



**NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY NOVEMBER 14<sup>th</sup> 2016**

## **LLOYDS BANK ENGLAND AND WALES REGIONAL PMI<sup>®</sup>: BUSINESS ACTIVITY PICKS UP SPEED AT START OF FOURTH QUARTER**

- Businesses across England report solid output growth in October as PMI moves to a nine-month high driven by improved demand at home and overseas
- Average prices charged for goods and services rise at fastest rate for five-and-a-half years as cost pressures rise on the back of the weak pound
- Strong growth seen in the North West and West Midlands, while London sees a loss of momentum

Businesses across England and Wales reported a solid start to the fourth quarter, with growth in business activity continuing to pick up speed, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI) survey.

However, October's survey also brought news of rising inflationary pressures as the weak pound led to the biggest monthly increase in businesses' costs since 2011.

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 amount of goods and services produced during October compared with a month earlier.

England's PMI moved to a nine-month high of 54.9 in October, up from September's 54.0 and well above its recent low of 47.4 recorded in July. A reading greater than 50 signifies growth, while a reading below signals contraction. The greater the divergence from the 50 mark, the faster the rate of change.

The strongest rise in business activity was recorded in the North West, where the PMI reached a two-year high of 58.4. Particularly strong upturns were also seen in the West Midlands (58.2) and Yorkshire & Humber (57.9), however London (52.8) saw a slowdown in output growth.

Wales maintained its recent strong performance into the fourth quarter, with its PMI rising to a 16-month high of 57.2.

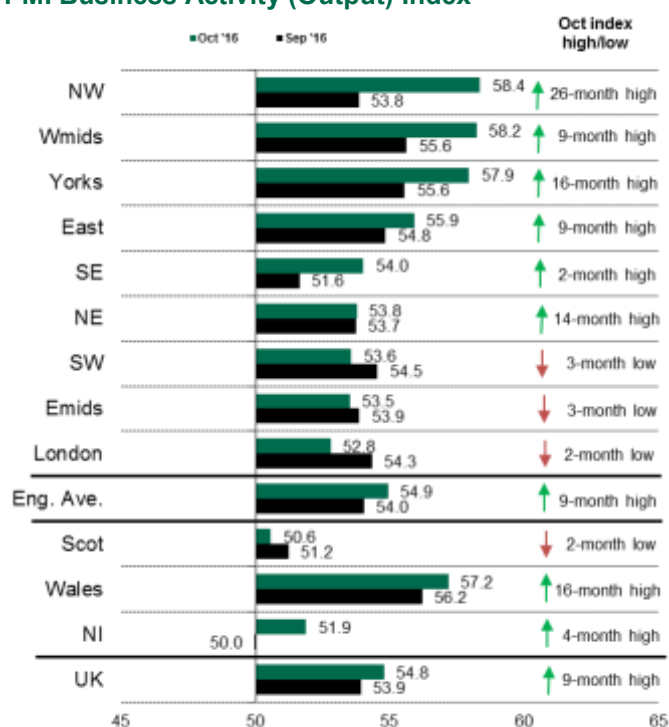
The upturn in business activity in October was partly driven by stronger international demand for UK products and services linked to the weaker pound. However sterling's weakness has caused a sharp jump in businesses' input costs, which translated into the biggest increase in average prices charged for goods and services in five-and-a-half years.

**Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:** *"It's encouraging to see UK business activity growth back at the same, higher levels we had at the start of the year, driven by demand both at home and overseas."*

“However, prices are rising at their fastest rate for over 5 years and the likelihood of greater inflationary pressure is very real. This will create potential headwinds for both consumers and businesses going forward.”

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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, October 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 October 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 October 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*<sup>®</sup> (*PMI*<sup>®</sup>) please contact Mairi Gordon on 07825 377 384 or [mairi.gordon@lloydsbanking.com](mailto:mairi.gordon@lloydsbanking.com).

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