

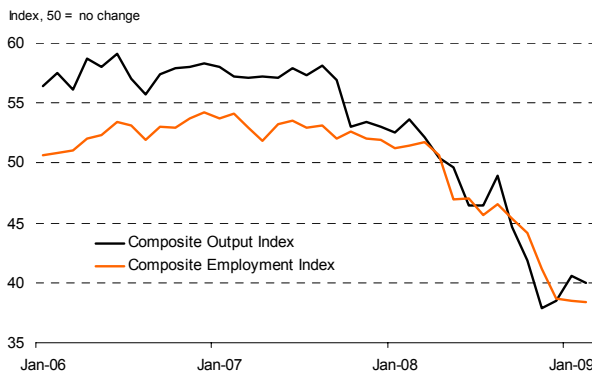
UK PMI Surveys

Large companies lead jobs downturn

Business conditions continued to deteriorate sharply in Q1

The PMI surveys for UK manufacturing and service sectors remained at historically low levels in February: the composite Output Index from the two sectors has averaged 40.3 in the first two months of Q1, up only slightly from the record low average of 39.4 seen in Q4 and well below the 50.0 neutral level. Although this points to some tentative signs of stabilisation in the rate of decline, it suggests GDP may have contracted in Q1 at a rate not far off the 1.5% decline seen in Q4.

CIPS/Markit (UK) PMIs



However, while the rate of contraction of output may have shown some initial signs of steadying, employment continues to fall at an accelerating rate (the composite Employment Index has averaged 38.5 in the first two months of Q1 compared to an average of 41.3 in Q4), and divergent employment trends are evident according to company size.

Output has slumped in larger companies...

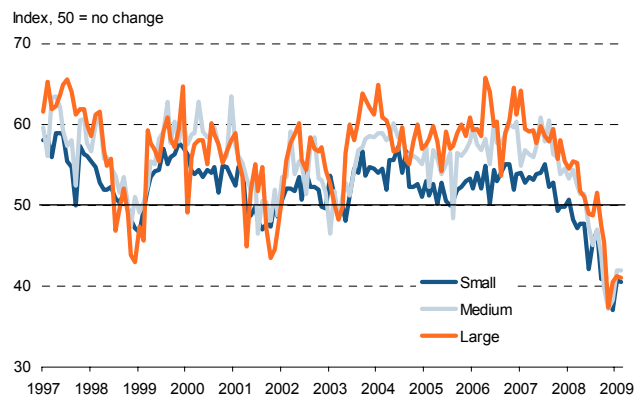
Analysis of PMI data at company-size level shows that rates of output contraction have now more-or-less converged in recent months, contrasting with earlier in the downturn, when smaller companies reported far weaker output numbers on average than large companies. The critical point appears to have been the collapse of Lehman's, prior to which output growth in larger companies had merely slowed to around

stagnation but smaller companies' output was already falling sharply. Since November, however, large company output has contracted at a rate far in excess of anything ever previously recorded by the PMI survey, matching the steepness of the decline seen at small and medium-sized companies.

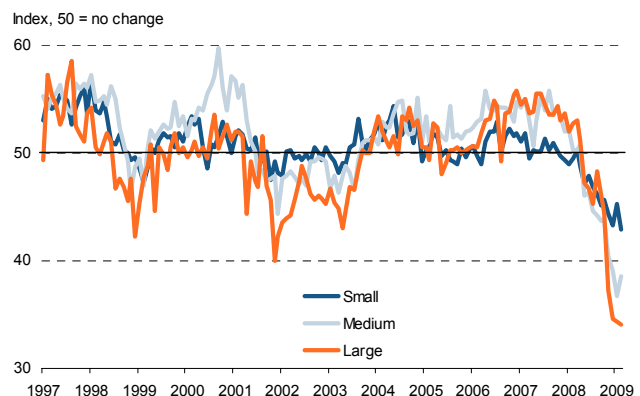
...leading to widespread large company job cutting

Trends in employment data by company size are more divergent, however, with larger companies leading the job cutting, with the rate of job losses far exceeding that seen in smaller firms (although the latter has nevertheless also hit an all-time high).

UK Composite Output PMI – by company size



UK Composite Employment PMI – by company size



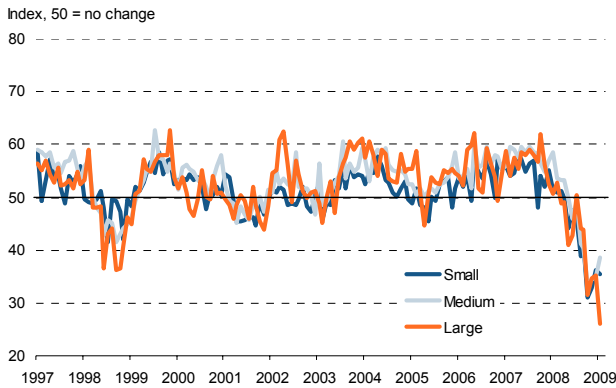
Large manufacturers have seen the greatest falls in output and employment

Looking further at trends in large companies, it is manufacturers that have been particularly hard hit, and led the downturn in output in February. In fact, looking across both manufacturing and services it was only large manufacturers that saw any significant acceleration in the rate of output contraction in February (see charts below).

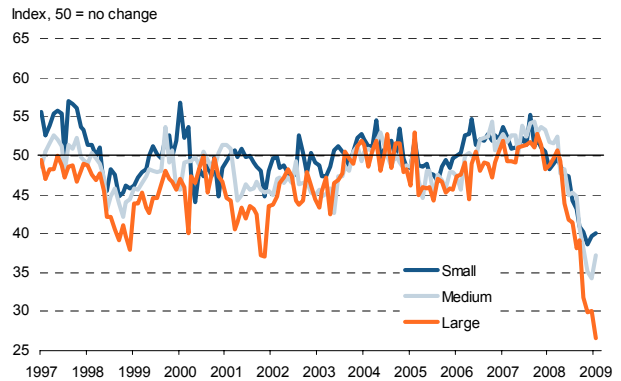
The resulting reduction of the manufacturing workforce at large companies has been particularly striking, far exceeding the rate of job losses being recorded at small and medium-sized companies.

In the service sector, by contrast, the rate of decline of output eased to a four-month low in February, taking the toll on the workforce down to the lowest for three months.

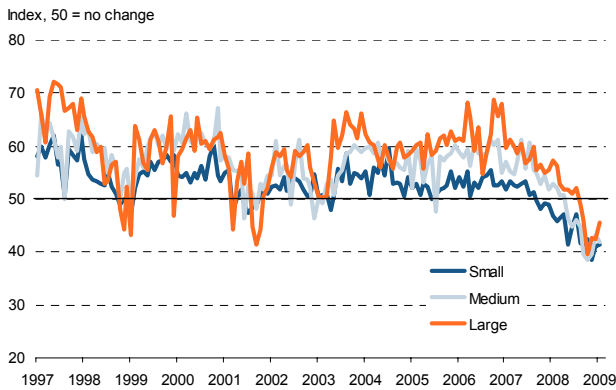
Manufacturing output



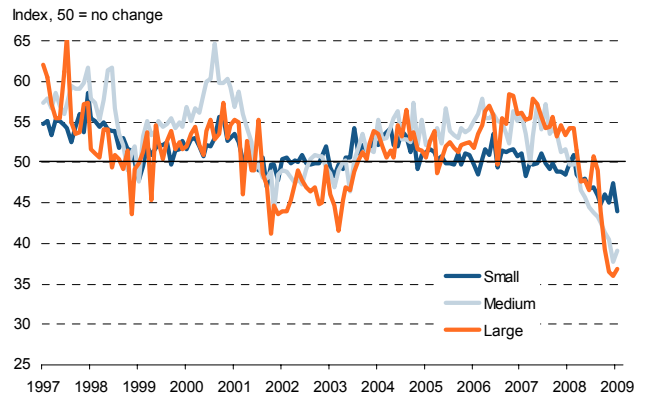
Manufacturing employment



Services output



Services employment



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