



NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY MAY 9th 2016

LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: OUTPUT GROWTH SLOWS TO WEAKEST IN OVER THREE YEARS

- Slowdown across majority of English regions and Wales
- Employment grows at weakest rate in over two-and-a-half years
- Average prices charged rise only slightly despite stronger cost pressures

April saw business activity growth slow across England and Wales, according to the latest **Lloyds Bank Regional Purchasing Managers' Index[®] (PMI[®])**. Employment rose only slightly, signalling caution among businesses, while cost pressures picked up amid the introduction of the National Living Wage and higher fuel prices.

The index measuring business activity across England's private sector registered its lowest reading for more than three years in April. At 52.1, the index was above the 50.0 threshold that separates growth from contraction for the forty-second month in a row, but its latest reading was well below its average over this period and down from 53.7 in March.

Seven of the nine English regions monitored by the survey recorded either slower increases in business activity or outright contractions, the exceptions being the East Midlands (55.7) and East of England (55.0) which both recorded faster growth and were the strongest performers overall.

London saw the biggest loss of momentum, its index dropping sharply to a 38-month low of 51.0, while business activity in the North East fell for the second month running and to the greatest extent for over three years (49.0).

Wales' business activity index registered its second-lowest reading since February 2013. However, at 53.1, it showed a faster rate of growth than the average across England for the third month in a row.

Employment remained on a steady upward trajectory during April, rising in most regions except for the North East, North West and Yorkshire & Humber. However the overall rate of job creation was at a 32-month low and much slower than a year earlier.

One factor weighing on staff hiring was the introduction of the National Living Wage in April, according to panel member reports, which in turn contributed to the steepest monthly rise in businesses' input prices since July 2014. Higher costs were largely absorbed by companies, however, as average prices charged for goods and services rose only marginally and more slowly than in March.

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

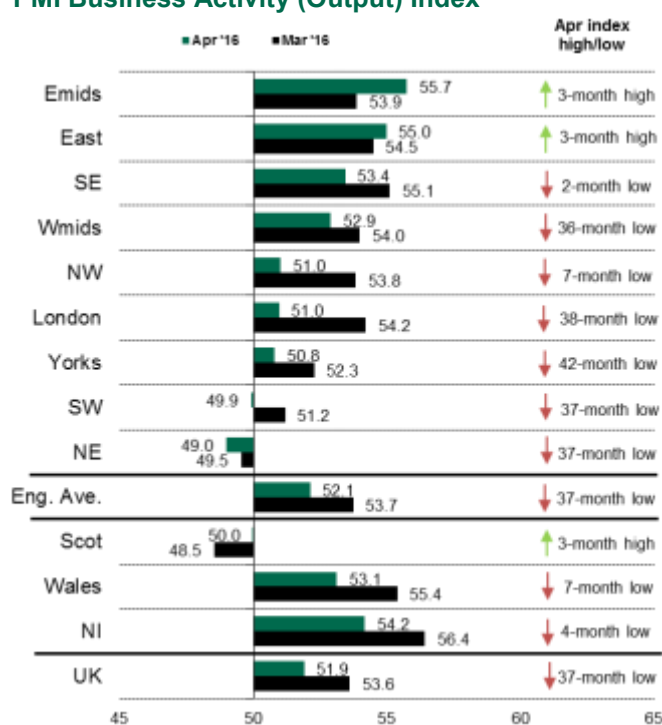
"The majority of regions have started the second quarter on a weaker footing, with business activity no longer showing the robust growth that we have seen over the past two to three years. A knock-on effect of stronger cost pressures from the National Living Wage and

higher fuel prices has seen a slowing in the rate of job creation, which was at a 32-month low in April.

“There were some exceptions to the pattern of weaker growth, for instance in the East of England and East Midlands, while London has seen a fall in cost inflation.”

- 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, April 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 April 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 April 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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*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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