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Lloyds UK Sector Tracker

14 October 2026

Conditions show broader improvement in September

8/14

UK sectors reported higher output in September

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In collaboration with S&P Global, the Lloyds UK Sector Tracker leverages their Purchasing Managers' Indices (PMI) to provide unique and exclusive insights into the UK economy at a more-granular industry level in a timely manner.

Survey data on 14 key 'fine' sectors is presented across a range of indicators such as output, new orders, employment, prices and output expectations to indicate the direction of change compared to the previous month.

By using comments from survey respondents, we are also able to assess the extent to which topical themes feature in their current thinking and expectations for the future.

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Foreword

Amid the ongoing conflict in the Middle East, the latest UK Sector Tracker continues to point to a resilient economy in September. Growth remained relatively broad, with output increasing across eight of the fourteen sectors monitored – the most for five months – while nine reported higher new orders, matching the broadest improvement since January. Employment also rose across half of the sectors, providing further evidence that, despite a challenging backdrop, activity across much of the economy is holding up.

There were notable pockets of strength. Automobiles & Auto Parts continued its strong run, recording its sixth expansion in seven months, while Healthcare saw its sharpest rise in new business for more than four years. Tourism & Recreation also reported an increase in sales for the first time since last October. Taken together, the data suggest that demand remains resilient across a broad range of sectors.

However, there were increasing signs that the persistence of the conflict – and the elevated level of energy and transportation costs – are having a greater impact on businesses. Input cost and selling price inflation both accelerated, with firms citing higher energy, fuel, shipping and transportation costs. References to transport costs were the highest since December 2021, while all seven manufacturing sectors raised their selling prices at a faster rate than the prior month for only the third time in nearly a decade.

These pressures are beginning to weigh on the outlook in some parts of the economy. Beverages & Food is a notable example. The sector recorded output growth through much of this year and, until the latest month, had enjoyed the longest run of consecutive new order growth of any sector other than Software & Services. However, the latest data showed both output and new orders falling sharply, alongside a marked rise in food-related input costs. Confidence also fell to its third-lowest level on record. While it is too early to conclude that higher costs are materially weakening demand, the shift is notable given the sector's relative strength through much of the year.

Domestic policy uncertainty is also rising ahead of the Budget. References to policy risk have increased, although remain less prominent than ahead of last year's statement, when firms frequently reported delaying spending and investment decisions. Importantly, there is less evidence of similar paralysis this time around, with activity and new orders growth considerably broader.

The coming months will provide an important test of businesses' resilience. Demand has so far held up relatively well against a difficult backdrop, but persistent geopolitical uncertainty, rising costs and the Budget are adding to the challenges facing firms – and will increasingly shape decisions on prices, investment and hiring.

"UK businesses continue to show resilience despite the ongoing conflict in the Middle East, with growth remaining relatively broad. However, persistent energy and transportation cost pressures are becoming more visible, with signs that they are starting to weigh on confidence and demand in some sectors, particularly in Beverages & Food manufacturing."



Nikesh Sawjani
Lloyds Market Insights
Corporate & Institutional

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The business cycle

Chart 1: Business cycle by sector

Output / Business Activity

Sep '26

X axis = Index, sa, >50 = growth m/m . Y = Change in Index vs. six-month average



Data were collected 10-28 September 2026.

Sources: Lloyds Banking Group, S&P Global PMI. © 2026 S&P Global.

Expansion

Sectors are expanding at a faster rate than the six-month trend. Sectors furthest right are growing at the strongest rate, and the highest sectors are seeing the greatest acceleration in growth.

Contraction

Sectors are contracting at a faster rate than the six-month trend. Sectors furthest left are contracting at the strongest rate, and the lowest sectors are seeing the greatest acceleration in the rate of decline.

Slowdown

Sectors are expanding at a slower rate than the six-month trend. Sectors furthest right are growing at the strongest rate, and the lowest sectors are seeing the greatest deceleration in growth.

Recovery

Sectors are contracting at a slower rate than the six-month trend. Sectors furthest left are contracting at the strongest rate, and the highest sectors are seeing the greatest deceleration in the rate of decline.

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Business activity

The number of sectors reporting higher business activity rose to a five-month high of eight in September, from seven in August. The latest data also signalled a shift in the composition of growth away from manufacturing and towards the services economy following a summer in which goods-producing sectors had provided much of the momentum.

Five of the seven services sub-sectors recorded higher activity. Software & Services (59.1), Healthcare (58.9) and Real Estate (58.2) all posted marked expansions. For Real Estate, this was the first increase since February, with firms citing new business wins and completed transactions. Transportation (52.0) and Commercial & Professional Services (50.8) also returned to growth, contrasting with marginal declines in Financial Services and Tourism & Recreation.

Automobiles & Auto Parts (59.5) recorded the fastest expansion of all fourteen sectors, continuing its strong performance in 2026. Technology Equipment (53.7) also increased production, extending its current run of growth to six months.

By contrast, Beverages & Food (33.8) recorded a substantial fall in production, with output declining at the fastest rate since May 2020. The sector nevertheless remained in expansion over the third quarter as a whole, suggesting September's weakness may partly reflect some payback following particularly strong growth over the summer. Even so, the scale of the decline stands out, particularly alongside renewed cost pressures across the food and drink supply chain.

Chart 2: Number of UK sectors reporting output growth rises to eight in September

Number of sectors reporting higher output (out of 14)

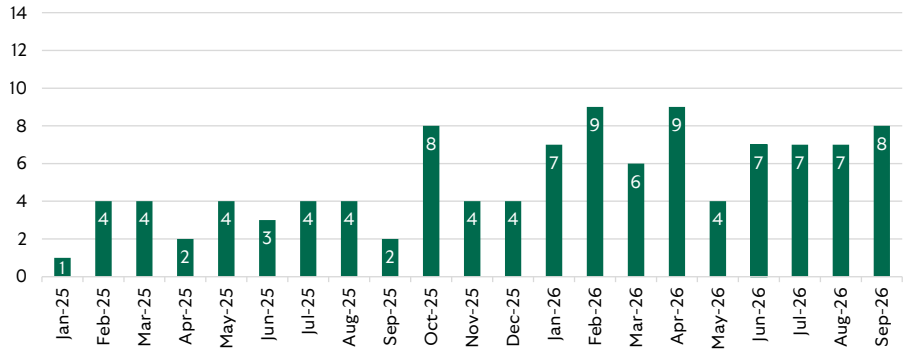
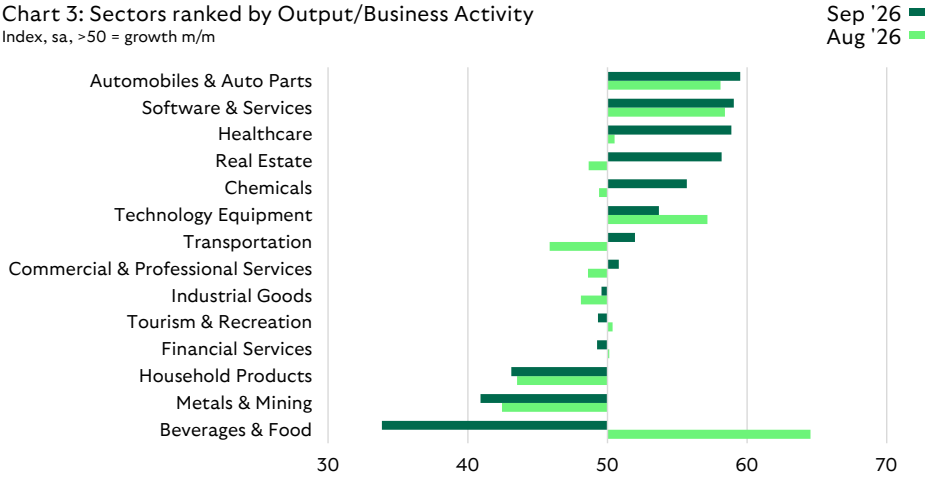


Chart 3: Sectors ranked by Output/Business Activity

Index, sa, >50 = growth m/m



Data were collected 10-28 September 2026.

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Demand and outlook

Nine of the fourteen sectors reported higher new business in September, unchanged from August. Growth accelerated in most cases, with the main exceptions being a slight loss of momentum in Software & Services (56.5) and a renewed downturn among Beverages & Food producers (39.8).

Healthcare (66.0) recorded the strongest increase in new business, followed by Real Estate (60.8), where demand expanded at the fastest pace since January 2024. Automobiles & Auto Parts (59.5) also posted a robust rise, supported by stronger export sales and extending its current sequence of new order growth to eight months.

Tourism & Recreation (50.5) recorded a more modest increase, but this was the sector's first rise in new business for eleven months. Panellists linked the improvement to increased corporate event bookings and higher consumer spending. Household Products (50.3) and Transportation (51.3) also returned to growth.

Despite this, nine sectors reported weaker output expectations. Panellists frequently linked softer confidence to renewed price pressures, particularly higher energy and transport costs. Recession concerns remained subdued, however, with the respective Comment Tracker below its long-run average for a third successive month. The strongest confidence readings were recorded in Automobiles & Auto Parts (75.0), Healthcare (71.9) and Software & Services (70.0), each of which also reported robust demand growth.

Chart 4: Sectors ranked by New Orders vs Future Output expectations — Sep '26

New Orders / New Business — Index, sa, >50 = growth m/m

Future Output / Future Business Activity — Index, >50 = growth expected

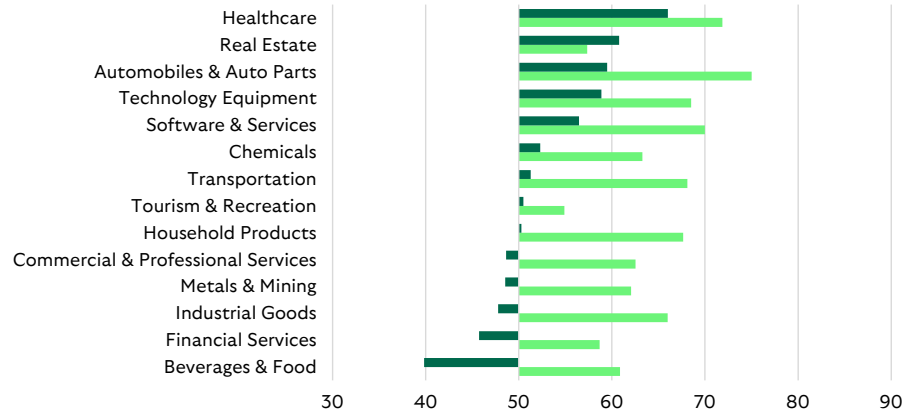
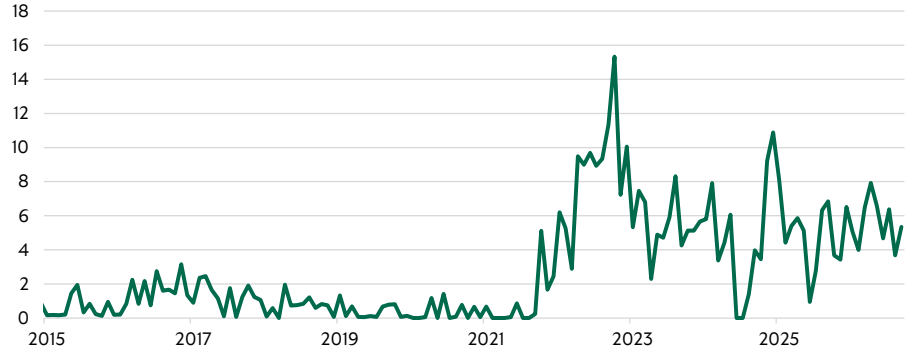


Chart 5: Mentions linking softer confidence to price pressures remain elevated

Index, 1 = long-run average

Reports of lower demand due to price pressures



Data were collected 10-28 September 2026.

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Employment and capacity

Seven of the fourteen sub-sectors increased employment in September, unchanged from August, with rates of job creation accelerating in most cases. Software & Services (51.1) returned to hiring, with employment rising for the first time since March.

Healthcare firms increased staffing at the second-fastest rate on record (65.4) amid resilient demand. Robust increases were also recorded in Automobiles & Auto Parts (59.4), Real Estate (58.2) and Metals & Mining (58.0). Supporting the link between demand and hiring, mentions of firms increasing employment in response to higher workloads rose above their long-run average for the first time in eight months. However, reports of job shedding linked to cost-cutting also increased, highlighting continued caution around workforce planning.

Among goods-producing sectors, purchasing activity rose for the fifth time in six months, adding to signs that firms were building production capacity. The main constraint was obtaining those inputs, with stocks of purchases falling for a fourth consecutive month as material shortages and vendor delays restricted deliveries.

Panellists primarily attributed the disruption to supply-chain bottlenecks associated with the Middle East conflict. Technology Equipment (32.5) recorded by far the sharpest deterioration in supplier performance, reflecting additional exposure to constrained electronic-component supply chains. Stronger purchasing, lower inventories and worsening delivery times therefore point to renewed pressure on production capacity.

Chart 6: Sectors ranked by Employment vs Backlogs of Work

Employment Backlogs of Work / Outstanding Business Sep '26

Index, sa, >50 = growth m/m

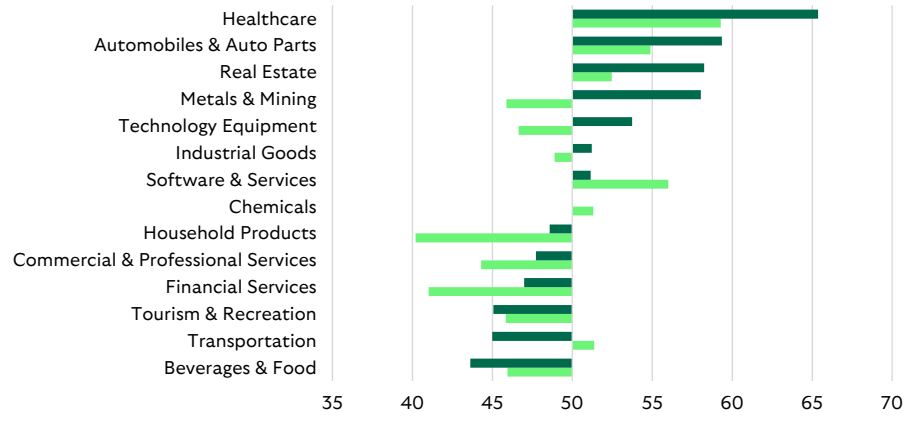
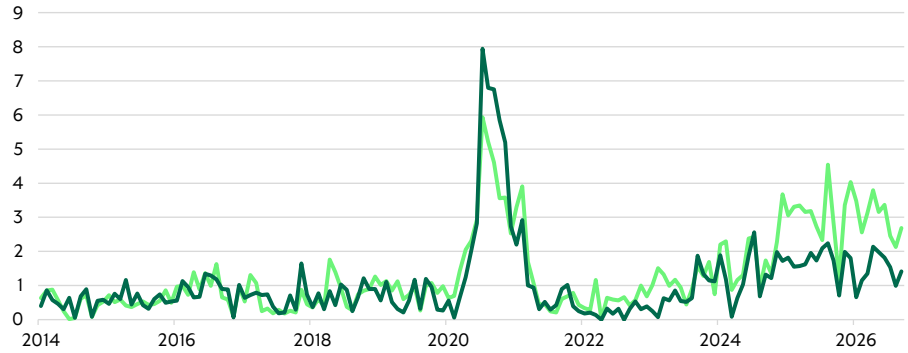


Chart 7: Mentions of job cuts due to cost-cutting and redundancies edged up in September

Lower employment due to redundancies

Lower employment due to cost cutting

Index, 1 = long-run average



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Prices

Price pressures intensified in September. Although inflation remained below the peaks recorded in the spring, eight of the fourteen sub-sectors reported a faster rise in input costs, a marked reversal from the broad easing seen over the summer.

Software & Services recorded one of the clearest shifts, with its Input Prices Index rising by 12.7 points as panellists reported higher hardware prices alongside elevated transport and labour costs. Transport expenses were a broader driver of the renewed acceleration, reflecting increases in fuel prices and ocean freight. The Transportation sector's input cost index rose by 7.4 points, while references to higher transport costs climbed to 9.9 times its long-run average, the highest since December 2021.

Energy costs also featured prominently among goods producers, with the corresponding Comment Tracker rising to 4.1 times its long-run average. Against that backdrop, all seven goods-producing sub-sectors increased their selling prices at a faster rate than in August, led by Metals & Mining (71.4).

Price-setting trends were more varied across services, where only three sub-sectors recorded faster output price inflation. Transportation (64.1) posted the strongest rise in charges. References to higher prices because of stronger demand also reached a 17-month high among goods producers, but fell to an eleven-month low across services, suggesting firms' ability to pass on renewed cost pressures remains uneven.

Chart 8: Sectors ranked by Input Prices vs Output Prices

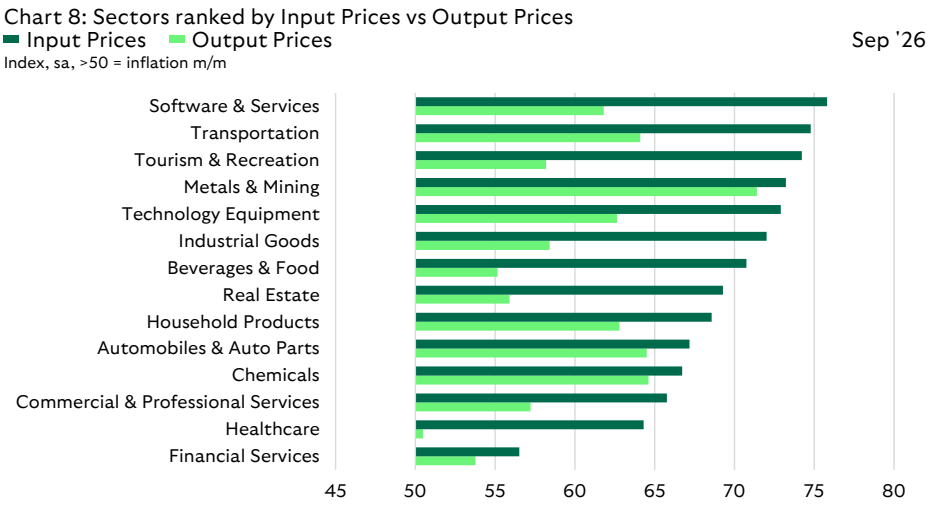
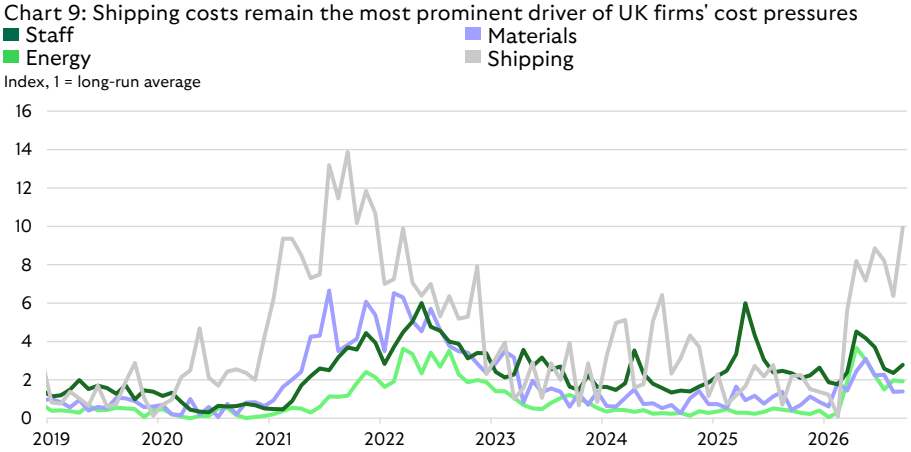


Chart 9: Shipping costs remain the most prominent driver of UK firms' cost pressures



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Manufacturing sector snapshot

Sep '26 Aug '26 3-year range

Automobiles & Auto Parts
Index, sa, 50 = no change m/m



Beverages & Food
Index, sa, 50 = no change m/m



Chemicals
Index, sa, 50 = no change m/m



Household Products
Index, sa, 50 = no change m/m



Industrial Goods
Index, sa, 50 = no change m/m



Metals & Mining
Index, sa, 50 = no change m/m



Technology Equipment
Index, sa, 50 = no change m/m



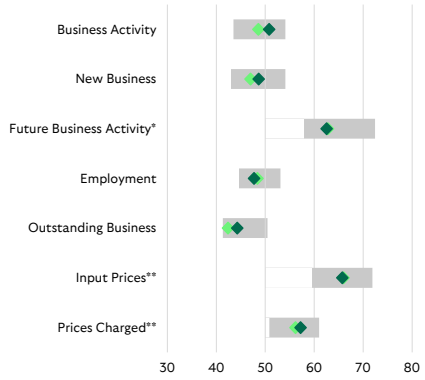
Note: *Index, >50 = growth expected, **Index, sa, >50 = inflation m/m, ***Index, sa, >50 = faster times m/m
Data were collected 10-28 September 2026.
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Services sector snapshot

Sep '26 Aug '26 3-year range

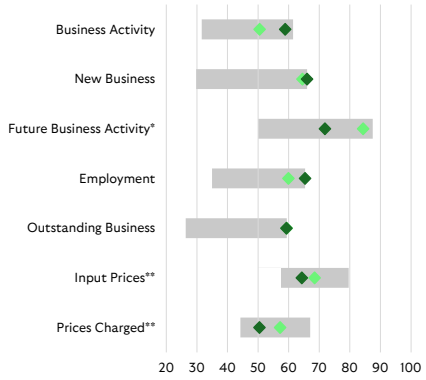
Commercial & Professional Services
Index, sa, 50 = no change m/m



Financial Services
Index, sa, 50 = no change m/m



Healthcare
Index, sa, 50 = no change m/m



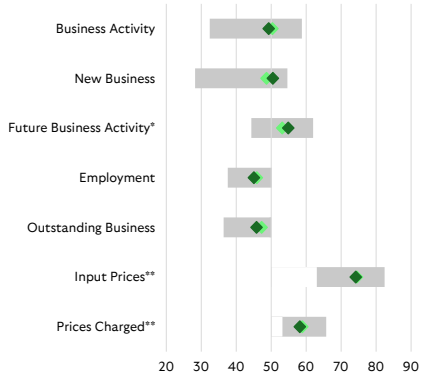
Real Estate
Index, sa, 50 = no change m/m



Software & Services
Index, sa, 50 = no change m/m



Tourism & Recreation
Index, sa, 50 = no change m/m



Transportation
Index, sa, 50 = no change m/m



Note: *Index, >50 = growth expected, **Index, sa, >50 = inflation m/m, ***Index, sa, >50 = faster times m/m
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Methodology

The Lloyds UK Sector Tracker includes indices compiled from responses to S&P Global's UK manufacturing, services and construction PMI survey panels, covering over 1,400 private sector companies.

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.

Fine Sector PMI data are generated from the questionnaire responses for each sector sample. National survey panels are based on a representative target panel matrix of businesses by company size band and ISIC code, based on contribution to GVA. Sector samples are derived from the allocation of companies to a Markit Sector classification, based on their assigned ISIC code. These are aggregated to form raw PMI data in the same way the Composite, Manufacturing and Services PMI data are calculated. Due to lower sample sizes, however, individual Fine Sector PMI data responses are unweighted by company size band or ISIC code. This means the Fine Sector PMI data cannot be aggregated to perfectly match the national level PMI data.

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 contact economics@spglobal.com.

Manufacturing sectors

Automobiles & Auto Parts

Auto & Truck Manufacturers; Auto, Truck & Motorcycle Parts; Tires & Rubber Products

Beverages & Food

Brewers, Distillers & Wineries; Non-alcoholic Beverages; Fishing & Farming; Food Processing; Tobacco

Chemicals

Commodity Chemicals, Specialty Chemicals, Diversified Chemicals

Household Products

Household Products; Consumer Electronics; Personal Products; Clothing, Footwear & Accessories; Homebuilding; Construction Supplies & Fittings; Toys & Games; Recreational Products

Industrial Goods

Aerospace & Defence; Industrial Machinery & Equipment; Heavy Machinery & Vehicles; Construction Materials

Metals & Mining

Steel & Aluminium Production; Precious Metals & Minerals Mining; Diversified Metals & Mining

Technology Equipment

Communications Equipment; Semiconductors; Semiconductor Equipment & Testing; Computer Hardware; Office Electronics & Equipment Services sectors

Services sectors

Commercial & Professional Services

Employment Services; Business Support Services; Business Support Supplies; Containers & Packaging; Environmental Services; Commercial Printing; Diversified Industrials Services

Financial Services

Banks; Insurance; Consumer Financial Services; Specialty Financials; Investment Banking & Brokerage Services; Investment Management & Fund Operators; Diversified Investment Services

Healthcare

Healthcare Equipment; Healthcare Supplies; Healthcare & Related Facilities; Managed Care; Other Support Services; Pharmaceuticals; Biotechnology

Real Estate

REITs; Real Estate Development & Operations; Real Estate Services

Software & Services

Computer Services; Software; Internet

Tourism & Recreation

Hotels, Motels & Cruise lines; Restaurants; Casinos & Gaming; Leisure & Recreation

Transportation

Airlines; Air Freight & Courier Services; Marine Transport; Highways & Rail Tracks; Trucking; Transportation Services

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