

UK MANUFACTURING EXPORTS FALL DESPITE STRONG DEMAND FOR CONSUMER GOODS

- *UK exports fall in Q4 2019 amid slowing economic growth in key European markets*
- *Strong overseas demand for UK consumer goods softened the blow for UK Manufacturing*

Overseas demand for British luxury goods, homeware and sports and leisure products helped an index of UK manufacturing exports recover from a seven-year low in the final quarter of 2019, according to Lloyds Bank Commercial Bank.

While UK manufacturing exports fell for the third quarter in a row in Q4 of 2019, according to the Lloyds Bank International Trade Index, growth in consumer goods exports slowed the rate of decline.

The Index, compiled in partnership with IHS Markit, posted a reading of 47.9 for new manufacturing export orders in Q4, up from 46.5 in the third quarter, which was the weakest for seven years. A reading of above 50 indicates growth, while one below 50 signifies a decrease.

A reading of 51.0 was measured for consumer goods in Q4, up from 48.2 in Q3. The growth was driven by 'other manufacturing' exports, which includes sports and leisure equipment, homeware and hard luxury items, such as jewellery.

'Other manufacturing' is the only manufacturing export category measured by the Index where new orders grew throughout 2019.

Meanwhile, UK services exports contracted at the fastest rate in five years in Q4 2019, with an Index reading of 46.5. Service businesses surveyed by Lloyds Bank attributed the fall to delayed decisions from overseas clients ahead of the UK's departure from the EU.

Financial services, together with transport and communications services, bucked the trend, with exports increasing between October and December.

Transport businesses benefitted from a bout of inventory stockpiling by UK firms in Q3, but slowing economic growth and lower demand in European export markets contributed to the fall in overall UK trade volumes in the final quarter of 2019.

The economies of Germany and the Netherlands – two of the top five destinations for UK exports – contracted for the first time in six-and-a-half years according to IHS Markit surveys in Q4. Weaker economic conditions were also recorded in Italy, Austria, Poland and the Czech Republic.

Gwynne Master, managing director and global head of trade for Lloyds Bank Global Transaction Banking, said: "Last year was a challenging period for UK exporters, so it's encouraging to end 2019 with a strong outing for British consumer goods, alongside financial services and transport and communications services exports.

"The pull of Brand Britain and favourable sterling exchange rates helped exports of premium British products grow consistently last year, while new orders for other UK goods and services fluctuated in the face of political and economic uncertainty.

"The landscape for exporters is constantly changing, even as the UK enters 2020 on a firmer political footing. We will be by the side of businesses as they navigate changing global environments and work to take advantage of new opportunities."

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You can download the full report via www.lloydsbank.com/commercialbanking.

Notes to editors

- The Lloyds Bank International Trade Index, written in partnership with IHS Markit, sheds light on international trade conditions to help British businesses trade internationally and navigate export markets. It brings together key export growth and supply chain indicators to provide timely insights into the challenges and opportunities for exporting.
- Methodology: The UK International Trade Index is compiled by IHS Markit and based on the results of surveys covering over 25,000 purchasing executives in over 40 countries. Together these countries account for an estimated 95% of global manufacturing output and more than 75% of global service sector gross value added. Questions are asked about real events and are not opinion based. An index reading above 50.0 indicates an increase in the variable since the previous month and below 50.0 a decrease. All charts and commentary relate to a quarterly rolling average of monthly index readings.
- *The 'Other manufacturing' category includes: Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal / Furniture; bedding, cushions etc.; lamps and lighting fittings nesoi; illuminated signs, nameplates and the like; prefabricated buildings / Toys, games and sports equipment; parts and accessories thereof.

The UK Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a representative panel of around 600 manufacturers. The UK Services PMI® is compiled by IHS Markit based on original survey data collected from a representative panel of around 700 companies based in the UK service sector. The panels are stratified by detailed sector and company workforce size, based on contributions to GDP. Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. Data is presented in the form of diffusion indices, where 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.

About Lloyds Bank

- Lloyds Bank Commercial Banking provides comprehensive expert financial services for small businesses, mid-sized businesses and multinational corporations.
- 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 to its clients.
- Lloyds Bank Commercial Banking offers a broad range of finance beyond 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.