

NUMBER OF GROWING UK SECTORS HOLDS STEADY DESPITE ONGOING UNCERTAINTY

- **Four out of 14 UK sectors said output grew in March, holding steady month-on-month.**
- **The number of sectors reporting a rise in demand (as measured as new orders) also remained unchanged at two.**
- **Real estate services expanded for the first time this year, with firms citing an increased volume of property purchases ahead of the new Stamp Duty Land Tax thresholds.**
- **Sectors seeing increased cost pressures (10) cited higher staff and materials costs.**

The number of growing UK sectors held steady in March, according to the latest Lloyds UK Sector Tracker.

Compiled using exclusive PMI survey data from around 1,300 private sector companies (between 12th – 27th March), the report shows that four sectors saw output growth, the same number as in February.

Real estate services expanded for the first time this year, with firms citing a flurry of property purchases ahead of changes to Stamp Duty coming into force [on 1 April]. The other sectors reporting growth in March include food and drink manufacturing, software services and financial services.

While overall services reported an uptick in growth in March – due to rising demand in the financial services and software sectors – UK goods production fell. Six out of its seven manufacturing sectors monitored by the Tracker saw a drop in output.

Cost pressures

The number of sectors reporting increased cost pressures (such as materials and wages) rose marginally month-on-month (10 in March versus nine in February), and although the UK Composite PMI survey's overall measure of cost inflation fell (63.6), it remained slightly above its 2024 average (60.7).

As businesses continue to find ways to drive efficiency gains, seven of the fourteen monitored sectors increased their prices charged at a faster rate in March. Tourism and recreation, technology equipment, chemicals, and food and drink manufacturing reported the highest increases, largely due to materials and wages costs.

The performance of the growing sectors monitored by the Tracker helped to drive the Composite PMI reading for the UK economy up slightly in March to 51.5 (versus 50.5 in February). A reading on the Tracker above 50.0 indicates expansion, while a reading below 50.0 indicates contraction.

Nikesh Sawjani, Senior UK Economist at Lloyds said: “Amid ongoing geopolitical and macro-economic challenges, the number of sectors reporting month-on-month growth held steady at four. The fact that this has risen from one since the start of the year illustrates the hard work that businesses in all 14 sectors – including those who did not report growth this month – are doing to drive efficiencies, protect their bottom line, and safeguard customer loyalty.”

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Notes to editors

Output growth: Financial services (58.7), software services (57.7), real estate (55.1), food and drink manufacturing (50.1).

Output contraction: Commercial and professional services (49.3), industrial goods manufacturing (46.0), tourism and recreation (45.6), chemicals manufacturing (45.1), household products manufacturing (43.5), transportation (42.9), metals and mining (42.9), healthcare (42.4), technology equipment manufacturing (40.0), automobiles and auto parts manufacturing (37.3).

Growing demand, as measured by new orders: Software services (55.7), financial services (53.7).

Contracting demand, as measured by new orders: real estate (48.9), Commercial and professional services (46.9), food and drink manufacturing (46.3), industrial goods manufacturing (43.9), tourism and recreation (43.2), transportation (42.7), metals and mining (42.3), chemicals manufacturing (41.3), technology equipment manufacturing (41.1), household products manufacturing (39.5), automobiles and auto parts manufacturing (37.7), healthcare (35.0).

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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