

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI®: STRONG BUSINESS ACTIVITY GROWTH CONTINUES ACROSS ENGLAND AND WALES

- Business activity increases in all nine English regions during May
- Welsh output continues to rise, but at a slower pace than previous months
- Solid growth in private sector employment continues across England and Wales

Private sector output growth across England and Wales continued in May, according to the **Lloyds Bank Regional Purchasing Managers' Index® (PMI®)**. Greater investment spending, rising consumer confidence and robust demand from the construction sector have contributed to business activity growth, according to survey respondents.

Output growth picked up to a five-month high across the English regions as a whole, with the index rising from 59.3 in April to 59.8 in May. The latest reading pointed to a strong overall rise in business activity, which extended the current period of expansion to 19 months. Anything above 50 represents expansion from the previous month.

Across Wales the business activity index registered 58.2 in May, to signal growth for the twenty-second month in a row. However, the index was down from 60.2 in April, the slowest rate of expansion since January.

For the first time in almost four years, the North East (63.5) was the best performing English region, followed by the South East (60.8) and London (60.4).

Strong output growth across England and Wales was again supported by greater inflows of new work. London maintained its place as the best performing region in terms of new business growth. Anecdotal evidence indicated that improving domestic economic conditions continued to underpin new contract wins in May.

May saw solid increases in staffing levels among private sector companies across England and Wales, reflecting rising workloads and optimism about the business outlook. Job creation was strongest in the North West, with the pace of employment growth reaching a survey-record high for the region.

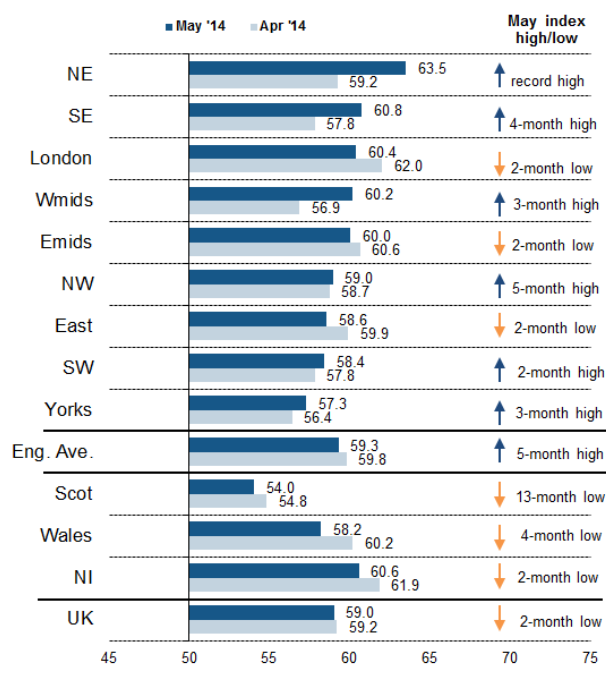
Meanwhile, average costs increased across England and Wales during May. Some firms cited higher staffing costs and greater raw material prices. However, inflation in the prices charged to customers remained relatively subdued.

Tim Hinton, Managing Director, SME & Mid Markets Banking, Lloyds Banking Group, said: "Companies in England and Wales have been experiencing a sustained improvement in business conditions through the second quarter of the year. Greater investment spending, resilient consumer confidence and improving underlying economic conditions are all contributing to increased private sector activity."

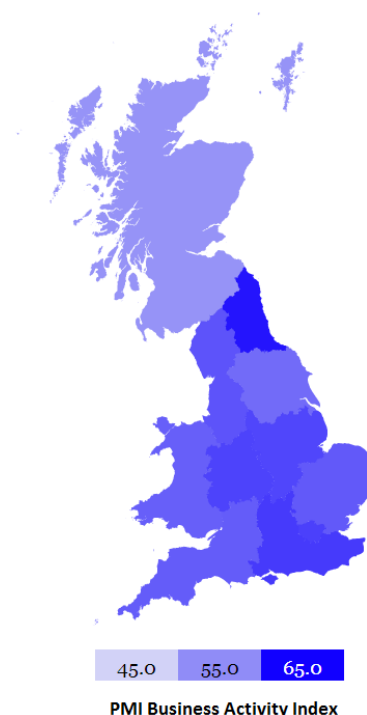
“It is notable that the North East topped the regional growth table for the first time in nearly four years in May, suggesting a more geographically balanced recovery. The solid rise in employment levels across all regions also bodes well for business confidence.”

– Ends –

PMI Business Activity (Output) Index



Heat map, May 2014



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 May 2014. 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 May 2014 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 Zoe Redhead on 0131 655 5405 or zoe.redhead@bankofscotland.co.uk

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