

LLOYDS BANK



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LLOYDS BANK REGIONAL PMI[®]: ECONOMY STARTS FOURTH QUARTER ON A STRONGER FOOTING

- Business activity increases at a faster rate across England, Scotland and Wales
- Employment continues to rise, though pace of job creation slows down
- Prices charged for goods and services increase at quickest rate for six months

The UK economy made a positive start to the fourth quarter of 2017, with England, Scotland and Wales all recording faster increases in business activity, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

Wales had the quickest rate of growth for the second month in a row in October, with its business activity index – a measure that tracks changes in total output across the manufacturing and service sectors – rising to a nine-month high of 58.6, from 56.2 in September. The North West (57.9) and the East of England (57.3) followed closely behind, both recording sharp and accelerated rates of expansion.

The Lloyds Bank Regional PMI is the leading economic health-check of regions across the UK. A reading greater than 50 represents growth in business activity, while a reading below 50 indicates a contraction. The greater the deviation from the 50 mark, the faster the rate of change.

A much improved performance in the North East (55.2) helped it move up the rankings, with Scotland still positive (52.7) but growing at the slowest pace out of all areas for October. That was despite business activity growth north of the border being at its highest since July.

All areas of the country recorded an increase in employment in October, though the overall pace of job creation slowed to a four-month low. The strongest rates of employment growth were in Yorkshire & Humber and East of England, while the North East saw private sector workforce numbers rise marginally and for the first time in four months.

Meanwhile, October's survey showed the steepest rise in average prices charged for goods and services for six months, reflecting businesses' efforts to offset the impact of higher costs.

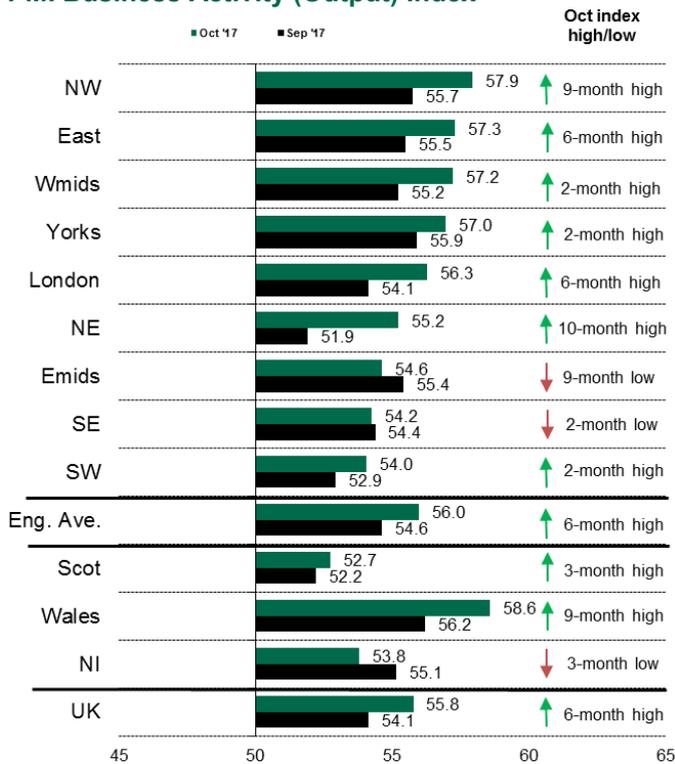
Scott Barton, Managing Director of Mid-Markets, Lloyds Banking Group said: *“The fourth quarter started positively with business activity growth accelerating across England, Scotland and Wales.*

“There was also a broad-based increase in employment as firms responded to higher demand for goods and services, though the pace of job creation slowed for the second month running.

“Businesses are continuing to experience rising costs and will be wary of the impact on demand as they pass these on in the form of higher charges for goods and services.”

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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, October 2017



Compiled by IHS 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 October 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 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 Bank of Scotland PMI® features original survey data collected from a panel of around 500 companies based in Scotland and operating in both manufacturing and service sectors. The panel has been carefully selected in order to accurately reflect the true structure of the Scottish economy and therefore provide an accurate picture of business conditions in the region. The Scotland survey forms part of a series of regional surveys and is derived from the highly regarded national PMI survey produced by IHS Markit.

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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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 Claire McKenzie on 07584 607295 or clairehobson@bankofscotland.co.uk

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