

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: BUSINESS ACTIVITY CONTINUES TO RISE AT THE END OF 2015

- Business output increases across England and Wales in December, but at a slower rate than in November
- Employment rises across all regions
- Wales's business output growth climbs to a six-month high
- Average prices charged rise slightly as higher wages lead to stronger cost pressures

Private sector business activity rose across England and Wales during the final month of 2015, according to the latest **Lloyds Bank Regional Purchasing Managers' Index[®] (PMI[®])**. The pace of expansion was solid, though marginally slower than in November.

The business activity index for England's combined manufacturing and service sectors was 55.5 in December, slightly below November's reading of 56.0 but indicated a solid rate of expansion overall. The index has now registered above the 50.0 'no-change' mark for over three years, the level that separates growth from contraction.

The best performing regions were London (56.9); the East of England (56.8); and the South East (56.7) which recorded its fastest growth since April. The slowest expansion in output was seen in Yorkshire & Humber, where the business activity index slipped to a near three year low of 52.5.

The business activity index for Wales climbed to a six-month high of 55.7, signalling robust and accelerated growth of private sector output.

Rising workloads led businesses in all regions to take on extra staff during December in all regions but at a slightly slower rate than the previous month.

December's survey data showed a marginal rise in average prices charged for goods and services, with the rate of inflation broadly in line with the average recorded over the year. Running costs for businesses increased slightly, mainly due to higher wages.

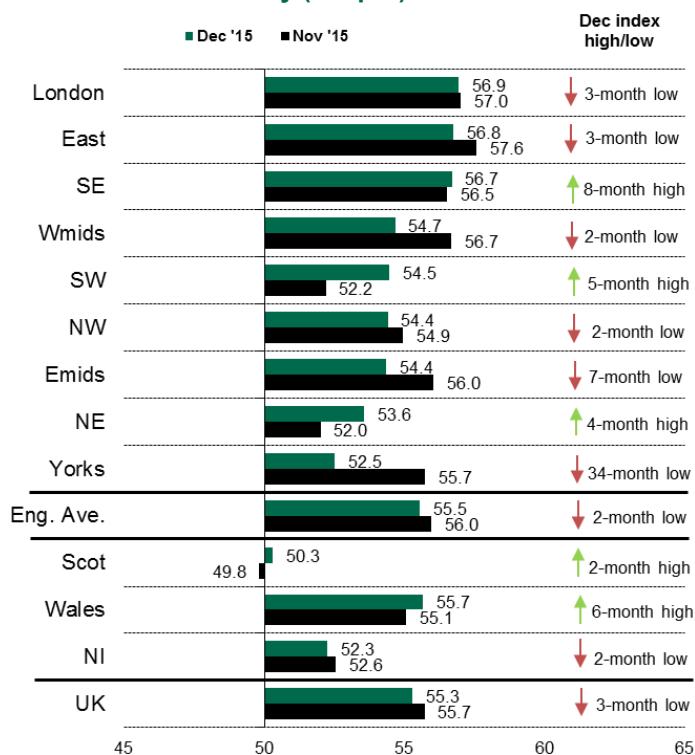
Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said:

"The UK economy ended 2015 on a relatively positive note, with December seeing the continuation of solid growth of both business activity and employment.

"The global economy is looking fragile and full of uncertainty, but with new business orders on the rise and inflationary pressures remaining largely subdued, growth prospects remain positive at the start of 2016."

- 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, December 2015



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 December 2015. 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 December 2015 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 Zoe Redhead on 0131 655 5405 or zoe.redhead@bankofscotland.co.uk

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