



Lloyds TSB Yorkshire & Humber 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 Yorkshire & Humber 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 Yorkshire & Humber and operating in both manufacturing and service sectors.

The Yorkshire & Humber 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.

For further information, please contact:

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12th August 2013

Fastest rise in activity in over 13 years

Key findings:

- Activity rises at fastest pace since December 1999
- New order growth hits nine-year high
- Backlogs rise at fastest pace ever recorded

Lloyds TSB Yorkshire & Humber PMI® data indicated sharp growth in July. Business activity expanded at a rate which has been surpassed only three times in the history of this series, which dates back to January 1997. New orders also recorded substantial growth, and a combination of the two aided an increase in employment.

Output and demand

The headline **Lloyds TSB Yorkshire & Humber Business Activity Index** – a seasonally adjusted index that measures the combined output of the region's manufacturing and service sectors – rose from 55.5 in June to 59.8 in July. This was the fastest rate of growth since December 1999. In addition, July marked the ninth consecutive month of expansion.

New order growth also quickened, resulting in the fastest rate recorded since April 2004 for the region's private sector. Of the 38% of businesses who recorded higher levels of new incoming business, a number cited larger sales teams and new projects as key drivers.

Employment and backlogs

Employment rose for the second consecutive month, though at a slightly lower rate than recorded nationwide. Anecdotal evidence for the rise in payroll numbers indicated higher levels of demand and increased production were the primary factors behind the expansion.

Backlogs rose at the fastest pace recorded since the series began in November 1999. In addition, July marked the second consecutive month of higher levels of outstanding business. Respondents cited higher demand as the primary factor.

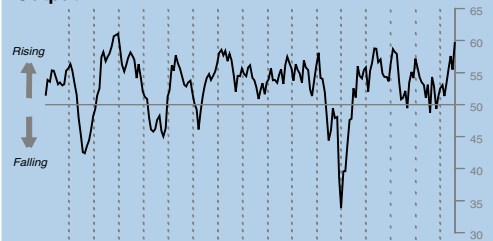
Input and output prices

Input costs rose for the eleventh consecutive month in July, though the rate of growth was marginally weaker than input price inflation nationwide. The recent weakening of the pound was listed by a number of respondents as a cause of higher input costs. Panellists also cited higher oil prices and increased labour costs.

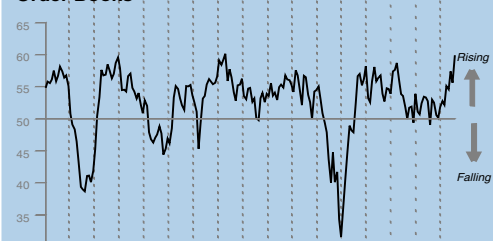
Charges rose for the third consecutive month in the Yorkshire & Humber region. Survey respondents mentioned increased product complexity and the transfer of higher energy costs to customers, as the key drivers.

Yorkshire & Humber Business Conditions

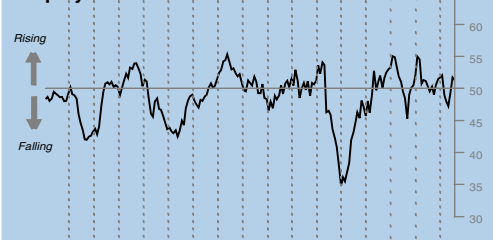
Output



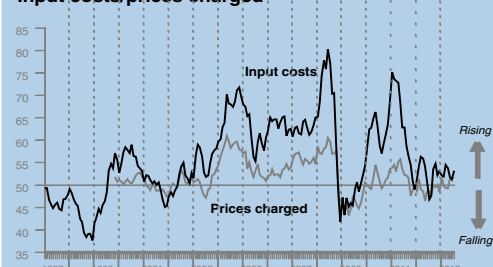
Order Books



Employment



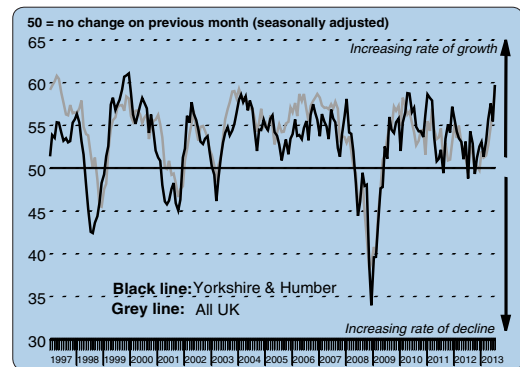
Input costs/prices charged



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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	29.7	50.5	19.8	54.9	51.2	50.3
	Dec	27.8	51.1	21.1	53.3	52.5	49.8
2013	Jan	27.5	40.7	31.9	47.8	53.1	52.0
	Feb	32.6	43.5	23.9	54.3	51.3	51.3
	Mar	29.7	51.6	18.7	55.5	53.3	51.5
	Apr	32.2	50.6	17.2	57.5	55.7	52.7
	May	32.9	47.1	20.0	56.5	57.6	54.9
Jun	25.9	49.4	24.7	50.6	55.5	56.6	
Jul	37.5	51.1	11.4	63.1	59.8	59.8	

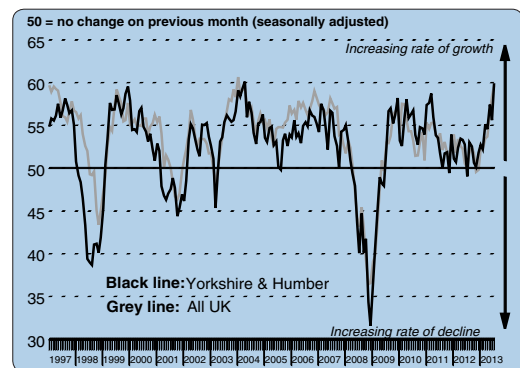


Business activity in the Yorkshire & Humber region rose at the fastest pace since December 1999. July marked the ninth consecutive month of expansion in the region. Both manufacturing and service sector output rose, though service providers' activity grew at a substantially faster rate than seen in manufacturing. Anecdotal evidence suggested an expansion of demand and increased volumes of orders were the primary drivers of higher 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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	27.8	47.8	24.4	51.7	50.1	49.6
	Dec	28.1	44.9	27.0	50.6	51.8	49.8
2013	Jan	31.1	35.6	33.3	48.9	52.8	52.3
	Feb	37.4	38.5	24.2	56.6	52.2	52.3
	Mar	38.2	40.4	21.3	58.4	55.2	53.5
	Apr	31.4	51.2	17.4	57.0	54.6	53.7
	May	35.7	46.4	17.9	58.9	57.4	56.6
Jun	26.2	50.0	23.8	51.2	55.6	58.4	
Jul	37.9	46.0	16.1	60.9	60.0	59.7	

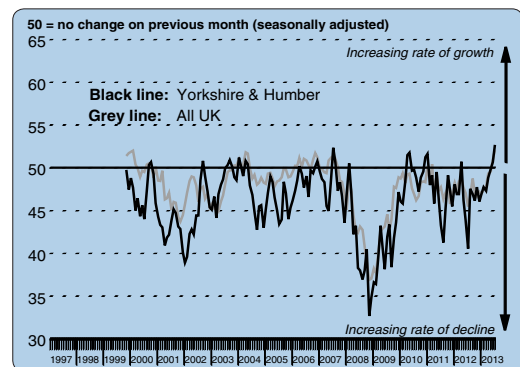


New orders in the Yorkshire & Humber region rose at the fastest rate recorded since April 2004 in July. In comparison to the UK as a whole, the region saw a marginally faster pace of growth. Of the 38% of businesses who recorded higher levels of new business, a number cited new products, larger sales teams, and new projects. As with business activity, the service sector led the region's expansion, and new orders for service providers rose at a much faster pace than for goods producers.

Business Outstanding

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	18.8	57.5	23.8	47.5	47.7	46.7
	Dec	12.2	58.5	29.3	41.5	46.1	47.3
2013	Jan	16.7	57.1	26.2	45.2	47.0	47.0
	Feb	16.9	62.7	20.5	48.2	47.8	47.4
	Mar	18.5	58.0	23.5	47.5	47.3	47.9
	Apr	15.0	67.5	17.5	48.8	48.9	49.4
	May	19.5	59.7	20.8	49.4	49.9	49.6
Jun	21.1	57.9	21.1	50.0	50.7	51.0	
Jul	19.8	64.2	16.0	51.9	52.7	52.1	

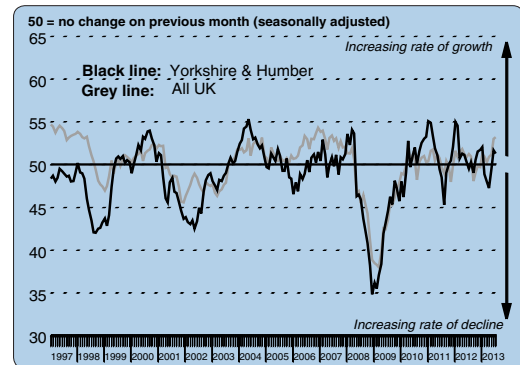


Outstanding business rose at the fastest pace recorded since the series began in November 1999. July marked the second consecutive month of higher backlogs, which until June had fallen for 13 successive months. This rise was driven by the service sector, while manufacturing backlogs decreased. Respondents cited higher demand as the primary factor leading to rising outstanding business.

Employment

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	15.4	72.5	12.1	51.6	51.5	49.8
	Dec	13.5	77.5	9.0	52.2	51.8	49.7
2013	Jan	11.1	80.0	8.9	51.1	52.1	51.3
	Feb	7.6	80.4	12.0	47.8	48.9	51.0
	Mar	14.3	71.4	14.3	50.0	48.0	50.3
	Apr	8.0	75.9	16.1	46.0	47.3	50.9
	May	18.8	69.4	11.8	53.5	49.6	51.2
	Jun	10.6	75.3	14.1	48.2	51.7	53.1
	Jul	14.8	73.9	11.4	51.7	51.3	53.2

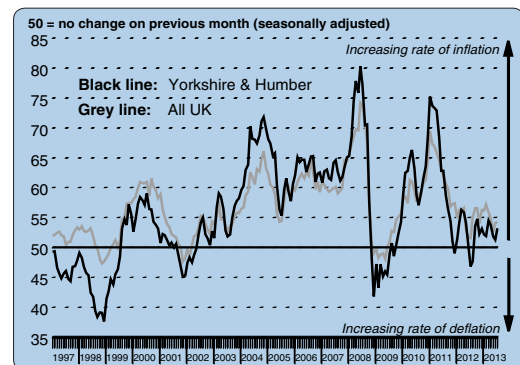


Employment in the Yorkshire & Humber region rose for the second consecutive month in July, though the pace of growth was marginally slower than in June. The seasonally adjusted Employment Index was higher than its series average. Anecdotal evidence for the rise in payroll numbers indicated higher levels of demand and production were the primary driving factors. A number of respondents also mentioned recruitment drives in anticipation of higher projected sales.

Input Prices / Costs

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

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	8.9	80.0	11.1	48.9	52.3	54.1
	Dec	10.0	76.7	13.3	48.3	53.2	56.3
2013	Jan	18.7	71.4	9.9	54.4	52.2	56.2
	Feb	21.7	69.6	8.7	56.5	52.0	57.2
	Mar	25.3	72.5	2.2	61.5	54.5	55.9
	Apr	18.4	74.7	6.9	55.7	53.8	54.9
	May	15.3	76.5	8.2	53.5	51.9	52.7
	Jun	12.9	72.9	14.1	49.4	51.3	54.2
	Jul	14.9	74.7	10.3	52.3	53.2	54.3

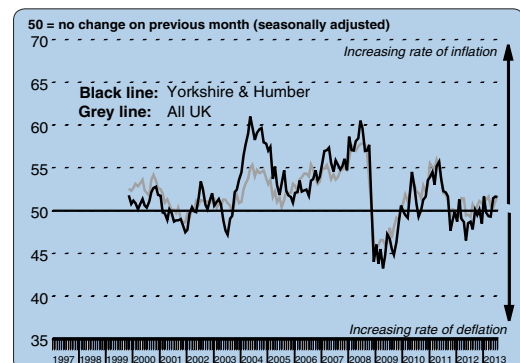


Input costs rose for the eleventh consecutive month in July and at an accelerated pace. That said, the rate of increase was slower than the series historical average, and marginally weaker than input price inflation nationwide. At the sector level there was a clear divide. Whilst manufacturers reported a fall in input costs, service providers reported a large increase. The recent weakening of the pound was listed by a number of respondents as a main cause of higher input costs. Panellists also cited higher oil prices and increased labour costs.

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?

		Yorkshire & Humber Companies				All UK	
		Higher %	Same %	Lower %	Index 50=no chg	S.Adj'd Index	S.Adj'd Ind
2012	Nov	3.3	92.3	4.4	49.5	50.1	51.1
	Dec	2.2	90.0	7.8	47.2	48.5	50.8
2013	Jan	13.2	83.5	3.3	54.9	51.7	51.5
	Feb	13.0	79.3	7.6	52.7	49.8	51.3
	Mar	7.7	81.3	11.0	48.4	49.4	51.7
	Apr	9.2	86.2	4.6	52.3	49.3	50.5
	May	5.9	92.9	1.2	52.4	51.5	50.4
	Jun	9.4	83.5	7.1	51.2	51.6	51.1
	Jul	4.5	93.2	2.3	51.1	51.6	51.8

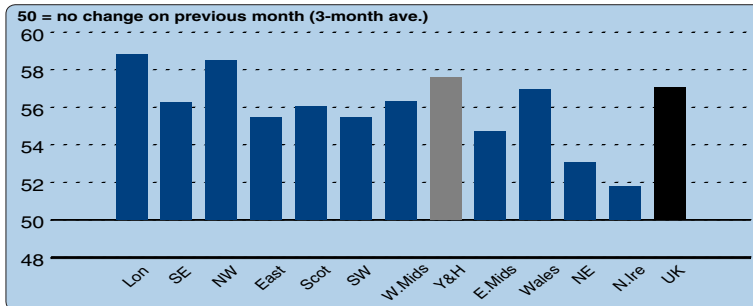


Average prices charged rose for the third consecutive month in the Yorkshire & Humber region, but at a marginally slower pace than the UK average. Nearly 5% of companies raised their prices in July compared to approximately 2% of firms who reduced their output prices. Survey respondents cited increased product complexity and the transfer of higher energy costs to customers.



Regional Comparisons: Output

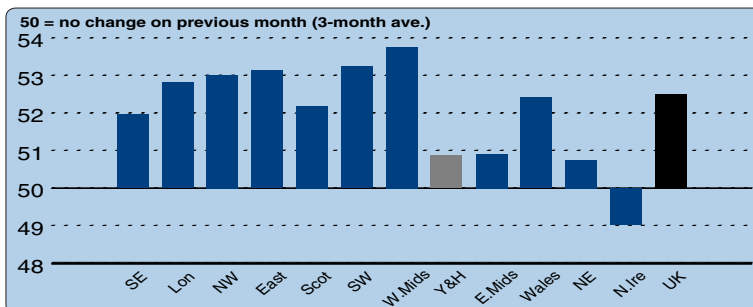
The graph below shows the regional PMI Output Indexes for the UK. An average of the latest three months is used (see also the table to the right). A return to growth in Northern Ireland meant that all 12 UK regions recorded an expansion of business activity on average in the three months to July. London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

The PMIs 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.