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**Markit Economic Research**

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# United Kingdom

## Economy picks up speed again in November

- **'All-sector' PMI rises from 16-month low of 56.4 to 57.8 in November**
- **Slower manufacturing and construction growth offset by upturn in services**
- **Price pressures remain subdued and strong job creation persists**

The UK economy continued to enjoy a welcome combination of sustained strong economic growth and low price pressures in November. The rate of UK economic growth accelerated for the first time in three months, accompanied by a similar upturn in job creation. Average prices charged for goods and services were meanwhile broadly unchanged, pointing to few inflationary pressures, linked largely to lower global commodity prices.

The lack of price pressures provides greater leeway for the Bank of England to keep interest rates at their record low for longer, therefore increasing the likelihood of the current growth spurt being sustained.

### Growth rebounds in November

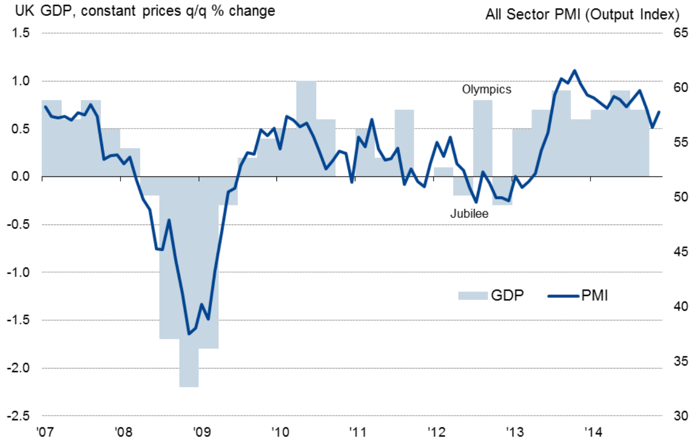
The weighted average Output Index from the three Markit/CIPS PMI™ surveys rose from a 16-month low of 56.4 in October to 57.8 in November, providing welcome news of a re-acceleration of growth compared to the slowdown seen in the prior two months.

The upturn may nevertheless be insufficient to prevent the economy slowing in the fourth quarter. At 57.1, the average reading for the fourth quarter so far is the weakest since the second quarter of last year and indicative of the economy growing at a quarterly rate of 0.6%, down from 0.7% in the third quarter.

However, the survey index remains well above the series' long-run average of 54.1 and even substantially higher than the average of 56.0 seen in the five years leading up to the financial crisis, highlighting the resilient sustained strong rate of expansion signalled by the PMI surveys.

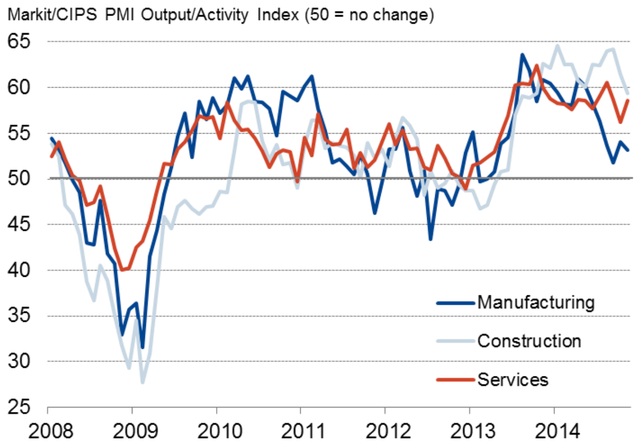
At 58.5, the average reading so far over 2014 has been the highest in the survey's 16-year history, beating the prior record of 57.2 seen in 2006.

**UK economic growth**



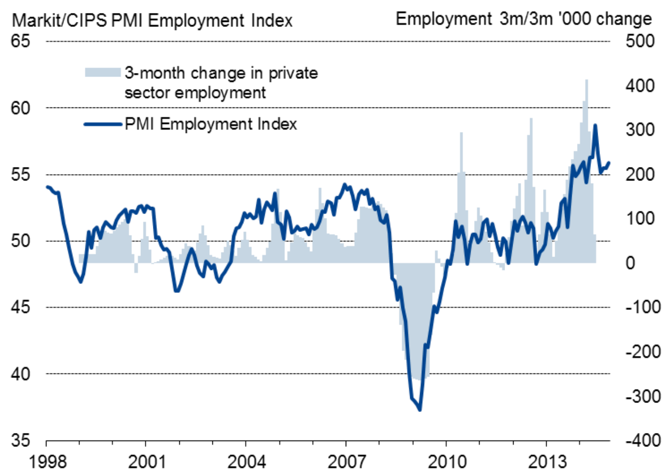

Sources: ONS, Markit.

**Broad-based upturn**




Source: Markit.

**Employment**




Sources: ONS, Markit.

## Divergent growth trends

Of the three sectors monitored by the PMI surveys, it was the vast services economy, where the PMI picked up from October's 17-month low, which provided the boost to the overall pace of expansion in November. Service sector inflows of new work likewise picked up, boding well for further robust activity growth in December.

The upturn in service sector growth was partly offset, however, by slowdowns in both construction and manufacturing.

Manufacturing output growth was the second-weakest for one-and-a-half years. However, with new orders in the manufacturing sector growing at the fastest rate for four months in November, the rate of goods production may pick up again in December.

In contrast, with new business inflows in the construction sector showing the smallest rise since June of last year, a further easing in growth of building activity looks to be on the cards for December. However, despite the pace of expansion slowing to a 13-month low in November, construction still enjoyed the fastest overall rate of expansion of the three sectors for the sixth successive month.

## Jobs boom

The survey is also signalling the strongest annual upturn in employment in its 16-year history so far in 2014, with the rate of job creation having picked up again in November. At 55.9, up from 55.5 in October, the weighted average Employment Index from the three Markit/CIPS PMI™ surveys hit a four-month high. Rates of job creation accelerated in all three sectors.

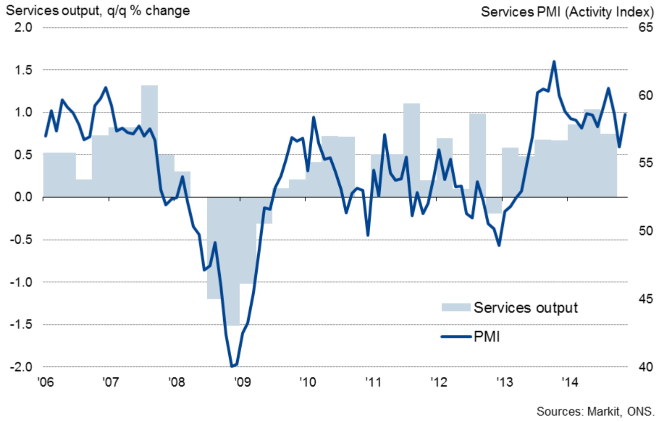
The survey is so far roughly consistent with 200,000 jobs being created in the fourth quarter, suggesting the rate of unemployment should continue to fall as the year end approaches. The latest available official data showed the jobless rate running at 6.0% in the three months to September, down sharply from 7.2% at the start of the year.

## Subdued price pressures

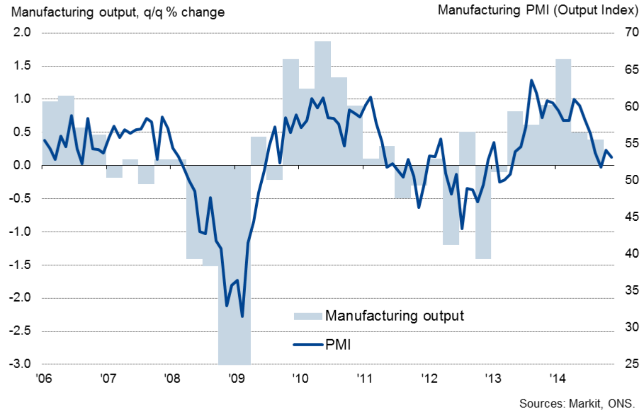
The continued strong economic upturn continued to show few signs of stoking inflationary pressures. Overall input costs rose at one of the weakest rates seen over the past two years, while average selling prices for goods and services were largely unchanged for a second successive month.

Input costs fell for a third month running in manufacturing, mainly reflecting lower global commodity prices, notably oil. Service sector costs meanwhile rose at the slowest rate since August, likewise subdued to a large extent by lower fuel costs in sectors such as travel and transport. In contrast, the construction sector saw input costs rise at an increased rate, due primarily to suppliers being able to hike prices in the face of strong demand.

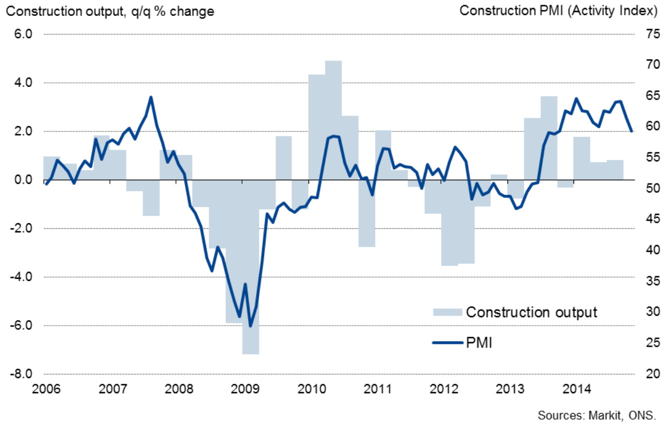
**UK services: official and survey data compared**




**UK manufacturing: official and survey data compared**




**UK construction: official and survey data compared**



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