

# LLOYDS BANK



**NOT FOR BROADCAST OR PUBLICATION BEFORE 00:01, MONDAY APRIL 10<sup>TH</sup> 2017**

## **LLOYDS BANK ENGLAND AND WALES REGIONAL PMI<sup>®</sup>: BUSINESS ACTIVITY RISES ON THE BACK OF STRONGER DEMAND FOR GOODS AND SERVICES**

- Business activity growth rebounds at end of first quarter, buoyed by expanding order books
- Employment continues to rise, but at a slower rate than February
- Average prices charged for goods and services show biggest increase in nearly six years
- East of England sees strongest output growth ahead of the North West, while Wales PMI dips to its lowest reading for eight months

Business activity growth across England rebounded in March as a result of stronger demand for goods and services, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

However, the survey also showed the biggest rise in average prices charged for goods and services in nearly six years as well as a slowdown in employment growth, both linked to strong cost pressures.

The Lloyds Bank Regional PMI is the leading economic health-check of regions across England and Wales, based on businesses in the manufacturing and service sectors. A reading greater than 50 signifies growth in business activity, while a reading below 50 signifies a contraction in business activity. The greater the divergence from the 50 mark, the faster the rate of change.

England's Business Activity PMI ticked up to 55.7 in March, improving from February's five-month low of 54.4 and indicating a strong and accelerated rise in output. However, the PMI for Wales dipped to 53.6, down from 56.4 and its lowest reading for eight months. In both cases, the average growth seen over the first quarter of 2017 was slightly lower than in the final quarter of 2016.

Regional business activity growth was led by the East of England (58.0), ahead of the North West (57.5) and Yorkshire & Humber (57.2). Last month's weakest performer, London, also rebounded in March, seeing its fastest rise in business activity for over a year (56.4). The North East (50.1) saw virtually no change in output and was at the bottom of the regional rankings (see overleaf).

Despite the pick-up in business activity growth and rising order books, March saw a slower rate of job creation across both England and Wales.

One factor acting as a break on hiring was sharply rising input costs as the rate of cost inflation remained among the highest seen over the past six years despite easing since February. This rise was linked to the weak sterling exchange rate, higher raw material prices, salary pressures and increased energy bills.

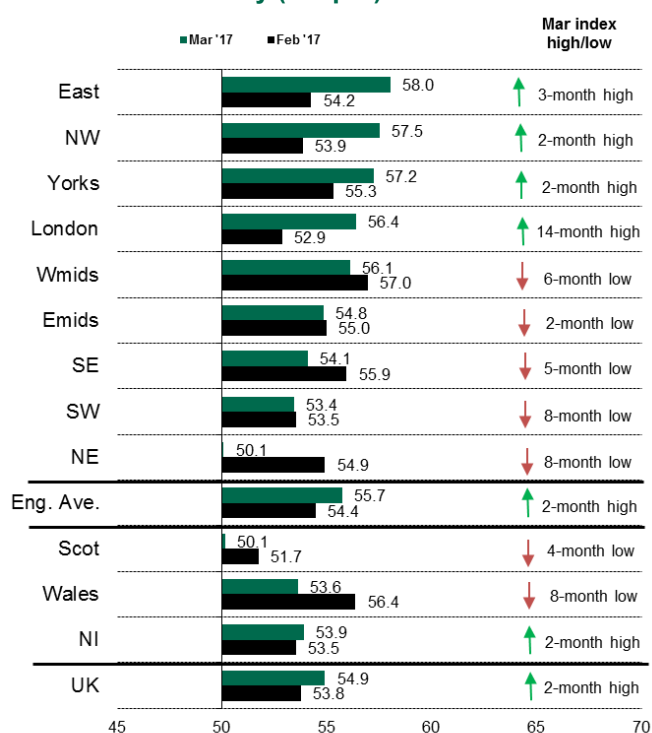
**Tim Hinton, Managing Director and Head of Mid-Markets and SME Banking, Lloyds Banking Group said:**

*“March’s increase in business activity growth rounded off a solid opening quarter to 2017, although the pace of expansion did not reach the rate seen at the end of last year.*

*“Rising costs were again a key feature of the survey data, filtering through to higher prices charged for goods and services, while also reducing businesses’ appetite to hire new staff.”*

- END -

### PMI Business Activity (Output) Index

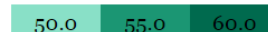


*Numbers relate to monthly seasonally adjusted diffusion indexes. An index reading above 50 signals an increase on the previous month. A reading below 50 signals a decline. The greater the divergence from 50, the greater the rate of change indicated.*

### Heat map, March 2017



Business Activity Index



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 March 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<sup>®</sup>** features original survey data collected in March 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<sup>®</sup> (PMI<sup>®</sup>)* 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.

### **About Lloyds Bank Commercial Banking**

Lloyds Bank Commercial Banking provides comprehensive expert financial services to businesses of all sizes, from small businesses, through to mid-sized businesses and multinational corporations. These corporate clients range from privately-owned firms to FTSE 100 PLCs, multinational corporations and financial institutions.

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.

Lloyds Bank Commercial Banking offers a broad range of finance beyond just term lending and this spans import and export trade finance, structured and asset finance, securitisation facilities and capital market funding. Its product specialists provide bespoke financial services and solutions including tailored cash management, international trade, treasury and risk management services.

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.

<http://www.lloydsbank-commercialbanking.com/>

### **About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

*IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.*

\*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).

### **For further information, contact:**

Ed Smith

Media Relations  
ed.smith1@lloydsbanking.com  
T: 020 7661 4936  
M: 07917 520464

Phil Smith

Economist, IHS Markit  
Telephone +44-1491-461009  
Email [phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

The intellectual property rights to the England and Wales Regional PMI<sup>®</sup> provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>®</sup> and PMI<sup>®</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.