

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI[®]: ENGLAND SEES ECONOMY LOSE GROWTH MOMENTUM AT END OF SECOND QUARTER

- Business activity in England rises at slowest rate in nine months
- Wales's output growth picks up to four-month high; outstrips UK average
- Employment rises in all regions, led by strong job creation in Yorkshire & Humber
- Costs pressures remain high, linked to the weak pound and rising wage bills

Business activity growth in England slowed to a nine-month low in June, while Wales saw its fastest rise since February, according to the latest Lloyds Bank Regional Purchasing Managers' Index (PMI).

England's business activity index fell to 54.3 in June, down from May's 55.1 and its lowest reading since September last year. However, a strong performance in April meant that average growth over the second quarter was slightly faster than in quarter one.

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

Growth slowed in most regions, with London (52.2) seeing the biggest loss of momentum. The West Midlands (58.1) was the month's strongest performer, showing an acceleration in business activity growth.

Wales likewise saw an upturn in growth, with its business activity index rising to a four-month high of 55.9, outperforming UK growth performance for the second consecutive month.

On the employment front, Yorkshire & Humber led a broad-based rise in private sector workforce numbers, with a strong rate of job creation also recorded in the East and West Midlands.

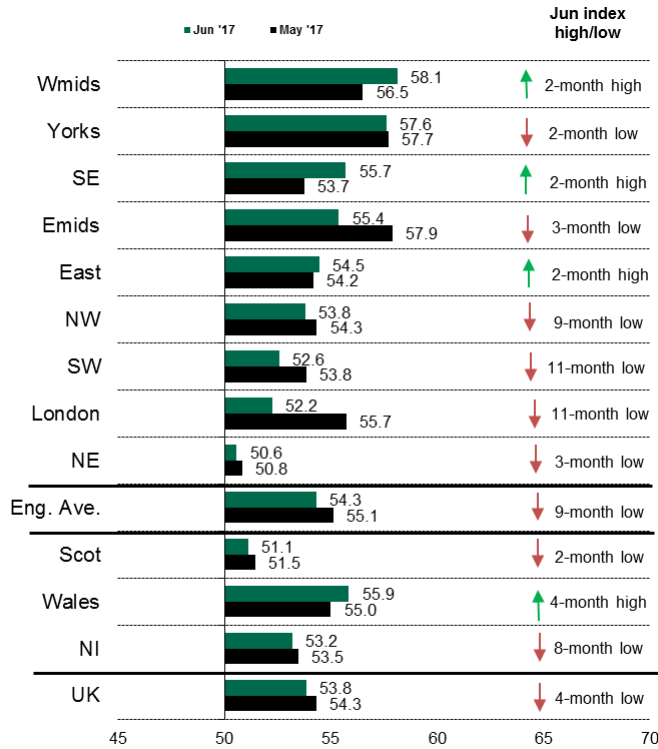
Businesses meanwhile continued to face strong cost pressures, linked partly to rising wage bills and the weak pound. This in turn led to higher prices charged for goods and services, though the rate of inflation slowed since May to the lowest in almost a year.

Tim Hinton, Managing Director and Head of Mid-Markets and SME Banking, Lloyds Banking Group said: *"Given the backdrop of political uncertainty, the start of EU negotiations and squeezed household budgets, it's not entirely surprising to see that business activity growth slowed in June.*

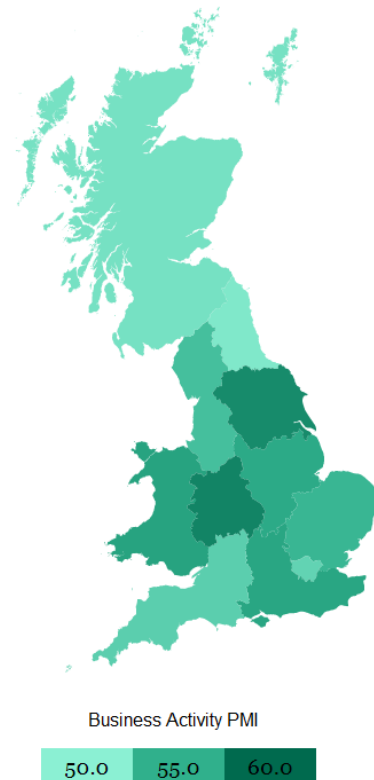
“Despite this monthly loss in momentum average growth in the second quarter was higher than the first quarter and employment rose across all UK regions. Businesses’ cost pressures have also come down significantly since the start of the year.”

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PMI Business Activity (Output) Index



Heat map, June 2017



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.

Compiled by IHS 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 June 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 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.

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.

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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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