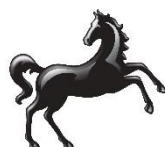


# LLOYDS BANK



**NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY FEBRUARY 13<sup>th</sup> 2017**

## **LLOYDS BANK ENGLAND AND WALES REGIONAL PMI<sup>®</sup>: 2017 STARTS WITH BUSINESS OUTPUT GROWTH BUT ALSO RISING PRICES**

- Business activity rises in all areas of England, led by the West Midlands
- Wales sees strongest output growth for nearly two years
- Job creation slows as costs continue to rise
- Inflationary pressures persist as businesses continue to increase prices

Businesses in England reported increases in both output and employment for the start of the year, although at a slower rate than in December, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

England's Business Activity PMI read 55.8 in January, down from December's 18-month high of 57.2 but well above the 50 level that separates growth from contraction.

It was a different story in Wales, however, where business activity rose at the fastest rate since March 2015, with the PMI at 59.6. The rate of job creation in the country also reached a 20-month high and outstripped all areas of England.

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.

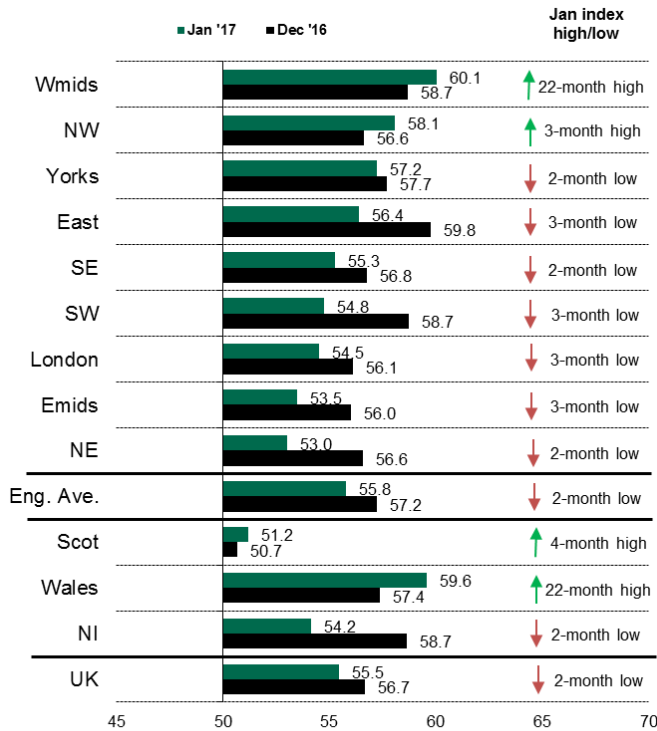
While all areas of England saw a rise in business activity, the only areas where activity increased at a faster rate month-on-month were the West Midlands (60.1) and the North West (58.1).

Employment growth in England was the slowest seen since September last year – index at 51.9 – but still broadly in line with the average for 2016 as a whole.

January survey data highlighted another rise in average prices charged for goods and services. The overall rate of inflation was at its highest in over five-and-a-half years, caused by strong upward pressure on businesses' costs, including salaries, fuel and raw materials. Manufacturers in particular were affected by the weak sterling exchange rate and rising commodity prices.

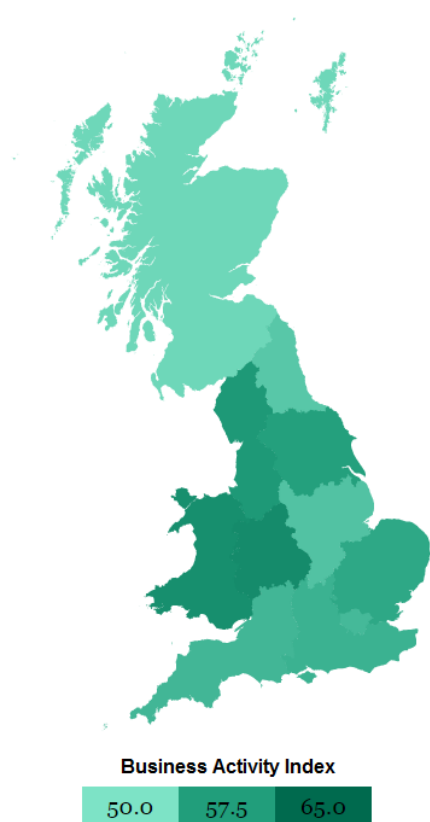
**Tim Hinton, Managing Director and Head of Mid-Markets and SME Banking, Lloyds Banking Group said:** *“Business activity continues to be resilient with increases in both output and employment levels in January. This is further evidence the economy has started 2017 with good momentum, but businesses will continue to be mindful of inflation and sustained pressures on their cost base.”*

**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, January 2017**



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 January 2017. 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 January 2017 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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\*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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