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# PRESS RELEASE

## UK recovery accelerates in May as tourism and recreation leads the way

- 11 out of 14 UK sectors reported faster output growth month-on-month in May, up from nine in April, as the UK moved further out of lockdown.
- The UK tourism and recreation sector recorded the sharpest rise in output growth as British hotels, pubs and restaurants experienced a release of pent-up consumer demand.
- Job creation hit pre-pandemic levels, with all 14 sectors reporting jobs growth in May and the tourism and recreation sector adding jobs for the first time since January 2020.
- However, all 14 UK sectors increased their prices in May, with chemicals and metals and mining producers increasing charges to the greatest extent.

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#UKRecoveryTracker

Businesses that have borne the brunt of COVID-19 restrictions helped the UK's economic recovery accelerate in May, according to the latest Lloyds Bank UK Recovery Tracker.

Eleven of the 14 sectors monitored by the Tracker reported faster output growth month-on-month during May, up from nine in April, as the UK moved further out of lockdown.



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The tourism and recreation (62.4 in May versus 51.9 in April) and transport (63.2 versus 53.5) sectors reported the sharpest rise in output growth month-on-month. A reading above 50 signals output is rising, while a reading below 50 indicates output is contracting.

The former – which includes pubs, hotels, restaurants and travel agents – and the latter – which includes bus and rail operators, and providers of logistics services – both benefited from a release of pent-up consumer demand and domestic travel resuming during May. However, what is unclear is the extent of the impact that the four-week delay to further easing of lockdown restrictions will have on these sectors.

While the output of every UK sector monitored by the Tracker grew for the second consecutive month in May, healthcare growth slowed most markedly month-on-month (52.5 versus 58.5), making it the worst performing sector monitored by the Tracker for the first time since April 2019. Some pharmaceutical businesses commented on a slowdown in client spending after the surge in order volumes earlier in the pandemic.

### **Job creation across every UK sector**

Tourism and recreation also reported an increase in employment for the first time since January 2020 as businesses benefitted from the relaxation of lockdown restrictions. Re-opening and pent-up consumer demand has already led to talk of labour shortages. However, it is likely that the delay to further easing of restrictions could see some reduction in hiring pressures – at least in the short term.

All 14 sectors monitored by the Tracker reported job creation during May, up from 12 sectors in April – the highest number since April 2015.

Manufacturers reported the strongest rate of job creation, with firms increasing their workforces to meet rising international demand for goods.

### **Record inflation may present challenge to UK recovery**

While output and job creation continued to improve in May, rising inflation indicated business conditions may be less benign in the coming months. Every sector monitored by the Tracker experienced a sharp rise in input costs during May, with the rate of inflation for manufacturers hitting a 29-year high.



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UK businesses increased their prices at the fastest rate since 1999 – posing challenges for the competitiveness of UK goods and services. Manufacturers of chemicals, and metals and mining products increased their charges to the greatest extent.

However, the Tracker also found early signs in May of an easing of supply chain disruption – a key driver of input cost inflation. The proportion of UK manufacturers citing shipping delays fell significantly month-on-month, from 23% in April to 16%, and reports of congestion at ports dropped from 37% to 24% in May.

**Jeavon Lolay, Head of Economics and Market Insight, Lloyds Bank Commercial Banking, said:**

“When we look at the pace of growth, sectors that have been acutely affected by COVID-19 restrictions are now outpacing sectors that have been able to operate more freely during lockdown.

“Whether the four-week delay to further easing of restrictions will impact this trend is unclear. But while the delay is understandably disappointing for many businesses, there’s no denying that the economy is now on a much sounder footing.

“Ahead of this week’s Bank of England Monetary Policy decision, the UK Recovery Tracker also provides some useful insights on underlying price pressures across the economy. While UK inflation jumped higher than expected in May and stronger demand saw more businesses pass on rising costs to their customers, it’s arguably still too soon to worry about inflation spiralling out of control.”

**Scott Barton, Managing Director, Corporate and Institutional Coverage, Lloyds Bank**

**Commercial Banking, added:** “May’s results show consumer demand is pushing the UK’s economic recovery forward. It’s particularly encouraging to see the performance of tourism and leisure businesses improve again.

“Even though the next step on the Government’s roadmap out of lockdown has now been delayed, we are hopeful that consumer-facing businesses will continue to recover over the summer months.”

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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 May, 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 May, the sectors outperforming the global benchmark of expected output growth were: Chemicals, Metals & Mining, Beverages & Food, Household Products, Tourism & Recreation, 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](mailto: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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