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PRESS RELEASE

UK Recovery accelerates as number of sectors in growth mode hits six-month high

- 11 out of 14 UK sectors reported output growth in March, the highest since September 2020 and up from six in February and three in January
- 10 out of 14 sectors were ahead of the global benchmark in March, up from two in February, as 12 sectors reported an increase in job creation, the highest since July 2018
- Transport output rose at fastest rate since January 2017, as operators experienced a surge in bookings. Meanwhile, UK automotive sector output contacted sharply

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The number of UK sectors reporting output growth rose to a six-month high in March, according to the latest Lloyds Bank UK Recovery Tracker, as businesses prepared for the end of the third lockdown.

The last time this many UK manufacturers and services firms were in growth mode was September 2020, two months before the start of the second national lockdown in November.

Services sector's improved performance bolsters economic recovery

The output of 11 of the 14 UK sectors monitored by the Recovery Tracker increased in March, up from six in February. Manufacturers of technology equipment (69.7), metals and mining products (64.3) and transport operators (62.8) recorded the strongest growth. A reading above 50 signals output is rising, while a reading below 50 indicates output is contracting.

Technology equipment manufacturing – which includes producers of specialist parts in smart devices, motor vehicles, computers and industrial machinery – recorded the strongest output growth for the second month in a row as international demand for components increased at the fastest pace for more than seven years.

Global demand for British technology helped UK manufacturing firms outperform services businesses for a thirteenth consecutive month. However, the gap between them narrowed as more UK services sectors recorded growth in March.

Transport was the best-performing services sector in March, with output rising at its fastest rate since January 2017 after contracting sharply in January (31.5) and February (43.5) this year. Firms, including airlines and rail and bus operators, said the rebound was driven by a surge in bookings for domestic travel ahead of restrictions easing, as well as increased demand for overseas travel as consumers anticipate the UK's vaccine rollout will make international holidays possible during 2021.

The output of the UK software (56.6) and industrial services (60.5) sectors rose for the second consecutive month, with providers citing a rise in corporate spending on solutions that support both continued remote working and the reopening of offices in markets where restrictions are eased.

UK moves ahead of the global benchmark of recovery, as job creation rises

The rise in sectors registering output growth pushed the pace of the UK's economic recovery ahead of the global benchmark for the first time in six months during March. 10 of the 14 sectors monitored by the tracker were ahead of their global peers, up from just two in February.

12 of the 14 sectors monitored by the Tracker also reported an increase in job creation during March as lockdown restrictions eased – the highest number since July 2018.

Tourism and recreation and food and drink were the only sectors to report a fall in employment during March, with many firms yet to boost staff numbers ahead of the full reopening of UK hospitality in May.

UK manufacturers lose business to Europe

Six of the seven manufacturing sectors monitored by the Tracker still recorded output growth, with the output of three sectors returning to growth after contracting in February – metals and mining (64.3 in March vs 45.5 in February), chemicals (58.5 in March vs 45.4 in February) and household products (62.1 in March vs 46.8 in February).

Accounting for their rebound in performance, producers of chemicals and metals and mining products cited strong demand for manufacturing inputs, while producers of household products benefitted from resilient UK consumer spending and demand due to the reopening of non-essential retailers in England.

Automotive (46.4) was the only UK manufacturing category to register a contraction in output during March, with firms experiencing parts shortages and some overseas customers choosing to buy from

EU suppliers. The export orders index for the UK automotive sector was 50.9 during March, which compared with the European benchmark of 66.5.

While overall UK manufacturing exports rose month-on-month, only technology equipment manufacturers outperformed their European peers on new export orders during March. At the other end of the scale, food and drink producers saw a decline in new business from abroad for the third month running in March (47.4) and the downturn contrasted with a strong recovery elsewhere in Europe (56.0).

Jeavon Lolay, Head of Economics and Market Insight, Lloyds Bank Commercial Banking, said: "The UK's recovery is clearly accelerating, as the economy continues to open up after a tough lockdown and optimism builds.

"It is particularly promising that so many UK sectors reported output growth in March, ahead of the re-opening of non-essential shops and client-facing services in England last week. It suggests that GDP growth picked up further in March and bodes well for the coming quarter as restrictions are hopefully further eased.

"The recovery in hiring across the majority of UK sectors represents a key signal of returning business confidence, which I would expect to continue to strengthen and broaden as restrictions are lifted and the pace of growth really takes off."

Scott Barton, Managing Director, Corporate and Institutional Coverage, Lloyds Bank Commercial Banking, added: "Business activity is clearly more upbeat than expected and offers confidence for a sharp upturn ahead. The situation will be a considerable relief, especially for the hardest hit sectors of the economy which hopefully stand to play a leading role in the recovery. The fact that the majority of sectors reported increased hiring is another very promising sign for the outlook."

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Notes to editors

Working with IHS Markit, the Tracker provides unique insight into the shape and pace of the UK's recovery from the disruption caused by COVID-19.

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 March, the UK sectors recording output growth were: Chemicals, Metals & Mining, Beverages & Food, Household Products, Banks, Healthcare, Industrial Goods, Industrial Services, Transport, Technology Equipment and Software & Services.

In March, the sectors outperforming the global benchmark of output growth were: Chemicals, Metals & Mining, Beverages & Food, Household Products, Tourism & Recreation, 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.

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