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

- Business conditions show further improvement as Regional PMI rises to its highest level since January
- The readings for the Midlands, East of England and Wales are above UK average, while Yorkshire and North East show a slower rate of growth since the previous month
- Stronger order books support faster rate of job creation
- Inflationary pressures remain high due to sharply rising input costs

Businesses across England and Wales reported another month of solid growth in November, with output levels and employment both rising at faster rates, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI) survey.

The presence of strong inflationary pressures was also highlighted by November's survey, as sharply rising costs led to a further hike in average prices charged for goods and services.

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 November compared with a month earlier.

The PMI for England rose to a ten-month high of 55.8 in November, up from 54.9 in October. A reading greater than 50 signifies growth in business activity, and the greater the divergence from the 50 mark, the faster the rate of change.

At a regional level, the strongest output growth was seen in the West Midlands (58.9), while the East of England (57.1) and East Midlands (56.7) also performed better than the average. The month's main underperformers were the North East (52.2) and Yorkshire & Humber (54.0), where rates of business activity growth were slower than in October.

Business activity in Wales, meanwhile, showed the largest rise since June 2015, with its PMI having risen for the fourth month in a row to 57.3.

The increase in output seen in November was accompanied by a further rise in employment, as rates of job creation across England and Wales picked up speed, reaching the fastest level for ten and 16 months respectively.

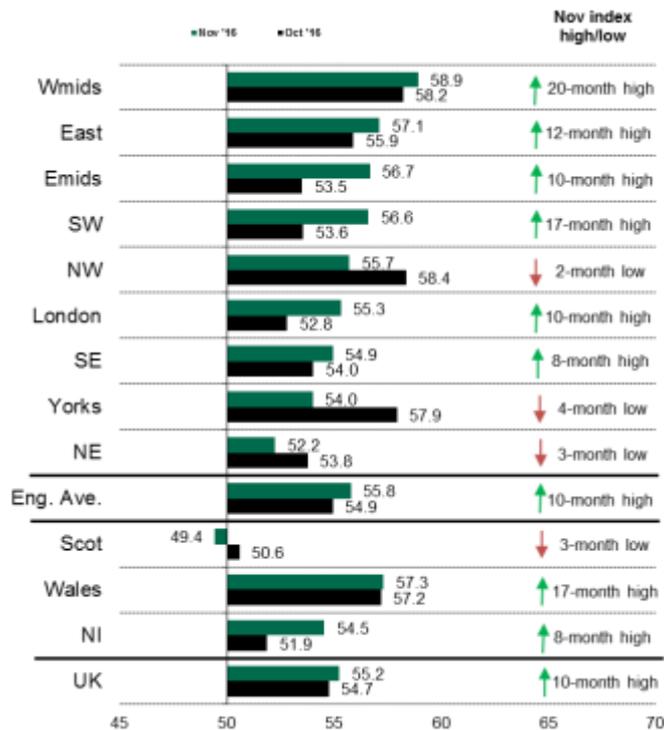
On a different note, November saw the continuation of strong upward pressure on businesses' costs. This led to the rate of increase in average prices charged for goods and services staying close to October's five-and-a-half year high.

Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said: "Business activity continues to recover from the slowdown in the early summer, with growth in output and employment at the highest levels since the start of the year.

"This month's data further highlights that the weaker pound is pushing up costs for businesses, resulting in the consumer beginning to experience higher priced goods and services."

- 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, November 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 November 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 November 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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