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PRESS RELEASE

NUMBER OF UK SECTORS SHOWING FALL IN OUTPUT REACHES 18 MONTH HIGH

- Nine out of 14 UK sectors reported falling output in July – the highest number since January 2021
- Transportation and the tourism and recreation sectors recorded the fastest falls in activity as consumers reined in discretionary spending
- 13 out of 14 sectors reported lower input cost inflation amid easing supply chain pressures

The number of UK sectors reporting falling output approached levels not seen since periods of lockdown, according to the latest Lloyds Bank UK Sector Tracker.

Nine of the 14 sectors monitored by the Tracker saw their output contract (vs. four in June) – the highest number since January 2021.

The transportation sector (37.7), which includes airlines, hauliers and rail operators, was impacted by national rail strikes and staff shortages, resulting in the fastest fall in activity of any sector monitored.

In addition, ten sectors reported falling demand (vs. nine in June), representing the highest number since June 2020. An unwinding of post-pandemic pent-up demand and increases in the cost of living impacted tourism and recreation (40.3), which includes pubs, hotels and leisure facilities. A reading on the Tracker above 50 indicates expansion, while a reading below 50 indicates contraction.

However, the Tracker also showed a more positive position on supply chain pressures and input cost inflation, with both easing in July. Of the seven manufacturing sub-sectors monitored by the Tracker, fewer supplier delivery delays were seen in 5, (up from 4 in June), and reports of higher material prices fell to their lowest level since February 2021.

All but one of the 14 sectors reported a slower rise in input prices, up from seven in June, while nine out of 14 sectors reported a slower rise in prices charged to customers.

Jeavon Lolay, Head of Economics and Market Insight at Lloyds Bank Corporate and Institutional Banking, said: “Rising inflationary pressures are currently dampening activity and demand across the economy. This includes a consumer-led slowdown reflecting the fall in real incomes and ongoing supply constraints and staff shortages.

“However, more positively, while price pressures at the moment remain intense, it was encouraging that 13 of the 14 sectors monitored by the UK Sector Tracker reported a slower increase in input prices in July. This suggests that some of the underlying drivers of economy-wide inflation are subsiding. But for now, many firms will have little choice but to increase prices to help protect their margins.”

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Scott Barton, Managing Director, Lloyds Bank Corporate and Institutional Banking, said: “It’s welcome news to see improvements in supply chain momentum and moderating price pressures for some sectors. However, operating conditions remain challenging, particularly when it comes to demand.

“In this environment, strong working capital is critical. Without adequate liquidity, businesses will find it more difficult to weather further downturns in trading conditions. Managing how much money is tied-up in the day-to-day costs of doing business is a key way to help deliver the financial flexibility they’ll need.”

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Notes to Editors

The UK Sector Tracker (UKST) is an evolution of the Lloyds Bank UK Recovery Tracker. It uses PMI data from S&P Global to shed light on current trends in the UK economy.

The UKST builds on the core data set of the UK Recovery Tracker – evolving to deliver deep insight into the topics and themes most relevant to today’s economic environment as UK GDP returns to pre-pandemic levels.

Methodology

The Lloyds Bank UK Sector Tracker includes indices compiled from responses to S&P Global’s UK manufacturing, services and construction PMI survey panels, covering over 1,500 private sector companies.

The report also features S&P Global Sector PMI indices, which are compiled by S&P Global from responses to questionnaires sent to purchasing managers in S&P Global’s global PMI survey panels, covering over 27,000 private sector companies in more than 40 countries.

S&P Global maps individual company responses to industry sectors according to standard industry classification (SIC) codes, covering the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology sectors across varying tiers of detail.

The Lloyds Bank UK Sector Tracker monitors the following 14 individual UK and Global sectors: Chemicals, Metals & Mining, Automobile & Auto Parts, Beverages & Food, Household Products, Tourism & Recreation, Banks, Real Estate, Healthcare, Industrial Goods, Industrial Services, Transportation, Technology Equipment, Software & Services.

In April, the UK sectors recording output growth were: Chemicals, Metals & Mining, Automobiles & Auto Parts, Tourism & Recreation, Healthcare, Industrial Goods, Industrial Services and Technology Equipment.

In March, the UK sectors recording faster output growth month-on-month were: Metals & Mining, Healthcare, Transportation and Technology Equipment.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. Global survey responses are weighted by country of origin, based on sectoral gross value added. 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@ihsmarkit.com

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