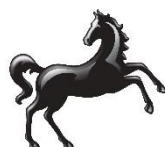


LLOYDS BANK



NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY MARCH 13th 2017

LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: BUSINESS ACTIVITY GROWTH LOSES MOMENTUM

- Business activity growth slows to lowest rate for five months but remains solid
- Cost pressures remain high due to weak sterling exchange rate
- Rate of job creation rebounds slightly since January
- New Future Business Activity Index shows North West firms the most optimistic about outlook

Business activity growth slowed to a five-month low but remained solid across England and Wales in February, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

The rate of rising costs remained at a near six-year high, reflected in further increases in prices charged for goods and services.

The Lloyds Bank Regional PMI is the leading economic health-check of regions across England and Wales, based businesses in the manufacturing and service sectors. A reading greater than 50 signifies growth in business activity, and the greater the divergence from the 50 mark, the faster the rate of change.

England's Business Activity PMI registered 54.4 in February, down from January's 55.8 and its lowest reading since September last year. Business activity growth also slowed in Wales following a strong start to the year, with the PMI falling from a 22-month high of 59.6 to 56.4. However the rates of growth for England and Wales were both above their 2016 average.

The West Midlands (57.0) led business activity growth for the second month in a row, ahead of Wales and the South East (55.9). The weakest performing area was London (52.9), where business activity growth slowed to a four-month low.

February saw a rise in the level of employment across England and Wales, with the overall rate of job creation slightly faster than in January.

Ongoing strong cost pressures – linked to the weak sterling exchange rate, higher staff pay and rising global commodity prices – translated into another steep rise in average prices charged for goods and services.

Firms in the North West (78.5) were the most confident about the year-ahead outlook, followed by those in Yorkshire & Humber (78.3) and the South East (73.0) according to the newly-launched Future Business Activity Index. This index monitors firms' expectations about business activity levels in 12 months' time, and data have been collected on a monthly basis since July 2012. The index for England as a whole was 71.5 in February, above its long-run average of 70.8.

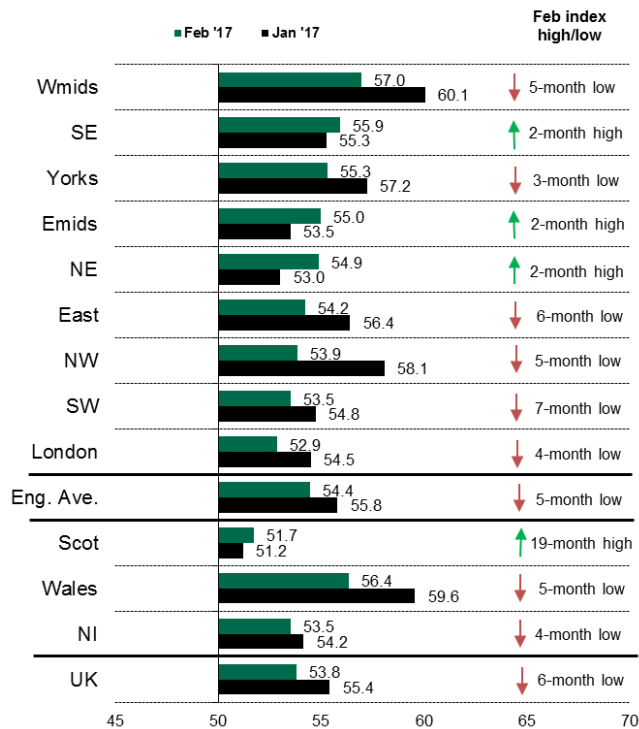
Tim Hinton, Managing Director and Head of Mid-Markets and SME Banking, Lloyds Banking Group said:

“Business activity rose in February but at a slower pace as inflationary pressures continue to build. Despite this slowdown, employment levels increased at a faster rate in most regions as firms look to fulfil their orders successfully.”

“Businesses will now be looking at the impact of the Spring Budget and focusing their attention to managing their cash flow effectively for the year ahead.”

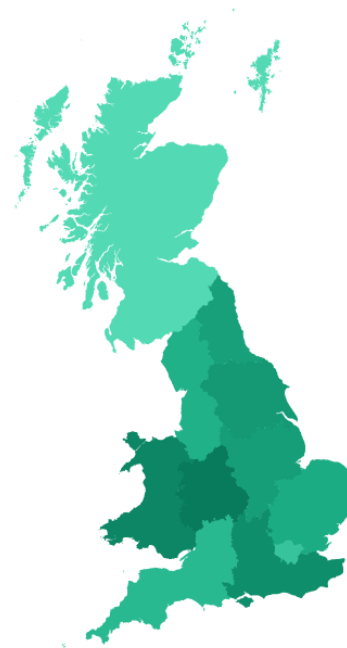
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PMI Business Activity (Output) Index

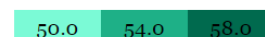


Numbers relate to monthly seasonally adjusted diffusion indexes. An index reading above 50 signals an increase on the previous month. A reading below 50 signals a decline. The greater the divergence from 50, the greater the rate of change indicated.

Heat map, February 2017



Business Activity Index



Compiled by Markit for Lloyds Bank Commercial Banking, this report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 1200 private manufacturing and services companies. The panel is carefully selected to accurately replicate the true structure of the private sector economy.

England’s Regional PMI® surveys are based on data compiled in February 2017. 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 headline index for the English regions was first compiled in January 2001.

The Wales PMI[®] features original survey data collected in February 2017 from a representative panel of companies based in Wales and operating in both manufacturing and service sectors. The headline index for Wales was first compiled in January 2001.

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. 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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Lloyds Bank Commercial Banking provides comprehensive expert financial services to businesses of all sizes, from small businesses, through to mid-sized businesses and multinational corporations. These corporate clients range from privately-owned firms to FTSE 100 PLCs, multinational corporations and financial institutions.

Maintaining a network of relationship teams across the UK, as well as internationally, Lloyds Bank Commercial Banking delivers the mix of local understanding and global expertise necessary to provide long-term support and advice to its clients.

Lloyds Bank Commercial Banking offers a broad range of finance beyond just term lending and this spans import and export trade finance, structured and asset finance, securitisation facilities and capital market funding. Its product specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

Its heritage means it has an unrivalled understanding of business needs and a proven track record of supporting businesses across the sectors and regions. Taking a relationship approach, it provides support to its clients throughout the economic cycle.

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*If you would like to receive information on the Bank of Scotland monthly *Scottish Purchasing Managers' Index[®] (PMI[®])* please contact Mairi Gordon on 07825 377 384 or mairi.gordon@lloydsbanking.com.

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