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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: BUSINESS ACTIVITY GROWTH CONTINUES TO RECOVER IN SEPTEMBER

- PMI shows fastest business activity growth in England since January
- Wales sees solid rise in output, outperforming all English regions
- Employment numbers and new orders increase
- Weak pound continues to drive up businesses' costs

Business activity continued to recover across England and Wales at the end of the third quarter, rising at a solid and accelerated rate, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI) survey.

September also saw a further increase in employment, though in most regions the rate of job creation remained slower than earlier in the year.

The Lloyds Bank Regional PMI is the leading economic health-check of regions across England and Wales. It is based on responses from businesses in the manufacturing and service sectors about the value of goods and services produced during September compared with a month earlier.

England's PMI was 54.0 in September, up slightly from 53.7 in August and its highest reading since January. A reading above 50 signifies expansion, while a reading below signals contraction. The greater the divergence from the 50 mark, the faster the rate of change.

Business activity rose across all regions in England, led by solid growth in the West Midlands and Yorkshire & Humber (both 55.6). The weakest performer was the South East (51.6), where output rose only modestly and at a slower pace than in August.

Wales also saw a rise in business activity in September and outperformed all English regions, with its PMI reading at a 15-month high of 56.2.

There was an increase in employment in September across both England and Wales, reflecting growth in new orders and improved confidence following the EU referendum vote. However jobs growth in most regions remained weak relative to trends seen throughout 2015 and earlier this year.

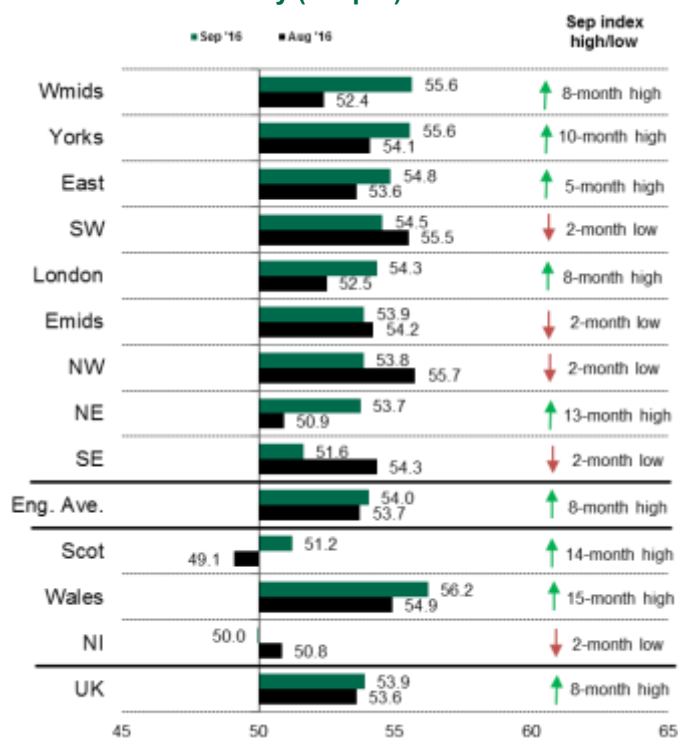
On the price front, Sterling's weakness contributed to another steep rise in businesses' input costs, which translated into higher prices charged for goods and services.

Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said: *"After weaker activity was recorded in the early summer, it is encouraging to see a positive end to the third quarter, reflecting growth in new orders and employment."*

“The weaker pound remains a focal point in the survey data. Improved competitiveness has no doubt given added impetus to the post-EU referendum rebound, but increasingly businesses are feeling the impact of higher import costs.”

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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, September 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 September 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 September 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 Mairi Gordon on 07825 377 384 or mairi.gordon@lloydsbanking.com.

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