

LLOYDS BANK



NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY FEBRUARY 8th 2016

LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: UK ECONOMY PICKS UP AT START OF 2016

- Business activity rises at fastest rate for six months and in all regions, led by the West and East Midlands
- Wales maintains solid growth into New Year
- Employment continues to rise, and inflationary pressures remain low due to falling commodity prices

Business output growth in the UK showed a lift at the start of the year, with the manufacturing and service sectors jointly seeing the strongest expansion for six months according to the latest **Lloyds Bank Regional Purchasing Managers' Index[®] (PMI[®])**. January also saw employment levels rise, while inflationary pressures were weak due, in part, to falling global commodity prices.

England's business activity index – measuring changes in the combined output of manufacturing and services – rose from December's 55.5 to 56.2 in January - its highest level since last July. A key area of growth was in order books, with the respective index reaching a six-month high of 56.3.

Growth was strongest overall in the West Midlands (58.7) followed closely by the East Midlands (58.3), both having seen a considerable rise in momentum at the start of the year. Business activity increased at a solid pace across England except in North East England, where the index dipped to a three-month low of 50.7 to signal only a marginal rise in business activity.

Wales's business activity index read 55.2 for January, indicating a healthy pace of expansion that was broadly in line with that seen over the final quarter of 2015.

Employment rose again in January meaning the level in England and Wales has risen consistently for over three years. However, while the overall increase in employment was solid, levels barely rose in Wales, and fell in the North East of England for the second time in three months.

Businesses experienced a rise in costs in January, with salary pressures being a key factor. However, falling raw material prices meant that overall costs were kept low.

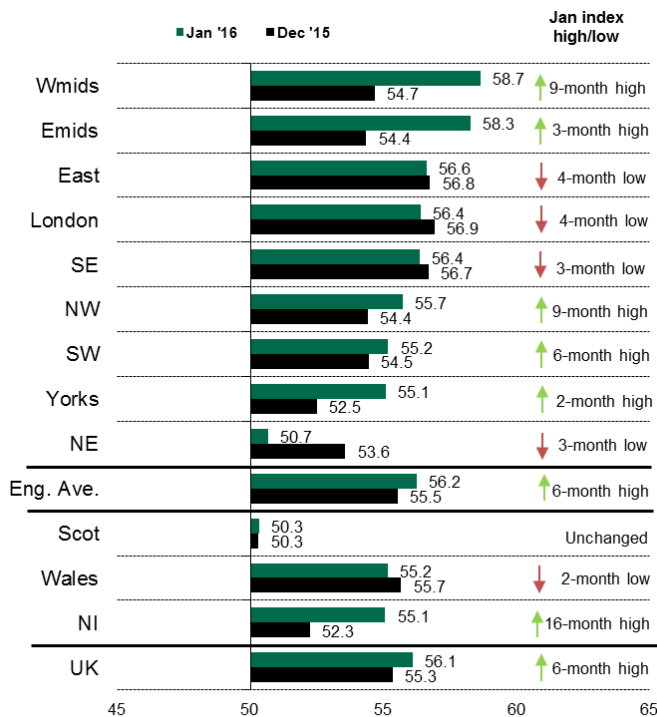
Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:

"Despite a number of headwinds, UK businesses recorded their fastest output growth for six months in January. A promising start to 2016."

“Strong domestic demand is helping to sustain the current upturn and while employment continues to rise, inflationary pressures remain weak due to low commodity prices. Businesses should continue to look for growth opportunities for the year ahead.”

- 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, January 2016



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 January 2016. 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 January 2016 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.

About Lloyds Bank Commercial Banking

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.

<http://www.lloydsbank-commercialbanking.com/>

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on NASDAQ under the symbol MRKT. For more information, please see www.markit.com

*If you would like to receive information on the Bank of Scotland monthly *Scottish Purchasing Managers' Index*[®] (*PMI*[®]) please contact Zoe Redhead on 0131 655 5405 or zoe.redhead@bankofscotland.co.uk

For further information, contact:

Ed Smith
Communications Business Partner,
Commercial Banking (Client Relationships)
ed.smith1@lloydsbanking.com

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

T: 020 7661 4936
M: 07917 520464

The intellectual property rights to the England and Wales Regional PMI[®] provided herein is owned by the Markit. Lloyds Bank Commercial Banking use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data.