

# UK Economy

## Medium sized companies driving employment growth

- **Output growth has slowed sharply across companies of all sizes since earlier in the year, led by near-stagnation in smaller companies**
- **Only medium sized companies are reporting any noteworthy employment growth**

The PMI surveys show strong variations in output and employment growth according to company size.

As has tended to be the case over the past 14 years for which data have been available, output growth during the recovery, including the latest period in the three months to September, has been led by large and medium sized firms. Smaller companies have seen growth slow closer to stagnation in recent months, although rates of expansion have slowed considerably across all company sizes.

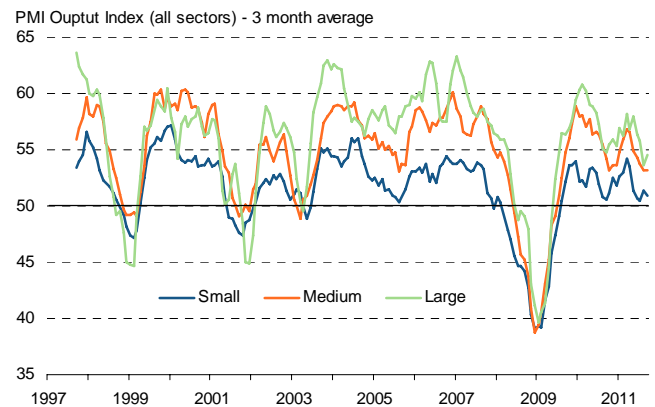
Of note is the trend for output growth to generally exceed employment growth across companies of all sizes. However, the divergence widens according to company size. For large firms, since mid-1997, the Output Index has exceeded the Employment Index by an average of 7.1 points. This falls to 3.7 points for medium sized firms and just 1.4 points for small companies.

The suggestion is that an increase in output at a smaller company drives more jobs creation than at a larger firm.

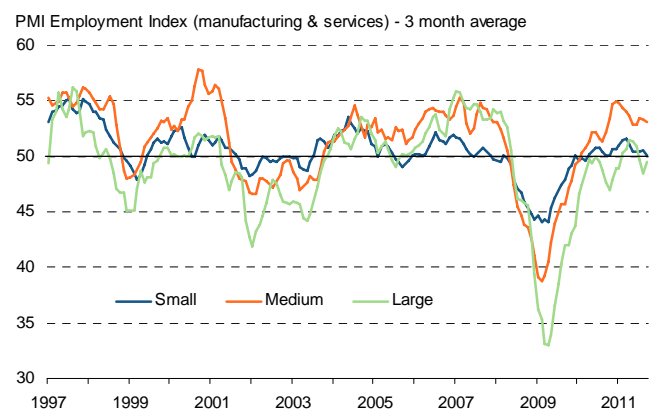
Thus, while large firms have shown the strongest expansion of output in the recovery so far, including the latest data for the third quarter of 2011, they have nevertheless shed staff on average throughout this period. In contrast, small and medium sized firms have taken on staff since their recoveries started, albeit in only modest numbers. However, due to the faster rate of output growth seen in medium sized firms so far in the recovery compared to smaller companies, it is the former that have consequently exhibited the strongest employment growth so far in the recovery, and in fact have been the only sector to have registered any noteworthy job creation on average since its recovery started.

Charts below and overleaf show three-month moving averages of seasonally adjusted indices from the manufacturing and service sector PMI surveys up to September 2011. Averages are used to reduce noise in the data and therefore help identify growth trends. Any index reading above 50 signals an increase and below 50 a decrease.

### Output



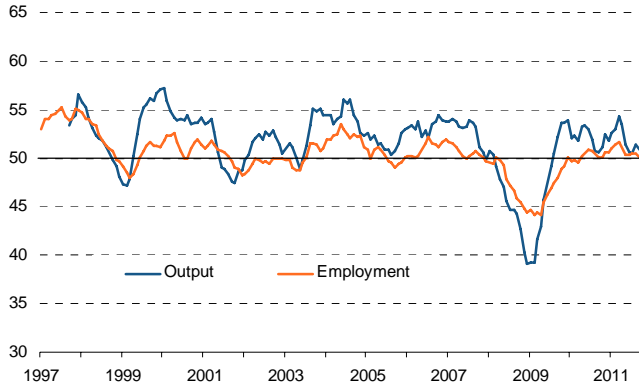
### Employment



Sources for charts: Markit.

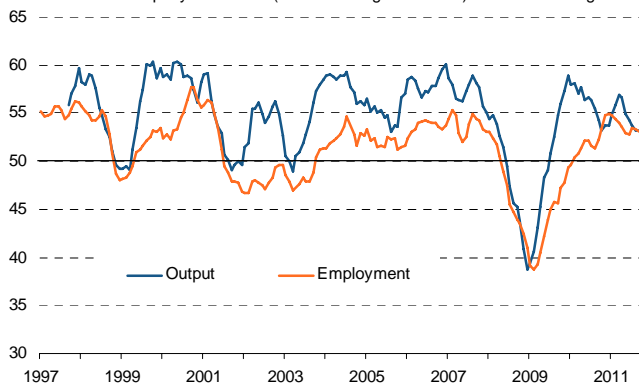
### Small companies

Small Company PMI Index (manufacturing & services) - 3 month average



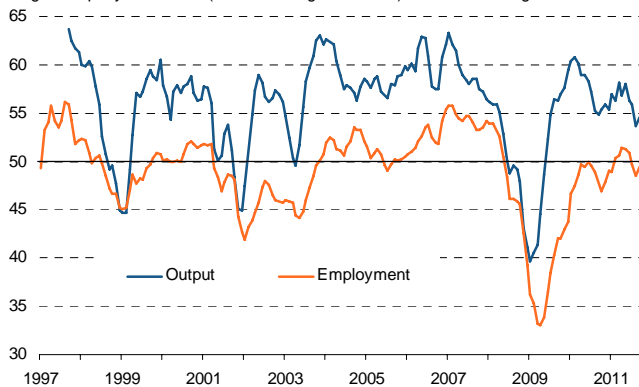
### Medium sized companies

Medium Sized Company PMI Index (manufacturing & services) - 3 month average



### Large companies

Large Company PMI Index (manufacturing & services) - 3 month average



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