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PRESS RELEASE

TOURISM AND RECREATION JOINED OTHER UK SECTORS OUTPACING GLOBAL RECOVERY TRENDS IN AUGUST

- *13 of the 14 UK sectors tracked by Lloyds Bank's UK Recovery Tracker were ahead of the global recovery benchmark in August.*
- *Transport was the only UK sector to report a decline in output in August, with automotive, healthcare, chemicals and tourism and recreation experiencing the fastest increases in output.*
- *However, a month-on-month comparison reveals the output growth of seven UK sectors, including metals and mining, beverages and food and household products, is starting to slow.*
- *At an international level, UK output growth outpaced other countries in Europe in August following historic lows in Q2 2020.*

Tourism and recreation joined 12 other UK sectors that are outperforming their international counterparts on a series of metrics tracking recovery from Covid-19 in August, according to Lloyds Bank.

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

The output of UK businesses in 13 of the 14 sectors monitored by the Tracker increased in August, up from 12 sectors in July as tourism and recreation returned to growth for the first time since February.

The sector, which includes hotels, restaurants and leisure facilities, posted a PMI reading of 60 August, up from 45 in July. A reading of above 50 signals output is rising, while a reading below 50 indicates output is falling. Restaurants reported support from the Government's Eat Out to Help Out scheme, which is due to end in September, and businesses that focus on domestic tourism reported a benefit from an increase in people taking staycations.

Tourism and recreation joined automobiles and auto parts (77) and healthcare (71) as the sectors furthest ahead of global benchmarks during August. The UK automotive industry registered the fastest growth of all sectors as manufacturing plants increased their capacity and consumer demand rebounded. Healthcare output growth was driven by the restart of private health services and robust demand for pharmaceuticals, PPE and other healthcare products. Chemicals (62) also recorded a strong rise in production volumes.

While the vast majority of UK sectors outperformed their international counterparts in August, this should be viewed in the context of the historic lows recorded during the second quarter of 2020. All 14 UK sectors monitored by the Tracker underperformed against the global benchmark in April.



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Many tourism and recreation businesses only started to operate again in July, which helped make the sector's August rebound in output so sharp.

Travel restrictions and the continued use of work-from-home policies by businesses meant transport (44) was the only sector to fall behind the global benchmark of recovery in August and register an outright decline in output.

Number of UK sectors reporting faster output growth falls from 12 to seven in August

In July, 12 of the 14 sectors monitored by the Tracker reported their output rose at a faster pace month-on-month, but in August only seven of the 14 reported that this was the case. This indicates the momentum behind the recovery of some UK sectors is already starting to slow after a sharp rebound in output from the historic lows recorded during Q2 2020.

Metals and mining saw the largest month-on-month decrease in August (59 vs 75 in July), after topping the rankings in July. Beverages and food (56 v 63) and household products (58 v 64) also recorded weaker output growth than in July, suggesting that the recent expansion of domestic consumer demand following the easing of lockdown measures is starting to tail off.

UK recovery outpaces Europe in August

Private sector output grew across the majority of the globe in August. The World PMI rose to 52 in August from 51 in July, the fastest rate of economic growth in 17 months.

However, in Europe, output growth in Germany (54 v 55), France (52 v 57) and Ireland (54 v 56) slowed month-on-month, while Spain (48 v 53) and Italy (50 v 52) fell back into decline.

The UK bucked this downwards trend, registering accelerated output growth month-on-month in August (59 v 57) as its recovery from exceptionally low output levels in Q2 2020 continued.

Aside from the UK, the only other countries to see stronger output growth month-on-month were the United States (55 v 50), Russia (57 v 56.8) and China (55 v 54.5), indicating that a narrow group of nations underpinned global economic recovery in August.

Jeavon Lolay, Head of Economics and Market insight, Lloyds Bank Commercial Banking, said: "The headline findings of this month's UK Recovery Tracker paint a positive picture, with more domestic



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businesses outperforming their international counterparts during August. However, despite most UK sectors being ahead of the global benchmark, the data shows the recovery of some industries is starting to slow.

“When it comes to the UK’s performance, it’s worth noting that other European countries have already experienced a slowdown in their performance as they navigate further outbreaks of Covid-19 and additional measures to stop the pandemic’s spread. It will be interesting to see the picture in September when the Eat Out to Help Out scheme has ended and the impact of the ‘rule of six’ on sectors that rely on social interaction, such as tourism and recreation, is clearer.”

Ed Thurman, Managing Director, Global Transaction Banking, Lloyds Bank Commercial Banking,

added: “The continued signs of recovery measured by the Tracker shows the strength of British businesses as they continue to navigate a difficult and uncertain economic climate.

“I am encouraged by the resilience and ambition we have seen from businesses throughout this period to adapt and succeed. As they do so, the Recovery Tracker will help us support firms with insight on the evolving economic situation – and the challenges and opportunities it presents.”

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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.

In August, the sectors outperforming the global benchmark of output growth were: Chemicals, Metals & Mining, Automobile & Auto Parts, Beverages & Food, Household Products, Tourism & Recreation, Banks, Real Estate, Healthcare, Industrial Goods, Industrial Services, 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.



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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.

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