

LLOYDS BANK



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LLOYDS BANK REGIONAL PMI[®]: ECONOMY MAINTAINS STEADY PACE OF GROWTH IN SEPTEMBER

- Wales and Yorkshire & Humber lead growth of business activity
- Output rises in all areas of the country, but only modestly in Scotland and North East England
- Slower rate of job creation recorded, reflecting weaker hiring in many areas including London
- Price pressures continue to intensify as companies pass on sharply rising costs

The UK economy saw further steady growth of business activity in September, with Wales and Yorkshire & Humber the best performing areas of the country, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

The business activity index – a measure that tracks changes in total output across the manufacturing and service sectors – rose to 56.2 in September in Wales, up from 54.1 in August and the highest reading since February. This marked the strongest rate of growth anywhere in the UK – which had an average reading at 54.1. Yorkshire & Humber (55.9) and the North West (55.7) closely followed behind.

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.

Output rose across all areas of the country during September. The increase seen in the North East (51.9) was the first sign of growth in three months but only modest, similar to Scotland (52.2) where the pace of expansion was unchanged.

Employment continued to rise during the month as companies took on new staff to meet higher demand for goods and services. However, the overall pace of job creation was slower than in August, mainly owing to weaker employment growth in London, Scotland and the North West. Notably, the North East saw job losses for a third consecutive month.

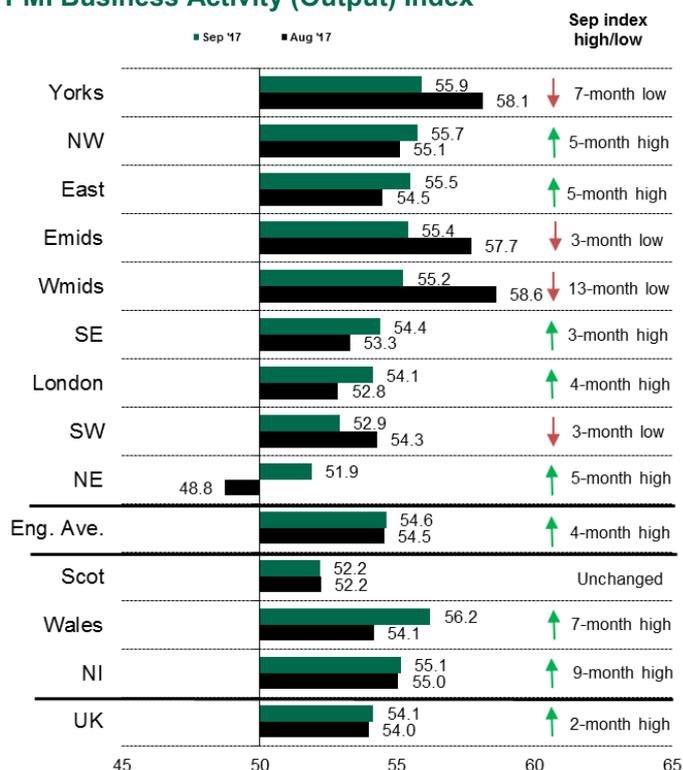
Elsewhere, latest survey data also revealed further increases in prices across the country. Firms' costs rose steeply due to the weak pound, increasing commodity prices and salaries, which resulted in businesses raising average prices charged for goods and services at their fastest rate for five months.

Tim Hinton, Managing Director and Head of Mid-Markets and SME Banking, Lloyds Banking Group said: *"Business activity across the UK continued to rise at a steady pace during the third quarter. In September there were a number of examples of strong regional growth, particularly in Wales and Yorkshire & Humber. Job creation slipped back a bit from August's recent peak, but it's encouraging to see that companies are still hiring."*

“Inflation remains a major talking point, with the survey’s indicators of business costs and output prices rising towards the highs seen earlier in the year. Businesses will be wary of increasing inflationary pressures and an earlier potential interest rate rise than previously expected.”

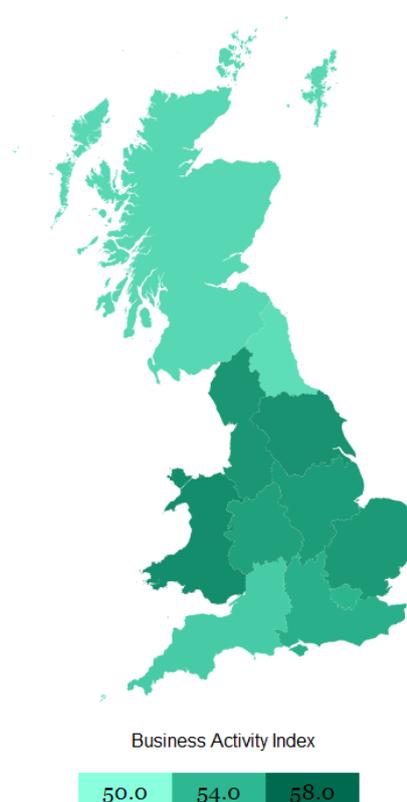
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PMI Business Activity (Output) Index



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, September 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 September 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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