

# United Kingdom

## Job creation surges as buoyant PMIs round off best quarter on record

- All-sector PMI slips lower in September, but Q3 average is still highest on record
- Data suggest GDP growth could hit 1.2% in Q3
- Job creation highest in six years as backlogs of work show record rise

The UK economy enjoyed its strongest growth for at least 15 years in the third quarter, according to PMI survey data, despite the pace of expansion having eased marginally in September. The upturn is also generating an increased rate of job creation, as companies took on more staff to boost capacity and meet surging demand.

The faster than expected growth of the economy and the accompanying pace of job creation bode well for the economic recovery. However, this also suggests that policymakers may have underestimated the impact that ultra-accommodative stimulus is having upon the economy.

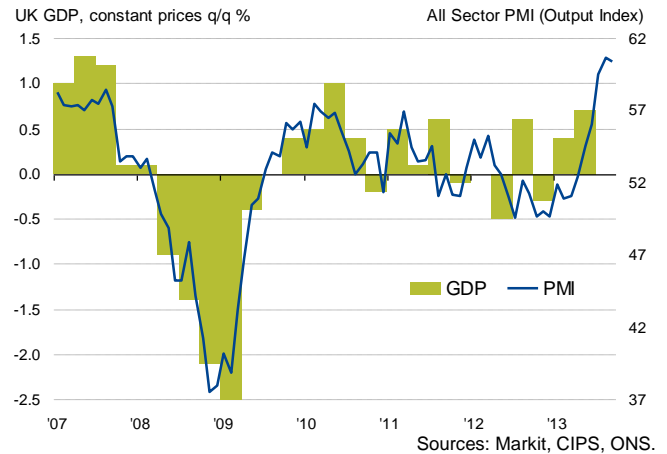
### Record third quarter

The all-sector PMI, measuring business activity across the UK private sector economy, fell slightly in September. However, at 60.4, it was only marginally below August's record high of 60.6. The average PMI reading over the third quarter was 60.2, which was the highest seen since comparable data were first compiled at the start of 1998.

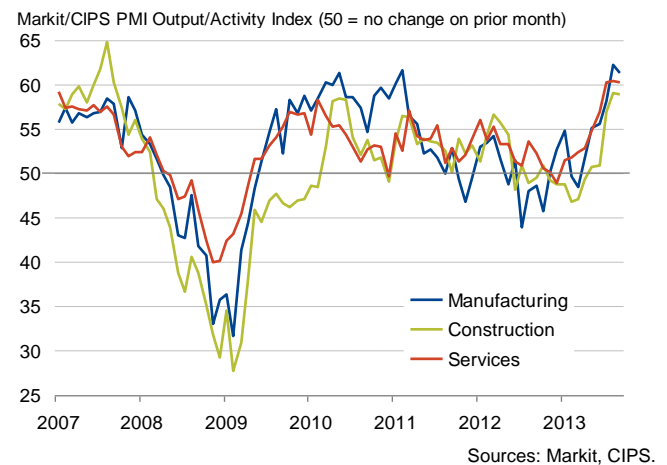
Historical comparisons of the PMI with official GDP data suggest that the economy grew by 1.2% in the three months to September. This was a marked gathering in the rate of expansion compared with the 0.7% increase seen in the second quarter.

In September, the pace of expansion slowed slightly in each of the manufacturing, services and construction sectors, though in all cases remained strong by historical standards. The manufacturing and services PMI data are roughly consistent with output growing 1.2% in the third quarter in both cases, after having increased 0.9% and 0.6% respectively in the second quarter. Construction, buoyed by house building

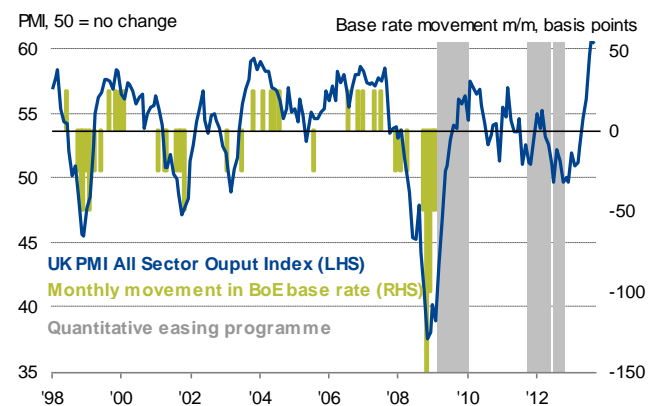
### UK economic growth and the all-sector PMI



### Output/business activity indicators



### Bank of England policy decisions and the PMI



activity, is set to grow by at least 2.0%, after a 1.9% expansion in the second quarter.

The PMI surveys also showed growth of new orders across the manufacturing, services and construction sectors, with the overall rise just shy of August's record pace. This bodes well for a continuation of the strong rate of economic expansion into the fourth quarter.

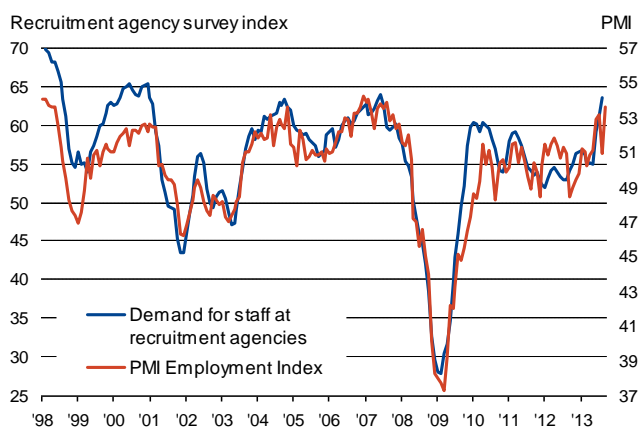
### Labour market upturn

The recent strong growth in output has prompted a growing number of firms across the private sector to take on extra staff. The all-sector PMI Employment Index rose sharply in September, to reach its highest since August 2007. Job creation accelerated in the manufacturing, services and construction sectors.

Strong employment growth looks set to continue, as the manufacturing and services PMIs collectively showed the level of outstanding business growing at the sharpest rate in at least 14 years in September. Backlogs of work were commonly reported to have risen due to insufficient staff to cater for the recent growth of demand.

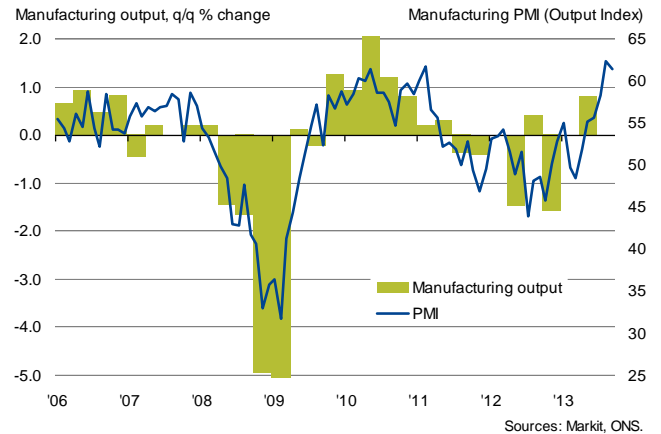
The PMIs are not alone in signalling a strong upturn in the labour market. Recruitment agencies reported the strongest growth of demand for staff for over six years in August, with revenues from placing temporary workers rising at the fastest rate for 15 years.

### Labour market survey data



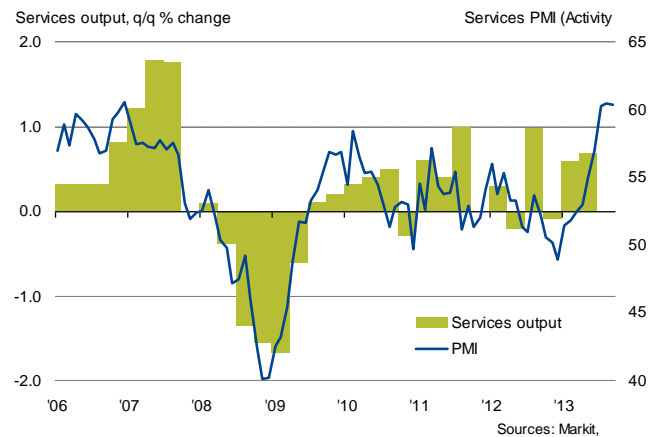
Source: Markit (KPMG/REC Report on Jobs).

### Manufacturing



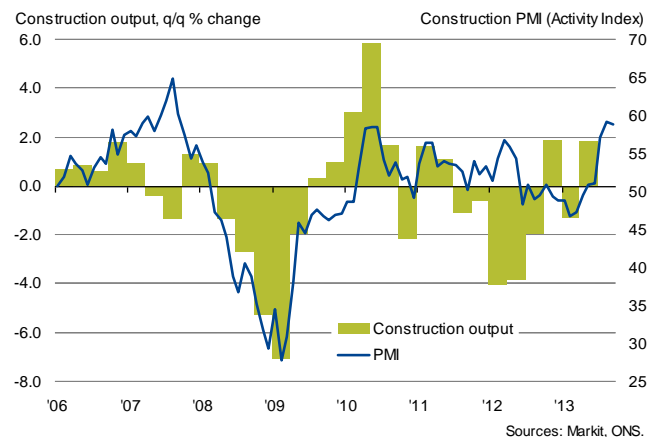
Sources: Markit, ONS.

### Services



Sources: Markit, ONS.

### Construction



Sources: Markit, ONS.

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