Classification: Public

LLOYDS BANK

PRESS RELEASE
EMBARGOED UNTIL 00:01 ON 14 DECEMBER 2020

UK economic recovery behind global benchmark but outlook brightens after vaccine breakthrough

- *The UK's economic recovery from Covid-19 remained behind the global benchmark in November, with tourism and recreation businesses falling furthest behind.*
- *Total UK private sector output fell at a much slower pace than in Q2 2020 during November, as the latest lockdown measures hit consumer facing sectors and their suppliers hardest.*
- *Ten out of fourteen UK sectors recorded output growth in November, with the biggest month-on-month upticks seen among manufacturers of technology equipment and household goods.*
- *News of effective coronavirus vaccines boosted confidence in firms' 12-month outlook to heights not seen since the start of the pandemic.*

The pace of the UK's economic recovery remained behind the global benchmark in November, according to the latest Lloyds Bank UK Recovery Tracker. However, news of the first effective coronavirus vaccine buoyed business confidence for the year ahead.

The Tracker, working with IHS Markit, provides unique insight into the shape and pace of the UK's recovery following the disruption caused by Covid-19.

UK sectors remain behind global benchmark, but ahead of Europe

Eight of the fourteen UK sectors monitored by the Tracker were behind the global index during November, the same number as in October.

Tourism and recreation businesses were furthest behind the equivalent global benchmark, with a reading of 15.6 against the global benchmark for the sector of 44.0 as the national lockdown in England came into force. A reading above 50 signals output is rising, while a reading below 50 indicates output is contracting.

The beverages and food sector (39.9) also fell further behind the equivalent global benchmark (52.4) in November, with producers citing a fall in orders from pubs and restaurants.

Real estate (40.6) and transportation (47.5) were the only other UK sectors monitored by the Tracker to register an outright decline in output during November. Lockdown measures compounded the fall in demand for commercial property rentals and public transport, as more people worked from home.

While the UK overall remained behind the global benchmark in November, it still outperformed the European benchmark, with 12 of the 14 UK sectors monitored by the tracker reporting a stronger output performance. Only tourism and recreation and beverages and food were behind the European average.

Manufacturing firms help stop UK output falling to Q2 low

UK national output fell for the first time in five months during November (49.0). However, the fall was not as steep as the drop measured in March (36.0), April (13.8) and May (30.0), during the first national lockdown.

This is partly due to manufacturers being able to operate as normal during the latest series of lockdown measures across the UK. Domestic manufacturers outperformed services businesses for a ninth consecutive month in November. Metals and mining led the growth rankings for the third month running (70.7), with automobiles and auto parts in second place again (63.3).

LLOYDS BANK

Ten of the fourteen sectors monitored by the tracker saw overall output growth during November, with six recording faster output growth month-on-month. The biggest uptick was seen among technology equipment manufacturers (61.3 vs 52.7 in October) and producers of household products (52.7 vs. 45.0 in October). The rise in UK technology equipment output mirrored a worldwide rebound in the sector during November, led by the recovery of the global semiconductors industry, which improved trade flows and boosted demand.

Manufacturers indicated that rising output was partly driven by higher export orders in November, as European clients brought forward purchases before the end of the Brexit transition period. The 31 December deadline also caused stockpiling at factories for the first time since October 2019.

Vaccine news boosts business optimism for 2021

While national output fell in November, news of the first effective coronavirus vaccine made UK companies more optimistic about the UK's recovery in November. In fact, business optimism about the coming 12 months was the highest recorded since the start of the pandemic.

The number of UK businesses linking news of an effective coronavirus vaccine to an expected rise in their output over the next year was more than five times higher than in October. This index was by far the highest recorded in the UK Recovery Tracker's history.

The improved outlook was greatest among the sectors most affected by Covid-19 lockdown measures. Almost two thirds (64%) of tourism and recreation firms and more than two fifths (43%) of real estate businesses predicted their output would rise in the next 12 months, up from 41% and 30% respectively in October.

The software and services sector also registered a large uptick in confidence month-on-month (69% anticipate growth vs 55% in October) and now has the most positive outlook for the next 12 months of all 14 sectors monitored by the Tracker, followed by healthcare (68% vs 63% in October).

Jeavon Lolay, Head of Economics and Market Insight, Lloyds Bank Commercial Banking, said: "While the performance of UK services businesses has been acutely affected by the tightening of restrictions and national lockdown measures, there were also positive signs of resilience for the broader economy as a range of sectors reported stronger growth in November. It shows that not only were the mandatory restrictions less onerous than in the spring but that businesses have also adapted well during the pandemic.

"The news of an effective vaccine saw business expectations improve markedly last month, potentially helping to reverse the fortunes of consumer facing industries that have borne the brunt of Covid-19 restrictions. The start of vaccinations in December should help sustain and hopefully bolster this increase in confidence for the year ahead."

Ed Thurman, Managing Director, Global Transaction Banking, Lloyds Bank Commercial Banking, added: "It's encouraging to see news of a viable vaccine boost business confidence for the next 12 months. We are nearing the end of a year that has forced firms to dig deeper than ever before and lean on the resilience and innovation they have always shown in the face of adversity.

"But we are not out of the woods yet. The rollout of the vaccine will take time, and the path of the UK's recovery from Covid-19 will continue to be determined by a far-reaching set of factors, including the end of the Brexit transition period on December 31st."

ENDS

For more information please contact:
Laura Brodkin:
07939 566 017

Siobhan McCluskey

LLOYDS BANK

07795 611 179

Notes to Editors

Methodology

The Lloyds Bank UK Recovery Tracker includes indices compiled from responses to IHS Markit's UK manufacturing, services and construction PMI® survey panels, covering over 1,500 private sector companies.
The report also features IHS Markit Global Sector PMI indices, which are compiled by IHS Markit from responses to questionnaires sent to purchasing managers in IHS Markit's global PMI survey panels, covering over 27,000 private sector companies in more than 40 countries.
IHS Markit maps individual company responses to industry sectors according to standard industry classification (SIC) codes, covering the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology sectors across varying tiers of detail.
The Lloyds Bank UK Recovery Tracker monitors the following 14 individual UK and Global sectors:
Chemicals, Metals & Mining, Automobile & Auto Parts
Beverages & Food, Household Products, Tourism & Recreation, Banks, Real Estate, Healthcare, Industrial Goods, Industrial Services, Transportation, Technology Equipment, Software & Services

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. Global survey responses are weighted by country of origin, based on sectoral gross value added. A diffusion index is calculated for each survey variable.
The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.
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. In particular, central banks in many countries use the data to help make interest rate decisions. 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.
For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit
IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.