

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI®: ECONOMY SLOWS AT END OF SECOND QUARTER

- Output growth slows across England but rebounds slightly in Wales
- London sees business activity decline for first time in over three-and-a-half years
- England sees slowest rise in employment since early 2013
- Survey carried out between 13 June and 28 June with the majority of responses given before the EU Referendum result

June saw a slowdown in output growth across England, according to the latest **Lloyds Bank Regional Purchasing Managers' Index® (PMI®)** London saw the biggest fall in business activity across all the regions while weaker job creation also underlined a subdued business environment.

At 52.5 in June, down from May's 53.3, the business activity index for England – which tracks changes in the combined output of the manufacturing and service sectors – was close to April's three-year low, signalling a relatively modest rate of output growth. The index's average over the second quarter as a whole was the lowest since the opening quarter of 2013.

The slowdown was largely a reflection of a downturn in business activity in the Capital, with London's index reading of 48.4, its lowest since April 2009 and the first time that it has gone below 50.0 for more than three and a half years. Anything below the 50.0 figure shows a contraction in business activity.

The North West of England (55.5) recorded the strongest rate of output growth in June, followed closely by the East Midlands (54.8) and the East of England (54.5).

Wales saw a slight recovery in business activity growth, with a reading of 53.3 in June, up from May's 45-month low of 51.5.

Job creation slowed across England in June, with employment rising only marginally and at the weakest rate since early 2013. There was a quicker pace of hiring in Wales, where job creation reached its highest rate seen in 2016 so far.

Meanwhile, survey data pointed to another modest monthly rise in average prices charged for goods and services, with the rate of inflation little-changed from that recorded in May. That was despite businesses' cost pressures intensifying over the month, as input prices increased at a faster rate amid reports of salary pressures as well as higher prices for fuel and other raw materials.

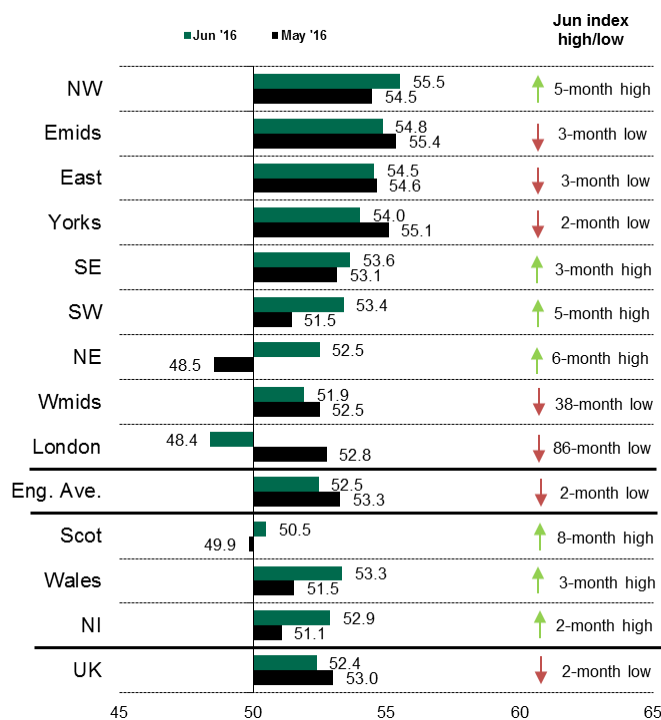
Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:

"Growth in the second quarter was at the lowest point in more than three years, with London recording a decline in business activity for the first time since 2012. The increased

uncertainty in the period leading up to the EU referendum naturally led businesses to be cautious. Following the outcome of the referendum it is still too early to understand the full impact for businesses across the country.”

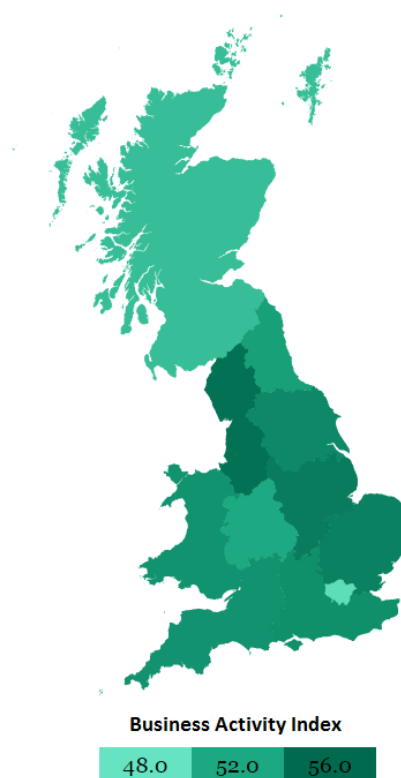
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PMI Business Activity (Output) Index



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, June 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 June 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 June 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.

For further information, contact:

Kay Broadie

Senior Communications Business Partner,
Commercial Banking (Client Relationships)
kay.broadie@lloydsbanking.com

Phil Smith

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

T: 020 7661 4936

M: 07917 520464

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