

## News Release

**MARKET SENSITIVE INFORMATION**  
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### Lloyds TSB England Regional PMIs

## English regions maintain their positive start to 2011, but commodity price rises exert pressure on margins in February

#### Key points:

- West Midlands posted the steepest private sector output growth, followed by Yorkshire & Humber.
- Jobs growth in all English regions recorded for only the third time in 3½ years.
- Steep rises in input costs seen across all nine English regions.

Today's release of Lloyds TSB regional **Purchasing Managers' Index™ (PMI™)** data for February indicated that private sector firms maintained their positive start to 2011, with all nine English regions recording higher levels of business activity and new work since the previous month. The West Midlands and Yorkshire & Humber posted the fastest gains in business activity, largely reflecting strong contributions from manufacturing output growth in these regions. Companies in the East of England meanwhile recorded the slowest rise in private sector business activity, with the region at the foot of the growth table for the first time since April 2010. However, the East of England is still recording faster than average growth in employment.

#### Comment

Commenting on the Lloyds TSB Regional PMIs, **John Maltby, managing director, Lloyds TSB Commercial**, said:

*"The latest Lloyds TSB PMI survey highlights a solid improvement in private sector business activity across the English regions, with companies operating in the manufacturing sector showing particularly strong growth. The West Midlands and Yorkshire & Humber were the standout regions in February, and growth in these areas was at a much faster pace than the average for 2010. It is also very encouraging to see that private sector jobs growth spread to all English regions in February. This is only the third uniform monthly rise since August 2007 and suggests that firms are increasingly positive about the outlook for their workloads.*

*"On the prices front, good news is far more thin on the ground. Across all English regions firms saw a steep increase in their cost burdens as they were once again hit by higher fuel and raw material costs. Strong cost pressures meant that output charge inflation at private sector firms stayed uncomfortably close to the record highs seen during the summer of 2008."*

#### Output and demand

February data pointed to solid rates of private sector output growth in all nine English regions monitored by the survey. This primarily reflected a steep increase in manufacturing production, as services growth was relatively subdued outside of London.

Higher levels of business activity were supported by further solid rises in incoming new work. The South West and the North West posted the fastest rates of new order growth, while the East Midlands recorded the slowest pace of expansion. Although new business growth was maintained in all nine English regions in February, only the North West and Yorkshire & Humber recorded a steeper rate of growth than in January.

#### Employment and backlogs

Increased workloads contributed to an upturn in employment levels in February, with private sector job creation seen in all nine English regions for only the third time since August 2007. The West Midlands and Yorkshire & Humber posted the sharpest increases in staffing levels, which was underpinned by strong manufacturing jobs growth. London meanwhile posted only a marginal rise in workforce numbers, with the rate of expansion the slowest of all English regions.

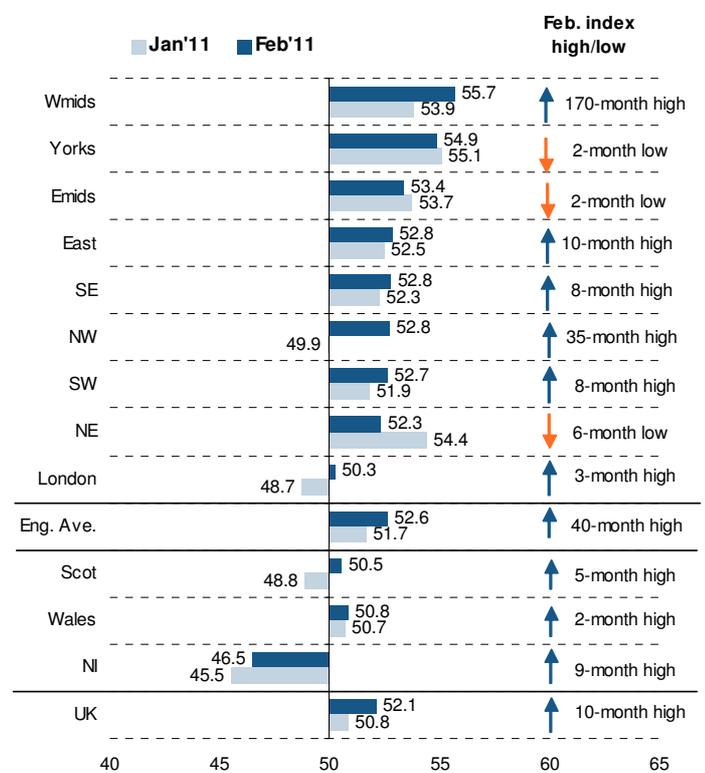
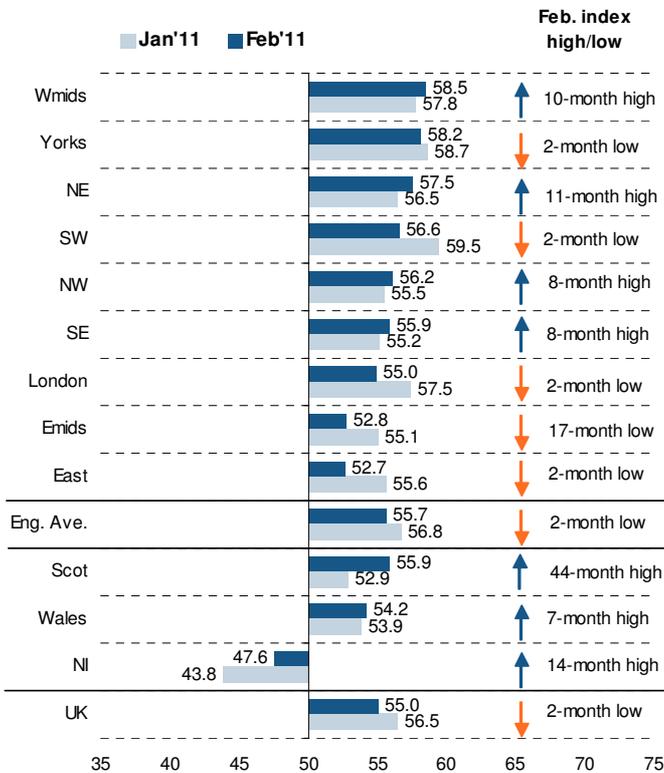
**Input and output prices**

Surging global raw material prices resulted in sharp rates of cost inflation in all English regions, with companies in the North West registering the steepest overall increase in their input prices. With manufacturers continuing to face stronger cost pressures than service providers, the dominance of the latter in the London economy meant that the region recorded the slowest increase in average cost burdens of all English regions.

Companies again sought to pass on a proportion of their higher costs to clients in the form of increased average tariffs in February, with output charge inflation especially sharp in the manufacturing sector. In the majority of regions, prices charged inflation was the fastest for around two-and-a-half years. As with input costs, the North West posted the steepest output charge inflation, while London registered the slowest rise in average charges.

**PMI Business Activity (Output) Index**

**PMI Employment Index**



Numbers relate to monthly seasonally adjusted diffusion indexes. An index reading above 50 signals an increase on the previous month. A reading below 50 signals a decline. The greater the divergence from 50, the greater the rate of change indicated.

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#### Notes to Editors:

England's Regional PMIs are based on data compiled in February 2011 from monthly replies to questionnaires sent to purchasing executives in over 1200 private manufacturing and service sector companies. Panels have been carefully selected to accurately replicate the true structure of the UK private sector economy.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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#### About PMIs

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

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