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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: BUSINESS ACTIVITY GROWTH HITS 18-MONTH HIGH AT END OF 2016

- England and Wales business activity rises at fastest rate for 18 months
- Most regions record strong and accelerated growth, led by the East of England
- Rising order books point to promising start to 2017, reflected in employment growth
- Inflation of prices charged for goods and services fastest since May 2011.

Businesses in England and Wales made a strong finish to 2016, reporting the fastest growth in activity in one-and-a-half years, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

Rising order books pointed to strong underlying demand and led to firms expanding employment during December. However, the survey showed a rise in price inflation.

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 each month compared to the previous one.

England's PMI rose to an 18-month high of 57.2 in December, up from November's 55.8 and well above a recent low of 47.4 in July. A reading greater than 50 signifies growth in business activity.

The strongest performing region was the East of England, with a PMI reading of 59.8, followed closely by the South West and West Midlands (both 58.7). The East Midlands (56.0) was the slowest growing area out of all regions despite also recording strong growth in business activity.

Wales, meanwhile, saw business activity growth accelerate to the highest level for 18 months. A PMI reading of 57.4 meant that it outperformed the UK average for the seventh month running.

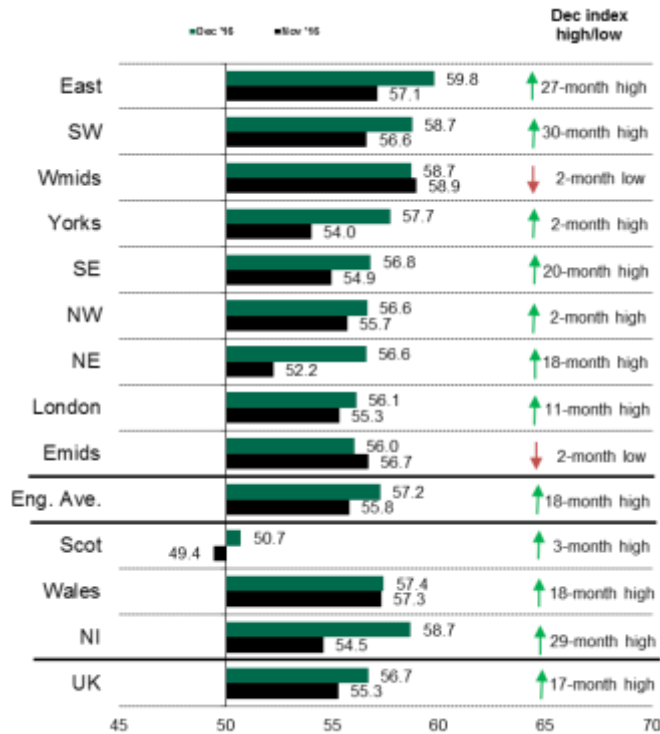
Stronger demand for goods and services was behind the upturn in December, and businesses responded by hiring more workers. Workforces expanded in all regions, growing the fastest in Yorkshire & Humber and East of England.

Sterling's weakness was reflected in another increase in average prices charged for goods and services as businesses tried to pass on higher input costs to customers. The rate at which prices charged increased was the fastest since May 2011.

Tim Hinton, Managing Director, Mid-Markets and SME Banking, Lloyds Banking Group said: “Business activity accelerated in December, showing the largest rise in 18 months and the index almost 10 points above the 2016 low of 47.4. The healthier order books suggest that the economy is starting 2017 with good momentum, but businesses will continue to be mindful of inflation and sustained pressure on their costs.”

- 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 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 December 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 December 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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