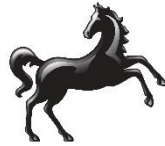


LLOYDS BANK



NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY JUNE 13th 2016

LLOYDS BANK ENGLAND AND WALES REGIONAL PMI®: OUTPUT GROWTH REMAINS SUBDUED IN MAY

- Output continues on weak growth path as inflows of new business move closer to stagnation
- England sees one of slowest rises in activity for three years; growth in Wales at 45-month low
- Employment increases only marginally as slowdown in hiring continues

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.

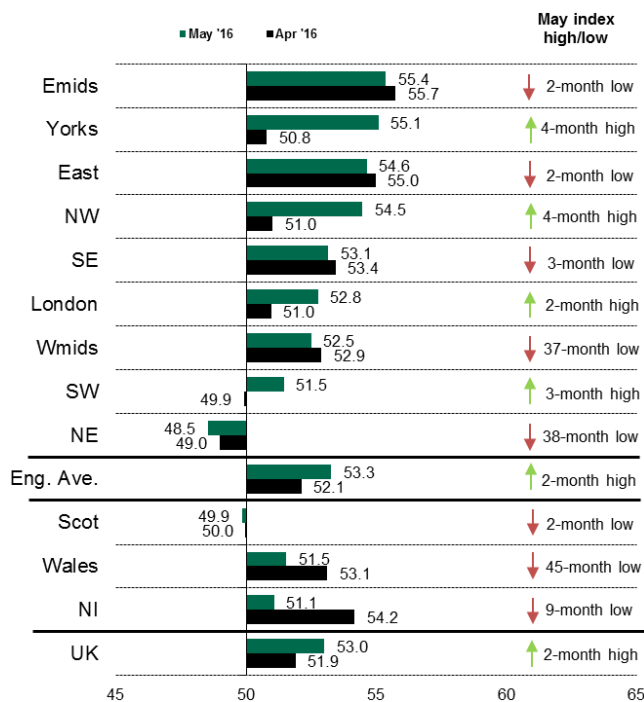
Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:

“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.”

- 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, May 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 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

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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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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