LLOYDS BANK

PRESS RELEASE

NUMBER OF GROWING SECTORS HIGHEST IN 15 MONTHS

- **11 out of 14 sectors reported output growth in May, despite overall rate of output growth easing**
- **Demand grew in nine sectors – the most since February 2023**
- **Manufacturing output growth overtakes services for the first time in more than two years, as activity and demand growth spreads across goods producers**

More parts of the UK economy grew in May than at any time in the last 15 months, according to the latest Lloyds Bank UK Sector Tracker.

While the overall rate of output growth across the economy slowed marginally in May (53.0 vs. 54.1 in April), 11 out of the 14 UK sectors monitored by the Tracker reported output growth – up from eight in April and the most since February 2023.

Real estate saw output rise at the fastest pace (58.9 in May vs. 51.6 in April), followed by chemicals manufacturing (58.7 vs. 48.6). A reading on the Tracker above 50.0 indicates expansion, while a reading below 50.0 indicates contraction.

Broader growth was driven by more sectors experiencing rising demand. In May, nine sectors saw demand, as measured by new orders, increase. This was two more than in April (seven) and the highest number since February 2023. Chemicals manufacturers saw new order volumes expand at the fastest pace of any sector monitored (58.5 in May vs. 48.6 in April).

Manufacturing overtakes services, as growth and demand spreads

In May, the pace of the overall manufacturing sector's output growth overtook services for the first time since January 2022 (53.4 for manufacturing vs. 52.9 for services).

The Tracker's exclusive PMI data reveals that this was underpinned by a broadening of both output and demand growth in sub-sectors across manufacturing.

In May, five* of the seven manufacturing sectors monitored by the Tracker saw output expand, up from three in April. Meanwhile, four** saw demand grow (from two), as measured by new order volumes. The increase in both demand and output was the most that the sector has reported since February 2023.

Looking ahead, the number of manufacturers expecting output to be higher in a year's time was the most in 27 months. Producers also increased stocks of inputs for the first time in almost two years.

Nikesh Sawjani, Senior UK Economist, Lloyds Bank, said: "Having not grown in April, our latest UK Sector Tracker suggests that the economy moved back into growth mode in May. Our sector-level insight showed that growth broadened out to more parts of the economy – it's no longer concentrated in just one or two particularly fast-growing sectors."

Dave Atkinson, UK Head of Manufacturing, SME & Mid-Corporates, Lloyds Bank, said: "We're seeing broader manufacturing output growth reflected in stronger demand for our specialist products like hire purchase and leasing to fund new plant and machinery and more requests to support with decarbonisation initiatives.

“While building larger input inventories can help firms to quickly capitalise on further growth opportunities and weather any supply chain challenges during growth, it can also put pressure on working capital. Management teams will need to keep this in mind as they continue to plan their strategies.”

ENDS

Notes to editors

The majority of the UK Sector Tracker’s underlying data was collected before the general election was announced on May 22.

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Summary of sector performance in May:

***The manufacturing sectors with growing output were:** chemicals manufacturing (58.7), food and drink manufacturing (57.3), household products manufacturing (56.2), industrial goods manufacturing (55.5) and automobiles and auto parts (52.5).

****The manufacturing sectors with growing demand, as measured by new order volumes, were:** chemicals manufacturing (58.5), household products manufacturing (53.8), food and drink manufacturing (52.3) and industrial goods manufacturing (52.5).

All the sectors in output growth were: real estate (58.9), chemicals manufacturing (58.7), food and drink manufacturing (57.3), software services (57.2), household products manufacturing (56.2), industrial goods manufacturing (55.5), financial services (55.2), commercial and professional services (53.6), automobiles and auto parts manufacturing (52.5), transportation (51.0) and healthcare (50.9).

All the sectors in output contraction were: technology equipment manufacturing (42.3), tourism and recreation (44.2) and metals and mining (47.9).

All the sectors with growing demand, as measured by new orders, were: chemicals manufacturing (58.5), household products manufacturing (53.8), financial services (53.3), healthcare (53.2), commercial and professional services (52.6), food and drink manufacturing (52.3), industrial goods manufacturing (52.2), transportation (50.9) and software services (50.1).

All the sectors with contracting demand, as measured by new orders, were: tourism and recreation (42.6), automobiles and auto parts manufacturing (45.9), metals and mining (46.4), technology equipment manufacturing (47.2) and real estate (49.2).

Methodology

The Lloyds Bank UK Sector Tracker includes indices compiled from responses to S&P Global's UK manufacturing and services PMI® survey panels, covering around 1,300 private sector companies.

The Lloyds Bank UK Sector Tracker monitors the following 14 individual UK sectors: Chemicals, Metals & Mining, Automobile & Auto Parts, Beverages & Food, Household Products, Industrial Goods, Technology Equipment, Tourism & Recreation, Financial Services (this sector has been updated to include banks, insurance providers and other financial services firms), Commercial & Professional Services, Transportation, Software & Services, Healthcare and Real Estate,

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. 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@spglobal.com**

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