



Lloyds TSB North West PMI®

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

The North 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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12th August 2013

July's output growth strongest in survey history

Key findings:

- Sharp expansions in business activity and incoming new work
- Growth of output, new orders and employment surpasses UK average
- Inflationary pressures remain relatively muted

July data highlighted a robust improvement in business conditions across the North West private sector. New business, output and employment growth all picked up to the sharpest in the survey history and outperformed the UK-wide trends. Meanwhile, input cost inflation remained subdued.

Output and demand

The headline Lloyds TSB North West Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from 58.1 in June to 62.3 in July. The latest reading pointed to a sharp expansion of output across the region, one that was the fastest in the survey history and stronger than the UK average. Anecdotal evidence suggested that business activity increased in line with higher inflows of new orders.

Incoming new business rose sharply in July, and at the quickest rate since data collection began in January 1997. Companies reported stronger foreign and domestic demand. Panellists commented on higher export orders from South East Asia, the US, the Middle East and the BRIC countries. New business expansion across the region continued to exceed the UK average.

Employment and backlogs

With growth of both new business and output picking up pace, private sector companies added to their workforce numbers in July. The rate of employment growth accelerated to the sharpest in the survey history and was stronger than that seen at the national level.

Pressure on operating capacity was signalled in July, with backlogs of work rising for the first time since March 2011. The rate of increase in the North West was, however, only moderate and slower than the UK-wide trend.

Input and output prices

Input costs rose in July, with firms reporting higher prices paid for raw materials, energy and fuel. Despite accelerating since June, the rate of cost inflation in the region was moderate and slower than that seen at the UK overall.

Higher cost burdens were partly passed on to clients in July, as highlighted by output prices rising further. The rate of charge inflation was, however, only marginal and broadly in line with the UK average.

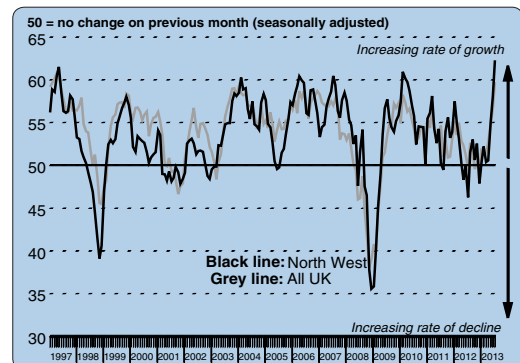
North West Business Conditions



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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	32.6	43.0	24.4	54.1	52.5	50.3
	Dec	20.5	44.3	35.2	42.6	47.9	49.8
2013	Jan	23.5	53.9	22.5	50.5	50.4	52.0
	Feb	32.7	55.1	12.2	60.2	52.2	51.3
	Mar	24.5	55.1	20.4	52.0	50.4	51.5
	Apr	25.7	49.5	24.8	50.5	50.6	52.7
	May	42.6	47.9	9.6	66.5	55.1	54.9
	Jun	38.3	47.9	13.8	62.2	58.1	56.6
	Jul	36.7	56.1	7.1	64.8	62.3	59.8

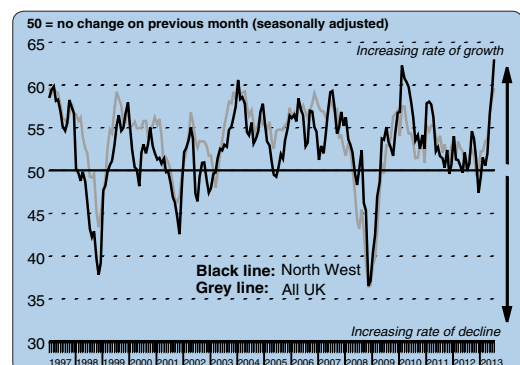


Private sector firms operating in the North West signalled output growth in July. The rate of expansion was sharp and the fastest in the survey history. Furthermore, the rise in activity across the region remained stronger than that seen at the UK level. Anecdotal evidence suggested that new orders from both domestic and export clients rose, with some firms also mentioning that improved weather conditions had supported output growth in July. Manufacturers and service providers both recorded higher levels of business activity in the latest month.

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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	27.1	42.4	30.6	48.2	51.5	49.6
	Dec	21.8	42.5	35.6	43.1	47.4	49.8
2013	Jan	28.7	44.6	26.7	51.0	49.2	52.3
	Feb	34.0	46.4	19.6	57.2	51.5	52.3
	Mar	25.5	54.1	20.4	52.6	50.6	53.5
	Apr	31.7	44.6	23.8	54.0	52.0	53.7
	May	35.1	48.9	16.0	59.6	56.8	56.6
	Jun	38.3	46.8	14.9	61.7	59.2	58.4
	Jul	40.2	53.6	6.2	67.0	63.0	59.7

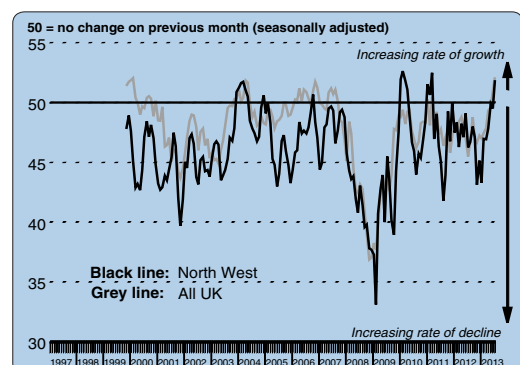


New orders placed at private sector firms in the North West increased further in July, with the rate of expansion accelerating to the fastest in the survey history. Panel members commented that domestic and foreign demand strengthened over the month, with particular mentions of new contract wins from South East Asia, the US, the Middle East and the BRIC countries. A number of firms also indicated that improved weather conditions had supported demand growth in the UK. The expansion in new orders across the region was stronger than the UK average, as has been the case in each of the past three months.

Business Outstanding

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	11.0	54.9	34.1	38.4	43.1	46.7
	Dec	10.8	61.4	27.7	41.6	45.2	47.3
2013	Jan	10.3	58.8	30.9	39.7	43.3	47.0
	Feb	21.1	60.0	18.9	51.1	47.0	47.4
	Mar	11.7	70.2	18.1	46.8	47.0	47.9
	Apr	16.7	64.6	18.8	49.0	47.8	49.4
	May	16.5	72.5	11.0	52.7	49.9	49.6
	Jun	13.0	71.7	15.2	48.9	49.5	51.0
	Jul	16.1	74.2	9.7	53.2	51.9	52.1



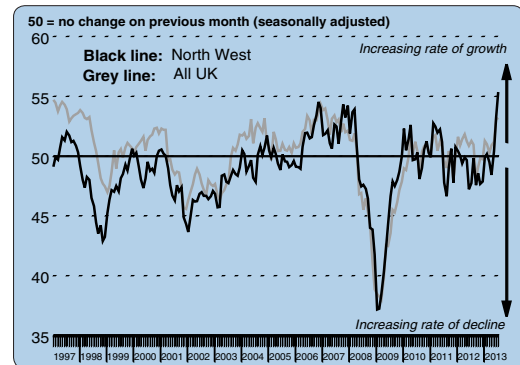
Faced with more projects, private sector firms in the North West accumulated unfinished business in July. Backlogs of work in the region rose for the first time since March 2011. That said, the overall pace of increase was moderate and weaker than the UK economy average. Business outstanding increased across both the manufacturing and service sectors during 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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	14.0	73.3	12.8	50.6	47.7	49.8
	Dec	5.7	83.0	11.4	47.2	47.9	49.7
2013	Jan	6.9	83.2	9.9	48.5	49.9	51.3
	Feb	10.3	79.4	10.3	50.0	50.2	51.0
	Mar	12.4	76.3	11.3	50.5	49.5	50.3
	Apr	7.0	84.0	9.0	49.0	48.5	50.9
	May	11.7	81.9	6.4	52.7	50.4	51.2
	Jun	16.0	78.7	5.3	55.3	53.2	53.1
	Jul	18.6	76.3	5.2	56.7	55.4	53.2

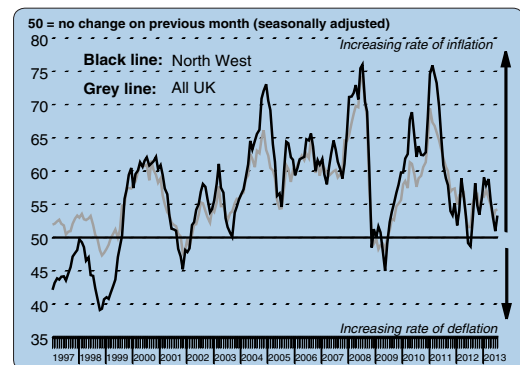


July data highlighted a sharp and accelerated rise in workforce numbers across the North West private sector. Staffing levels increased for the third month running and at the fastest pace in the survey history. Moreover, the rate of job growth in the region was faster than the UK average. Payroll numbers increased in both the manufacturing and service sectors, with panellists linking the rise to new business growth.

Input Prices / Costs

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

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	11.8	78.8	9.4	51.2	53.5	54.1
	Dec	12.5	80.7	6.8	52.8	56.0	56.3
2013	Jan	21.8	71.3	6.9	57.4	59.1	56.2
	Feb	19.6	75.3	5.2	57.2	57.9	57.2
	Mar	31.6	66.3	2.0	64.8	58.8	55.9
	Apr	22.0	67.0	11.0	55.5	55.5	54.9
	May	17.0	76.6	6.4	55.3	52.9	52.7
	Jun	11.7	79.8	8.5	51.6	51.0	54.2
	Jul	15.5	69.1	15.5	50.0	53.3	54.3

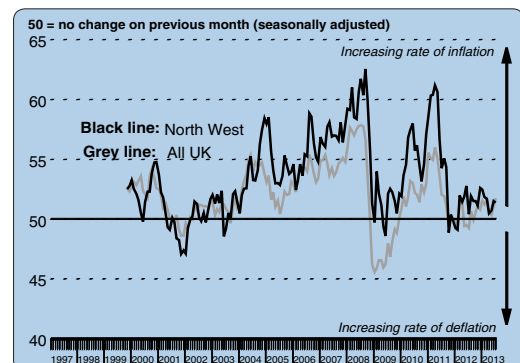


Private sector companies in the North West indicated higher prices paid for inputs during July, extending the current sequence of cost inflation to 12 months. The seasonally adjusted Input Prices Index indicated the strongest rate of inflation in three months. Anecdotal evidence suggested that raw materials, energy and fuel had increased in price. At the UK level, the rate of cost inflation was broadly unchanged from June.

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?

		North West Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	9.3	80.2	10.5	49.4	51.1	51.1
	Dec	5.7	89.8	4.5	50.6	52.6	50.8
2013	Jan	12.7	82.4	4.9	53.9	52.5	51.5
	Feb	16.3	75.5	8.2	54.1	51.9	51.3
	Mar	9.1	82.8	8.1	50.5	51.7	51.7
	Apr	9.9	83.2	6.9	51.5	50.5	50.5
	May	9.5	85.3	5.3	52.1	50.7	50.4
	Jun	7.4	86.3	6.3	50.5	51.5	51.1
	Jul	5.1	90.8	4.1	50.5	51.4	51.8

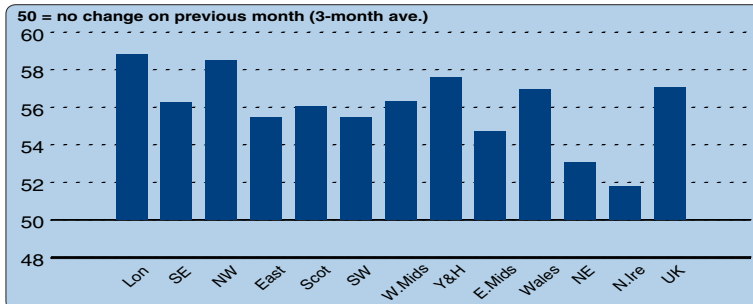


Reflective of higher cost burdens, output prices were raised for the seventeenth successive month in July. The rate of charge inflation was, however, only marginal and broadly in line with that seen in the UK overall. Furthermore, the seasonally adjusted Output Prices Index posted below the long-run series average. Sector data indicated that both services and manufacturing companies increased their average prices charged during the latest month.



Regional Comparisons: Output

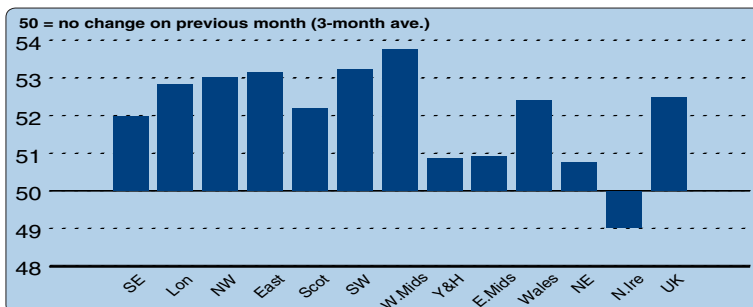
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London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

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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. To learn more go to www.markit.com/economics.