LLOYDS BANK

PRESS RELEASE

UK SECTOR GROWTH RESILIENT IN APRIL, DESPITE INCREASED COST PRESSURES

- **Eight out of 14 UK sectors saw output grow in April and seven reported demand growth**
- **One fewer sector reported output growth compared to March and the number reporting demand growth remained the same, showing resilience amid widening cost pressures.**
- **In April, every UK sector saw costs rise, the first time this has happened since December 2022.**
- **Based on past Tracker trends, April's results suggest that UK GDP could hold or grow in Q2.**

The number of growing UK sectors remained resilient in April, despite cost pressures spreading across the economy, according to the latest Lloyds Bank UK Sector Tracker.

In April, eight of the 14 UK sectors monitored by the Tracker saw output growth – one fewer than in March (nine), but still more than the monthly average in 2023 (seven).

Financial services, which includes banks, insurers, and investment services firms, posted the fastest output expansion (61.6 vs. 56.2 in March), followed by software services (55.3 vs. 56.6) and commercial and professional services (53.3 vs. 52.1).

In each of these sectors, output growth was supported by stronger customer demand, as measured by new orders.* In April, seven sectors saw demand grow – the same number as in March.

Cost pressures spread

These results came despite all 14 monitored sectors seeing their costs rise in April – three more than in March (11) and the first time every part of the UK economy has seen costs increase since December 2022.

Higher staff costs were cited as being a pressure in April by manufacturers (11.91 times the long-run average vs. 5.51 times in March) and service sector businesses (3.07 vs. 1.77 times in March). Shipping was also a key cost driver for manufacturers (cited by 3.56 times the long-run average of firms vs. 3.86 times in March).

The tourism and recreation sector – which includes pubs, bars and restaurants – experienced the sharpest rate of input cost inflation (77.9 vs. 69.6 in March).

Amid such widespread cost increases, 13 out of the 14 sectors monitored also raised their own prices – the most since January 2024 and two more than in March (11). Food and drink manufacturing was the only sector to reduce prices in April, albeit at a slower pace than the month before (48.9 vs.48.5).

Nikesh Sawjani, Senior UK Economist, Lloyds Bank, said: "As well as highlighting resilience, this month's data suggests that the economy entered Q2 on a solid footing.

“Past UKST data shows that since the pandemic, when more than half of sectors have begun the quarter in growth mode – as it has here – GDP has held or grown.

“That being said, the cost and price trends we’ve uncovered here will be something closely watched by the Bank of England as it considers its next steps with interest rates. Sustained cost pressure could mean more businesses have no choice but to raise prices, which could have a bearing on the overall inflation outlook.”

Scott Barton, Managing Director, Lloyds Bank Corporate and Institutional Banking, said: “It’s a testament to firms’ strength and flexibility that so many sectors are still achieving growth in what remain challenging conditions, particularly when it comes to costs.

“As we look to the months ahead, management teams will need to keep a laser focus on factors like supply chain performance, inventory, pricing strategy and working capital to ensure that they’re in the best position to weather headwinds, and capitalise on new opportunities.”

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Notes to editors

For more information, please contact:

Lorna Gilmour: lorna.gilmour@lloydsbanking.com / 0207 356 2374

Summary of sector performance in April:

Output growth: Financial services (61.6), software services (55.3), commercial and professional services (53.3), household products manufacturing (53.2), metals and mining (52.1), real estate (51.6), industrial goods manufacturing (50.6) and tourism and recreation (50.5)

Output contraction: Automobiles and auto parts manufacturing (37.8), technology equipment manufacturing (38.7), transportation (44.2), healthcare (46.4), chemicals manufacturing (48.6) and food and drink manufacturing (49.3).

***Demand growth:** Software services (57.9), financial services (57.8), real estate (55.7), metals and mining (54.6), commercial and professional services (54.1), transportation (51.1) and household products manufacturing (50.5).

Demand contraction: Automobiles and auto parts manufacturing (33.7), healthcare (39.9), technology equipment manufacturing (40.7), industrial goods manufacturing (45.0), food and drink manufacturing (45.0), tourism and recreation (46.3) and chemicals manufacturing (48.6)

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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