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UK sectors reporting demand growth rose to four in August

- **Lloyds' UK Sector Tracker reveals that demand grew in four out of 14 UK sectors in August – three more than in July.**
- **Four sectors saw output growth – consistent with July's number.**
- **Despite a rise in cost inflation, the full extent of cost pressures is not being passed on to customers.**

The number of UK sectors reporting demand growth in August rose to four – up from one in July – according to Lloyds' latest UK Sector Tracker.

Software and services (63.8), financial services (57.1), technology equipment manufacturing (52.5), and automobile and auto parts manufacturing (51.3) all saw demand, as measured by new order volumes, rise in August. This was the highest number of sectors to report demand growth since November 2024.

However, August also marked the twelfth successive month where demand softened in more than half of the 14 UK sectors tracked.

Software and services posted the fastest rate of demand growth as firms reported new client and contract wins, while expansion in both output and orders was seen in automobile and auto parts. The uplift in new orders was the sector's first since May 2023.

Output growth holds steady

Four sectors overall saw output grow in August – the same number as July. Software and services (65.2) and financial services (57.2) continued to expand and did so at a faster pace than the month before. They were joined by automotive and auto parts manufacturing (55.3) and industrial goods manufacturing (50.1). For a fifth successive month, software and services grew at the fastest rate of any sector monitored, with activity growth reaching a 40-month high.

Cost inflation rises but the full extent is not being passed on to charges

The overall rate of cost inflation rose to a three-month high in August, with eight sectors reporting that costs rose at a faster pace than the month before. Businesses also raised their prices, with seven sectors doing so faster than in July.

However, margin pressure – measured by the gap between costs and prices – remained the same as in July, indicating that firms [in 13 sectors] continued not to pass on the full extent of price rises to their customers. Food and drink manufacturers increased the prices they charged to their customers at a significantly slower rate in August (50.9 in August vs. 56.9 in July), despite their own cost inflation accelerating (64.0 in August vs. 57.6 in July).

Nikesh Sawjani, Senior UK Economist at Lloyds, said: "Our data indicates a broadening of demand growth across the UK economy. However, businesses' costs continue to rise, and the Tracker shows firms aren't passing the full extent on to customers. This could help moderate spikes in inflation for now, although businesses might reconsider their strategies if cost increases accelerate further or demand conditions improve."

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Ends

Notes to editors

Growing demand, as measured by new orders: Software services (63.8), financial services (57.1), technology equipment manufacturers (52.5), automobile and auto parts manufacturers (51.3)

Contracting demand, as measured by new orders: Food and drink manufacturing (49.9), tourism and recreation (48.5), real estate (48.2), industrial goods manufacturing (46.7), transportation (45.0), commercial and professional services (44.9), metals and mining (43.5), household products manufacturing (43.2), chemicals manufacturing (41.3) and healthcare (40.1)

Output growth: Software and services (65.2), financial services (57.2), automobile and auto parts manufacturing (55.3), industrial goods manufacturing (50.1).

Output contraction: Food and drink manufacturing (49.2), real estate (47.8), tourism and recreation (47.5), chemicals manufacturing (47.0), commercial and professional services (46.7), technology equipment manufacturing (46.9), transportation (45.9), household products manufacturing (45.3), healthcare (40.7), metals and mining (34.6).

Methodology

The Lloyds 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 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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