

# United Kingdom

## PMIs signal faster economic growth and record job creation at start of second quarter

- All-sector PMI rises in April, consistent with 0.8% GDP growth at start of second quarter
- Employment growth hits new record high
- Stronger pound keeps lid on price pressures

The April PMI™ surveys signalled a strong start to the second quarter, signalling an acceleration in the rate of economic growth to the fastest since last November and one of the highest rates of growth seen in the survey history. With the outlook brightening, the pace of job creation hit a record high.

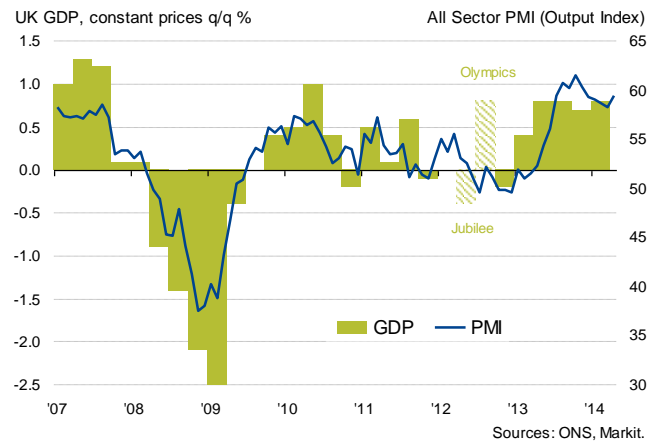
The three Markit/CIPS PMI™ surveys collectively signalled an expansion of private sector business activity for a sixteenth successive month in April, with the 'all sector' Output Index rising from 58.2 in March to a five-month high of 59.4. The latest reading has only ever been exceeded since the survey began in the late-1990s by those seen in the four months to last November.

Historical comparisons indicate that the April reading is consistent with the economy growing at a quarterly rate of 0.8%. Such a rate of growth in the second quarter would lift gross domestic product above its pre-recession peak, extending further the strongest spell of economic growth that the country has seen since the financial crisis struck.

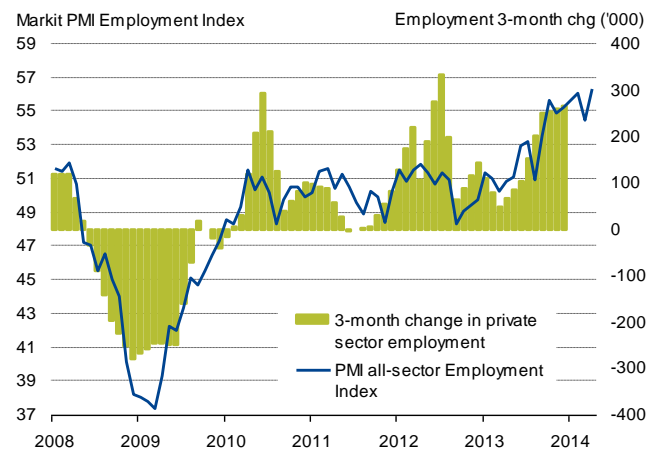
The upturn also remains reassuringly broad-based, with strong growth recorded in manufacturing, services and construction. Only construction saw an easing in the rate of expansion, to a six-month low, but recent prior months had seen near-record rates of increase. The survey also showed ongoing strong growth across all construction sectors, not just house-building

In services, business activity grew at the sharpest rate seen so far this year, but it was manufacturing which saw the strongest increase, reporting the third-largest monthly rise in production seen since the manufacturing survey began in 1992.

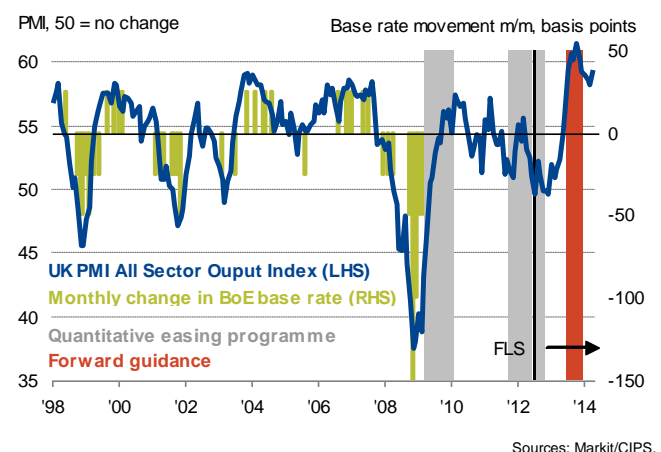
### UK economic growth and the all-sector PMI



### Employment



### Policymaking and the PMI



The data are broadly consistent with services output growing at a quarterly rate of 1.0%, rising to 1.5% in manufacturing and 3.0% in construction. However, although seeing the weakest growth of the three sectors, it's the services sector which, due to its sheer size, will again provide the main driving force behind the economy in the second quarter.

### Record spell of job creation continues

The April survey also showed that companies took on staff at the fastest rate seen in the 16-year history of the survey, suggesting employment is growing at a rate of approximately 100,000 per month.

Buoyant hiring was seen across all three sectors, led by the construction sector in terms of growth rates. However, manufacturers took on staff at the joint-highest rate for three years, while job creation in the services economy accelerated to a rate just shy of last October's all-time high.

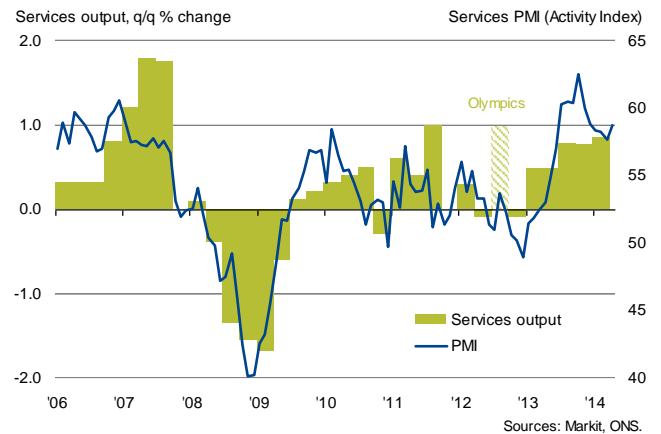
### Strong pound keeps lid on price pressures as policymakers feel the heat

The upturn in the pace of economic growth signalled by the PMIs will inevitably raise pressure on policymakers to ensure that interest rates are not kept too low for too long, causing inflation to lift higher. At the moment, price pressures still look contained, helped in part by the strong pound. This was most evident in manufacturing, which reported a drop in input costs for a second successive month in April. Service sector input cost inflation slowed to the lowest for 11 years. Only construction saw steep input cost increases, often linked to price hikes arising from shortages of raw materials.

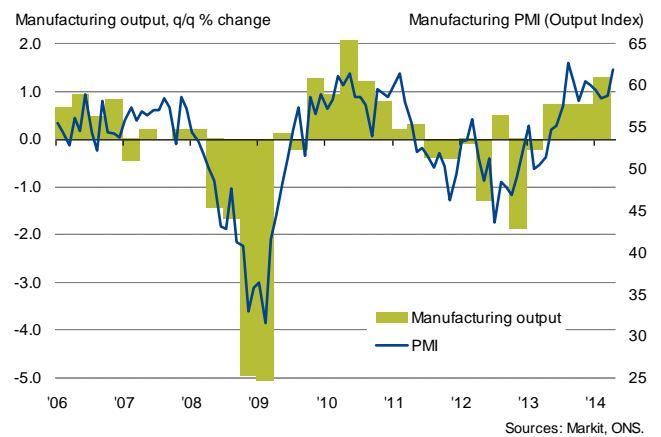
Overall, input costs rose at only a slightly faster rate than March's ten-month low.

With cost pressures subdued by sterling's rise, average selling prices rose at a rate below that seen earlier in the year, suggesting consumer inflation will likewise remain muted and below the Bank of England's 2.0% target, having fallen to 1.6% in March. However, policymakers will need to keep a vigilant eye on wage pressures in particular, which are showing some signs of picking up alongside the labour market recovery, to gauge the future inflation trend. The May Inflation Report will provide a key insight into the Bank's thinking in this respect.

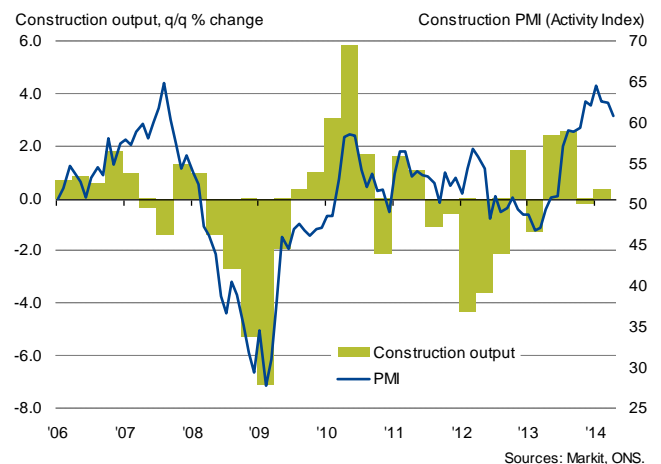
### Services



### Manufacturing



### Construction



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