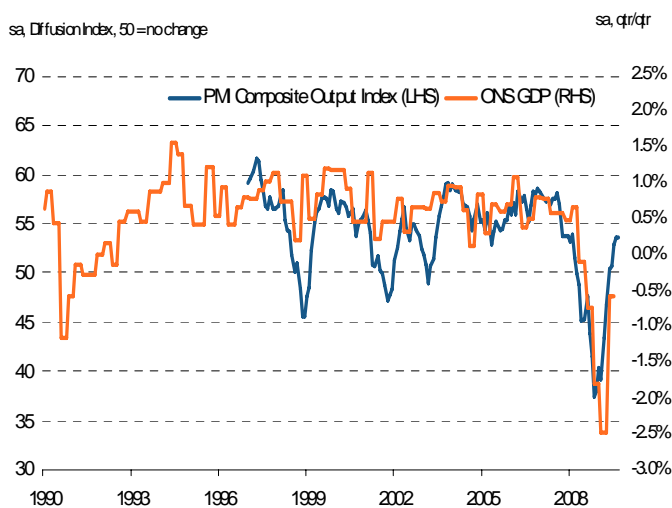


# UK economy

## PMI data indicate that UK recession ended in Q3

September's weighted combination of the Output Indices from the three UK PMI surveys<sup>1</sup> that are conducted by Markit in association with CIPS signalled that the UK economy remains on a recovery path. Growth held steady in September, with the 'All-Sector' Index posting 53.6 for the second successive month. With a reading of 53.3 for Q3 as a whole, the index signalled the first quarter of growth since Q1 2008.

### All-Sector UK PMI



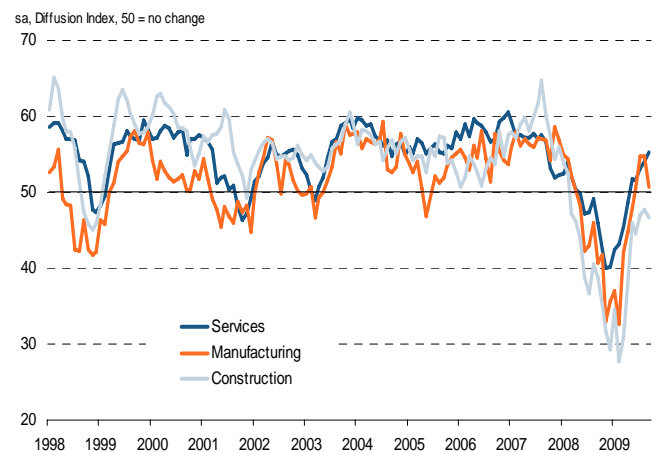
All three sectors covered by the CIPS surveys have shown an improvement in relative performances during Q3, with growth led by the dominant services sector.

- **Service providers** enjoyed their best quarter in two years, with average growth the strongest since Q3 2007. Moreover, the sector's recovery maintained momentum through the quarter, with growth hitting a two-year peak in September, supported by the strongest rise in incoming new business for nearly two-and-a-half years.
- **Manufacturers** recorded their first quarterly expansion since the start of 2008. However, robust expansion in July and August was offset by a

slowdown of growth in September. It remains too early to tell if this marks the start of a renewed easing trend, or whether the September slowdown is merely a temporary consolidation of strong gains in previous months. Accelerating growth of new export orders in September adds to hopes that it will be the latter.

- **Construction** remained the only sector covered by the PMI surveys to signal a net fall in activity during Q3, although this should not detract from what was a relatively improved performance. The average fall in construction activity in Q3 was the lowest in six quarters of contraction, the rate of decline having eased considerably since the height of the downturn at the end of 2008.

### PMI Output by Sector



Overall, the PMI data provide evidence that the UK left recession in Q3: the 'All-Sector' Index's average reading for Q3 was the strongest since Q4 2007. In that quarter, UK GDP rose at a slightly below trend rate of 0.5% q/q, but given recent divergences between first GDP estimates and the 'All-Sector' Index it would not be surprising if growth were a little weaker or stronger than historical comparisons indicate.

<sup>1</sup> Weights determined by each sector's relative contribution to the UK economy according to GDP data.

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