



PRESS RELEASE

UK HOSPITALITY BUSINESSES LEAD THE PACK, AS MANUFACTURING OUTPUT CONTRACTS

- Tourism and recreation output growth outpaced other UK sectors in September, with firms benefitting from strong demand and the easing of international travel restrictions.
- 10 out of 14 sectors reported output growth in September, up from nine in August.
- Materials and staff shortages caused the output of three key manufacturing sectors to contract.
- All 14 sectors increased prices due to higher input price inflation.

Hospitality businesses outpaced the rest of the UK economy for the first time in more than nine years during September, according to the latest Lloyds Bank UK Recovery Tracker.

Tourism and recreation (62.2) – which includes pubs, hotels, restaurants, leisure facilities and travel agents – was the fastest growing UK sector monitored by the Tracker for the first time since January 2012. A reading above 50 signals output is rising, while a reading below 50 indicates contraction.

The sector benefitted from strong consumer demand for large-scale events, such as concerts and music festivals, and the easing and simplification of international travel rules in England – which led to a rise in people booking holidays abroad and more tourists visiting the UK.

Transport operators also benefited from a loosening of travel restrictions and more people commuting, causing the sector's output to rebound sharply month-on-month (55.9 in September vs 42.9 in August).

In addition, tourism and recreation became the only services sector to record the strongest monthly output growth since before the pandemic. 10 of the 14 UK sectors monitored by the Tracker saw output rise during September, up from nine in August. However, there was a contrasting picture for manufacturing sectors. The output of automotive (44.5) manufacturers and metals and mining (49.2) and household goods (46.6) producers contracted sharply during September due to materials and staff shortages. As a result, services businesses outperformed manufacturers by the greatest extent since January.

Prices rise across every UK sector

Meanwhile, the rate of input cost inflation during September was the second highest in the Tracker's history, as energy prices spiked and demand for labour intensified.

This led all 14 UK sectors monitored by the Tracker to raise their prices, with transport operators and manufacturers of chemicals, food and drink, industrial goods and metals and mining products recording the sharpest month-on-month increases.

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Jeavon Lolay, Head of Economics and Market Insight, Lloyds Bank Commercial Banking, said: “While the number of sectors in growth mode increased last month, we are now firmly in an economic phase of recovery where big leaps in activity won’t happen every month. Tourism and recreation outpaced other sectors in September because it continues to benefit from relaxations in Covid-19 restrictions and resurgent consumer demand.

“As the UK economy continues to inch towards its pre-pandemic peak, logistical challenges, higher energy prices and uncertainty relating to the path of the virus as we head into winter are key risks. Policymakers will need to tread carefully in order to safeguard the recovery, with important fiscal and monetary policy decisions due in the coming weeks and months.”

Scott Barton, Managing Director, Corporate and Institutional Coverage, Lloyds Bank Commercial Banking, said: “The dramatic developments in the energy market in recent weeks represent yet another challenge for UK businesses and households.

“While manufacturers are bearing the brunt of supply chain pressures, most firms need to factor the likelihood of continued price pressure into their plans for months to come.”

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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 September, the UK sectors recording output growth were: Chemicals, Beverages & Food, Tourism & Recreation, Banks, Real Estate, Healthcare, Industrial Goods, Industrial Services, Transportation and Technology Equipment.

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

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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