



Lloyds TSB London 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 London 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 London and operating in both manufacturing and service sectors.

The London 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

Sharpest rise in private sector output since March 2010

Key findings:

- Activity and new business both rise markedly in July
- Employment continues to increase
- Input price inflation quickens to five-month high

The Lloyds TSB London PMI report suggested that private sector output in London continued to rise sharply in July, with the rate of growth accelerating to its fastest since March 2010. A similarly marked rise in new business supported activity growth, which in turn contributed to a further rise in employment. Concurrently, the rate of input price inflation strengthened to a five-month high, but remained weaker than the long-run series average.

Output and demand

The headline Lloyds TSB London Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – registered 61.8 in July and, above the 50.0 no-change mark, signalled a further sharp increase in private sector output. The index was up from June's 58.3 and indicated the fastest rate of growth for 40 months.

Activity growth accelerated in both the manufacturing and service sectors during July. Firms generally linked higher activity to increased new business and growing client demand. The volume of new orders received by companies rose markedly and at the fastest rate for two years.

Employment and backlogs

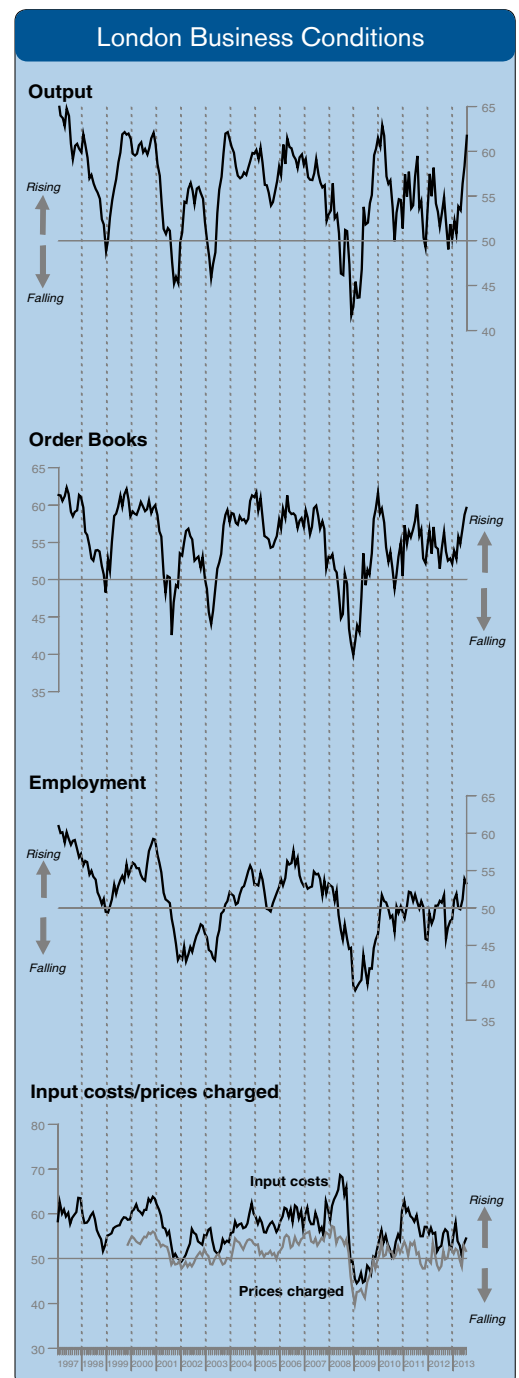
Private sector employment in London rose for the third consecutive month in July. The rate of job creation was solid and broadly in line with the UK average. Nonetheless, growth was weaker than the near six-year peak recorded in June.

Meanwhile, outstanding business increased solidly and for the third successive month. Notably, the rate of backlog accumulation was the sharpest since April 2006.

Input and output prices

London private sector companies faced higher input costs in July, with a number of firms particularly mentioning larger salary bills. Overall, the rate of input price inflation remained weaker than the long-run series average.

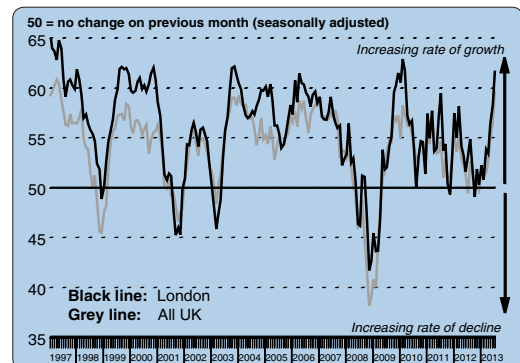
Concurrently, average selling prices at firms in London's private sector increased for the second month running in July. However, the latest rise in output charges was modest and slower than in June.



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?

| | | London Companies | | | | All UK | |
|------|-----|------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 23.6 | 59.1 | 17.3 | 53.2 | 51.9 | 50.3 |
| | Dec | 25.0 | 56.7 | 18.3 | 53.4 | 50.3 | 49.8 |
| 2013 | Jan | 17.8 | 61.4 | 20.8 | 48.5 | 52.3 | 52.0 |
| | Feb | 20.4 | 64.1 | 15.5 | 52.4 | 50.8 | 51.3 |
| | Mar | 23.0 | 64.0 | 13.0 | 55.0 | 53.8 | 51.5 |
| | Apr | 25.9 | 56.3 | 17.9 | 54.0 | 53.4 | 52.7 |
| | May | 24.0 | 61.0 | 15.0 | 54.5 | 56.4 | 54.9 |
| | Jun | 27.7 | 62.4 | 9.9 | 58.9 | 58.3 | 56.6 |
| | Jul | 28.4 | 56.9 | 14.7 | 56.9 | 61.8 | 59.8 |

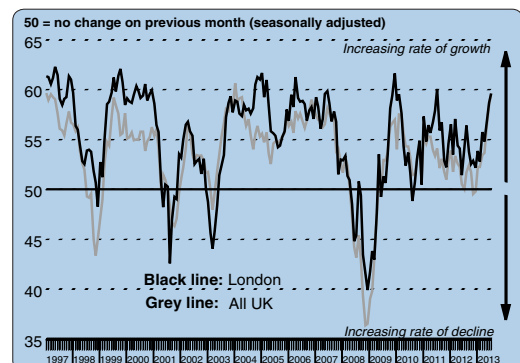


Private sector output in London rose sharply in July, with the rate of growth accelerating to its fastest since March 2010. Stronger expansions for business activity were recorded in both the manufacturing and service sectors. Anecdotal evidence generally linked the marked rise in output to new business wins and growing client demand. London was the second-best performing UK region in July, with only the North West seeing a stronger increase in activity.

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?

| | | London Companies | | | | All UK | |
|------|-----|------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 22.6 | 59.4 | 17.9 | 52.4 | 52.9 | 49.6 |
| | Dec | 27.0 | 55.0 | 18.0 | 54.5 | 52.2 | 49.8 |
| 2013 | Jan | 22.4 | 61.2 | 16.3 | 53.1 | 53.9 | 52.3 |
| | Feb | 27.5 | 55.9 | 16.7 | 55.4 | 52.8 | 52.3 |
| | Mar | 26.5 | 61.2 | 12.2 | 57.1 | 55.8 | 53.5 |
| | Apr | 27.0 | 55.0 | 18.0 | 54.5 | 54.8 | 53.7 |
| | May | 26.0 | 59.0 | 15.0 | 55.5 | 56.9 | 56.6 |
| | Jun | 30.6 | 60.2 | 9.2 | 60.7 | 58.7 | 58.4 |
| | Jul | 31.8 | 50.5 | 17.8 | 57.0 | 59.6 | 59.7 |

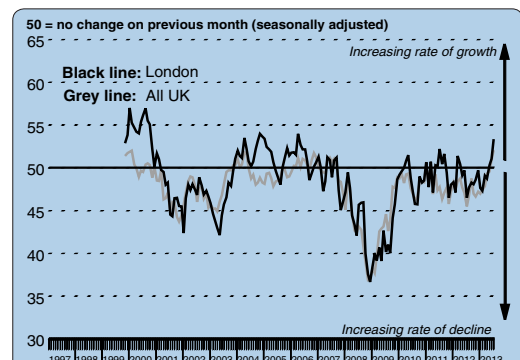


New business received by private sector companies in London increased at a sharp and accelerated pace in July. The rate of new order growth quickened for the third month running and was the fastest for two years. Approximately 32% of surveyed firms reported an increase in new work, compared with 18% that registered a reduction. Overall, London posted a similar expansion for new business to the UK average.

Business Outstanding

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

| | | London Companies | | | | All UK | |
|------|-----|------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 13.9 | 70.3 | 15.8 | 49.0 | 48.6 | 46.7 |
| | Dec | 10.6 | 74.5 | 14.9 | 47.9 | 49.7 | 47.3 |
| 2013 | Jan | 10.9 | 71.7 | 17.4 | 46.7 | 47.6 | 47.0 |
| | Feb | 13.0 | 70.7 | 16.3 | 48.4 | 47.3 | 47.4 |
| | Mar | 15.4 | 70.3 | 14.3 | 50.5 | 49.1 | 47.9 |
| | Apr | 14.7 | 70.6 | 14.7 | 50.0 | 48.7 | 49.4 |
| | May | 14.4 | 71.1 | 14.4 | 50.0 | 50.3 | 49.6 |
| | Jun | 12.0 | 77.2 | 10.9 | 50.5 | 51.1 | 51.0 |
| | Jul | 20.6 | 61.9 | 17.5 | 51.5 | 53.4 | 52.1 |

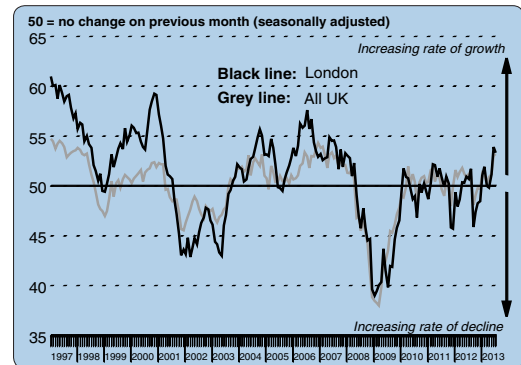


Reflective of increased new business volumes, backlogs of work at private sector firms rose for the third consecutive month in July. This was signalled by the seasonally adjusted Business Outstanding Index remaining above the 50.0 no-change threshold. Notably, the index was the highest for over seven years, and consistent with a solid rise in work-in-hand (but not yet completed) at monitored companies.

Employment

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

| | | London Companies | | | | All UK | |
|------|-----|------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 12.7 | 75.5 | 11.8 | 50.5 | 48.3 | 49.8 |
| | Dec | 9.6 | 77.9 | 12.5 | 48.6 | 48.5 | 49.7 |
| 2013 | Jan | 13.9 | 70.3 | 15.8 | 49.0 | 51.1 | 51.3 |
| | Feb | 17.5 | 72.8 | 9.7 | 53.9 | 51.9 | 51.0 |
| | Mar | 10.0 | 77.0 | 13.0 | 48.5 | 50.0 | 50.3 |
| | Apr | 14.3 | 75.9 | 9.8 | 52.2 | 49.9 | 50.9 |
| | May | 13.9 | 76.2 | 9.9 | 52.0 | 51.2 | 51.2 |
| | Jun | 10.9 | 82.2 | 6.9 | 52.0 | 53.9 | 53.1 |
| | Jul | 15.6 | 76.1 | 8.3 | 53.7 | 53.4 | 53.2 |

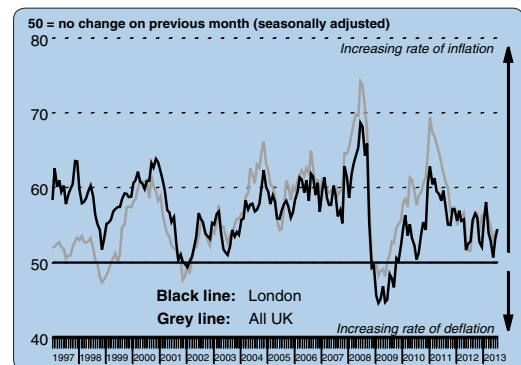


Employment in London's private sector increased for the third consecutive month in July. Approximately 16% of surveyed firms hired additional staff since June (while 8% reduced their workforces), often linking this to increased business activity. Although the overall rate of job creation was solid and faster than the long-run series average, the latest rise was nonetheless weaker than the near six-year peak recorded in June.

Input Prices / Costs

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

| | | London Companies | | | | All UK | |
|------|-----|------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 11.8 | 80.9 | 7.3 | 52.3 | 52.8 | 54.1 |
| | Dec | 7.8 | 85.4 | 6.8 | 50.5 | 52.1 | 56.3 |
| 2013 | Jan | 18.2 | 79.8 | 2.0 | 58.1 | 55.7 | 56.2 |
| | Feb | 22.3 | 72.8 | 4.9 | 58.7 | 58.1 | 57.2 |
| | Mar | 6.0 | 90.0 | 4.0 | 51.0 | 54.0 | 55.9 |
| | Apr | 11.6 | 85.7 | 2.7 | 54.5 | 52.9 | 54.9 |
| | May | 8.9 | 86.1 | 5.0 | 52.0 | 50.7 | 52.7 |
| | Jun | 9.9 | 85.1 | 5.0 | 52.5 | 53.2 | 54.2 |
| | Jul | 12.8 | 86.2 | 0.9 | 56.0 | 54.5 | 54.3 |

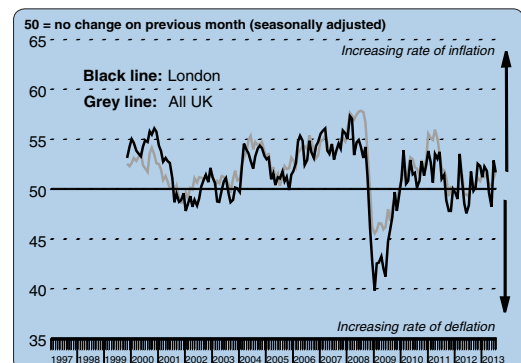


Input prices faced by companies in London's private sector continued to rise in July, as has been the case in each month since October 2009. Higher salaries were commonly reported by survey respondents as being the main factor behind the latest rise in costs. Overall, the rate of input price inflation was the fastest in five months, but remained slower than the long-run series 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?

| | | London Companies | | | | All UK | |
|------|-----|------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 8.2 | 84.5 | 7.3 | 50.5 | 52.6 | 51.1 |
| | Dec | 8.7 | 87.4 | 3.9 | 52.4 | 52.3 | 50.8 |
| 2013 | Jan | 10.9 | 85.1 | 4.0 | 53.5 | 51.2 | 51.5 |
| | Feb | 11.7 | 84.5 | 3.9 | 53.9 | 52.3 | 51.3 |
| | Mar | 3.0 | 94.0 | 3.0 | 50.0 | 51.8 | 51.7 |
| | Apr | 5.4 | 88.4 | 6.3 | 49.6 | 49.6 | 50.5 |
| | May | 4.0 | 90.1 | 5.9 | 49.0 | 48.3 | 50.4 |
| | Jun | 7.9 | 87.1 | 5.0 | 51.5 | 52.9 | 51.1 |
| | Jul | 3.7 | 93.5 | 2.8 | 50.5 | 51.7 | 51.8 |

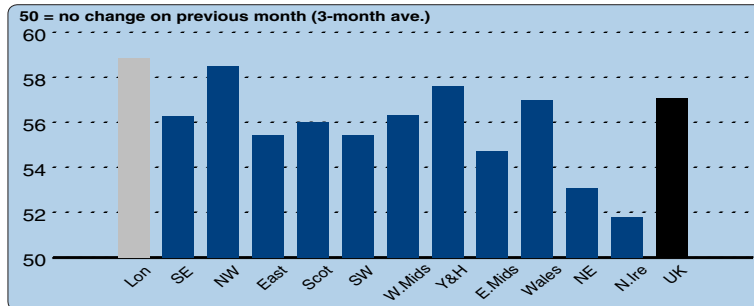


The seasonally adjusted Output Prices Index posted above the 50.0 no-change threshold in July, suggesting higher selling prices at private sector companies. Average output charges have risen for two successive months, although the latest increase was modest and weaker than in June. London posted a broadly similar rise in output prices as that recorded across the UK as a whole.



Regional Comparisons: Output

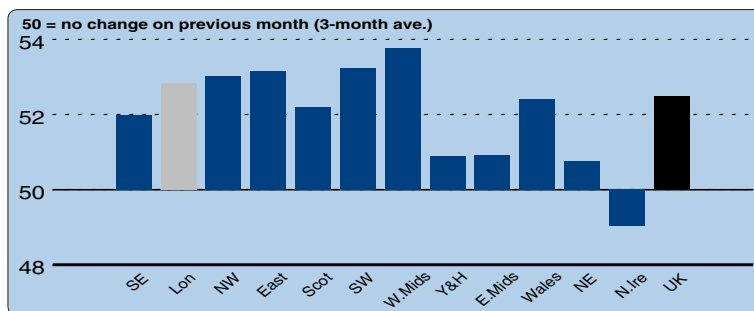
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London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