



Lloyds TSB East of England PMI®

Lloyds TSB Commercial

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The Lloyds TSB East of England PMI® (Purchasing Managers' Index®) is produced for Lloyds TSB Commercial by Markit.

The report features original survey data collected in July 2013 from a representative panel of companies based in the East of England and operating in both manufacturing and service sectors.

The East of England 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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12th August 2013

Activity growth accelerates to survey record-high in July

Key findings:

- Output and new orders increase at fastest rates in survey history
- Further rise in employment levels
- Rate of cost inflation accelerates

July data signalled sharp increases in overall activity and new orders at East of England companies, with both rates of growth accelerating to record-highs. Meanwhile, employment levels continued to rise and input costs increased at a faster pace than in June.

Output and demand

The headline **Lloyds TSB East of England Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – accelerated substantially in July, rising to 59.1 from June's 55.0. Activity has now grown for eight successive months, and the pace of expansion was the quickest recorded since the survey began in January 1997. Increased new business was the main driver for the sharp expansion in output levels, according to panellists.

East of England private sector companies reported increased workloads in July, driven mainly by the securing of new clients and higher consumer spending following the unusually hot weather. In line with activity growth, order intakes increased at the sharpest rate in the survey history.

Employment and backlogs

In response to increased output requirements, East of England companies hired additional workers in July. The rate of job creation was broadly in line with that seen in June and remained above the overall UK average. Exactly 19% of panel members reported increased workforce numbers, while around 11% indicated job cuts. Meanwhile, backlogs of work accumulated at the fastest pace in 27 survey periods. Sector data suggested that the accumulation of work-in-hand was driven by a rise in work outstanding at service providers, while backlogs were depleted at manufacturers.

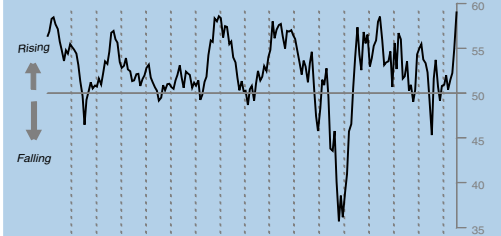
Input and output prices

Input costs increased a robust and at an accelerated pace from June. The rate of input price inflation was the highest in four months and above the UK average. Companies linked the cost increase to higher raw material prices and utility bills.

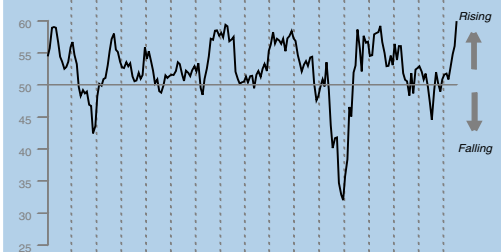
Output charges in the East of England private sector also rose in July, albeit only fractionally, and at a slower pace than seen across the UK as a whole.

East of England Business Conditions

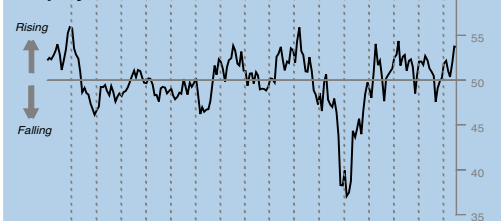
Output



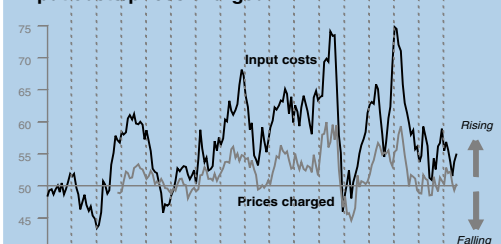
Order Books



Employment



Input costs/prices charged

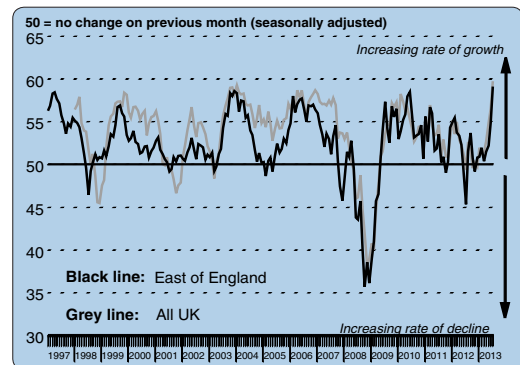




Output / Business Activity

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	22.5	50.5	27.0	47.7	49.2	50.3
	Dec	27.7	43.8	28.6	49.6	50.8	49.8
2013	Jan	23.2	42.9	33.9	44.6	50.9	52.0
	Feb	31.8	50.0	18.2	56.8	52.0	51.3
	Mar	20.4	59.3	20.4	50.0	50.4	51.5
	Apr	30.2	48.3	21.6	54.3	51.5	52.7
	May	22.7	59.1	18.2	52.3	52.2	54.9
	Jun	28.7	53.0	18.3	55.2	55.0	56.6
	Jul	31.1	54.7	14.2	58.5	59.1	59.8

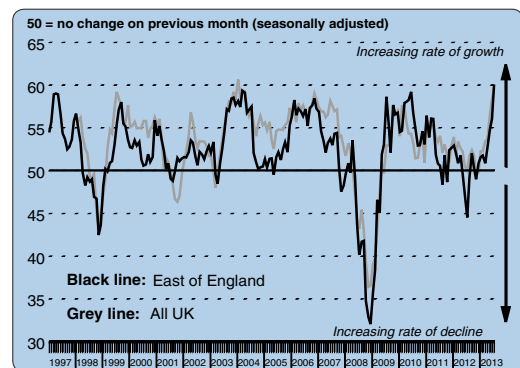


July data signalled a sharp increase in activity at East of England private sector companies, with 31% of survey respondents indicating higher output levels. The pace of expansion accelerated for the fourth month in a row and was the quickest in the series history. Sector data suggested that output levels rose at both manufacturers and service providers. Companies overwhelmingly linked the latest rise in activity to increased new business.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	24.8	47.7	27.5	48.6	49.0	49.6
	Dec	28.8	48.6	22.5	53.2	50.9	49.8
2013	Jan	28.2	47.3	24.5	51.8	51.6	52.3
	Feb	31.2	49.5	19.3	56.0	51.8	52.3
	Mar	25.9	53.6	20.5	52.7	50.9	53.5
	Apr	32.5	50.9	16.7	57.9	52.7	53.7
	May	26.6	56.0	17.4	54.6	54.8	56.6
	Jun	29.6	50.4	20.0	54.8	56.1	58.4
	Jul	36.8	41.5	21.7	57.5	60.1	59.7

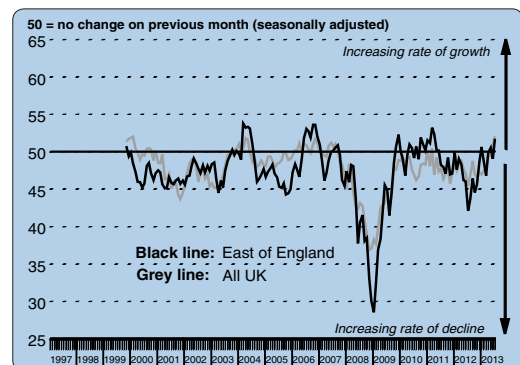


In line with the trend for activity, new orders placed at East of England companies increased substantially in July. Growth of new work accelerated to the sharpest in the survey history, outperforming the UK as a whole for the first time since last December. Almost 37% of panellists reported higher order intakes, commonly attributing the rise to the securing of new clients and a boost to consumer hot weather in July.

Business Outstanding

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	13.6	58.3	28.2	42.7	45.6	46.7
	Dec	17.9	56.6	25.5	46.2	48.7	47.3
2013	Jan	21.7	63.2	15.1	53.3	50.7	47.0
	Feb	18.1	61.0	21.0	48.6	48.8	47.4
	Mar	16.0	62.3	21.7	47.2	46.9	47.9
	Apr	20.0	61.8	18.2	50.9	49.9	49.4
	May	14.7	70.6	14.7	50.0	50.6	49.6
	Jun	13.9	70.4	15.7	49.1	49.1	51.0
	Jul	19.8	63.4	16.8	51.5	51.8	52.1

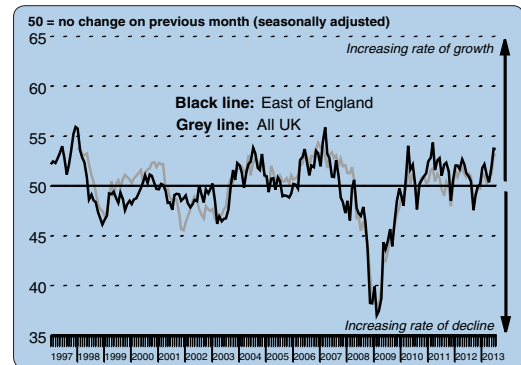


A solid increase in order book volumes was one of the main reasons for a rise in work-in-hand at East of England private sector firms in July. Backlogs of work accumulated for the second time in three survey periods, and at the fastest pace in 27 months. A depletion of backlogs of work in the manufacturing sector was offset by a rise in work outstanding at service providers.

Employment

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	14.5	73.6	11.8	51.4	49.9	49.8
	Dec	12.5	78.6	8.9	51.8	50.2	49.7
2013	Jan	14.4	70.3	15.3	49.5	51.8	51.3
	Feb	16.5	75.2	8.3	54.1	52.2	51.0
	Mar	15.3	75.7	9.0	53.2	51.0	50.3
	Apr	16.5	72.2	11.3	52.6	50.4	50.9
	May	12.0	82.4	5.6	53.2	52.0	51.2
	Jun	14.2	80.5	5.3	54.4	53.8	53.1
	Jul	19.0	70.5	10.5	54.3	53.7	53.2

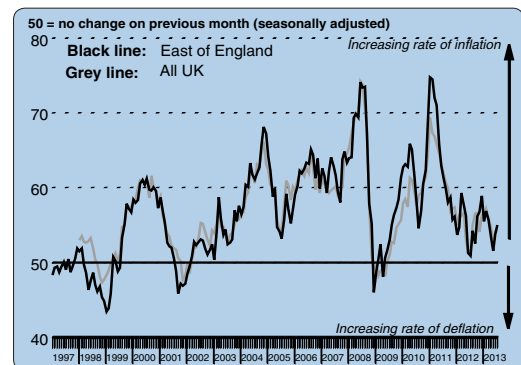


The seasonally adjusted Employment Index registered above the neutral 50.0 threshold in July, signalling further job creation in the East of England private sector. Workforce numbers have now increased for eight consecutive survey periods, and the latest rise was the second-fastest in 28 months. Increased output requirements and an accumulation of backlogs accounted for much of the latest rise in headcounts, according to panel members.

Input Prices / Costs

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

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	14.5	77.3	8.2	53.2	56.7	54.1
	Dec	14.2	83.2	2.7	55.8	58.9	56.3
2013	Jan	13.4	81.3	5.4	54.0	55.5	56.2
	Feb	20.0	76.4	3.6	58.2	56.9	57.2
	Mar	22.1	73.5	4.4	58.8	55.7	55.9
	Apr	16.4	77.6	6.0	55.2	53.7	54.9
	May	10.0	80.9	9.1	50.5	51.6	52.7
	Jun	13.0	83.5	3.5	54.8	53.8	54.2
	Jul	11.3	83.0	5.7	52.8	55.0	54.3

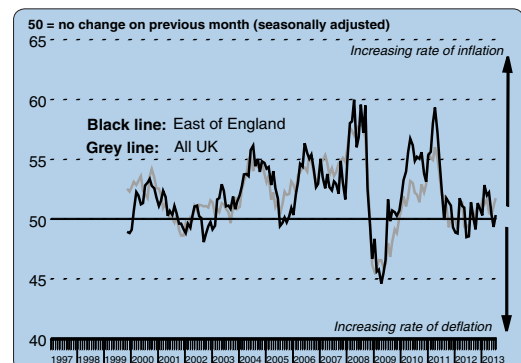


Average cost burdens in the East of England private sector increased in July. Around 11% of panellists indicated higher input costs, while only 6% signalled a fall. There was some anecdotal evidence that increased raw material costs lead to the rise in input prices. The rate of cost inflation was the highest in four months, although below the average recorded over the series history.

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?

		East of England Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	7.3	90.0	2.7	52.3	51.3	51.1
	Dec	6.3	87.4	6.3	50.0	50.8	50.8
2013	Jan	9.1	83.6	7.3	50.9	50.3	51.5
	Feb	14.7	79.8	5.5	54.6	52.9	51.3
	Mar	12.4	79.6	8.0	52.2	52.0	51.7
	Apr	11.3	86.1	2.6	54.3	52.2	50.5
	May	2.8	93.5	3.7	49.5	50.4	50.4
	Jun	6.1	85.1	8.8	48.7	49.4	51.1
	Jul	4.8	91.3	3.8	50.5	50.4	51.8

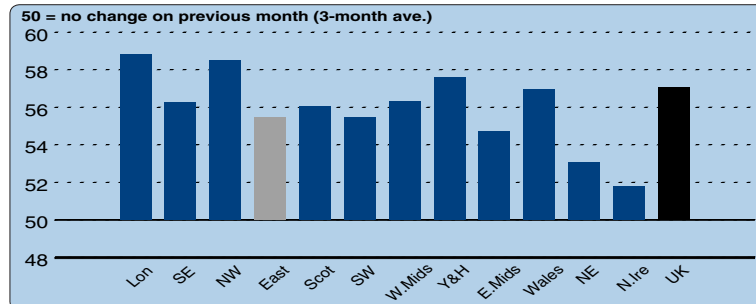


Private sector companies in the East of England raised their charges marginally in July, following price discounting in the previous month. This was highlighted by the seasonally adjusted Output Prices Index registering just above the no-change mark of 50.0. However, the rate of charge inflation was only marginal, and slower than that seen across the UK as a whole in the latest survey period.



Regional Comparisons: Output

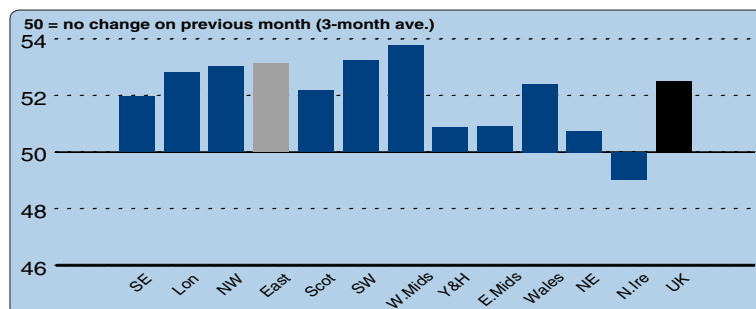
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London posted the fastest rise in output levels, followed closely by the North West.



	Share of UK GVA, 2010 (National Statistics)	PMI Output Index		
		Last 12 months	Latest 3 months	Latest month
London	(21.5%)	53.8	58.8	61.8
South East	(14.7%)	52.6	56.3	59.5
North West	(9.5%)	52.9	58.5	62.3
East of England	(8.7%)	52.3	55.4	59.1
Scotland	(8.3%)	52.4	56.0	56.7
South West	(7.7%)	51.2	55.4	58.9
West Midlands	(7.3%)	52.2	56.3	58.8
Yorks & Humber	(7.0%)	53.9	57.6	59.8
East Midlands	(6.4%)	52.1	54.7	57.3
Wales	(3.6%)	54.2	57.0	57.6
North East	(3.2%)	50.1	53.1	56.4
N.Ireland	(2.2%)	47.0	51.8	56.1
UK	(100.0%)	52.7	57.1	59.8

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). Staffing levels increased in 11 of the 12 UK regions on average during the three months to July, with Northern Ireland the exception. Companies in the West Midlands posted the strongest pace of job creation, followed by those operating in the South West.



	Contribution to UK Employment, 2008 (National Statistics)	PMI Employment Index		
		Last 12 months	Latest 3 months	Latest month
South East	(14.6%)	51.4	52.0	52.3
London	(12.3%)	50.3	52.8	53.4
North West	(10.9%)	49.9	53.0	55.4
East of England	(9.6%)	51.0	53.1	53.7
Scotland	(8.7%)	51.0	52.2	52.1
South West	(8.6%)	50.3	53.2	54.1
West Midlands	(8.6%)	51.9	53.8	54.9
Yorks & Humber	(8.2%)	50.2	50.9	51.3
East Midlands	(7.3%)	51.8	50.9	52.7
Wales	(4.6%)	50.9	52.4	53.2
North East	(3.9%)	49.4	50.7	53.4
N.Ireland	(2.7%)	48.1	49.0	51.0
UK	(100.0%)	50.7	52.5	53.2

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.