



# PRESS RELEASE

## FEWER UK SECTORS GROW AS STAFF SHORTAGES BITE

- Nine out of 14 UK sectors reported output growth in August, down from 12 in July, marking the lowest number since February when the UK was still in lockdown.
- Transport, metals and mining and chemicals sector output fell for the first time in six months due to the UK-wide shortage of haulage drivers
- Five sectors posted faster month-on-month output growth, up from four in July, led by food and drink and tourism and recreation
- Input cost inflation eased for the first time since January

The number of UK sectors reporting output growth fell to a six-month low in August, as the impact of labour shortages intensified, according to the latest Lloyds Bank UK Recovery Tracker.

Nine of the 14 UK sectors monitored by the Tracker saw output rise during August, down from 12 in July and the lowest number since February when the UK was still in lockdown.

Labour shortages and supply chain disruption caused the output of UK transport (42.9) businesses, chemicals (45.0) and metals and mining (47.9) manufacturers to each fall for the first time in six months. A reading above 50 signals output is rising, while a reading below 50 indicates contraction.

The output of transport firms was most acutely affected by recruitment challenges. Firms said their ability to complete orders was significantly reduced by a UK-wide shortage of haulage drivers.

The chemicals and metals and mining sectors also saw a contraction in output, as both sectors experienced longer supplier delays compounding the impact of raw materials shortages and supply chain disruption in overseas markets.

Overall, the haulage driver shortage combined with global supply issues caused UK manufacturing sector lead times to lengthen to the greatest extent since the peak of the pandemic in April 2020.

### **Consumer-facing businesses drive recovery**

However, the number of UK sectors that recorded stronger output growth month-on-month increased from four to five during August due to the strong performance of consumer-facing services businesses.

The output index for tourism and recreation (61.7 in August versus 55.3 in July) firms and food and drink manufacturers (53.7 in August versus 45.6 in July) rose most sharply month-on-month.

Tourism and recreation benefitted from the popularity of UK based breaks during peak holiday season and the change to Covid-19 restrictions, allowing fully vaccinated employees and customers to not have to self-isolate if they test negative for the virus.

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The output of food and drink manufacturers returned to growth, after contracting in July, due to firms experiencing increased orders from the hospitality sector and fewer employees needing to self-isolate.

#### **Record inflation eases for the first time since January**

Meanwhile, input cost inflation eased for the first time since January. Reduced price pressures were seen in eight of the 14 sectors monitored by the Tracker during August, up from 7 in July and just four in June.

Manufacturing sectors, including metals and mining, automobiles and auto parts and industrial goods, cited lower commodity prices for the easing of cost inflation, with falls in the price of key inputs, such as oil, iron ore and chemicals.

However, the overall rate of cost inflation was still the third highest in the Tracker's history, as UK firms continued to experience materials shortages and higher wage costs driven by recruitment challenges.

**Jeavon Lolay, Head of Economics and Market Insight, Lloyds Bank Commercial Banking, said:** "Labour availability is critical to the UK's recovery from Covid-19. August's data shows how staff shortages in one sector have a ripple effect across the whole economy. The lack of haulage drivers pushed transport sector output into contraction for the first time in six months, with manufacturers that rely on logistics firms to deliver key inputs unable to complete their orders as a result.

"Manufacturers are already facing into a challenging environment. Key import markets are still struggling with the delta variant and vaccination rates, contributing to significant supply side delays. And, while input costs did fall slightly last month, the rate of inflation is still in record territory, and points to a further pick up in UK CPI inflation in the coming months."

#### **Scott Barton, Managing Director, Corporate and Institutional Coverage, Lloyds Bank Commercial Banking, said:**

"The sectors most acutely affected by labour market pressures shifted in August. While manufacturers had to contend with the fallout of haulage driver shortages, the relaxation of self-isolation rules meant consumer-facing services businesses and food and drink manufacturers were able to take full advantage of summer demand after struggling with staffing in July.

"What's clear is that the UK job market remains in a period of flux. Businesses across every sector need to give greater attention to their hiring and staff retention policies to maintain growth."

**ENDS**

#### **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 August, the UK sectors recording output growth were: Automobile & Auto Parts, Beverages & Food, Household Products, Tourism & Recreation, Healthcare, Industrial Goods, Industrial Services, Technology Equipment, Software & Services.

The sectors recording faster output growth month-on-month were: Tourism and Recreation, Beverages & Food, Household Products, Healthcare and Automobiles & Auto Parts.

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 [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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