

United Kingdom

Near-record PMI readings point to stronger economic growth in fourth quarter

- All-sector PMI dips in November, but fourth quarter average still highest on record
- Data suggest GDP growth should exceed 1.0% in Q4 in broad-based upturn
- Job creation surges as inflows of new business hit record high in November

The UK PMI™ surveys signalled a slight easing in the pace of output and employment growth in November, but remained at near-record highs. The data add to indications that the economy is set to grow by at least 1.0% in the fourth quarter, enjoying its strongest period of GDP growth since 2007.

Job creation is surging as firms take on staff in the face of increasingly buoyant order books. Furthermore, with growth of new business hitting a record high in November, output and employment growth could re-accelerate again in December.

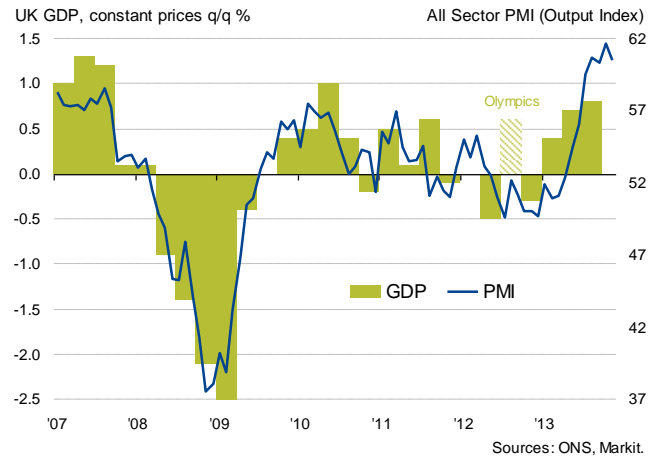
Faster growth of output and employment in manufacturing and construction were offset by a slowdown in the far-larger services economy, though the upturn remains reassuringly broad-based. Growth of both output and employment is running well above long-term trend rates in all three sectors.

Economic growth set to accelerate in Q4

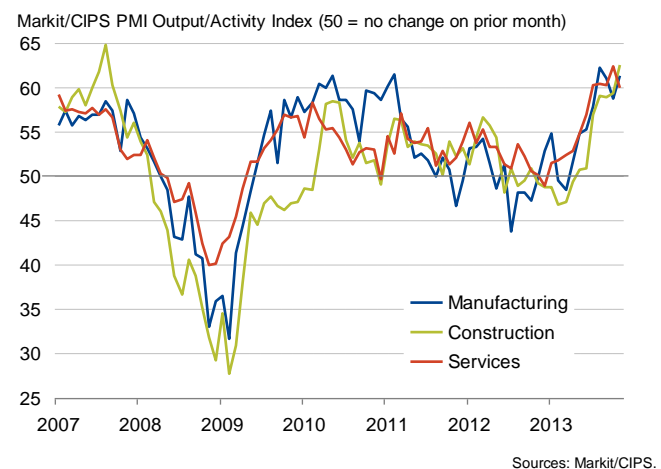
The all-sector PMI, measuring business activity across the private sector economy, fell from an all-time high of 61.6 in October, but at 60.5 in November continues to signal a steep pace of expansion. At 61.0, the average reading so far for the fourth quarter is up on the previous record quarterly average of 60.1 seen in the third quarter. The survey data are consistent with GDP rising by at least 1.0% in the fourth quarter, accelerating on the 0.8% expansion seen in the three months to September.

The upturn continues to be reassuringly broad-based. The survey data for manufacturing and services indicate that both sectors are expanding at a quarterly rate of over 1%, and that construction growth could exceed 3% in the fourth quarter.

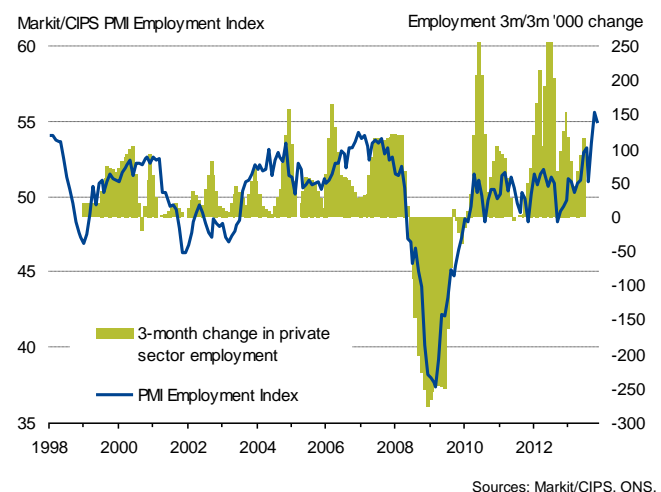
UK economic growth and the all-sector PMI



Output/business activity indicators



Employment



Within construction, the upturn was led by housing, where building activity rose at the fastest rate for ten years. However, civil engineering and commercial construction also surged higher, the latter rising at the steepest rate since September 2007.

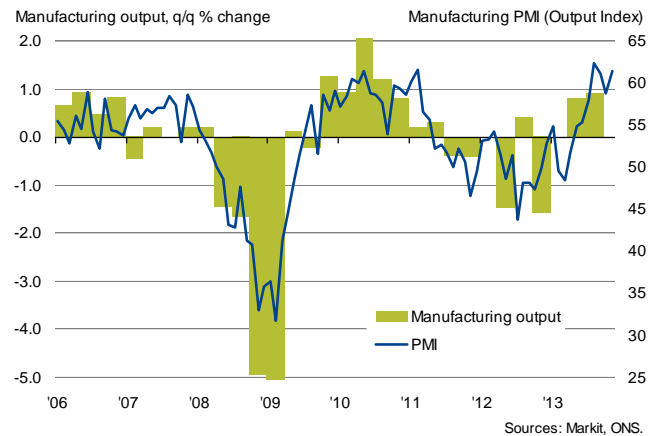
Record order book growth fuelling job creation

Further above-trend growth is likely to be seen in December. The all-sector New Orders Index hit an all-time high of 63.3 in November, with sharply rising demand seen across all three sectors.

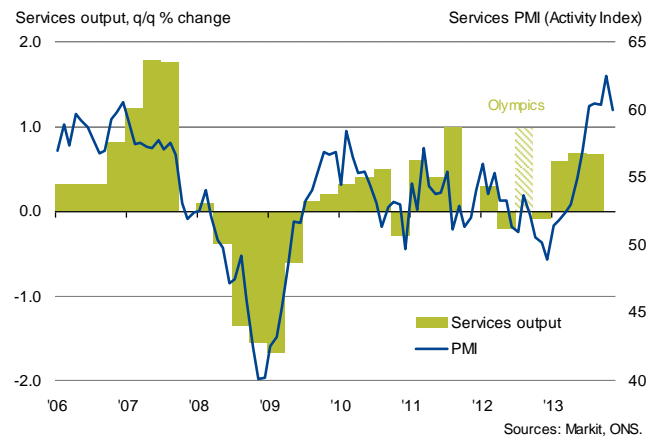
The survey data showed that inflationary pressures also picked up. Input costs rose at the sharpest rate since September 2011 and prices charged for goods and services showed the largest rise since June 2011.

Employment also rose, growing at only a slightly weaker rate than the record high seen in October. The fourth quarter is set to see the largest increase in employment since all-sector PMI data were first available fifteen years ago. The PMI data are currently running at a level consistent with private sector employment growing by approximately 140,000 per quarter.

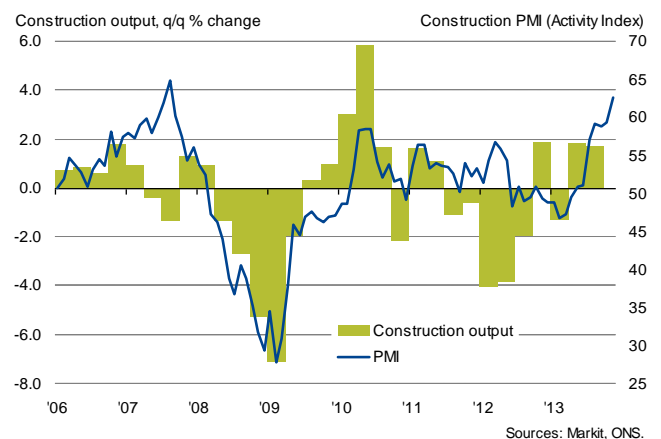
Manufacturing (Q4 ave so far = 60.1)



Services (Q4 ave so far = 61.2)



Construction (Q4 ave so far = 61.0)



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

[Click here](#) for more PMI and economic commentary.

For further information, please visit www.markit.com