

More sectors report output growth in May

- **Four out of 14 UK sectors saw output grow in May – two more than in April**
- **Five other sectors experienced an easing on the rate of contraction**
- **However, margin pressures increased as weaker demand constrained businesses' ability to offset costs**

More parts of the economy saw higher activity levels in May, according to the latest UK Sector Tracker from Lloyds.

Four of the 14 sectors monitored by the Tracker grew in May – two more than in April. Software services expanded at the fastest pace (55.8), while food and drink manufacturing (51.1) grew for the first time since March. Of the four sectors that grew, these were the two sectors to see a rise in demand, as measured by new orders. A reading on the Tracker – which surveys around 1,300 private sector companies each month – above 50.0 indicates expansion, while a reading below 50.0 indicates contraction.

Of the 10 sectors where overall output fell, five recorded a reading on the Tracker's Output Index closer to the 50.0 level than the previous month, which signalled that the rate of contraction had eased. When read alongside the Output Index for the four growing sectors, this showed nine sectors recorded higher index levels in May – the most since August 2024.

Cost inflation improves but margin pressures intensify, as weak demand constrains pricing strategies

In May, the Tracker's composite measure of input cost inflation improved marginally (65.8 in May vs. 67.9 in April). Sectors that are more labour-intensive were the most exposed to cost increases, with tourism and recreation (79.3) reporting the sharpest rate of cost inflation.

Despite this, businesses raised their own prices at the slowest rate in five months. This was driven by weaker demand, which constrained their ability to offset cost pressures through price rises, leading to increased margin pressures.

Nikesh Sawjani, Senior UK Economist at Lloyds, said:

“This month's UK Sector Tracker provides tentative hope that the economy saw a rebound in activity in May with four sectors reporting output growth - two more than in April - while two sectors saw an increase in new orders, up from just one in April.

“While most sectors still face weak demand and rising costs are squeezing margins for businesses, the broader uptick in activity could suggest some early signs of renewed momentum.”

ENDS

For more information, please contact:

Lorna Gilmour: lorna.gilmour@lloydsbanking.com / 020 7356 2374

Notes to editors

Output growth: Software services (55.8), real estate (51.6), transportation (51.6) and food and drink manufacturing (51.1)

Output contraction: Financial services (49.3), commercial and professional services (49.2), tourism and recreation (48.8), industrial goods (45.9), healthcare (45.7), household products manufacturing (42.2), chemicals manufacturing (41.3), technology equipment manufacturing (40.5), metals and mining (36.7) and automobile and auto parts manufacturing (35.4).

Growing demand, as measured by new orders: Food and drink manufacturing (56.7) and software services (54.0).

Contact

Contracting demand, as measured by new orders: Commercial and professional services (49.1), transportation (49.0), technology equipment manufacturing (47.1), industrial goods manufacturing (44.3), real estate (44.3), household products manufacturing (42.9), financial services (42.3), tourism and recreation (41.5), chemicals manufacturing (41.0), healthcare (37.6), metals and mining (36.8), and automobiles and auto parts manufacturing (33.4).

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

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

Contact