Output growth remained subdued across England and Wales in May, according to the latest Lloyds Bank Regional Purchasing Managers’ Index® (PMI®). The weakness reflected a deteriorating trend in the flow of incoming new work, with job creation slowing as a result.

The business activity index for England – which tracks changes in the combined output of the manufacturing and service sectors – registered 53.3 in May, up from April’s 37-month low of 52.1, but still signalling one of the slowest rises in output over the past three years. Indeed, the index’s average for the second quarter so far (52.7) is the lowest since the first quarter of 2013.

Business activity rose across eight of the nine English regions monitored by the survey, led by the East Midlands (55.4) and Yorkshire & Humber (55.1). However four regions recorded slower growth, and output fell in the North East (48.5) for the third month running and at the fastest rate since March 2013.

Subdued growth in overall business activity was partly a reflection of a weaker trend in the flow of incoming new work, which showed the slowest rise since February 2013 across England as a whole.

Wales’ private sector economy lost further momentum in May, with output growth at a 45-month low and new business moving closer to stagnation.

On the employment front, May saw the pace of job creation slow across England to the lowest for three years amid reports of the National Living Wage impacting on hiring. Staffing levels were broadly unchanged in the South East, while Yorkshire & Humber saw a further decline. Wales, on the other hand, recorded the strongest rise in employment in five months, albeit moderate.

Elsewhere, the survey showed a slightly faster rise in average prices charged for goods and services in May, with cost inflation running close to, but slightly below, April’s recent high.

Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:
“*The UK economy is showing signs of slowing in the second quarter, with trends in output and employment growth at their lowest in three years. Increased uncertainty in the domestic market and hesitancy among firms’ clients to commit to new projects are influencing factors, reflected in the slowest overall rise in new orders since 2012.*”
“Geographically, the East Midlands and Yorkshire and Humber held up best, whereas activity fell for the third consecutive month in the North East.”

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 May 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 May 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 decisions.
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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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.

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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."

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