



PRESS RELEASE

All UK sectors now in growth mode for the first time since August 2018

- All 14 sectors monitored by the UK Recovery Tracker reported output growth in April, up from 11 in March and for the first time since August 2018
- Technology equipment manufacturing was the best performing UK sector, while tourism and recreation output returned to growth for the first time since August 2020
- UK firms' growth expectations for the next 12 months were ahead of their global counterparts

The number of UK sectors reporting output growth rose to pre-pandemic levels for the first time during April, according to the latest Lloyds Bank UK Recovery Tracker, as the third national lockdown restrictions began to be lifted.

The output of all of the 14 UK sectors monitored by the Tracker increased in April, up from 11 in March, and for the first time since August 2018.

Manufacturing sectors lead UK recovery

Manufacturers of technology equipment (67.7) and metals and mining products (66.3) recorded the strongest output growth for the second month in a row during April. A reading above 50 signals output is rising, while a reading below 50 indicates output is contracting.

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Technology equipment manufacturers – which includes producers of specialist parts in smart devices, motor vehicles, computers and industrial machinery – continued to benefit from high international demand for components. Manufacturers of metals and mining products benefited from global raw materials shortages and surging commodity prices.

Industrial services (60.3) – which include providers of commercial and professional services – was the best-performing UK services sector during April. Firms in the sector, alongside software services (54.4) providers, cited a steep rebound in corporate spending on projects that had been delayed during lockdown and strong demand for business services in support of new investment initiatives.

Tourism and recreation bounces back

Meanwhile, during April, the output of UK tourism and recreation (51.9) businesses rose for the first time since August 2020 following the reopening of outdoor dining at pubs and restaurants. Hospitality businesses also cited a spike in forward bookings in anticipation of lockdown measures easing further.

Similarly, the real estate (53.6) sector also returned to growth during April as firms benefited from offices reopening and favourable conditions in the residential property market.

Automotive manufacturers (50.1) reported a rise in output in comparison to March (46.4), but the increase was marginal and took the sector only slightly above the 50 mark that signals growth. It was the worst performing sector monitored by the Tracker during April, as firms continued to struggle with semiconductor shortages and some overseas customers choosing to buy from EU suppliers post-Brexit. The export orders index for the UK automotive sector was 50.3 during April, which compared with the European benchmark of 62.9.

UK firms' growth expectations ahead of global pack, despite rising inflation

Turning to the Tracker's measure of expected output, for 13 of the 14 UK sectors monitored, readings for anticipated output growth over the next 12 months were higher than their global peers, as the UK's progress out of lockdown and COVID-19 vaccination programme continued to outpace other countries.

Only real estate was behind the global index by this measure, largely due to offices in the US services sector reopening at a faster pace than the UK.

Firms' positive outlook came as inflation caused UK businesses, during April, to experience the sharpest rise in input costs since February 2017. In response, firms in every sector monitored by the Tracker – apart from tourism and recreation – increased their prices. Chemicals producers recorded



the highest increase in prices due to surging demand for raw materials from the global manufacturing industry.

Jeavon Lolay, Head of Economics and Market Insight, Lloyds Bank Commercial Banking, said: “The UK’s recovery seems to have moved into the fast lane. The latest lifting of lockdown restrictions will only fuel a further boost to the already rapid pace of expansion at the start of this quarter.

“It’s no surprise that business optimism for the year ahead is strongest in consumer services on hopes that the re-opening of the economy will lead to a sharp rebound in demand. However, it will also be very interesting to see how UK manufacturers address ongoing supply chain strains as concerns about inflation continue to build.”

Scott Barton, Managing Director, Corporate and Institutional Coverage, Lloyds Bank Commercial Banking, added: “The pace of the UK’s recovery from COVID-19 is clearly accelerating, with all sectors now showing growth. While British technology manufacturers continue to lead from the front, it is particularly promising to see the tourism and leisure sector returning to growth after such a significant period of time. Consumer-facing businesses like pubs and restaurants have borne the brunt of COVID-19 restrictions, and will also be hopeful that the reopening continues as planned.

“Still, there has been so much dislocation in the economy that brighter recovery prospects will need to be balanced with careful business planning and nimble strategies to adapt to the changing situation”.

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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 April, the UK sectors recording output growth were: 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 April, the sectors outperforming the global benchmark of expected output growth were: Chemicals, Metals & Mining, Automobile & Auto Parts, Beverages & Food, Household Products, Tourism & Recreation, Banks, 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.

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