

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI®: OUTPUT GROWTH IN FIRST QUARTER WORST IN ALMOST THREE YEARS

- Output growth picks up slightly in March despite slower rise in new business
- Wales records stronger increase in business activity than all English regions
- Signs of inflationary pressures returning as prices rise at faster rate

Growth in output and employment was slightly higher in March compared to the month before, but the first quarter as a whole was the worst in almost three years according to the latest **Lloyds Bank Regional Purchasing Managers' Index® (PMI®)**.

The business activity index for England – which tracks changes in the combined output of manufacturing and services – registered 53.7 in March, up from February's 34-month low of 52.9 but rounded off the worst quarter of output growth since the second quarter of 2013. Behind the recent slowdown has been a softer trend in new business, which showed the weakest increase since February 2013.

The South East was England's fastest growing region in terms of business activity, recording an index reading of 55.1, followed by the East of England with 54.5. The North East was the only region where output marginally decreased during the month, with a reading of 49.5.

Wales maintained its outperformance of the UK as a whole, recording a stronger increase in activity than all English regions in March. At 55.4, its business activity index was at a three-month high.

UK businesses continued to take on staff during March, with job creation strongest in the East of England and London. However, the overall rate of employment growth picked up only slightly from February's two-and-a-half year low and there were net job losses recorded in the North East and Yorkshire & Humber regions.

March saw a faster increase in prices charged for goods and services across England and Wales, the sharpest since July last year. This partly reflected a heightening of cost pressures facing businesses, with input price inflation running at an eight-month high.

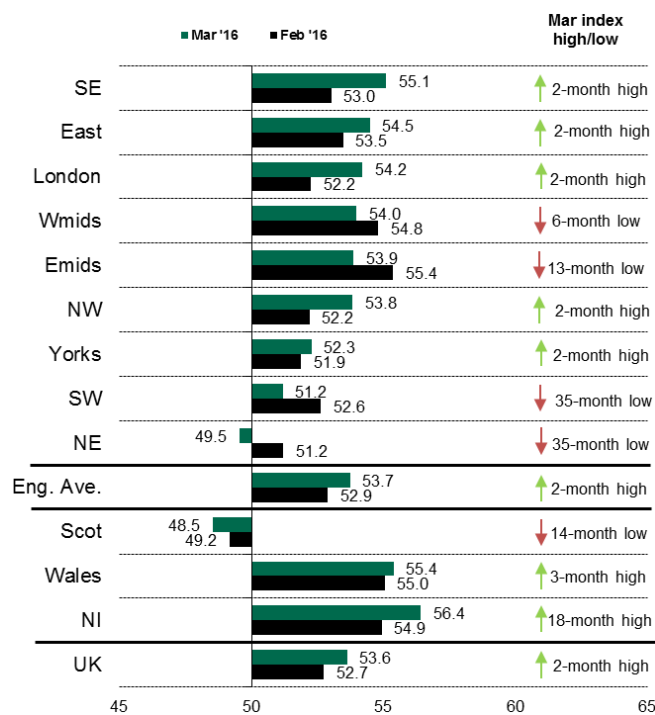
Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:

“Overall growth for the first quarter was slower than recent periods and trends, but growth nonetheless.

“Despite facing a variety of headwinds UK companies continued to secure new business and remained confident enough to take on additional staff.”

- 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, March 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 March 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 March 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.

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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 Zoe Redhead on 0131 655 5405 or zoe.redhead@bankofscotland.co.uk

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