



Lloyds TSB

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LLOYDS TSB ENGLAND AND WALES REGIONAL PMI: ENGLISH REGIONS WITNESS STRONGEST GROWTH ON RECORD; WELSH BUSINESS ACTIVITY INCREASES AT FASTEST PACE FOR ALMOST FOUR YEARS

- English regions record strongest business growth in at least 12 years
- Wales posts sharpest rise in activity for almost four years
- North West leads rise in employment seen across all of England and Wales
- Growth fuelled by higher levels of new business in all English regions and Wales

English and Welsh businesses recorded a strong upturn in business activity during July, building on the solid recovery that was reported during June, according to the latest **Lloyds TSB Regional Purchasing Managers' Index[®] (PMI[®])** survey.

The headline index measuring overall business activity across the English regions rose to 60.0 in July, signalling the strongest growth since the series began in January 2001. This was also a significant rise compared to last month's index reading of 55.9. Furthermore, the index has now posted above the 50.0 'no-change' value in each of the past nine months, indicating a sustained improvement in business conditions across the English regions.

In Wales, the headline index measuring overall business activity posted 57.6 in July, up from 56.7 in June and above the 50.0 no-change value for the twelfth month running. The latest reading indicated the fastest rise in business activity since February 2010.

July's data signalled that the rate of growth for English businesses was fastest in the North West (62.3), followed by London (61.8). Of the nine English regions, companies operating in the North East saw the least marked increase in business activity (56.4), but the rate of growth in that region still hit a 28-month high.

Survey respondents widely attributed the increase in output during July to higher levels of domestic business and consumer spending, alongside signs of an improvement in export market conditions. Growth of incoming new work was recorded in Wales (56.7) and all nine English regions, led by the North West (63.0) and the South East (61.1).

Faster increases in new work contributed to an accumulation of unfinished business in the majority of English regions. London posted the sharpest rise in unfinished work (53.4), with the latest increase being the steepest rise since April 2006. This in turn supported employment in July and, for the first time since October 2011, all nine English regions registered an expansion of private sector staffing levels. Job creation was strongest in the North West (55.4), followed by the West Midlands (54.9). In Wales, backlogs of work fell in July (47.8), while employment growth reached its highest level for seven years (53.2).

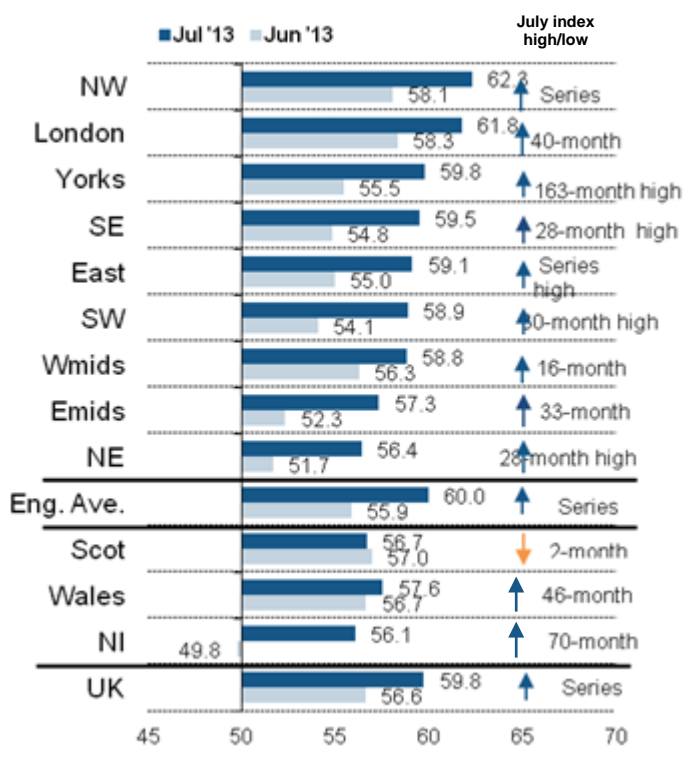
Input price inflation accelerated in eight of the nine English regions, with the South East the exception. However, each of the latest increases in average cost burdens were slower than their long-run trends, thereby highlighting relatively subdued price pressures. In Wales, cost inflation was broadly unchanged since June. Meanwhile, price increases by private sector companies in Wales and the English regions were only marginal in July, with some firms suggesting that strong competition for new work and efforts to gain new clients had constrained prices in the latest survey period.

David Oldfield, Managing Director, SME & Mid Markets Banking, Lloyds Banking Group, said: “Private sector business activity across the English regions in July was the strongest on record, and Wales also saw the sharpest rise in activity for almost four years. This superb result for businesses should help to bolster confidence in the economy both at home and abroad.

“These findings suggest that the upturn in economic growth seen through the summer has strengthened right across England and Wales, and the strong rise in levels of new work also hints that this momentum should continue through the third quarter of the year.

“Most importantly, all regions across England and in Wales have seen a return to job creation, as companies look to meet greater business requirements and confidence increases in the wider economic outlook.”

PMI Business Activity (Output) Index



Heat map, July 2013



Darker colours show faster growth in business activity.

Compiled by Markit for Lloyds TSB Commercial, 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 PMIs are based on data compiled in July 2013. 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 Wales PMI® features original survey data collected in July 2013 from a representative panel of companies based in Wales and operating in both manufacturing and service sectors.

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® (PMI®)* please contact Andrew McIntyre on 0131 655 5397 or Andrew.mcintyre@lloydsbanking.com

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