

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: BUSINESS ACTIVITY GROWTH SLOWS SLIGHTLY IN MAY

- Majority of regions show slower growth than April
- Employment increases as firms react to higher demand for goods and services
- Inflationary pressures remain high, but decrease since April
- East Midlands leads output growth ahead of Yorkshire & Humber

Business activity in England continued to grow in May, although the rate of expansion fell to a three-month low, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

Wales, in contrast, saw business activity growth hit its fastest rate since February as a result of increasing new orders.

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

England's business activity index was 55.1 in May, down from April's four-month high of 57.1 but still well above the 50.0 mark.

Most regions in England followed this trend, recording rates of growth that were solid overall but slower than the month before. The exceptions to this were the East Midlands (57.9) and Yorkshire & Humber (57.7), which both recorded faster expansions than last month, and the North East (50.8) where business activity barely rose.

Wales's business activity index meanwhile improved from April's 53.6 to 55.0, its highest since February.

All regions saw a rise in staffing levels, led by Yorkshire & Humber, as firms took on additional staff to meet rising demand.

Elsewhere, inflationary pressures decreased, with the rates of increase in costs and prices charged for goods and services down from recent peaks.

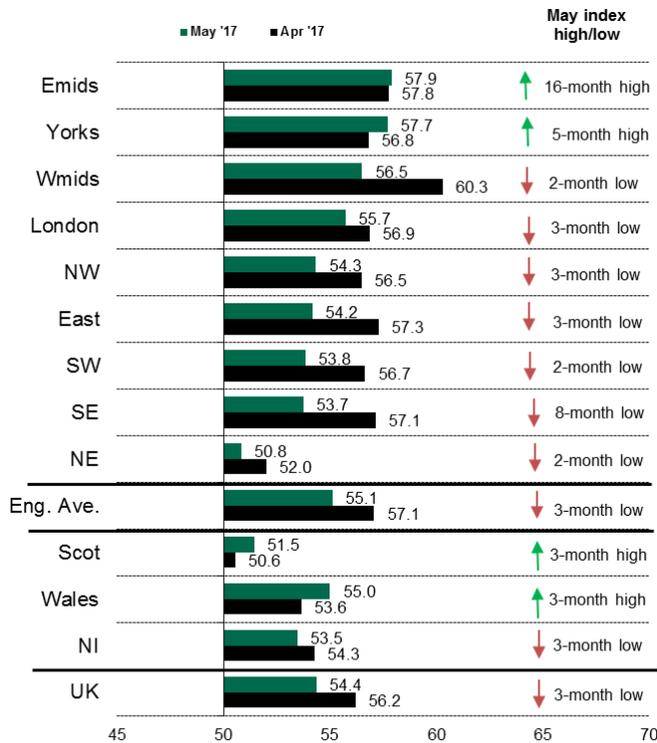
Gareth Oakley, Managing Director SME Banking, Lloyds Banking Group said:

"Although there were some signs that political uncertainty and a squeeze on household budgets from rising prices had dampened growth rates, businesses across England and Wales reported further increases in both output and new orders in May.

"Inflationary pressures still remain but the survey's price measures have at least come down from their recent highs which will help businesses manage their costs."

- END -

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, May 2017



Business Activity PMI

50.0 55.0 60.0

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 May 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 May 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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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.

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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.

For further information, contact:

Ed Smith
Media Relations
ed.smith1@lloydsbanking.com
T: 020 7661 4936
M: 07917 520464

Phil Smith
Economist, IHS Markit
Telephone +44-1491-461009
Email phil.smith@ihsmarkit.com

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