



# Agents' summary of business conditions

January 2016 Update

- Activity had grown solidly on a year ago, and was expected to continue to do so over coming months. The notable exception to that picture was manufacturing, where output was slightly down on a year earlier and prospects for the sector were subdued.
- Consumer spending growth had been resilient. Early discussions with contacts indicated that retail sales over the Christmas period had been stronger than a year earlier in volume terms, if little changed by value.
- Growth in total labour costs per employee had eased a little, despite continuing recruitment difficulties. That had partly reflected the effects of low inflation, which had allowed some businesses to offer lower awards than a year earlier.

Annual growth in **consumer spending** had been resilient (**Chart 1**). Strong sales had been reported for Black Friday/ Cyber Monday, albeit at the cost of some weakness in early December. Early discussions with contacts indicated that retail sales over the Christmas period had been stronger than a year ago in volume terms, if little changed by value.

**Business services** turnover growth had been firm overall (**Chart 2**). Professional and financial services activity growth had eased slightly, reflecting a softening in some corporate financing and mergers and acquisitions activity. Growth in some other areas of business services, such as corporate travel and events, had edged up.

**Manufacturing** output was slightly down on a year earlier (**Chart 3**), largely reflecting a slowdown in world demand, the strength of sterling and weak investment demand from the extraction sector.

**Construction** output had continued to rise solidly on a year earlier, with commercial development activity becoming more widespread around the country.

**Investment intentions** had weakened in manufacturing but continued to point to moderate growth among services firms, consistent with the pattern of demand (**Chart 4**).

**Credit availability** had remained above normal for larger companies, with strong competition to lend. Access to finance for small companies was reported to be around normal.

Occupier demand had risen in the **commercial real estate market**. Investor demand was reported to be strong overall, although there had been signs of some easing of activity.

**Housing market activity** was reported to remain subdued relative to pre-crisis levels, constrained by a shortage of properties for sale.

**Capacity utilisation** had edged down on the month, and was slightly below normal in manufacturing and slightly above normal in services.

**Employment intentions** had softened across all sectors bar consumer services and were consistent with modest employment growth overall (**Chart 5**). Manufacturing employment was expected to contract slightly over the next six months. That said, **Recruitment difficulties** had remained above normal.

**Labour cost growth** had eased slightly, although there remained pockets of strong wage growth where skills shortages were acute. The softening in pay growth had reflected slowing activity in manufacturing and the effects of low inflation, which was mitigating upward pressures in pay for some companies.

**Materials costs** and **imported finished goods prices** had remained lower than a year earlier, with little change in the annual rate of decline.

Manufacturing **output prices** were lower than a year ago. Business services price inflation had edged up alongside rising demand for higher-value added activities, but remained modest.

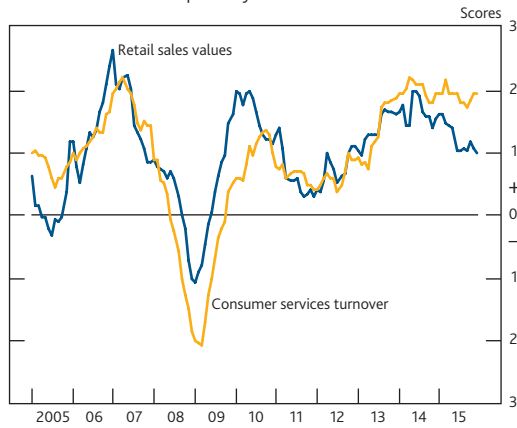
**Consumer prices** for goods had continued to fall on a year earlier (**Chart 6**). Consumer services price inflation had risen slightly, partly reflecting continued demand growth.

This Update covers intelligence gathered from business contacts between late November 2015 and late December 2015. A fuller report for 2016 Q1 will be published on 23 March. This report generally makes comparisons with activity and prices over the past three months on a year earlier. It represents the aggregate view offered from business contacts across the whole of the United Kingdom. More information on the Bank's Agencies can be found at [www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx](http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx).

## Selected charts of the Agents' national scores

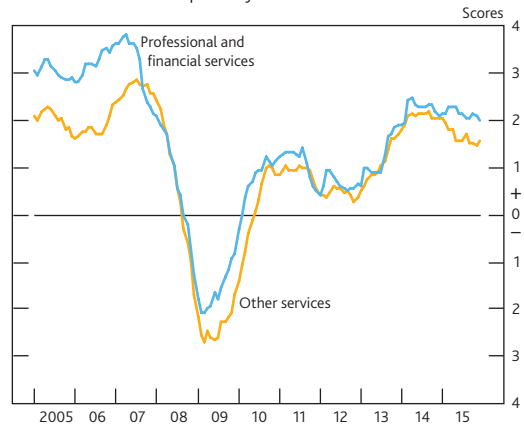
**Chart 1** Retail sales values and consumer services turnover

Three months on the same period a year earlier



**Chart 2** Business services turnover

Three months on the same period a year earlier



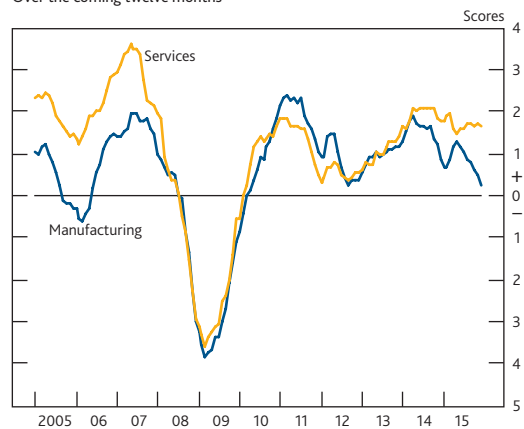
**Chart 3** Manufacturing output

Three months on the same period a year earlier



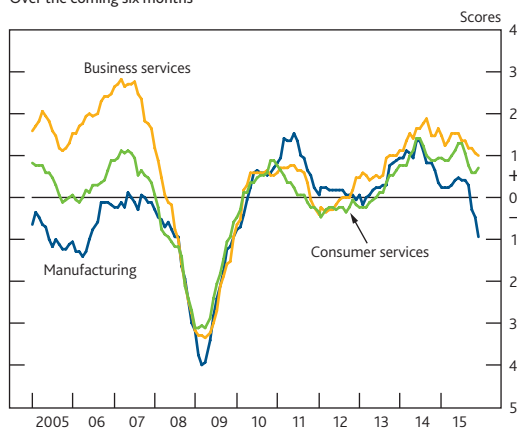
**Chart 4** Investment intentions

Over the coming twelve months



**Chart 5** Employment intentions

Over the coming six months



**Chart 6** Retail goods and consumer services prices

Three months on the same period a year earlier

