

LLOYDS BANK



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LLOYDS BANK ENGLAND AND WALES REGIONAL PMI®: BUSINESS ACTIVITY AND EMPLOYMENT GROWTH CONTINUES IN JUNE

- Private sector output shows sharp rise across England and Wales
- English regions report the strongest overall job creation since the indicator began in 2001
- London and the East of England see the steepest increases in employment

Business activity and employment levels rose once again during June across England and Wales, according to the **Lloyds Bank Regional Purchasing Managers' Index® (PMI®)**. The latest figures indicate that manufacturers and service providers experienced a strong end to the second quarter of 2014, with job creation and higher levels of business activity driven by stronger customer spending patterns in June.

Businesses cited improving economic conditions as a reason for their growth, combined with greater optimism in consumer spending and the wider economic outlook. Some firms also reported greater levels of construction-related demand, particularly from the housing sector, helping to boost business activity.

The seasonally adjusted index measuring overall business activity across the English regions hit 58.5 in June, remaining higher than the 50.0 mark for the twentieth successive month. Any reading above 50.0 represents an overall expansion of private sector output. A small fall in the index from 59.8 last month suggests that the pace of growth has slowed slightly from its recent peak to the weakest since March.

Companies across the North East (64.8) saw the strongest output expansion, followed by those based in the South West (59.4). Meanwhile, the West Midlands (57.6) was the weakest performing of the nine English regions.

In Wales the business activity index picked up from the four-month low seen in May (58.2) to reach 59.3 in June.

Strong new business growth was maintained across England and Wales in June, with London the best performing region in terms of new business gains (63.0) – the strongest expansion in 2014 so far.

Sustained rises in business activity and new orders over the first half of the year led to the private sector recruiting more staff in England and Wales. Across the English regions as a whole the latest expansion of employment levels (58.3 in June) was the strongest since this was tracked in 2001.

London (59.7), the East of England (59.6), the South East (58.9), Yorkshire & Humber (58.5) and the West Midlands (57.2) all saw the strongest rise in staff numbers for over 13 years during June.

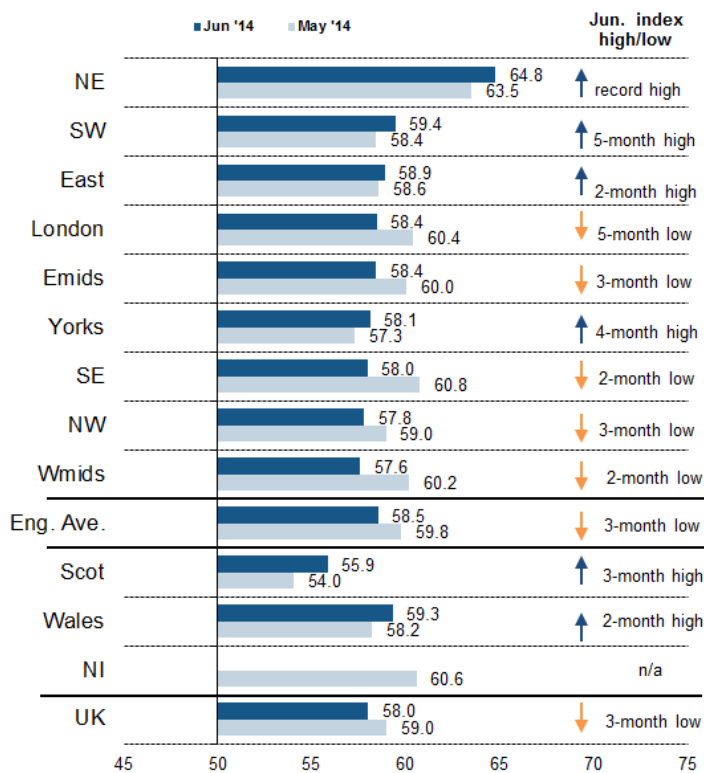
Meanwhile, input cost inflation remained relatively subdued in June, with weaker increases in input prices than the long-term trend across all of England and Wales. Moderate rates of output charge inflation also persisted in June, although London bucked the wider trend by recording an outright fall in average tariffs for the first time since May 2013.

Tim Hinton, Managing Director, SME & Mid Markets Banking, Lloyds Banking Group, said: “June’s survey rounds off a strong second quarter for both manufacturing and services companies with robust improvements in overall business conditions and an encouraging rise in employment levels.

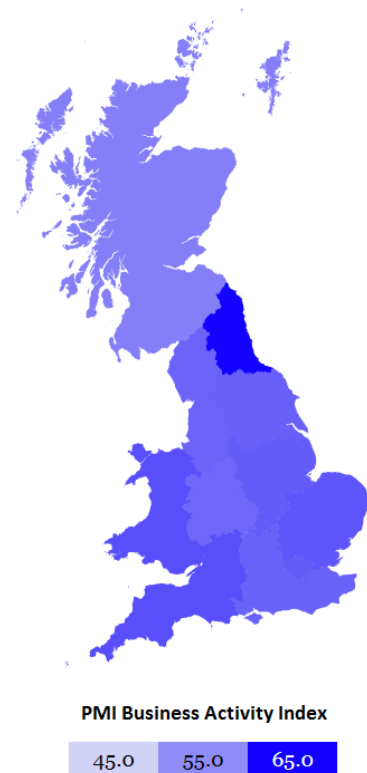
“Efforts to boost capacity and investment spending indicate that businesses are increasingly confident that economic conditions will continue to improve in the second half of the year.”

– Ends –

PMI Business Activity (Output) Index



Heat map, June 2014



Darker colours show faster growth in business activity.

– Ends –

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 June 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 June 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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