



Lloyds TSB South West PMI®

Lloyds TSB Commercial

Part of Lloyds Banking Group, Lloyds TSB Commercial provides banking services and tailored lending for small and medium-sized enterprises with an annual turnover of up to £15 million.

We put great emphasis on a long-term relationship-led approach to banking and are committed to providing firms with a service that goes beyond day-to-day banking facilities.

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 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 South West and operating in both manufacturing and service sectors.

The South 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

Business activity increases at quickest rate since January 2011

Key findings:

- Payroll numbers expand at fastest rate since October 2007
- Sharp increase in order book volumes
- Inflationary pressures remain historically weak

July data signalled the strongest expansion of business activity in the South West private sector since January 2011. Similarly, new order growth accelerated over the month and was sharp. Employment levels meanwhile rose at the quickest pace since October 2007, and backlogs of work increased for the first time in 28 months.

Output and demand

The headline **Lloyds TSB South West Business Activity Index** – a seasonally adjusted index that tracks changes in the combined output of the region's manufacturing and service sectors – posted at 58.9 in July, up from 54.1 in June. Business activity in the region has now increased for four successive months. Furthermore, July signalled the sharpest expansion of output in the South West for 30 months, with renewed growth in services activity accompanying a strong expansion of manufacturing output. Business activity in the UK private sector economy as a whole also increased in July, and at a sharper rate than in the South West.

New business increased for the fourth month in a row in July. As was the case with output, the rate of growth accelerated since June to the sharpest since March 2011. New orders in the UK private sector economy as a whole also rose in July, and at a faster rate than that recorded in the South West.

Employment and backlogs

Staffing levels at South West private sector companies increased for the fourth consecutive month. Moreover, the rate of job creation quickened to a solid pace that was the fastest since October 2007. Employment in the UK private sector economy as a whole also rose, though at a weaker rate than that seen in the South West.

Backlogs of work in the South West increased in July for the first time since March 2011. The rate of accumulation was modest, and slightly weaker than the UK private sector economy average.

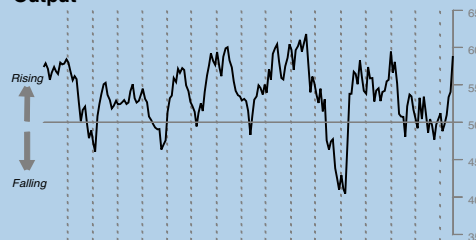
Input and output prices

Operating costs in the South West private sector continued to increase in July. That said, the rate of input price inflation was moderate, and substantially weaker than the series average.

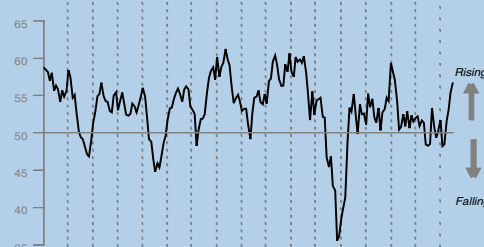
Output charges set by South West private sector companies also rose in July, albeit slightly.

South West Business Conditions

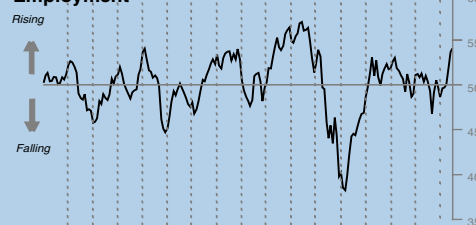
Output



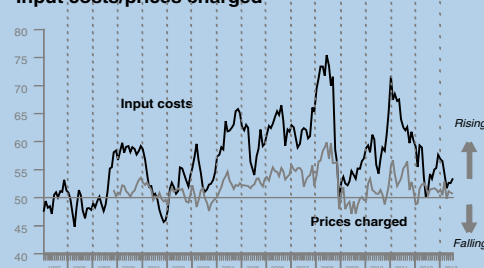
Order Books



Employment



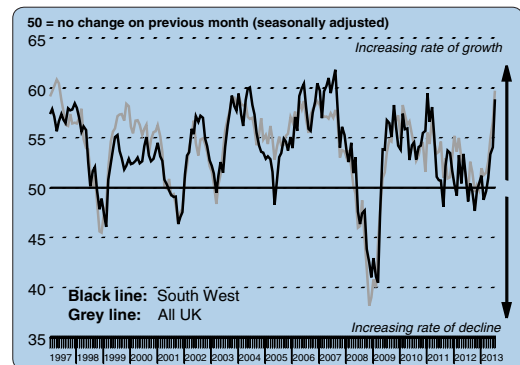
Input costs/prices charged



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?

| | | South West Companies | | | All UK | | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 21.1 | 56.9 | 22.0 | 49.5 | 49.7 | 50.3 |
| | Dec | 29.6 | 48.0 | 22.4 | 53.6 | 50.4 | 49.8 |
| 2013 | Jan | 18.4 | 57.1 | 24.5 | 46.9 | 51.2 | 52.0 |
| | Feb | 19.2 | 57.6 | 23.2 | 48.0 | 48.8 | 51.3 |
| | Mar | 25.5 | 58.5 | 16.0 | 54.8 | 49.7 | 51.5 |
| | Apr | 33.0 | 47.9 | 19.1 | 56.9 | 51.0 | 52.7 |
| | May | 23.7 | 64.5 | 11.8 | 55.9 | 53.4 | 54.9 |
| | Jun | 27.7 | 54.3 | 18.1 | 54.8 | 54.1 | 56.6 |
| | Jul | 35.4 | 46.5 | 18.2 | 58.6 | 58.9 | 59.8 |

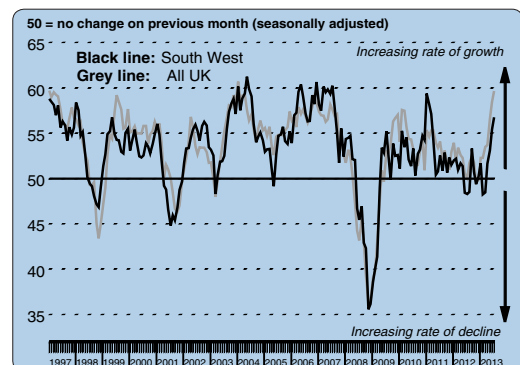


Business activity in the South West private sector economy increased for the fourth successive month in July. Furthermore, latest data signalled the sharpest expansion of output in the region since January 2011, with more than a third of respondents noting an increase. Sector data indicated a strong expansion at manufacturers, and renewed growth in services activity. Output in the UK private economy as a whole also rose sharply in July, and at a slightly faster pace than that recorded in the South West.

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 West Companies | | | All UK | | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 25.5 | 45.3 | 29.2 | 48.1 | 49.4 | 49.6 |
| | Dec | 21.9 | 52.1 | 26.0 | 47.9 | 50.2 | 49.8 |
| 2013 | Jan | 23.2 | 50.5 | 26.3 | 48.4 | 51.7 | 52.3 |
| | Feb | 23.5 | 49.0 | 27.6 | 48.0 | 48.3 | 52.3 |
| | Mar | 28.0 | 47.3 | 24.7 | 51.6 | 48.5 | 53.5 |
| | Apr | 34.8 | 42.4 | 22.8 | 56.0 | 51.6 | 53.7 |
| | May | 27.5 | 56.0 | 16.5 | 55.5 | 53.1 | 56.6 |
| | Jun | 38.5 | 39.6 | 22.0 | 58.2 | 55.4 | 58.4 |
| | Jul | 37.5 | 44.8 | 17.7 | 59.9 | 56.8 | 59.7 |

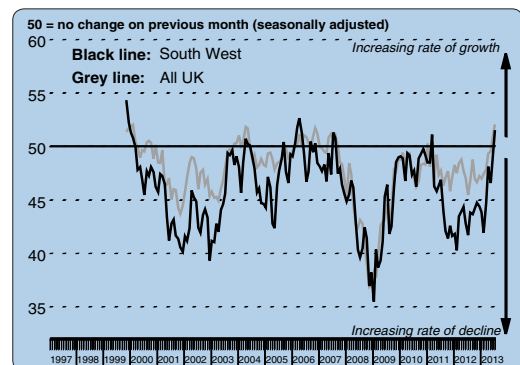


New business placed at South West private sector companies increased sharply during July. Moreover, it was the quickest rate of new order growth since March 2011. As was the case with output, expansion of new business at manufacturers was marked, and both goods producers and service providers reported strengthened client demand. New orders in the UK economy as a whole also increased in July, and at sharper pace than in the South West.

Business Outstanding

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

| | | South West Companies | | | All UK | | |
|------|-----|----------------------|--------|---------|-----------------|---------------|-------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 7.7 | 67.3 | 25.0 | 41.3 | 44.7 | 46.7 |
| | Dec | 6.6 | 68.1 | 25.3 | 40.7 | 44.4 | 47.3 |
| 2013 | Jan | 9.6 | 66.0 | 24.5 | 42.6 | 43.9 | 47.0 |
| | Feb | 8.5 | 68.1 | 23.4 | 42.6 | 42.0 | 47.4 |
| | Mar | 13.3 | 66.7 | 20.0 | 46.7 | 44.7 | 47.9 |
| | Apr | 19.5 | 60.9 | 19.5 | 50.0 | 48.1 | 49.4 |
| | May | 16.1 | 64.4 | 19.5 | 48.3 | 46.6 | 49.6 |
| | Jun | 16.9 | 68.5 | 14.6 | 51.1 | 49.1 | 51.0 |
| | Jul | 23.4 | 62.8 | 13.8 | 54.8 | 51.6 | 52.1 |

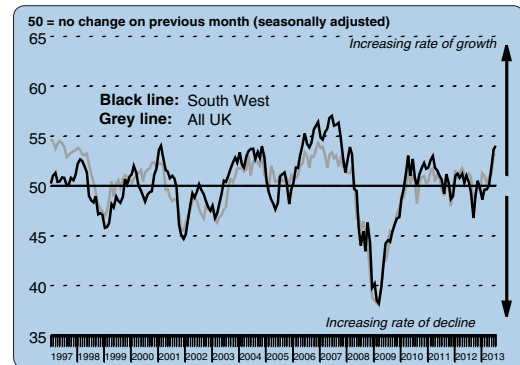


The level of work-in-hand (but not yet completed) in the South West private sector increased for the first time since March 2011 in July. The rate of accumulation was modest, with more than 23% of survey respondents noting a higher amount of outstanding business. That said, the rate of growth was slightly weaker than that recorded for the UK private sector economy as a whole.

Employment

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

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 14.8 | 72.2 | 13.0 | 50.9 | 50.5 | 49.8 |
| | Dec | 10.3 | 75.3 | 14.4 | 47.9 | 49.7 | 49.7 |
| 2013 | Jan | 10.4 | 69.8 | 19.8 | 45.3 | 48.6 | 51.3 |
| | Feb | 13.3 | 75.5 | 11.2 | 51.0 | 49.6 | 51.0 |
| | Mar | 14.0 | 77.4 | 8.6 | 52.7 | 49.7 | 50.3 |
| | Apr | 12.9 | 77.4 | 9.7 | 51.6 | 50.1 | 50.9 |
| | May | 18.5 | 75.0 | 6.5 | 56.0 | 52.0 | 51.2 |
| | Jun | 26.9 | 64.5 | 8.6 | 59.1 | 53.7 | 53.1 |
| | Jul | 18.4 | 74.5 | 7.1 | 55.6 | 54.1 | 53.2 |

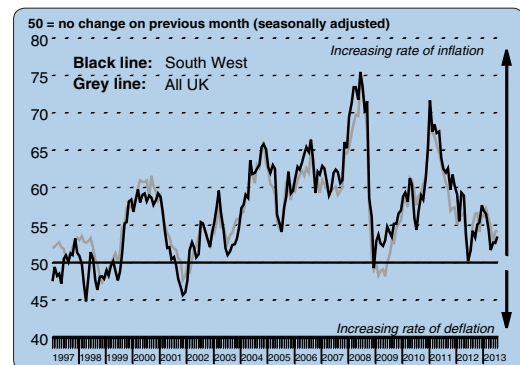


Staffing levels in the South West private sector increased for the fourth successive month in July. The rate of job creation was solid and the fastest recorded since October 2007. Furthermore, the expansion of payroll numbers in the South West was quicker than that recorded for the UK private sector economy as a whole. According to sector data, increased employment in the region was driven by recruitment at manufacturing plants.

Input Prices / Costs

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

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 15.6 | 78.0 | 6.4 | 54.6 | 55.3 | 54.1 |
| | Dec | 16.7 | 78.1 | 5.2 | 55.7 | 57.6 | 56.3 |
| 2013 | Jan | 19.4 | 76.5 | 4.1 | 57.7 | 56.9 | 56.2 |
| | Feb | 20.4 | 74.5 | 5.1 | 57.7 | 56.5 | 57.2 |
| | Mar | 18.1 | 75.5 | 6.4 | 55.9 | 54.4 | 55.9 |
| | Apr | 12.9 | 79.6 | 7.5 | 52.7 | 51.7 | 54.9 |
| | May | 13.0 | 82.6 | 4.3 | 54.3 | 52.7 | 52.7 |
| | Jun | 10.6 | 84.0 | 5.3 | 52.7 | 52.6 | 54.2 |
| | Jul | 8.2 | 87.8 | 4.1 | 52.0 | 53.5 | 54.3 |

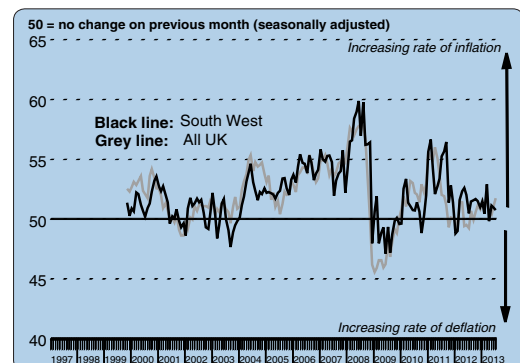


South West private sector companies signalled a further rise in average input costs in July. The rate of input price inflation accelerated to a marked pace, with more than 8% of panellists noting higher operating costs. Sector data reported divergent trends in the region, with service providers noting a solid rise in input costs, while manufacturers recorded a reduction. However, the rate of inflation in the South West was weaker than that recorded in the UK private sector economy 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?

| | | South West Companies | | | | All UK | |
|------|-----|----------------------|--------|---------|--------------------|------------------|----------------|
| | | Higher % | Same % | Lower % | Index 50=no chg | S.Adj'd Index | S.Adj'd Ind |
| 2012 | Nov | 8.3 | 83.3 | 8.3 | 50.0 | 51.5 | 51.1 |
| | Dec | 5.2 | 88.7 | 6.2 | 49.5 | 51.0 | 50.8 |
| 2013 | Jan | 12.2 | 83.7 | 4.1 | 54.1 | 51.5 | 51.5 |
| | Feb | 8.2 | 84.7 | 7.1 | 50.5 | 50.4 | 51.3 |
| | Mar | 13.8 | 80.9 | 5.3 | 54.3 | 52.9 | 51.7 |
| | Apr | 9.8 | 84.8 | 5.4 | 52.2 | 49.8 | 50.5 |
| | May | 8.6 | 88.2 | 3.2 | 52.7 | 51.2 | 50.4 |
| | Jun | 8.5 | 83.0 | 8.5 | 50.0 | 51.0 | 51.1 |
| | Jul | 6.1 | 87.9 | 6.1 | 50.0 | 50.8 | 51.8 |

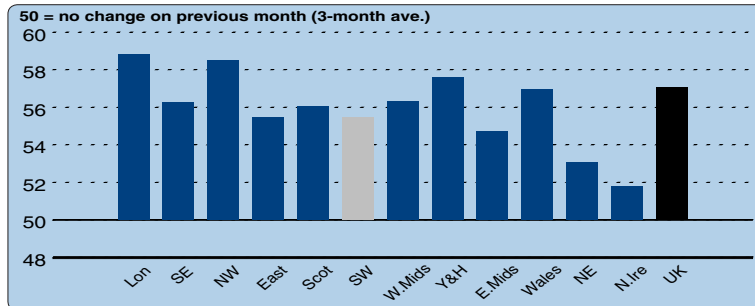


Output charges set by private sector companies in the South West increased for the third consecutive month in July. That said, the rate of growth was only marginal, and weaker than the increase recorded for the UK private sector economy as a whole. Higher average tariffs were largely attributed to manufacturers in the region, as output charges set by service providers were broadly stable.



Regional Comparisons: Output

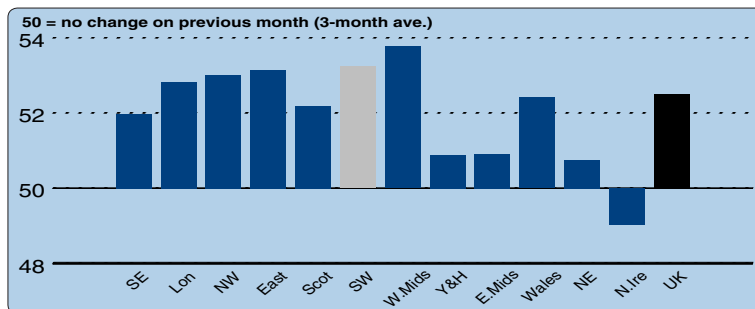
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London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



| | 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.