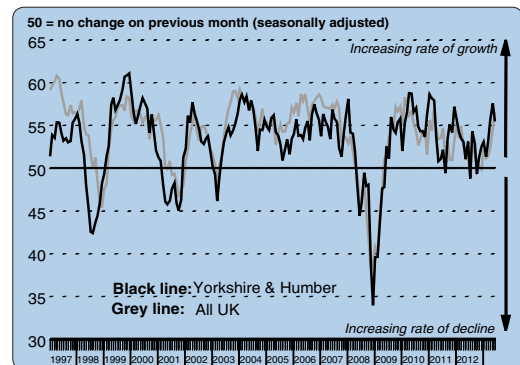
### Yorkshire & Humber Business Conditions



## 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?

|      |     | Yorkshire & Humber Companies |        |         |                 | All UK        |             |
|------|-----|------------------------------|--------|---------|-----------------|---------------|-------------|
|      |     | Higher %                     | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Oct | 30.3                         | 40.4   | 29.3    | 50.5            | 49.4          | 49.7        |
|      | Nov | 29.7                         | 50.5   | 19.8    | 54.9            | 51.2          | 50.2        |
|      | Dec | 27.8                         | 51.1   | 21.1    | 53.3            | 52.5          | 49.9        |
| 2013 | Jan | 27.5                         | 40.7   | 31.9    | 47.8            | 53.1          | 52.1        |
|      | Feb | 32.6                         | 43.5   | 23.9    | 54.3            | 51.3          | 51.2        |
|      | Mar | 29.7                         | 51.6   | 18.7    | 55.5            | 53.3          | 51.4        |
|      | Apr | 32.2                         | 50.6   | 17.2    | 57.5            | 55.7          | 52.4        |
|      | May | 32.9                         | 47.1   | 20.0    | 56.5            | 57.6          | 54.6        |
|      | Jun | 25.9                         | 49.4   | 24.7    | 50.6            | 55.5          | 56.5        |

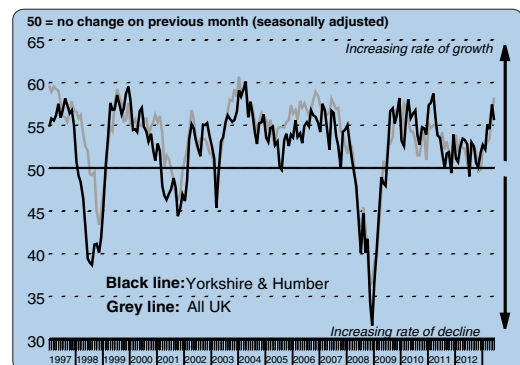


After adjusting for seasonal factors, business activity in Yorkshire & Humber's private sector continued to increase during June. Moreover, the latest expansion was strong, despite having eased from May's 26-month high to a pace weaker than the UK average. Survey respondents generally linked the latest expansion of activity to higher volumes of new business. Output increased in both the manufacturing and service sectors, with the latter posting the sharper rise.

## 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?

|      |     | Yorkshire & Humber Companies |        |         |                 | All UK        |             |
|------|-----|------------------------------|--------|---------|-----------------|---------------|-------------|
|      |     | Higher %                     | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Oct | 28.6                         | 40.8   | 30.6    | 49.0            | 50.6          | 51.9        |
|      | Nov | 27.8                         | 47.8   | 24.4    | 51.7            | 50.1          | 49.6        |
|      | Dec | 28.1                         | 44.9   | 27.0    | 50.6            | 51.8          | 49.8        |
| 2013 | Jan | 31.1                         | 35.6   | 33.3    | 48.9            | 52.8          | 52.2        |
|      | Feb | 37.4                         | 38.5   | 24.2    | 56.6            | 52.2          | 52.4        |
|      | Mar | 38.2                         | 40.4   | 21.3    | 58.4            | 55.2          | 53.1        |
|      | Apr | 31.4                         | 51.2   | 17.4    | 57.0            | 54.6          | 53.4        |
|      | May | 35.7                         | 46.4   | 17.9    | 58.9            | 57.4          | 56.4        |
|      | Jun | 26.2                         | 50.0   | 23.8    | 51.2            | 55.6          | 58.3        |

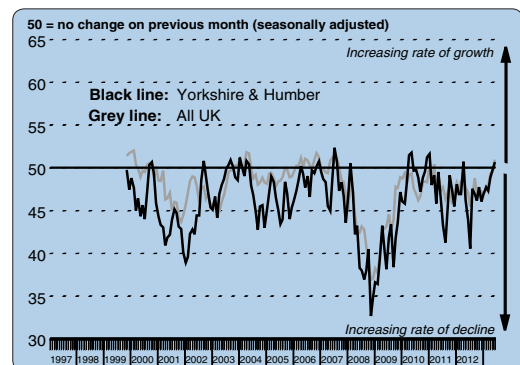


The seasonally adjusted Incoming New Business Index registered above the 50.0 no-change mark in June, signalling a further increase in new order volumes. Approximately 26% of panellists reported an increase in new work, partly reflecting improved market conditions. Although down from May's recent peak to a level below the UK average, the index remained consistent with a strong rate of new business growth.

## Business Outstanding

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

|      |     | Yorkshire & Humber Companies |        |         |                 | All UK        |             |
|------|-----|------------------------------|--------|---------|-----------------|---------------|-------------|
|      |     | Higher %                     | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Oct | 21.8                         | 48.3   | 29.9    | 46.0            | 46.2          | 47.0        |
|      | Nov | 18.8                         | 57.5   | 23.8    | 47.5            | 47.7          | 46.7        |
|      | Dec | 12.2                         | 58.5   | 29.3    | 41.5            | 46.1          | 47.3        |
| 2013 | Jan | 16.7                         | 57.1   | 26.2    | 45.2            | 47.0          | 47.0        |
|      | Feb | 16.9                         | 62.7   | 20.5    | 48.2            | 47.8          | 47.4        |
|      | Mar | 18.5                         | 58.0   | 23.5    | 47.5            | 47.3          | 47.9        |
|      | Apr | 15.0                         | 67.5   | 17.5    | 48.8            | 48.9          | 49.4        |
|      | May | 19.5                         | 59.7   | 20.8    | 49.4            | 49.9          | 49.6        |
|      | Jun | 21.1                         | 57.9   | 21.1    | 50.0            | 50.7          | 51.0        |

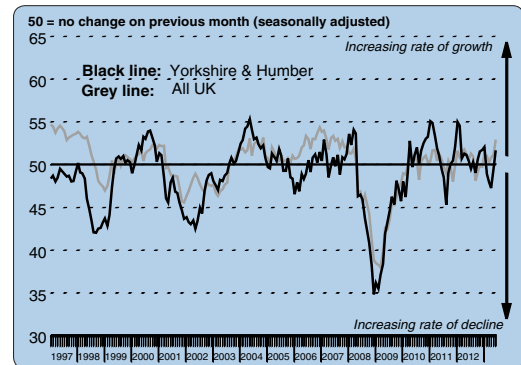


Outstanding business at private sector companies increased in June. Although the rate of backlog accumulation was only marginal, it was the first rise since April 2012. Sector data suggested that work-in-hand (but not yet completed) increased at service providers, but fell further at manufacturing firms. Yorkshire & Humber posted a similar trend to that recorded at the UK level, where business outstanding rose for the first time since March 2011.

## Employment

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

|      |      | Yorkshire & Humber Companies |        |         |                    | All UK           |
|------|------|------------------------------|--------|---------|--------------------|------------------|
|      |      | Higher %                     | Same % | Lower % | Index<br>50=no chg | S.Adj'd<br>Index |
| 2012 | Oct  | 13.3                         | 77.6   | 9.2     | 52.0               | 50.6             |
|      | Nov  | 15.4                         | 72.5   | 12.1    | 51.6               | 51.5             |
|      | Dec  | 13.5                         | 77.5   | 9.0     | 52.2               | 51.8             |
| 2013 | Jan  | 11.1                         | 80.0   | 8.9     | 51.1               | 52.1             |
|      | Feb  | 7.6                          | 80.4   | 12.0    | 47.8               | 48.9             |
|      | Mar  | 14.3                         | 71.4   | 14.3    | 50.0               | 48.0             |
|      | Apr  | 8.0                          | 75.9   | 16.1    | 46.0               | 47.3             |
|      | May  | 18.8                         | 69.4   | 11.8    | 53.5               | 49.6             |
| Jun  | 10.6 | 75.3                         | 14.1   | 48.2    | 51.7               | 53.0             |

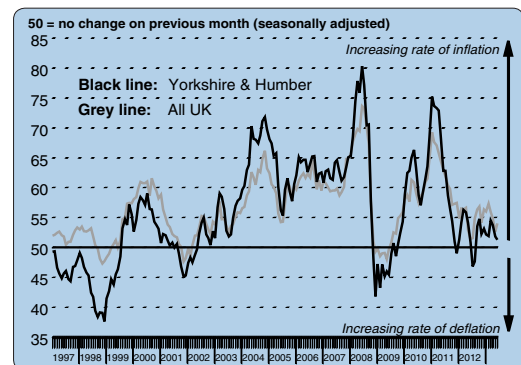


Following job losses in the previous four months, employment in the Yorkshire & Humber private sector increased in June. This was indicated by the seasonally adjusted Employment Index rising above the 50.0 no-change threshold. The index was consistent with a modest rate of growth, however, that was slower than the UK average. Sector data suggested that the increase in employment mainly reflected higher staff numbers in services, as manufacturing headcounts continued to fall in the latest survey period.

## Input Prices / Costs

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

|      |      | Yorkshire & Humber Companies |        |         |                    | All UK           |
|------|------|------------------------------|--------|---------|--------------------|------------------|
|      |      | Higher %                     | Same % | Lower % | Index<br>50=no chg | S.Adj'd<br>Index |
| 2012 | Oct  | 21.2                         | 67.7   | 11.1    | 55.1               | 54.8             |
|      | Nov  | 8.9                          | 80.0   | 11.1    | 48.9               | 52.3             |
|      | Dec  | 10.0                         | 76.7   | 13.3    | 48.3               | 53.2             |
| 2013 | Jan  | 18.7                         | 71.4   | 9.9     | 54.4               | 52.2             |
|      | Feb  | 21.7                         | 69.6   | 8.7     | 56.5               | 52.0             |
|      | Mar  | 25.3                         | 72.5   | 2.2     | 61.5               | 54.5             |
|      | Apr  | 18.4                         | 74.7   | 6.9     | 55.7               | 53.8             |
|      | May  | 15.3                         | 76.5   | 8.2     | 53.5               | 51.9             |
| Jun  | 12.9 | 72.9                         | 14.1   | 49.4    | 51.3               | 54.1             |

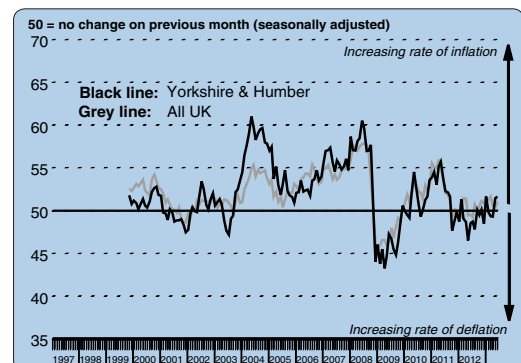


Input costs faced by private sector firms continued to increase in June, extending the trend that has been registered in each month since last September. However, the rate of inflation slowed for the third month running and was the weakest in this sequence. Although service providers reported higher cost burdens, manufacturers recorded lower input prices in the latest survey period. The slower rate of inflation posted by Yorkshire & Humber contrasted with an acceleration for the UK as a whole.

## 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?

|      |     | Yorkshire & Humber Companies |        |         |                    | All UK           |
|------|-----|------------------------------|--------|---------|--------------------|------------------|
|      |     | Higher %                     | Same % | Lower % | Index<br>50=no chg | S.Adj'd<br>Index |
| 2012 | Oct | 6.1                          | 84.8   | 9.1     | 48.5               | 49.5             |
|      | Nov | 3.3                          | 92.3   | 4.4     | 49.5               | 50.1             |
|      | Dec | 2.2                          | 90.0   | 7.8     | 47.2               | 48.5             |
| 2013 | Jan | 13.2                         | 83.5   | 3.3     | 54.9               | 51.7             |
|      | Feb | 13.0                         | 79.3   | 7.6     | 52.7               | 49.8             |
|      | Mar | 7.7                          | 81.3   | 11.0    | 48.4               | 49.4             |
|      | Apr | 9.2                          | 86.2   | 4.6     | 52.3               | 49.3             |
|      | May | 5.9                          | 92.9   | 1.2     | 52.4               | 51.5             |
| Jun  | 9.4 | 83.5                         | 7.1    | 51.2    | 51.6               | 51.1             |

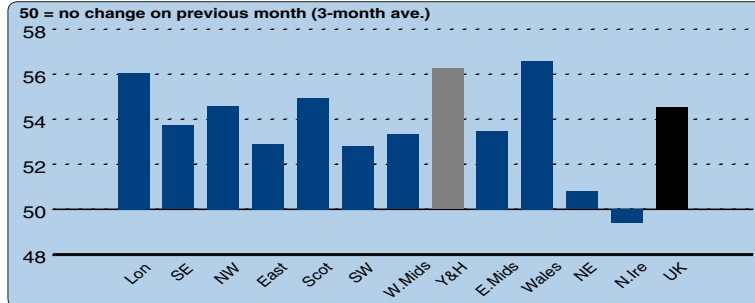


Firms operating in Yorkshire & Humber's private sector raised their output prices for the second month running in June. Approximately 9% of panellists raised their output charges, compared with 7% that reduced their prices. Although little-changed from May's modest pace, the latest increase in average selling prices was nonetheless the strongest in five months and the second-fastest among the 12 UK regions, behind London.



## Regional Comparisons: Output

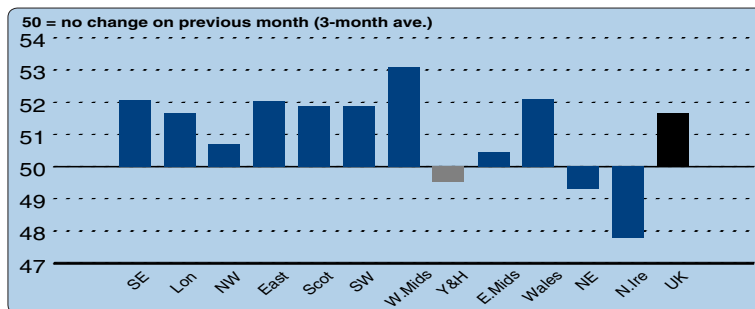
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). Output growth was recorded in 11 of the 12 UK regions on average in the second quarter of 2013. Only Northern Ireland posted lower levels of private sector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

The PMIs 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.