

Output growth seen in fewer UK sectors, while more report stronger confidence in future growth

- Two out of 14 UK sectors said output grew in April – two fewer than March, one more than January.
- One sector, software services, reported demand growth.
- Although overall output growth expectations eased, the number of sectors reporting a higher level of confidence towards the outlook increased.

Two of the 14 UK sectors reported output growth in April, according to the latest Lloyds UK Sector Tracker.

Compiled using exclusive PMI survey data from around 1,300 private sector companies, the report shows software services (54.5) and real estate (50.4) saw an increase in output. This was two fewer than March but one more than the start of the year in January.

In addition, software services also saw demand, as measured by new orders, grow (53.3). However, this was one fewer than in March.

A reading on the Tracker above 50.0 indicates expansion, while a reading below 50.0 indicates contraction.

Output growth expectations

Although output growth expectations have eased across nine sectors, five reported an improvement in confidence in future growth, with automotive manufacturers reporting the strongest future output expectations (73.1 vs. 68.2 in March). Of the nine sectors that cited a fall in confidence, software services reported the biggest month-on-month change (63.8 vs. 77.5 in March).

The number of businesses mentioning that uncertainty was weighing on their future growth expectations was just over four times the long-run average.

Nikesh Sawjani, Senior UK Economist at Lloyds, said: “While this month’s UK Sector Tracker shows the ongoing impact of uncertainties around the global economy, firms continue to adapt to the changing trading environment. Recent events, including the recent interest rate cut together with progress in global trading agreements, could provide a base for further improvements in confidence.”

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For more information, please contact:

Lorna Gilmour: lorna.gilmour@lloydsbanking.com / 020 7356 2374
Calum Anderson: calum.anderson@citypress.co.uk / 0131 460 7922

Notes to editors

Output growth: Software services (54.5), real estate (50.4).

Output contraction: Commercial and professional services (47.9), financial service (47.5), household products manufacturing (47.2), technology equipment manufacturing (45.4), industrial goods manufacturing (45.3), transportation services (45.2), healthcare (43.3), chemicals manufacturing (42.6), food and drink manufacturing (38.7), tourism and recreation (37.8), metals and mining (36.8), automobiles and auto parts manufacturing (36.8).

Growing demand, as measured by new orders: Software services (53.3).

Contact

lorna.gilmour@lloydsbanking.com / 020 7356 2374 or calum.anderson@citypress.co.uk / 0131 460 7922

Contracting demand, as measured by new orders: healthcare (49.9), financial services (48.4), real estate (47.1), commercial and professional services (44.8), industrial goods manufacturing (44.8), chemicals manufacturing (43.3), transportation services (42.8), household products manufacturing (40.8), technology equipment manufacturing (40.1), metals and mining manufacturing (38.3), tourism and recreation services (37.3), food and drink manufacturing (34.8), automobile and auto parts manufacturing (27.1).

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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Contact