



Lloyds TSB South East PMI®

Lloyds TSB Commercial

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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 South East 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 South East and operating in both manufacturing and service sectors.

The South East 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 August 2013

Strong improvement in South East business activity

Key findings:

- Fastest improvement in activity in 28 months
- New orders rise at quickest pace since September 2007
- Inflationary pressure remains muted

The latest PMI® data from Lloyds TSB showed solid expansion in the South East private sector with output and new orders increasing rapidly. Overall, employment also increased in July, but the rate of growth was curbed somewhat by relative weakness seen in the manufacturing industry. Meanwhile, the rate of cost inflation eased slightly.

Output and demand

The headline Lloyds TSB South East Business Activity Index – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from 54.8 in June to 59.5 in July. This indicated an acceleration in the pace of expansion, to the fastest rate recorded in 28 months.

New orders grew at the fastest rate since September 2007, and July marked the seventh consecutive month of growth. Firms in the South East reported an increase in both domestic and international orders, which some attributed to the launch of new products and continued economic recovery.

Employment and backlogs

Employment in the South East's private sector grew for the fourth consecutive month in July. Anecdotally, the increase in employment was attributed to new projects as well as the recovery of the housing market. Service providers led the growth in payroll numbers in July, whilst overall manufacturing data showed marginally lower levels of employment.

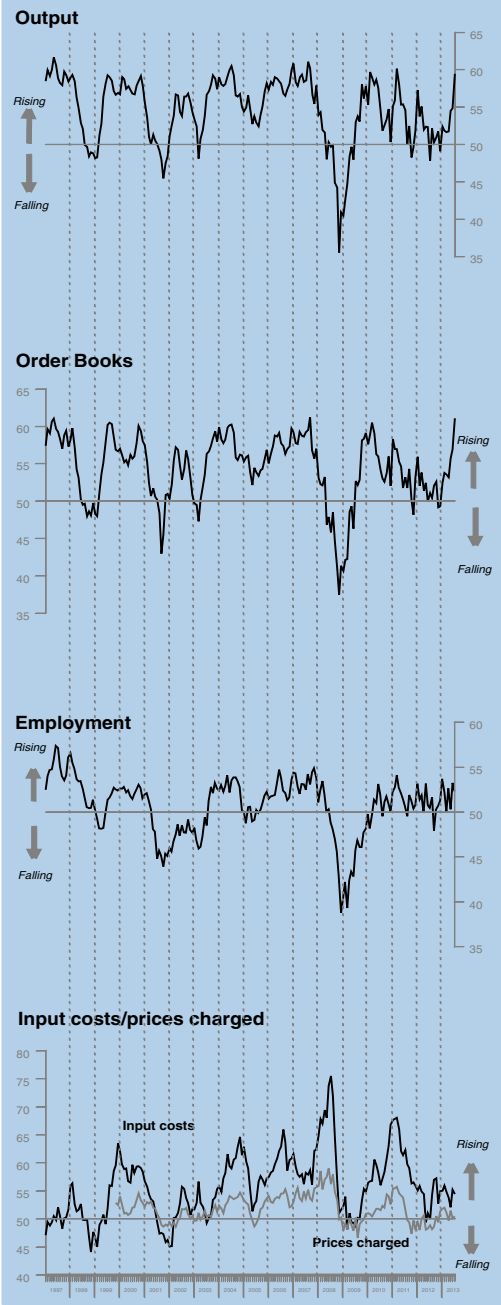
Business outstanding rose in July for the first time since January 2010. This accumulation was led by service providers. Respondents suggested higher volumes of orders and staff shortages were the driving factors.

Input and output prices

Input costs rose for the twelfth consecutive month in July, though at a marginally slower pace. Respondents attributed rising costs to the increased price of fuel, raw materials and commodities. In addition, the recent weakening of the pound was blamed for the increased cost of imported inputs.

Output prices rose for the third consecutive month in July, though the increase was relatively weak in comparison with the historical series data. Product improvements was named by panellists as a reason for higher charges.

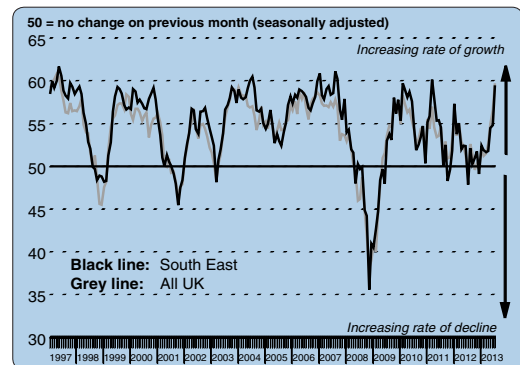
South East Business Conditions



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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	28.6	47.0	24.3	52.2	51.7	50.3
	Dec	24.6	46.9	28.6	48.0	49.1	49.8
2013	Jan	25.4	50.8	23.8	50.8	52.4	52.0
	Feb	27.5	53.3	19.2	54.1	51.9	51.3
	Mar	30.8	51.9	17.3	56.8	51.7	51.5
	Apr	28.9	50.6	20.6	54.2	51.8	52.7
	May	27.5	51.1	21.4	53.0	54.5	54.9
	Jun	28.1	53.9	18.0	55.1	54.8	56.6
	Jul	36.4	50.0	13.6	61.4	59.5	59.8

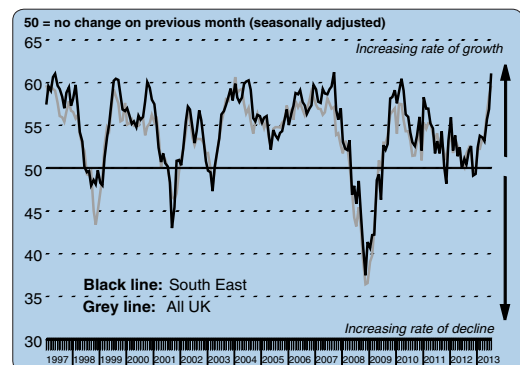


Private sector business activity continued its seven-month sequence of expansion in the South East. Over a third of respondents reported higher levels of activity in July, and the rate of growth was the fastest recorded since March 2011. That said, private sector output rose at a marginally slower pace than recorded nationwide. Survey data indicated that the increase in business activity was largely driven by the services sector in the South East. Survey respondents attributed the expansion to a more buoyant economy.

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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	26.6	45.1	28.3	49.2	49.2	49.6
	Dec	27.2	40.5	32.4	47.4	49.3	49.8
2013	Jan	27.2	53.3	19.4	53.9	52.5	52.3
	Feb	31.5	48.1	20.4	55.5	53.8	52.3
	Mar	29.7	49.2	21.1	54.3	53.6	53.5
	Apr	29.6	49.7	20.7	54.5	53.2	53.7
	May	32.8	43.3	23.9	54.4	55.7	56.6
	Jun	34.3	47.8	18.0	58.1	57.0	58.4
	Jul	37.2	49.2	13.7	61.7	61.1	59.7

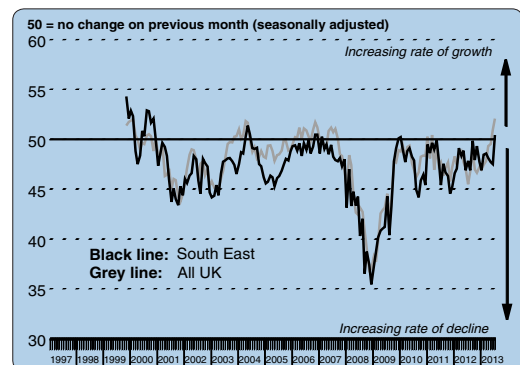


New orders in the South East private sector rose at their fastest rate since September 2007, and the index posted well above its historical average. July marked the seventh consecutive month of growth for new business in the private sector; a trend led by service providers. Firms in the South East reported an increase in both domestic and international orders, which some attributed to the launch of new products. Economic recovery was also noted by panellists as a key factor driving the rise in new orders.

Business Outstanding

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	18.7	58.5	22.8	48.0	49.4	46.7
	Dec	12.3	57.7	30.1	41.1	47.8	47.3
2013	Jan	17.4	56.3	26.3	45.5	46.9	47.0
	Feb	18.6	62.9	18.6	50.0	48.5	47.4
	Mar	17.6	62.4	20.0	48.8	48.6	47.9
	Apr	15.1	66.9	18.1	48.5	48.1	49.4
	May	15.7	64.5	19.9	47.9	47.7	49.6
	Jun	18.1	63.1	18.8	49.7	47.5	51.0
	Jul	21.4	62.5	16.1	52.7	50.5	52.1

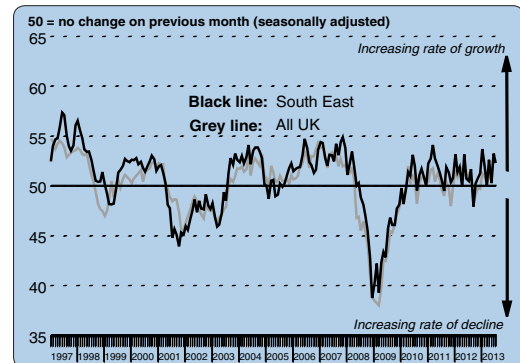


Business outstanding rose in the South East private sector for the first time in 42 months in July. This echoed the UK trend which passed a similar milestone last month when backlogs nationwide increased for the first time in 27 months. Anecdotal evidence from the 21% of companies reporting a rise in business outstanding, suggested that it was largely due to greater volumes of orders and staff shortages. The rise in backlogs was driven by the services sector, as manufacturing backlogs fell.

Employment

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	15.1	72.6	12.4	51.3	50.8	49.8
	Dec	14.9	75.4	9.7	52.6	51.3	49.7
2013	Jan	14.4	76.8	8.8	52.8	53.7	51.3
	Feb	9.9	80.8	9.3	50.3	52.2	51.0
	Mar	12.4	76.2	11.4	50.5	50.0	50.3
	Apr	16.1	73.9	10.0	53.1	52.7	50.9
	May	12.6	73.6	13.7	49.5	50.3	51.2
	Jun	17.3	73.2	9.5	53.9	53.3	53.1
	Jul	15.2	75.0	9.8	52.7	52.3	53.2

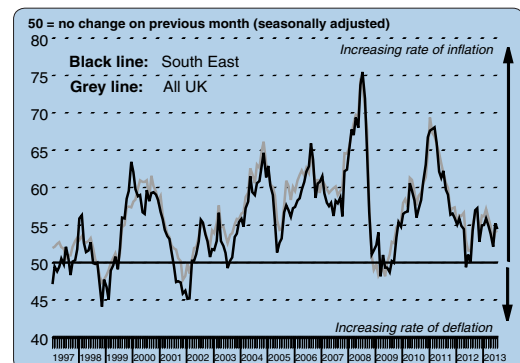


Private sector employment in the South East grew for the fourth consecutive month in July though the pace slowed marginally. Anecdotally, the increase in employment was attributed to new projects and organic growth combined with the increase in business activity caused by the ongoing recovery in the housing market. The rise was not consistent across sectors, and whilst service providers recorded higher levels, manufacturing data showed a marginal fall in payroll numbers.

Input Prices / Costs

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

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	10.2	82.3	7.5	51.3	52.8	54.1
	Dec	10.3	85.1	4.6	52.9	55.0	56.3
2013	Jan	16.0	80.1	3.9	56.1	55.0	56.2
	Feb	15.9	81.9	2.2	56.9	55.9	57.2
	Mar	16.3	81.0	2.7	56.8	54.9	55.9
	Apr	18.8	77.3	3.9	57.5	53.8	54.9
	May	12.6	80.3	7.1	52.7	52.1	52.7
	Jun	14.0	80.4	5.6	54.2	55.2	54.2
	Jul	13.1	80.9	6.0	53.6	54.5	54.3

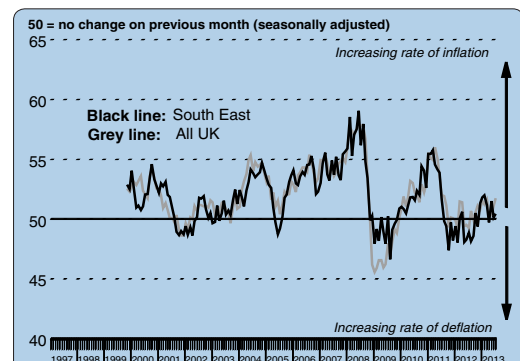


Private sector firms in the South East faced rising input costs for the twelfth consecutive month in July. Input costs rose at a marginally slower pace and the seasonally adjusted Input Prices Index remained below the series historical average. Firms named a myriad of sources as the root cause of higher costs, including the increased price of fuel, raw materials and commodities. In addition, a number of respondents attributed inflation to the weakening of the pound against their suppliers' currencies, in particular the euro, resulting in higher prices for imported goods.

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?

		South East Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	5.4	86.0	8.6	48.4	49.4	51.1
	Dec	4.0	92.0	4.0	50.0	51.4	50.8
2013	Jan	11.6	83.4	5.0	53.3	51.8	51.5
	Feb	10.4	84.6	4.9	52.7	52.0	51.3
	Mar	6.0	89.1	4.9	50.5	51.2	51.7
	Apr	8.8	86.2	5.0	51.9	49.7	50.5
	May	10.4	84.1	5.5	52.5	51.5	50.4
	Jun	5.1	87.6	7.3	48.9	50.2	51.1
	Jul	7.6	85.3	7.1	50.3	50.5	51.8

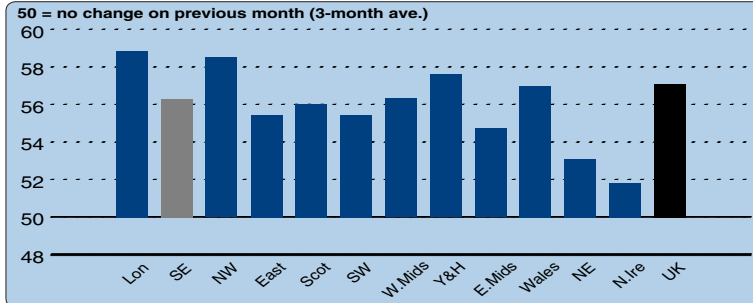


Output prices rose for the third consecutive month in July. That said, the increase was marginal, and output price inflation was relatively weak, as the index remained below the series average. Inflation in the region was also slower than the UK average. At the sector level, higher charges mainly stemmed from the manufacturing sector. Product improvements were reported by panellists as a justification for the higher charges.



Regional Comparisons: Output

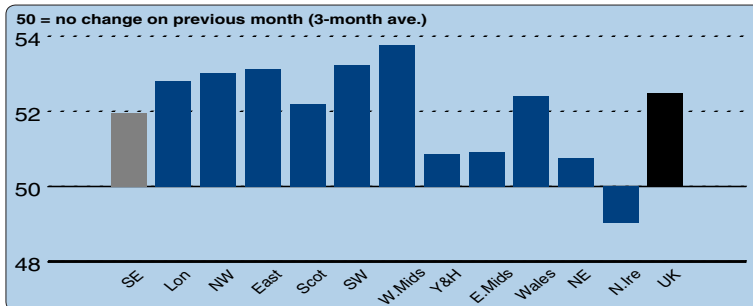
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London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